Gas Natural de Lima y Callao S.A.

Independent Auditor's Report

Financial Statements
For the years ended
December 31st, 2014 and 2013

GAS NATURAL DE LIMA Y CALLAO S.A.

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INDEPENDENT AUDITOR’S REPORT

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

1. We have audited the financial statements of Gas Natural de Lima y Callao S.A. (a subsidiary of EEB Peru Holdings Ltd.), which comprise the statements of the financial position as of December 31st, 2014 and 2013, and the statements of comprehensive income, changes in equity, and cash flows for the years ended on such dates, as well as a summary of the significant accountable policies and other explanatory notes.

Responsibility of the Company’s Management regarding the Financial Statements

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

Auditor’s Responsibility

3. Our responsibility consists in expressing an opinion on these financial statements based on our audits. Our audits were conducted in accordance with the International Standards on Auditing approved by the Board of Deans Directing Council of the Public Accountants Associations of Peru, for its application in Peru. Those standards require that we comply with ethical requirements, and that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

4. An audit involves performing procedures to obtain audit evidence about the balances and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risk that the financial statements contain material misstatements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements, in order to design those audit procedures that are appropriate under 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 assessing the enforceability of the accounting policies used and the reasonableness of accounting estimates made by the Company’s Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6. In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of **Gas Natural de Lima y Callao S.A,** as of December 31st, 2014 and 2013, its financial performance and cash flows for the years then ended in accordance with the International Financial Reporting Standards.

Countersigned by:

___________________ (Partner)
Miriam Loli Valverde
CPA Register N° 25227

February 5th, 2015

GAS NATURAL DE LIMA Y CALLAO S.A.

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

	Notes	2014	2013
		US$000	US$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	79,413	104,958
Trade accounts receivable, net	6	73,850	62,630
Accounts receivable from related parties	25	92	697
Inventories, net	7	21,145	20,958
Other accounts receivable	8	15,276	5,411
Income tax assets	23	2,152	7,535
Other non-financial assets		783	415
Total current assets		192,711	202,604
NON-CURRENT ASSETS			
Accounts receivable, net	6	12,474	8,261
Property, plant and equipment, net	9	9,444	9,756
Intangible assets, net	10	472,714	410,928
Other accounts receivable	8	8,371	16,602
Total non-current assets		503,003	445,547
TOTAL		695,714	648,151

	Notes	2014	2013
		US$000	US$000
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade accounts payable	12	49,823	49,693
Other liabilities	14	23,571	22,344
Deferred revenue	15	13,128	3,042
Total current liabilities		86,522	75,079
NON-CURRENT LIABILITIES			
Loans	11	318,054	317,863
Deferred income tax liabilities	24	78	291
Provisions	13	3,260	2,684
Deferred revenue		765	632
Other liabilities	14	7,521	7,386
Total non-current liabilities		329,678	328,856
Total liabilities		416,200	403,935
EQUITY			
Capital stock issued	16	235,583	220,528
Legal reserve	16	8,633	6,960
Retained earning		35,298	16,728
Total equity		279,514	244,216
TOTAL		695,714	648,151

The accompanying notes are an integral part of the financial statements

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In US$ Thousands)

	Notes	2014	2013
		US$000	US$000
OPERATING REVENUES			
Revenues from natural gas sale, transport, distribution and related services	17	425,113	367,033
Revenues for expansion of main pipeline		81,355	89,613
Other operations revenue		5,591	4,241
Total operational revenues		512,059	460,887
COST OF SALES			
Cost of natural gas sale, transport, distribution and related services	18	(325,127)	(281,832)
Cost of sale for expansion of the main pipeline		(81,355)	(89,613)
Gross profit		105,577	89,442
Administration and general expenses	19	(26,279)	(26,268)
Selling expenses	20	(9,909)	(10,960)
Other (expenses) income		219	936
Operating profit		69,608	53,150
Financial income		946	1,644
Financial costs	21	(14,535)	(20,850)
Exchange difference, net	4	(6,266)	(7,927)
Profit before income tax		49,753	26,017
Income tax expense	23	(14,455)	(9,289)
Net profit		35,298	16,728
Other comprehensive income, net of tax		-	-
Total comprehensive income		35,298	16,728
Net earnings per share:			
Basic and diluted (in US dollars)	25	0.154	0.087

The accompanying notes are an integral part of the financial statements

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In US$ Thousands)

	Capital stock issued US$000	Legal Reserve US$000	Retained earnings US$000	Total equity US$000
BALANCE AS OF JANUARY 1st, 2013	133,301	4,310	64,877	202,488
Total comprehensive income	-	-	16,728	16,728
Transfer to legal reserve	-	2,650	(2,650)	-
Increase capital stock issued	25,000	-	-	25,000
Capitalization of retained earnings	62,227	-	(62,227)	-
BALANCE AS OF DECEMBER 31st, 2013	220,528	6,960	16,728	244,216
Total comprehensive income	-	-	35,298	35,298
Transfer to legal reserve	-	1,673	(1,673)	-
Capitalization of retained profit	15,055	-	(15,055)	-
BALANCE AS OF DECEMBER 31, 2014	235,583	8,633	35,298	279,514

The accompanying notes are an integral part of the financial statements

GAS NATURAL DE LIMA Y CALLAO S.A.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(IN US$ THOUSANDS)

	2014 US$000	2013 US$000
OPERATING ACTIVITIES		
Collection corresponding to:		
Income from distribution services	428,011	356,742
Other cash collection related to operating activities	892	1,578
Payments corresponding to:		
Suppliers of goods and services	(314,654)	(282,191)
Employee benefits	(20,307)	(19,721)
Income tax	(6,511)	(22,510)
Interests	(14,535)	(25,980)
Other cash payments related to operating activity	(8,352)	(10,804)
Net cash provided by (used in) operating activities	64,544	(2,886)
INVESTING ACTIVITIES		
Collection from:		
Sale or property, plant and equipment	60	141
Payments corresponding to:		
Investment in concession goods	(78,518)	(73,772)
Purchase of software	(495)	(639)
Disbursements for improvements in leased property, plant and equipment	(1,090)	(7,311)
Net cash provided by investment activities	(80,043)	(81,581)
FINANCING ACTIVITES		
Collection from:		
Loans received	-	317,863
Capital contribution	-	25,000
Payment corresponding to:		
Financial contribution and overcharge refund	(10,046)	(1,940)
Loans from related parties	-	(47,000)
Amortization or payment of loan received	-	(149,684)
Net cash and cash equivalents (used in) provided by financing activities	(10,046)	144,239
NET INCREASE IN CASH AND CASH EQUIVALENTS	(25,545)	59,772
CASH AND CASH EQUIVALTNES AT THE START OF THE YEAR	104,958	45,186
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	79,413	104,958

The accompanying notes are an integral part of the financial statements

1. CONSTITUTION AND ECONOMIC ACTIVITY, AND APPROVAL OF FINANCIAL STATEMENTS

(a) Constitution and Economic Activity

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

The Company was incorporated in Lima, Peru on February 8th, 2002. It started its commercial operations of natural gas distribution on August 20th, 2004. The Company is a subsidiary of Empresa de Energía de Bogota since February 14th, 2011, which owns 60% of the shares entitled to vote representing the social capital through EEB Peru Holdings LTD (hereinafter EEB). Promigas S.A. ESP holds the remaining 40 %.

(b) Approval of Financial Statements

The accompanying financial statements for the year ended December 31st, 2014, prepared in accordance with the International Financial Reporting Standards (hereinafter IFRS), were authorized for issuance by the Company's Management on February 5th, 2015. These financial statements will be submitted to the Board of Directors and to the General Shareholder's Meeting to be held within the terms established by law for its approval. According to the Company's Management, the same shall be approved by the Board of Directors and the General Shareholder's Meeting without any modifications. The financial statements for the year ended December 31st, 2013 prepared in accordance with IFRS, were approved by the General Shareholder's Meeting of March 26th, 2014.

(c) Main Operating Contracts and Agreements

(c.1) Distribution Concession Contract - BOOT

By means of the Assignment of Contractual Position Agreement (the "Agreement") subscribed on May 2nd, 2002, with participation of the Peruvian State as "Grantor", the Company received gratuitously from Transportadora de Gas del Peru SA (the "Assignor"), all rights and obligations of the BOOT Contract for the Concession of Natural Gas Distribution by Pipeline in Lima and Callao (the "Contract") and the exploitation of the assets of the concession, acquiring the name "Concessionaire" in such contract.

Through this Contract, the Company is entitled to distribute natural gas through pipelines in the Department of Lima and the Constitutional Province of Callao, within the beginning of commercial operations and the maturity of the Contract, established in 33 years as from December 9th, 2000. At the Contract's termination, the Company may request an extension of the term not less than four years prior to the date of maturity or of any of its extensions. Each extension may not be longer than 10 years and may be granted successively, without exceeding a maximum cumulative of 60 years.

Additionally, on May 6th, 2010, the Peruvian government and the Company executed an amendment to the Contract in order to incorporate within it, among others, the basic guidelines and a Single Distribution Tariff scheme, applicable throughout the Concession Area.

Subsequently, on July 22nd, 2010, the Peruvian government and the Company subscribed a Clarification for the BOOT Contract through by means of which expressly stated that the Single Distribution Tariff may only be established according to customers or consumers' categories as consumption ranges.

Under this Contract, the Company is mainly responsible for:

- On May 6th, 2010, the Company assumed the commitment as from May 8th, 2010, effective date of the Single Distribution Tariff, to be capable of actually provide the Distribution Service to at least the following amount of 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 in the High Pressure Pipeline, according to the controls established prior to 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 construction activities schedule for the Initial Committed Works, without exceeding the deadline for the beginning of the commercial operation. Such schedule was met promptly by the Company, proof of which is the refund of the performance bond, delivered to the Peruvian State to guarantee the obligations assumed.

- During the term of the guarantee period (over which the Main Pipeline Guarantee mechanism applies), do not allocate more than 33% of the guaranteed capacity of the Distribution Pipeline to its related parties, excluding from this limitation the capacity intended serving the initial consumers or directly contracted by the same, including their respective assignees or successors, in the purchase, sale or gas supply contracts. This main pipeline guarantee mechanism is no longer in force.

The Company may charge the consumer, according to their category and condition, the following costs: natural gas, gas transportation, distribution through the High Pressure Pipelines (or Main Pipelines), distribution through "Other pipelines" (or secondary pipelines) and taxes not included in these concepts. When the Single Distribution Tariff came into force, concepts related to the Main Pipelines and Other Distribution Pipelines were consolidate in one single tariff. Likewise, the cost of natural gas and the cost of transportation must reflect the transfer of the corresponding unit cost without establishing margins upon the same.

In order to ensure compliance with the obligations as from the start of commercial operations, the Company provided the grantor a performance bond of (in thousands) US$1,000, the same to be maintained during the term of the concession contract. As of December 31st, 2014, this warranty consists of a letter of guarantee granted by Banco de Crédito del Peru, maturing on August 9th, 2016, which is periodically renewed at its maturity date.

As of December 31st, 2014, the Company has been complying the responsibilities assumed in this Contract.

(c.2) Legal Stability Agreement

By means of the addendum dated on May 2nd, 2002, Transportadora de Gas del Peru SA assigned to the Company its contractual position upon the Legal Stability Agreement (Agreement), granted on December 5th, 2000 by the Peruvian State. Under this addendum, the State is obliged to guarantee the Company with a stable legal status, including Income Taxes, during the term of the concession.

(c.3) Guarantee Agreement

By means of the addendum dated on May 2nd, 2002, Transportadora de Gas del Peru SA assigned to the Company its contractual position upon the Guarantee Agreement granted on December 9th, 2000 by the Peruvian State. Under this addendum, the State is obliged to guarantee all obligations, representations, assurances and guarantees granted by the Peruvian State in the Contract, including payment of the Main Pipeline Guarantee (MPG), in charge of the collecting company, whereby the Company would receive a guaranteed income during the first five years or until incomes exceeding the established amount are generated. In 2009, the Company exceeded the amount of the guaranteed income, and the MPG collection and validity expired.

(c.4) Contract of Services to Related Entities

The Company holds a Technical Service Support Contract with the company Promigas SA ESP, whereby the latter provides technical support to the Company in the development of, among others, of commercial, engineering, construction, operating, and maintenance activities related to the Distribution Service and Distribution System.

Additionally, the company holds a Provision of Services Contract with the company CONTUGAS S.A.C., in order to provide support on technical and commercial issues for the development of its activities in the Department of Ica.

On January 14th, 2013, the Company entered an Agreement for Natural Gas Firm Transportation Capacity Transfer with CONTUGAS SAC, for the term of one year, at the same tariff as the contract TGP-CONTUGAS.

On September 2nd, 2013, an agreement was subscribed with Contugas to sublease the administrative offices.

On November 14th, 2013, two (2) contracts were subscribed with Empresa de Energía Bogota S.A. ESP, for the following:

- Technical Support and Consultancy Contract
- Administrative Consultancy and Management Support Contract

On October 9th, 2014, a contract was subscribed with EEB Ingeniería and Servicios Perú SAC for the provision of services and validation of internal installations, connecting pipeworks, as well as the qualification and inspection process in HSE issues

(d) Operating regulation and legal standards affecting the activities of the Hydrocarbons Sector and of the Company

(i) Ministry of Energy and Mines

The Ministry of Energy and Mines (Ministerio de Energía y Minas), is the central and governing body of the Energy and Mining Sector, and constitutes an integral part of the Executive Branch. This Ministry formulates and evaluates, in harmony with the Government's general politics and plans, the nationwide policies regarding the sustainable development of mining and energy activities.

Additionally, the Ministry of Energy and Mines aims to promote the comprehensive development of mining and energy activities, regulating, controlling and/or supervising, as appropriate, its compliance and defending the rational use of natural resources.

(ii) Energy and Mining Investment Supervisory Body

The Energy and Mining Investment Supervisory Body (Organismo Supervisor de la Inversión en Energía y Minería – OSINERGMIN) was created by Law N° 26734. Its purpose is to supervise the activities developed by companies in the electricity and hydrocarbons sub-sectors, safeguarding the quality and efficiency of the service provided to the user, and regulating the compliance of the obligations contracted by the licensees in the concession contracts, as well as the legal provisions and technical standards in force. Also, OSINERGMIN must regulate the compliance of the investment commitments in accordance with the provisions of the corresponding contracts.

(iii) Hydrocarbons Law

The activity of the Company is governed by the Hydrocarbons Law, which establishes that transportation, distribution and commercialization of products derived from hydrocarbons, will be governed by standards approved by the Ministry of Energy and Mines.

(iv) Law of Promotion of Natural Gas Industry Development

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

Supreme Decrees N° 048-2008-EM and 082-2009-EM, modified the Regulation of the Law of Promotion, in order to (i) allow the implementation of the Single Distribution Tariff (unifying the Main Pipeline Tariff and Other Pipelines Tariff) to be applied within the Company's Concession

Area, with a tariff period of four years, and (ii) implement a compensation mechanism regarding the nonpayment of such tariff by electrical generators until March 31st, 2014; date on which, without exception, the Single Distribution Tariff shall be applied. The difference will be collected through charges to the secondary and complementary electric transmission systems applicable to final users.

The Single Distribution Tariff shall cover the cost of service, paid through the guaranteed incomes and advance payments for the guarantee, plus investments and efficient administration, operation and maintenance incremental costs, corresponding to an additional capacity that ensures an adequate provision of service, taking into consideration the current demand and the projection of the same, as well as the existing restrictions upon installation. Within the regulation procedure of the Single Distribution Tariff, a five-year investment plan is approved, which cost is included in the tariff base.

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

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

On May 6th, 2014, the Single Distribution Tariff was approved, by means of OSINERGMIN Resolution 086-2015-OS/CD, which will be effective during four years, as from May 7th, 2014 to May 6th, 2018.

(v) Regulations for Natural Gas Distribution through Pipelines

The Regulations for Natural Gas Distribution through Pipelines was promulgated by means of Supreme Decree N° 042-99-EM. It rules, among other aspects, the provision of public services for natural gas distribution through pipelines, including security standards, regulating standards, and the procedure for granting easement rights. After the promulgation of these regulations, several amendments were applied. The Consolidated Text of the Regulation for Natural Gas Distribution through Pipelines was issued on July 22nd, 2008, by means of Supreme Decree N° 040-2008-EM.

One of the main obligations of this provision is that according to which the concessionaires must attend the supply required within sixty working days when there is infrastructure in the area, or within the next twelve months if none were present, provided that the supply is technically and economically feasible.

(vi) OSINERGMIN Resolution N° 056-2009-OS/CD

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance, and Basis for the Preparation and Presentation

The accompanying financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) effective as of December 31st, 2014 and 2013, as appropriate, which include the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations issued by the Interpretations Committee of the International Financial Reporting Standards (IFRIC) or the former Standing Interpretation 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. Historical cost is generally based on the fair value of the consideration given for the exchange of assets.

Fair value is the price that would be received when selling an asset, or paid when transferring a liability in a transaction organized between market participants at a measurement date, regardless of the fact that such prices are directly observable or considerable by means of a different valuation technique. In estimating the fair value of an asset or liability, the Company considers the characteristics of such asset or liability in case the market participants would like to consider them when calculating a price at the measurement date. The fair value for purposes of measurement and/or disclosure in these financial statements, is determined on such basis, except for payment transactions based on shares (which fall within the scope of IFRS 2), leasing transactions (within the scope of IAS 17), and measurements that may be similar to the fair value, such as the realizable net value in IAS 2, or the value in use in IAS 36.

(b) Responsibility for Information and Estimates Performed

The information contained in these financial statements is the responsibility of the Company's Management. For the preparation thereof, 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, recording the effects of changes in the related profit and loss (income) statement of the year in which the corresponding revisions are conducted.

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

- Determination of the functional currency and recording of foreign currency transactions.
- Estimate for impairment of assets.
- Lifespan improvements to leased property, plant, equipment and intangibles.
- Fair value, classification and risks in financial assets and liabilities.
- Deferred income taxes.
- Provision for revenues and costs for gas delivered but not billed.
- Probability of contingencies.

(c) Functional Currency 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 commercialized and services provided, among other factors.

(d) Foreign Currency

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

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

Accounting in Foreign Currency

By means of Supreme Decree 151-2002-EF, dated on September 26th, 2002, provisions were established for tax payers who subscribed contracts with the Peruvian State and received and/or made direct foreign investment, in order to keep their accounting records in foreign currency. Accordingly, having the Company subscribed several contracts of assignment of contractual position with the Peruvian State, as described in Note 1 of 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 arise simultaneously, a financial asset in one company and a financial liability or equity instrument in another company. Financial assets and liabilities are recognized when the Company becomes a part of the contractual agreements of the corresponding instrument.

Financial assets and financial liabilities are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue thereof, 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 or issue are recognized immediately in the profit or loss statement for the period.

Financial Assets

Conventional purchases or sales of financial assets are recognized and written off on accounts using the trade date accounting method, in which the following are recognized to that date: (a) asset to be received and liability to be paid, and (b) write off of the asset being sold, recognition of the eventual profit 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 recorded at amortized cost using the effective interest rate method, less any accumulated impairment loss recognized. Interest income is recognized using the effective interest rate, except for short-term accounts receivable in which its recognition is considered not significant. The Company does not hold financial assets that require a classification in the following categories: financial assets at fair value through profit or loss; investments held to maturity; or, financial assets available for sale, nor has it conducted any transactions during the period in which such classifications have been required.

Financial Liabilities

Financial liabilities and equity instruments are classified in accordance with the content of the contractual arrangements and considering the economic substance of the contract. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company does not hold financial liabilities at fair value through profit or loss, or financial liabilities held for trading. Financial liabilities comprise: loans, trade payables and other accounts payables, which are valued subsequent to initial recognition at amortized cost using the effective interest rate method, recognizing in profit the interests accrued during the corresponding period.

Derivative Financial Instruments

The Company enters into transactions with derivative financial instruments to manage its exposure to the risk of foreign exchange rate, which include foreign exchange contracts in the future

Derivatives are initially recognized at fair value at the date of entering into the contract, and are subsequently remeasured at fair value at the date of each reporting period. Profits or losses on changes in fair value of these assets are recognized under profit or loss for the period in which they occur, unless the derivative has been designated as a hedge instrument and it is highly effective, in which case the recognition under profit or loss depends on the nature of the hedging relationship.

(f) Inventories

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

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

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

(g) Improvements to Leased Property, Plant and Equipment

Improvements to leased property, plant and equipment are stated at cost, less depreciation and any recognized impairment loss value. Initial disbursements, as well as those subsequently incurred, related to items whose cost can be reliably estimated, and it is probable that future economic benefits are obtained from them, are recognized as fixed assets. Disbursements for maintenance and repairs are expensed during the period incurred. Profits or losses arising on the sale or disposal of an item of improvements to leased property, plant and equipment are determined as the difference between the sales proceeds and the carrying amount of the asset, which are recognized in the profit or loss (income) period at the moment the sale is recognized.

Improvements in leased property, plant and equipment during the process of construction or acquisition are presented at cost, less any determined impairment loss. The cost of these assets include professional fees and, for qualifying assets, costs for obtained loans. Such assets are subsequently reclassified to the appropriate category of plant and equipment once the process of construction or acquisition is completed, and the same are ready for their intended use. These assets are depreciated from that moment, on a similar manner as all other improvements to leased property, plant or equipment.

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

	Years
Improvements in leased property	10
Plant and equipment	10
Transportation units	5
Furniture and fixtures	10
Other equipment	10
Computing equipment	4

Estimated lifespans, residual values and depreciation methods are reviewed at the end of each reporting period to evaluate possible significant changes in the previous expectations or in the expected consumption pattern of the future economic benefits incorporated to the assets, incorporating in a prospective manner the effects of any change in these estimates under net profit or loss during the period in which they occur.

(h) Intangible Assets

(h.1) Concession assets

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 the services to be provided by the Company, establishing the tariff calculation method and the compliance monitoring thereof.

- The Ministry of Energy and Mines holds control over a significant residual part of the concession assets. The Contract establishes that assets will be returned to the grantor at its termination at book value.

- The infrastructure was built exclusively for the purpose of the concession. Such construction was not made directly by the Company; it was entrusted to a third party under the Company's supervision and responsibility.

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

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

The contract contains no specific obligation to perform major maintenance, and to date, the Company's projections do not consider any future major maintenance. However, due to the nature of the concession assets, maintenance is constant and periodical, and is a part of the operating and maintenance costs, and therefore recognized as expenses when incurred.

Amortization is recognized as an expense and determined using the straight-line method, based on the estimated lifespan of the assets.

(h.2) Other intangible assets

Intangible assets with finite lifespans are reported at cost, less accumulated amortization and any accumulated impairment losses of recognized value. Amortization is estimated on base of the straight-line method over the lifespan estimated by the Company. Estimations of lifespans and amortization methods are reviewed at the end of each reporting period to evaluate possible significant changes in the previous expectations, or in the expected consumption pattern of the future economic benefits incorporated to the assets, incorporating in a prospective manner the effects of any change in these estimates under net profit or loss during the period in which they occur.

(i) Review of the Impairment of Long-term Assets

The Company periodically reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs Where a reasonable and consistent basis of allocation is identified, corporate assets are also allocated to individual cash-generating units, or alternatively, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value, less costs to sell and value in use. The value in use is determined based on the estimated future cash flows, discounted to their present value, using a discount rate prior to taxes, which reflects current market assessments regarding the value of money over time and the risks specific to the asset.

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

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

(j) Leases

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

For contracts that classify as financial leases where the Company acts as the lessee, the leased property and equipment are initially recognized as Company's assets at its fair value or present value of minimum lease payment, the lowest, at the beginning of the term thereof. Improvements to leased property, plant and equipment recorded as such, are depreciated by the aforementioned method and base. The corresponding obligations are recognized as liabilities.

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

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

(k) Provisions

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

The amount recognized as provision corresponds to the best estimate, to the date of the statement of financial position, of the necessary expenditure to settle the present obligation, considering the risks and uncertainties surrounding most of the events and circumstances concurrent to the valuation thereof. When the amount of the provision is measured using estimated cash flows to settle the obligation, the carrying amount is the present value of the corresponding expenditures.

In the event that part or all the expenditure required to settle the provision is expected to be reimbursed by a third party, the receivable portion is recognized as an asset when its recovery is almost certain, and the amount of such portion may be reliably determined.

(l) Contingent Liabilities and Assets

Contingent liabilities are not recognized in the financial statements: they are only disclosed in a note. Such disclosure is not required when the possibility of an outflow of resources to cover a contingent liability 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 occur.

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

(m) Employees' Benefits

Employees' benefits include, among others, short-term benefits, such a wages, salaries and social security contributions, annual vacations, sick leaves, profit sharing and bonuses, if paid within the term of twelve months after the end of the period in which employees have rendered services which grant them those benefits. These benefits are recognized under profit or loss of the period in which the employee has rendered the services entitling them to the contributions. The corresponding obligations payable are presented as part of other liabilities.

(n) Recognition of revenues

Revenues are measured at the fair value of the consideration, received or receivable, arising therefrom. Revenues are reduced by those estimates such as customer returns, rebates, and other similar items.

Natural gas distribution services are billed monthly based on cyclic readings, and are recognized as income in the period in which the service has been provided. Revenues from natural gas delivered but not billed for the period between the last cyclic reading and the end of the month, is included in the following month billing, but is recognized as revenue during the month on which the natural gas is provided, based on the estimated consumption of natural gas by the service user during such period.

Interest revenues are recognized when the Company is likely to receive the economic benefits related to such transaction and the amount of revenue can be reliably measured. These are accrued on a periodic basis, taking as reference the outstanding and at the effective interest rate applicable.

(o) Recognition of Costs and Expenses

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

(p) Income Taxes

Income tax expense comprises the sum of the current income tax payable estimated plus the deferred income tax.

Current income tax is determined applying the tax rate established in the current tax legislation to the fiscal year net income.

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 tax assets are generally recognized for all deductible temporary differences and tax credit, rebates and non-utilized tax losses, to the extent that it is considered probable that the Company will have sufficient future taxable profits to recover them. Such assets and liabilities are not recognized if the temporary differences proceed from goodwill or from the initial recognition (except for joint venture) of other assets and liabilities in an operation that affects neither the taxable result nor the accounting result.

The carrying amount of deferred 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 taxable profits to recover all, or a part, of such assets.

Deferred income tax assets and liabilities are determined using the tax rates expected to be applied to 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 completed at the end of the reporting period. Measurement of such deferred taxes reflects the taxable consequences that could derive from the manner in which the Company expects to recover or settle the carrying amount of their assets and liabilities by the end of the reporting period.

Current and deferred income taxes are recognized as expense or revenue, and included in the determination of net profit or loss for the period, except when they relate to items that are recognized in other comprehensive incomes or directly in equity, in which case, the current or deferred income tax is also recognized in other comprehensive income or directly in equity, respectively.

(q) Cash and Cash Equivalents

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

(r) Earnings per Share

Basic earnings per common share has been computed by dividing net income for the year attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year. Since there are no potential common shares with diluting effects, that is, financial instruments or other contracts granting the right to obtaining common shares, the diluted earnings per common share equals the basic earning per common share.

(s) Reclassifications

Certain figures for the fiscal year 2013 have been reclassified in order to make them comparable with those for the fiscal year 2014:

	2013
	US$000
Statements of Financial Position	
From Other liabilities	
to Assets for income taxes	149

3. NEW STANDARDS AND INTERPRETATIONS ISSUED INTERNATIONALLY

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

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

- ***Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities*** Effective for annual periods beginning on or after January 1st, 2014, with earlier application permitted. Amendments to IFRS 10 define the investment entities and require that those entities that meet these definitions do not consolidate its subsidiaries, but to be measured at fair value through profit or loss in its separate and consolidated financial statements.

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

  - To obtain funds from one or more investors in order to provide them professional investment management services.

  - To promise your investor(s) that the purpose of your business is to invest funds only for returns on capital appreciation, investment income, or both.

  - To measure and evaluate the performance of virtually all of its investments on a fair value basis.

Consequently, amendments have been made in order that IFRS 12 and IAS 27 present new disclosure requirements for the investment entities.

Since the Company is not an investment entity (according to the criteria established in IFRS 10, as of January 1st, 2014), the application of the amendments has not affected the disclosures and amounts recognized in the consolidated financial statements of the Group.

- ***Amendments to IAS 32 Compensation of financial assets and liabilities.*** Effective for annual periods beginning on or after January 1st, 2014 and 2013 for matters relating to disclosures. The amendments clarify implementation issues relating to the requirements for the compensation (or offsetting) of financial assets and liabilities. Specifically, the amendments clarify the meaning of the terms "to have, at the present time, the legally enforceable right to compensate" and "to settle on a net basis, or to realize the asset and settle the liability simultaneously." It also requires the disclosure of information on compensation (offset) rights and related agreements (such as collaterals) for financial instruments subject to an executable compensation framework agreement, or similar. Since the Company has no financial assets and financial liabilities classified as compensation, the implementation of the amendments do not affect the disclosures or the amounts recognized in the financial statements of the Company. The Company has evaluated if any of its financial assets or financial liabilities is within the classification of compensation, according to the criteria established in the amendments, and concluded that the implementation of the amendments has not affected the amounts recognized in the financial statements of the Company.

- ***Amendments to IAS 36 Disclosures of recoverable amounts for non-financial assets. Amendments*** to IAS 36 eliminate the requirement to disclose the recoverable amount of a Cash Generating Unit (CGU). to which goodwill or other intangible assets with long lifespans had been assigned when there has been an impairment or reverse regarding the CGU. Furthermore, the amendments add other disclosure requirements which are applied when the recoverable amount of an asset or a CGU is measured at the fair value less the costs of disposal. These new disclosures include: fair value hierarchy, key assumptions and valuation techniques applied in conjunction with the request for disclosure established in IFRS 13 Fair Value Measurement. The amendments require retrospective application. The application of these amendments have no material effect on the amounts and disclosures of the financial statements.

- ***Amendments to IAS 39 Novation of derivatives and continuation of hedge accounting.*** Amendments to IAS 39 are more flexible with respect to the requirement to discontinue hedge accounting when a derivative, designated as a hedging instrument, is novated under certain circumstances. The amendments also explain that any change to the fair value of derivatives, designated as hedging instruments, product of the novation should be included in the assessment and measurement of hedging effectiveness. These amendments require retrospective application. Since the group has no derivatives that are subject to novation, the application of these changes have no effect on the disclosures or the amounts recognized in the financial statements.

- ***IFRIC 21Levies*** IFRIC 21 addresses the issue of when to recognize a liability to pay a levy. The interpretation defines a levy and specifies that the obligating event giving rise to the liability is the activity that allows the payment of the levy, in accordance with the law. The interpretation provides guidance on how to register several agreements in a levy, and especially explains that neither economic compulsion nor the going concern assumption imply that an entity has a present obligation to pay a levy that will occur in order to operate in a future period. IFRIC 21 requires retrospective application. The application of this interpretation had no material effect on the disclosure of the amounts recognized in the financial statements.

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

The following standards and interpretations have been published with application for periods beginning after the date of presentation of these financial statements:

- IFRS 9 *Financial Instruments*[5]

- IFRS 15 Revenues from contracts with customers[4]

- Amendments to IRFS 11 Joint Arrangements

- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization[3]

- Amendments to IAS 16 and IAS 41 Agriculture: Productive plants[3]

- Amendments to IAS 19 Defined Benefit Plans: Employees' Contributions[1]

- Amendments to IFRS Annual improvements Cycle 2010-2012[2]

- Amendments to IFRS Annual improvements Cycle 2011-2013[1]

[1] Effective for annual periods beginning on July 1st, 2014 or after, with anticipated application permitted.

[2] Effective for annual periods beginning on July 1st, 2014 or after, with exceptions. Anticipated application is permitted.

[3] Effective for annual periods beginning on January 1st, 2016 or after, with anticipated application permitted.

[4] Effective for annual periods beginning on January 1st, 2017 or after, with anticipated application permitted.

[5] Effective for annual periods beginning on January 1st, 2018 or after, with anticipated application permitted.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. It was further amended in October 2010 to include the requirements for the classification and measurement of financial liabilities, and for derecognition. In November 2013, it included new requirements for overall coverage accounting. In July 2014, another revised version of IFRS 9 was issued to include primarily: a) impairment requirements for financial assets, and b) amendments limited to the requirements of classification and measurement by introducing a measurement category at "fair value through other comprehensive income" (FVTOCI) for some simple debt instruments.

IRFS 9 key requirements:

- IFRS 9 requires that all recognized financial assets are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortized cost or fair value. In particular, debt instruments 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 outstanding principal, usually are measured at amortized cost at the end of the subsequent accounting periods. They are also measured at fair value through other comprehensive income; debt instruments held in a business model whose objective is met to collect contractual cash flows and sell financial assets, and that have contractual terms of the financial asset, produce, on specific dates, cash flows that only represent payments of principal and interest on the outstanding principal amount. All other debt investments and equity are measured at their fair value at the end of the subsequent accounting periods. Additionally, under IFRS 9, entities can make an irrevocable election to present later changes in the fair value of an equity investment (not held for trading) in other comprehensive income, only with the dividend income generally recognized in profit or losses.

- Regarding the measurement of financial liabilities that are designated at fair value through profit and loss, IFRS 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the credit risk of the liability in other comprehensive income creates or increases an accounting disparity in profit or loss. Changes in fair value attributable to credit risk of financial liabilities are not subsequently reclassified to profit or loss. Under IAS 39, the total amount of the change in the fair value of financial liabilities designated at fair value through profit and loss, was recognized in profit or loss.

- Regarding impairment of financial assets, IFRS 9 requires an impairment model for expected credit loss, as opposed to the model of impairment for incurred credit loss, in accordance with IFRS 39. The model for impairment loss requires that an entity accounts the expected credit losses, and changes in these expected credit losses, each date the report is submitted to reflect changes in credit risk since the initial recognition. In other words, a credit event is no longer required before credit losses are recognized.

The new general requirements for hedge accounting maintain the three types of hedge accounting mechanisms that currently are available in IAS 39. In accordance with IFRS 9, the types of transactions ideal for hedge accounting are much more flexible, specifically to expand the types of instruments that are classified as hedging instruments and the types of risk components of non-financial items ideal for hedge accounting. In addition, the effectiveness test by the principle of "economic relationship" has been revised and replaced. A retrospective evaluation to measure the effectiveness of the hedge is no longer required. Improved requirements on disclosures of risk management activities of an entity disclosure were also added.

The Company's Management considers that the future application of IFRS 9 may not have a material effect on the amounts being reported in relation to the financial assets and financial liabilities of the Company. However, it is not feasible to provide a reasonable estimate of the effect of IFRS 9 until the Company performs a detailed review.

IFRS 15 Revenues from contracts with customers

In May 2014, IFRS 15 was issued, providing an extensive and detailed model to be used by entities in the accounting of revenues from contracts with customers. IFRS 15 replaces the current revenue recognition guidelines, including IAS 18 Revenues, IAS 11 Construction Contracts and the related interpretations at its effective date.

The fundamental principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers, in an amount that reflects the consideration that the entity expects to receive in exchange for such goods or services. Specifically, the standard adds a 5-step model for accounting for the revenue:

- Step 1: identify the contract with the customers.
- Step 2: identify the performance obligations in the contract.
- Step 3: determine the transaction price.
- Step 4: distribute the transaction price to performance obligations in the contract.
- Step 5: recognize the revenue when (or if) the entity meets the requirement.

In accordance with IFRS 15, an entity accounts for a revenue when (or if) a performance obligation is satisfied, i.e. when the "control" of goods and services based on individual performance obligation is transferred to the customer. Many other prescriptive guidelines have been added to IFRS 15 in order to address specific situations. In addition, IFRS 15 requires extensive disclosures.

The Company's Management considers that the future application of IFRS 15 will not have a material effect on the amounts being reported and the disclosures of the financial statements of the Company.

Amendments to IRFS 11 Joint Arrangements

The amendments to IFRS 11 provides guidelines for knowing how to account the acquisition of a joint operation that constitutes a business, as defined in IFRS 3 *Business Combinations.* In particular, the amendments establish the application of the relevant accounting principles in IRFS 3 and other standards (e.g., IAS 36 Assets Impairments, regarding the impairment test of a cash-generating unit to which goodwill has been allocated in the acquisition of a joint venture). The same requirements should be used for the formation of a joint operation if, and only if, an existing business is benefited in the operation by one of the parties involved.

It also requires a joint operator to disclose the information of interest requested by IFRS 3 and other standards for business combination.

The Company's Management considers that the application of these amendments will have no effect on the financial statements, as it does not hold Joint Arrangements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities to use a depreciation method based on revenues for items of property, plant and equipment. Whereas the amendments to IAS 38 introduce legal presumptions claiming that revenue are not an appropriate principle for the amortization of an intangible asset. This presumption can only be discussed in the following two circumstances:

(a) When the intangible asset is expressed as measure of a revenue; or,
(b) When it is possible to demonstrate that a revenue and the consumption of economic benefits of the intangible asset are closely related.

The amendments apply prospectively for annual periods beginning on January 1st, 2016 or after. Currently, the Company uses the straight-line method for depreciation and amortization of property, plant, equipment and intangible assets, respectively. The Company's Management considers that the linear method is the most appropriate method to reflect the consumption of economic benefits inherent to the related assets. Therefore, the Company's Management does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material effect on the financial statements of the Company.

Amendments to IAS 16 and IAS 41 Agriculture: Productive Plants

The amendments to IAS 16 and IAS 41 define the concept of productive plant and require that the biological assets that meet this definition are accounted for as property, plant and equipment in accordance with IAS 16, which replaces IAS 41.

The cultivation of productive plants is still accounted under IAS 41.

The Company's Management considers that the application of these amendments to IAS 16 and IAS 41 will have no effect on the financial statements of the Company, as it does not hold biological assets.

Amendments to IAS 19: Defined Benefit Plans: Employees' Contributions

The amendments to IAS 19 explain how to account for the contributions from employees or third parties that are related to services or defined benefit plans, taking into consideration if these benefits depend on the number of years of service of the employee.

For contributions independent of the number of years of service, the entity may recognize them as a reduction in the cost of service for the period in which it is provided, or attribute them to periods of service of the employee using the method of estimated credit units, whereas for benefits depending on the number of years of service, it is required that they are attributed by the entity.

The Company's Management does not anticipate that the application of these amendments will have a significant effect on the financial statements of the Company.

IFRS's Annual Improvements Cycle 2010 - 2012

The IFRS's annual improvements Cycle 2010 – 2012 include changes to various IFRS, which are summarized below:

Amendments to IFRS 2 (i) change the definition of "necessary conditions for vesting" and "market conditions", and (ii) add definitions for "performance conditions of the concession" and "conditions of service" which were previously included in the definition of "conditions of vesting." The amendments to IFRS 2 are effective for payment transactions based on shares, in which the time allowed is July 1st, 2014 or after.

Amendments to IFRS 3 explain that the contingent consideration, classified as an asset or liability, should be measured at fair value at each date being reported, regardless it is a financial instrument within the scope of IFRS 9, of the IAS 39, or a non-financial asset or liability. Changes to fair value (no adjustments in the measurement period) should be recognized as profits or losses. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is July 1st, 2014 or after.

Amendments to IFRS 8 (i) require that an entity discloses the judgments by the management when applying the aggregation criteria to the operating segments, including a description of the operating segments added and the economic indicators evaluated, in order to determine which segments have "similar economic characteristics," and (ii) explain that a reconciliation of total assets of segments that must be reported in relation to the assets of the entity, should only be delivered if segment assets are provided on a regular basis, to the chief operating officer responsible for making decisions.

Amendments to the basis of conclusions of IFRS 13 clarify that doubts regarding this standard and the subsequent amendments to IAS 39 and IFRS 9 do not suppress the ability to measure the short-term receivables and payables, with no interest rate established on the invoice amounts without discounting, when the effect of discounting is not significant. Since the amendments contain no effective date, it is deemed to have come into effect immediately.

Amendments to IAS 16 and IAS 38 omit inconsistencies in the accounting of the accumulated depreciation / amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards explain that the gross carrying amount consistently conforms to the revaluation of the carrying amount of the revenue, and that the accumulated amortization / depreciation is the difference between the gross carrying amount and the asset revenue, after considering losses for accumulated impairments.

Amendments to IAS 24 explain that a management entity, rendering key management personnel services to the reporting entity or to the controller of such reporting entity, are parties related to the same. Therefore, the reporting entity should disclose as transactions of the related parties, the revenues incurred for the service paid or payable to the management entity management in order to provide key management personnel services. However, disclosure of compensation components is not required.

The Company's Management estimates that the application of these amendments will have no significant effect on the financial statements of the Company.

IFRS's Annual Improvements Cycle 2011 - 2013

The IFRS's annual improvements Cycle 2011 – 2013 include changes to various IFRS, which are summarized below:

Amendments to IFRS 3 explain that the standard does not apply to accounting for all types of joint agreements in the financial statements of such joint agreement.

Amendments to IFRS 13 explain that the scope of the exception of the investment portfolio to measure the fair value of a group of financial assets and financial liabilities based on their exposure applies to all contracts covering the scope and which are accounted for under IAS 39 or IFRS 9, even though these contracts do not meet the definition of financial assets or financial liabilities under IAS 32.

Amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and may additionally require the application of both standards. Therefore, an entity acquiring an investment property must decide whether:

(a) The property meets the definition of investment property established in IAS 40, and
(b) The transaction meets the definition of business combination under IFRS 3.

The Company's Management considers that the application of these amendments will have no significant effect on the financial statements of the Company.

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2014	2013
	US$000	**US$000**
Financial Assets		
Loans and receivables (including sash and cash equivalents)	181,160	182,027
Financial Liabilities		
At amortized cost	392,841	391,494

(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 the Financial Management and through informal procedures intended to reduce the significant effects thereof at the time they occur.

(i) Market risks

Exchange rate risks

The Company bills the sale of its goods and services mainly in nuevos soles, based on its tariffs established in U.S. dollars. Exchange rate risks arise from cash and trade accounts receivable. Exposure to the exchange rate is managed within approved policy parameters, having used in 2014 foreign exchange contracts, which were fully settled as of December 31st, 2014.

The book value of assets and liabilities in foreign currencies as of December 31st, 2014 and December 31st, 2013, reflected in accordance with the basis of accounting described in Note 2 of the financial statements, is as follows:

	2014	**2013**
	US$000	**US$000**
Assets		
Cash and cash equivalents	35,553	37,882
Trade accounts receivable, net	137,124	107,455
Other accounts receivable	28,800	57,018
Income tax asset	48,534	20,651
Total	250,011	223,006
Liabilities		
Trade accounts payable	6,940	4,277
Other liabilities	65,317	11,366
Total	72,257	15,643
Net asset position	177,754	207,363

Balance of financial assets and liabilities in foreign currency are expressed in U.S. Dollars at the buying and selling exchange rate published by the Superintendence of Banking, Insurance and Private Pension Funds (Superintendencia de Banca, Seguros - SBS) effective as of December 31st, 2014, which was US$. 0.33 (US$0.36 as of December 31st, 2013) per S/.1.00.

As of December 31st, 2014, the Company has registered a net loss for exchange rate of US$6,266 (US$7,927 in 2013).

The annualized rates of devaluation of the nuevo sol in relation to the US dollar, calculated on the exchange rate of supply and demand – sales published by the SBS, and the rates of inflation as per the Index of Wholesale Prices (IWP) nationwide in the last two periods, were as follows:

Year	**Devaluation (Appreciation) %**	**Inflation (Deflation) %**
2014	6.90	1.47
2013	9.60	1.55

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

	Increase (decrease in):		
	Exchange rate	**Net Annual Profit (loss)**	**Net Equity**
		US$000	**US$000**
2014			
Nuevos soles / US$	10%	(5,261)	(5,261)
Nuevos soles / US$	-10%	6,769	6,769
2013			
Nuevos soles / US$	10%	(6,742)	(6,742)
Nuevos soles / US$	-10%	8,240	8,240

Interest rate risk

The Company is exposed to interest rate risk, which is mainly caused by obtaining indebtedness at variable interest rates. The interest rate risk is handled by the Company's Management through a policy of conservative indebtedness, which includes obtaining a balanced indebtedness to fixed interest rates; therefore, any change in interest rates would not significantly affect the profit or loss of the Company.

In this regard, the Company's Management considers that the fair value interest rate risk is not important, since the interest rates on its financing do not differ significantly from the market interest rate for similar financial instruments.

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 2018.

(ii) Credit risk

Credit risk arises from the possibility that the counterparty may default on their contractual obligations, generating a financial loss for the Company. Financial instruments that partially expose the Company to credit risk concentrations mainly consist of cash and cash equivalents, and trade accounts receivable. The Company's Management considers having no credit risk due to its large customer base, and that the collection periods are of 15 days for third parties and of 30 days for related companies. There are no significant problems with impairment of accounts receivable.

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

(iii) Liquidity risk

The Company's Financial Management holds the main responsibility for the administration of the liquidity risk, establishing policies and procedures for short, medium and long term indebtedness. Financial Management manages the liquidity risk by monitoring cash flows and the maturity date of their financial assets and liabilities.

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	US$000	**US$000**	**US$000**	**US$000**	**US$000**
As of December 31, 2014					
Financial obligations	-	-	-	318,054	318,054
Trade accounts payable	49,823	-	-	-	49,823
Other accounts payable	17,443	2,306	1,963	3,252	24,694
Total	67,266	2,306	1,963	321,306	392,841
As of December 31, 2013					
Financial obligations	-	-	-	317,863	317,863
Trade accounts payable	49,693	-	-	-	49,693
Other accounts payable	16,552	3,252	2,518	1,616	23,938
Total	66,245	3,252	2,518	319,479	391,494

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

(iv) Capital risk management

The Company manages its capital to assure it may continue as a going concern, while maximizing returns for its shareholders through optimization of indebtedness and equity balances.

The Company's equity structure is formed by net indebtedness (loans to third parties less cash and cash equivalents), and equity attributable to shareholders.

Leverage ratio

The Company's Financial Management reviews the capital structure on a semi-annual basis As part of this review, the Financial Management considers the capital cost and the risks associated with each class of capital.

The leverage ratio is comprised by the following:

	2014	2013
	US$000	US$000
Debt (loans with third parties)	318,054	317,863
Cash and cash equivalents	(79,413)	(104,958)
Total net debt	238,641	212,905
Total equity	279,514	244,216
Leverage ratio	0.85	0.87

(c) Fair value of financial instruments

The Company's Management considers that the carrying value of those financial instruments recorded at amortized cost approximates their fair value.

	2014		2013	
	Book value US$000	Fair value US$000	Book value US$000	Fair value US$000
Financial assets:				
Trade accounts receivables	86.324	86,324	70,892	70,892
Loans to related parties	92	92	697	697
	86,416	86,416	71,589	71,589
Financial liabilities:				
Long-term bank loans	320,000	318,054	320,000	317,863
	320,000	318,054	320,000	317,863

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	2014	2013
	US$000	US$000
Cash and banks	79,413	69,395
Time deposits	-	35,563
Total	79,413	104,958

Cash in hand and banks is mainly comprised of current accounts and bank deposits, corresponding to balances in local banks, in Peruvian nuevos soles and U.S. dollars, and are of freely available.

As of December 31st, 2013, the time deposits correspond to funds that the Company has maintained in local banks, which bear interests at an annual average rate between 0.20 % and 4.00 %, with maturities between 7 and 33 days.

6. TRADE ACCOUNTS RECEIVABLE, NET

Trade accounts receivables, net are as follows:

	Current		Non-current	
	2014	2013	2014	2013
	US$000	US$000	US$000	US$000
Trade	39,346	31,430	13,227	8,846
Provision for non-billed services	36,744	33,277	-	-
Allowance for doubtful accounts	(2,240)	(2,077)	(753)	(585)
	73,850	62,630	12,474	8,261

The average credit period granted to local customers fluctuate from 8 to 15 days after the issuance date of the bill. At the end of the aforementioned periods, overdue balances earn interests at the rate obtained by averaging the active and passive local currency rate published daily by SBS.

As of December 31st, 2014, 93 % (78 % as of December 31st, 2013) of trade accounts receivable correspond to customers with balances due or overdue less than 30 days. A 17.56 % of trade accounts receivable is concentrated in 68 major customers (30 % of trade accounts receivable were concentrated in 67 customers in 2013). There are no other customers that individually represent 0.10 % or more of the total balance of trade accounts receivable.

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

As of December 31st, 2014, the Company holds accounts receivable within maturity terms for (in thousands) US$68,723 (US$56,401 in 2013).

As of December 31st, 2014, trade accounts receivable include due balances for which allowance for doubtful accounts have not been established, given that their credit experience has not changed significantly, and Company's Management considers that such amounts are still recoverable. The Company does not have any guarantee on such outstanding balances, which reflect an average age of 90 days, as of December 31st, 2014 and December 31st, 2013. The age summary of such balances is as follows:

	2014	2013
	US$000	**US000**
Between 1 and 30 days	11,795	9,212
Between 30 and 90 days	274	157
More than 90 days	2,539	2,459
	14,608	11,828

For the years ended December 31st, 2014 and 2013, movement of the item for doubtful accounts consists of:

	2014	2013
	US$000	**US000**
Opening Balance	2,662	1,675
Estimation for impairment (Note 19)	575	1,560
Exchange rate effect	(244)	(573)
	2,993	2,662

The Company maintains an allowance for doubtful accounts at a level considered appropriate by the Company's Management, according to the potential risk of uncollectible accounts. The age of accounts receivable and the situation of the customers are constantly monitored in order ensure the adequacy of item in the financial statements. Credit risk concentrations regarding trade accounts receivable are limited, due to the large number of customers that the Company holds. As a result, the Company's Management considers that provisions are not required in excess for the item of allowance for doubtful accounts.

7. INVENTORIES, NET

Inventories are comprised of:

	2014	2013
	US$000	**US$000**
Supplies	20,995	20,448
Inventory in transit	219	899
	21,214	21,347
Allowance for obsolescence of inventories	(69)	(389)
	21,145	20,958

For the years ended December 31st, 2014 and 2013, the movement in the allowance for impairment of inventories consists of the following:

	2014	2013
	US$000	**US$000**
Saldo inicial	389	-
Destrucción de inventarios	(389)	-
Estimación para deterioro	69	389
Saldo final	69	389

Allowance for impairment of inventories has been determined based on technical reports and in the Management's opinion. This estimation adequately covers the risk of devaluation as of December 31st, 2014 and 2013.

8. OTHER ACCOUNTS RECEIVABLE

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

	Current		Non-current	
	2014	2013	2014	2013
	US$000	US$000	US$000	US$000
Financial assets:				
Osinergmin promotion fund (a)	14,451	3,902	-	-
Advance to suppliers (b)	660	1,305	-	-
Guarantee deposits	61	55	-	-
Others	104	149	55	70
Subtotal	15,276	5,411	55	70
Non-financial assets:				
VAT – fiscal credit, net for compensation (c)	-	-	8,316	16,532
Total	15,276	5,411	8,371	16,602

(a) In 2012, by means of Resolution N° 092-2012 OS/CD, the promotion fund was created, a subsidy given by the state, that is formed through the single distribution tariff to benefit residential customers within the promotion areas (OSINERGMIN regulations), in order to obtain a discount on the internal installations. As of December 31st, 2014 there is a balance in favor of the Company of US $ 14.451, which comprises: Funds raised (in thousands) for US$23,778 and discounts granted (in thousands) for US$38,229. The balance in favor of US$3,902 in 2013, comprises funds raised (in thousands) for US$19,167 funds and discounts granted (in thousands) for US$23,069

(b) It includes advances granted for internal and external constructions (in thousands) for US$ 600 and US$60, for advance payments to foreign suppliers.

(c) VAT tax credit corresponds to the balance in favor of VAT paid for the acquisition of goods and services, and will be compensated (offset) with future taxable VAT billings of the Company.

9. IMPROVEMENTS IN LEASED PROPERTY, PLANT AND EQUIPMENT, NET

For the years ended December 31[ST], 2014 and 2013, the movement of improvements in leased property, plant and equipment was as follows:

	Improvement in leased property	Plant and equipment	Transport Units	Furniture and fixtures	Other equipment	Computing equipment	Financial leasing equipment	Buildings in process	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
COST:									
As of January 1, 2013	1,679	1,936	1,757	538	1,134	1,039	560	839	9,482
Additions	5,298	562	157	460	111	241	-	484	7,313
Withdrawals	(1,340)	(58)	(105)	(359)	(140)	(44)	(560)	(288)	(2,894)
Transfers	-	55	-	538	-	-	-	(613)	(20)
As of December 31, 2013	5,637	2,495	1,809	1,177	1,105	1,236	-	422	13,881
Additions	-	383	-	5	39	215	-	747	1,389
Withdrawals	-	(12)	(178)	(3)	(6)	(2)	-	(98)	(299)
As of December 31, 2014	5,637	2,866	1,631	1,179	1,138	1,449	-	1,071	14,971
ACCUMULATED DEPRECIATION:									
As of January 1, 2013	1,236	644	1,036	197	529	670	511	-	4,823
Additions	474	215	270	90	141	194	49	-	1,433
Withdrawals	(1,181)	(28)	(104)	(150)	(69)	(39)	(560)	-	(2,131)
As of December 31, 2013	529	831	1,202	137	601	825	-	-	4,125
Additions	590	275	230	116	119	233	-	-	1,563
Withdrawals	-	(8)	(147)	(1)	(3)	(2)	-	-	(161)
As of December 31, 2014	1,119	1,098	1,285	252	717	1,056	-	-	5,527
NET COST:									
Total as of December 31, 2014	4,518	1,768	346	927	421	393	-	1,071	9,444
Total as of December 31, 2013	5,108	1,664	607	1,040	504	411	-	422	9,756

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

As of December 31st, 2014, the Company holds fixed assets with a value of (in thousands) US$1,618 (US$991 as of December 31st, 2013), corresponding to plant and equipment fully depreciated and still in use.

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

10. INTANGIBLE ASSETS, NET

For the years ended December 31[ST], 2014 and 2013, the movement of intangible assets was as follows:

	Concession Assets						
	Easement and rights of way	Concession and related studies	Distribution assets	Distribution assets in process	Rights related to D.S.082-2009-EM	Software	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
COST:							
As of January 1st, 2013	1,315	494	219,546	155,492	16,220	6,281	399,348
Additions	-	-	33,955	55,658	-	639	90,252
Transfers	-	-	99,787	(99,807)	-	20	-
As of December 31st, 2013	1,315	494	353,288	111,343	16,220	6,940	489,600
Additions	-	-	44,686	36,669	-	495	81,850
Withdrawals	-	-	(2)	-	-	-	(2)
Transfers	-	-	58,602	(58,602)	-	-	-
As of December 31st, 2014	1,315	494	456,574	89,410	16,220	7,435	571,448
ACCUMULATED AMORTIZATION:							
As of January 1st, 2013	199	494	39,313	-	11,321	3,303	54,630
Amortization of the year	29	-	11,227	-	4,899	1,680	17,835
As of December 31st, 2013	228	494	50,540	-	16,220	4,983	72,465
Amortization of the year	29	-	18,817	-	-	1,526	20,372
As of December 31st, 2014	257	494	69,357	-	16,220	6,509	92,837
MGP of the concessión in advance:							
As of December 31st, 2014	-	-	(5,897)	-	-	-	(5,897)
As of December 31st, 2013	-	-	(6,207)	-	-	-	(6,207)
NET COST:							
Total as of December 31st, 2014	1,058	-	381,320	89,410	-	926	472,714
Total as of December 31st, 2013	1,087	-	296,541	111,343	-	1,957	410,928

The following lifespans have been used to estimate the amortization of intangible assets:

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

(a) Concession assets represent the receivables for natural gas distribution services, which are associated with the actual consumption of users, and are within the regulatory regime established by the regulating entity OSINERGMIN. The activated cost represents the invested value in the distribution pipeline (concession assets), and is recorded and amortized in accordance with the accounting policy described in Note 2 (g).

(b) Revenues from the Main Pipeline Guarantee (MPG) collected prior to the starting date of operations, which amounted to US$9,102 and are regarded as a discount on the tariff base, are presented as net value of the concession assets, and are accrued on a straight line basis according to the term of the concession.

(c) Rights related to Supreme Decree 082-2009-EM correspond to the rights acquired by the Company to include Kallpa Generación SA and Enersur SA as part of the distribution system, as a result of the of subscribing the respective contracts with such entities.

(d) The Company's Management considers that there are no situations that indicate a possible impairment of the value of their intangible assets.

11. FINANCIAL OBLIGATIONS

As of December 31st, the financial obligations are comprised as follows:

	Current		Non-current	
	2014	2013	2014	2013
	US$000	US$000	US$000	US$000
Bonds	-	-	318,054	317,863
	-	-	318,054	317,863

In March 2013, the Company placed bonds in the international market for US$320 millions under Rule 144A, which was secured in April 2013 with the reception of the funds The resources raised from issuance of bonds were used to prepay loans from International Finance Corporation (IFC), Corporación Andina de Fomento (CAF), Infrastructure Crisis Facility Debt Pool (ICF) for US$119,204, Citibank del Peru S.A. for US$30,000, as well as the subordinated loan from shareholders for US$47,000. Bonds were issued at ten years, with no warranties, and with a coupon rate of 4.375 %.

Upon issuance of the bonds, the Company had an international risk rating of BBB- by Fitch Ratings, BBB- by Standard & Poor's, and Baa3 by Moody's.

Additionally, with the remaining proceeds from the issuance of bonds, the Company has financed its investments in the years 2013 and 2014, through which has expanded the gas network in the Department of Lima and the Constitutional Province of Callao.

12. TRADE ACCOUNTS PAYABLE

Trade accounts payable comprise the following:

	2014	2013
	US$000	US$000
Trade	47,988	48,570
Related parties (Note 23)	1,831	1,040
Others	4	83
	49,823	49,693

Trade accounts payable are expressed in Nuevos Soles and U.S. dollars, have current maturities, do not earn interest, and have no specific guarantees.

13. PROVISIONS

As of December 31st, the provisions are comprised as follows:

	2014	2013
	US$000	US$000
Administrative procedures	3,251	2,677
Tax procedures	9	7
	3,260	2,684

The movement of these provisions during years ended December 31st, 2014 and 2013 is as follows:

	Administrative procedures US$000	Tax procedures US$000	Total US$000
As of January 1st, 2013	3,096	12	3,108
Provision for the year	825	-	825
Payment for completion of process	(1,244)	-	(1,244)
Reversals for completion of process	-	(5)	(5)
As of December 31st, 2013	2,677	7	2,684
Provision for the year	1,135	2	1,137
Payments for completion of process	(561)	-	(561)
As of December 31st, 2014	3,251	9	3,260

14. OTHER LIABILITIES

Other liabilities are comprised of:

	Current		Non-current	
	2014	2013	2014	2013
	US$000	US$000	US$000	US$000
Financial liabilities:				
OSINERGMIN promotion fund (a)	9,605	-	-	-
Financial contribution and overcharge (b)	1,738	11,931	7,317	7,170
Interests to third parties (c)	3,500	3,500	-	-
Others	2,600	1,270	204	216
Non-financial liabilities:				
Employees' participation	2,483	1,676	-	-
Performance bonds	1,942	2,228	-	-
Other labor accruals	1,117	1,186	-	-
Withholdings payable	568	517	-	-
VAT - Withholdings payable	18	36	-	-
Total	23,571	22,344	7,521	7,386

(a) In 2012, by means of Supreme Decree N° 086-2014 EM, the Promotion Fund was created, a subsidy given by the state, which is formed through the single distribution tariff to benefit residential customers within the promotion areas (OSINERGMIN regulations), in order to obtain a discount on the internal installations. As of December 31st, 2014 there is a balance in favor of the Company (in thousands) of US$9,605, which comprises: proceeds for US$15,752 and discounts granted for US$6,147.

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

(c) As of December 31st, 2014 and 2013, corresponds the balance of interest payable by the issuance of bonds.

15. DEFERRED INCOME

Deferred income relates to payments made by customers for the right of connection and other services performed by the Company. As of December 31st, 2014, the amount is mainly composed of collections made for the relocation of pipelines of the entity in the amount of (in thousands) US$10,399.

16. 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 a total of 235,583,357 (220,528,497 en el 2013), of which 158,301,277 (158,301,277 in 2013) are common shares, entitled to vote and with a par value of US$1 each, fully subscribed and paid, and 77,282,080 (62,227,220 in 2013) class B shares, fully subscribed and paid.

On June 25th, 2014, the General Shareholders' Meeting agreed to capitalize retained profits for an amount of (in thousands) US$ 15,055, with a par value of US$1.00, class "B".

On June 27th, 2013, the General Shareholders' Meeting agreed to capitalize retained profits that as of December 31st, 2012 amounted to (in thousands) US$62,227, with a par value of US$1.00, class "B".

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

(b) Share participation structure

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

Individual participation in the capital (in %):	**Participation**	**N° of Shares**	
	%	**2014**	**2013**
EEB Perú Holdings LTD.	60	141,350,014	132,317,098
Promigas S.A. ESP	40	94,233,343	88,211,399
Total	100	235,583,357	220,528,497

(c) Outstanding common shares

The movement of outstanding common share was as follows:

	2014	2013
	N°	N°
Outstanding at the beginning of the year	220,528,497	133,301,277
Increase by issuance	-	25,000,000
Capitalization of retained profits at 2012	-	62,227,220
Capitalization of retained profits at 2013	15,054,860	-
Outstanding at the end of the year	235,583,357	220,528,497

(d) Legal reserve

According to the General Law of Corporations, the legal reserve is constituted transferring a minimum of 10% of the net earnings for each year, after deducting accumulated losses, until it reaches an amount equivalent to the fifth part of the capital. In the absence of retained earnings or freely available reserves, legal reserve will be applied to compensate (offset) losses, but it must be restored. Legal reserve may be capitalized, but must be equally restored.

An amount of (in thousands) US$1,673 was transferred from Accumulated profits to Other capital reserves - Legal Reserve in 2014, corresponding to the detraction of the legal reserve for 2013 earnings.

A minimum amount of (in thousands) US$3,530 will be transferred from Accumulated profits to Legal Reserve in 2015, corresponding to the detraction of the legal reserve for 2014 earnings.

(e) Accumulated profits

According to what is stated in Legislative Decree 945 of December 23rd, 2003, amending the 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.
The tax rate on dividends has been modified in the period (see Note 23 [iii]): however, due to the stability agreement subscribed by the entity, this rate variation is not applicable.

There are no restrictions for remittance of dividends, or for the repatriation of capital to foreign investors.

17. REVENUES FROM NATURAL GAS SALES, TRANSPORTATION, DISTRIBUTION AND RELATED SERVICES

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

	2014	2013
	US$000	**US$000**
Natural gas sale	182,821	166,825
Natural gas transportation	62,133	58,287
Distribution services	116,617	90,501
Connection services	7,355	8,257
Internal installation services and connection pipes	52,747	36,160
Other services	3,440	7,003
Total	425,113	367,033

18. COSTS OF NATURAL GAS SALES, TRANSPORTATION, DISTRIBUTION AND RELATED SERVICES

Costs of natural gas sales, transportation, distribution and related services comprise the following:

	2014	2013
	US$000	**US$000**
Gas consumption	183,030	167,806
Gas transportation	62,361	57,604
Installation services costs	46,359	29,327
Personnel charges	8,953	9,177
Services rendered by third parties	4,564	4,584
Depreciation and amortization	19,012	11,954
Depreciation of properties, plant and equipment	8	18
Others	840	1,362
Total	325,127	281,832

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of:

	2014 US$000	2013 US$000
Personnel charges	7,969	8,672
Services rendered by third parties	10,406	9,030
Taxes	2,206	2,092
Other management charges	3,096	2,825
Provisions for the fiscal year:	-	-
Depreciation and amortization (Notes 11 and 12)	2,207	2,089
Provisions for account receivables impairment	575	1,560
Total	26,279	26,268

20. SALES EXPENSES:

Sales expenses comprise:

	2014 US$000	2013 US$000
Personnel charges	3,808	2,805
Services rendered by third parties	5,291	3,086
Other management charges	224	154
Depreciation and Amortization	586	4,915
Total	9,909	10,960

21. FINANCIAL COSTS

Financial costs include the following:

	2014 US$000	2013 US$000
Interest on bonds	14,000	10,500
Interest on Subordinated Loan	-	1,242
Interest on Senior Loan	-	518
Loan expenses – Senior debt	-	7,865
Interest on other Loans	-	350
Other financial expenses	535	375
Total	14,535	20,850

22. NET PROFIT OF THE YEAR

The net profit of the year includes the following elements:

	2014 US$000	2013 US$000
Depreciation of property, plant and equipment	1,563	1,433
Amortization of Intangible assets	20,372	17,835
Total	21,935	19,268
Losses for impairment of financial assets:		
Account receivable	(244)	(573)
Employees' benefits	4,516	11,476

23. INCOME TAX

(a) Income tax regime

(i) Income tax rate

The income tax rate is 30 %, which was effective at the date of subscribing the legal stability agreement (Note 1 [c.2]).

Legal entities domiciled in Peru are subject to an additional rate of 4.1%, which was effective at the date of subscribing the legal stability agreement (Note 1 [c.2], and is calculated over any amount that could be considered as an indirect disposition of profits, including amounts charged to expenses and not declared income; i.e., expenses that could have benefited shareholders, partners, among others; personal expenses not related to the business; expenses on behalf of shareholders, partners, among others, which are assumed by 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 informative annual affidavit of transactions with the aforementioned companies, when the amount of these transactions is greater to (in thousands) S/.200, and (b) have a Transfer Pricing Technical Study, including the supporting documentation for this study. This formal obligation arises when the amount of your accrued income exceeds (in thousands) S/.6,000 and the entity has conducted transactions with related companies for an amount over (in thousands) S/.1,000. Both formal obligations are enforceable if the have conducted at least one transaction to, from or through countries with low or null taxation.

The Company has a Transfer Pricing Technical Study corresponding to 2013, and is conducting the corresponding study for the year 2014. In the Company's Management opinion, no material liabilities will result for the financial statements as of December 31st, 2014 and 2013, in relation to transfer pricing.

(iii) Significant amendments to income tax regulations in Peru

A summary of the most significant amendments made by the Tax Administration during the year ended December 31st, 2014, which apply to the Company if these changes are maintained at the end of the term of the legal stability agreement (Note 1 [c.2]), is presented below.

- Gradual decrease in the income tax rate for legal entities domiciled in Peru

  A gradual decrease in the income tax rate applicable to corporations is established in the following terms:

Concept	**Rate 2014**	**Fiscal year 2015-2016**	**Fiscal year 2017-2018**	**Fiscal year 2019 and hereinafter**
Corporate income tax	30 %	28 %	27 %	26 %

- Gradual increase in the income tax rate on dividends

  A gradual increase in the income tax rate on dividends is established, as follows:

Concept	**Rate 2014**	**Fiscal year 2015-2016**	**Fiscal year 2017-2018**	**Fiscal year 2019 and hereinafter**
Dividends	4.1 %	6.8 %	8.0 %	9.3 %

  The 4.1 % rate applies to dividends generated until December 31st, 2014.

- Payments on account of corporate income tax

As of January 2015, to determine the monthly payments on account of income tax, the coefficient of the current payment system shall be multiplied by the factor 0.9333.

- <u>Qualification as dividend of any loan granted by a company to its partners</u>

  All credits to the limit of profits and unrestricted reserves that legal entities, other than companies with multiple operations or financial leasing companies, grant in favor of its partners, associates, holders or individuals within , as appropriate, with general or particular character, whatever the form given to the operation, are qualified as dividends.

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

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

	2014	2013
	US$000	**US$000**
Total current income tax	14,668	9,680
Deferred income tax from movement of temporary differences through profit and loss	(213)	(381)
Total	14,455	9,289

The estimated current income tax corresponds to tax payable, calculated applying a 30 % rate over the estimated taxable rate, after deducing employees' participation (Legislative Decree 892), at a percentage of 5 %.

(c) Tax position

The tax administration has the authority of reviewing the annual tax statement to be submitted for the period 2014 and the one presented in 2013, up to four years following the year of presentation of the income tax statement. The Company's Management considers that no significant liabilities will arise as a result of this pending review.

During 2014, started the review of the Income Tax Statement of 2012. In the Company's Management opinion, it is deemed that no significant liabilities will arise as a result of this review.

Due to possible interpretations that tax authorities may give on current legal regulations, to date, it is not possible to determine whether from the reviews in progress or those made in the future, any liabilities will arise for the Company, so any eventual increase in tax or charge that might result from such fiscal reviews will be applied to the profit and loss of the period in which they are determined. However, in the Company's Management opinion, any possible additional tax would not be significant to the financial statements as of December 31st, 2014.

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

For the years ended December 31st, 2014 and 2013, the effective rate of income tax expense differs from the tax rate applicable to profits before tax. The nature of this difference is due to certain items related to the determination of taxable profit, whose effects over the applicable tax rate are summarized below (in percentage over the profit before tax):

	2014		2013	
	Amount	**Percentage**	**Amount**	**Percentage**
	US$000	**US$000**	**US$000**	**US$000**
Profit before income tax	49,753	100.00%	26,017	100.00%
Tax and tax rate applicable to profit before income tax according to books	14,926	30.00%	7,805	30.00%
Fines	59	0.12%	223	0.86%
Non-deductible expenses	43	0.09%	539	2.97%
Difference of inventories	39	0.08%	-	0.00%
Donations	101	0.20%	139	0.53%
Others	(713)	-1.43%	585	2.24%
Income tax expense and tax rate applicable to profit according to books	14,455	29.05%	9,289	35.70%

(e) Income tax recoverable

Credit balances with the Tax Administration related with income taxes are as follows:

	2014	2013
	US$000	**US$000**
RECEIVABLE		
Income tax credit	2,152	7,535

24. DEFERRED INCOME TAX

As of December 31ST, 2014 and 2013, the movement in net liabilities for deferred income tax, and the description of the temporary differences that originated them, are as follows:

	Balances at the beginning of the year	Net profit	Balances at the end of the year
		Additions (deductions)	
	US$000	US$000	US$000
As of December 31, 2014			
INCOME TAX			
DEFERRED ASSETS (LIABILITIES) RELATED TO:			
TEMPORARY DIFFERENCES:			
Difference based on intangible assets	(790)	499	(291)
Effective interest IAS 39	(9)	(12)	(21)
Provisions	508	(274)	234
Total deferred liabilities	(291)	213	(78)

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

25. NET EARNING PER SHARE

The earnings and weighted average of issued and outstanding shares for the calculation of net earning per basic share consist of:

	2014	2013
	US$000	**US$000**
Net profit attributable to shareholders of the Company	35,298	16,728
Weighted average of issued and outstanding shares	229,355	192,662
Earnings per share	0.154	0.087

26. 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 Bogota.

On June 25th, a short-term loan (90 days) was granted to the affiliated company TGI SL for (in thousands) US$50,000 to a 3 months LIBOR rate (+1), loan that was claimed on December 31st, 2014.

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

	Services rendered	
	2014	**2013**
	US$000	**US$000**
Contugas S.A.C. - Related	696	826
TGI S.L. - Related	122	-
EEBIS Peru S.A.C. - Related	37	-
Total	855	826

	Sales (services) received	
	2014	**2013**
	US$000	**US$000**
Contugas S.A.C. _ Related	1,766	2,538
Promigas S.A. E.S.P. - Related	821	925
EEB S.A. - Parent Company	821	63
EEBIS Peru S.A.C. -Related	51	-
Total	3,459	3,526

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

	2014	2013
	US$000	**US$000**
ACCOUNTS RECEIVABLE:		
EEBIS S.A.C. - Related	4	-
Contugas S.A.C. - Related	88	697
Total	92	697

	2014	2013
	US$000	**US$000**
ACCOUNTS PAYABLE:		
Contugas S.A.C. - Related	330	200
EEB S.A.C. - Parent Company	752	54
EEBIS S.A.C. - Related	51	-
Promigas S.A. E.P.S. - Related	698	786
Total	1,831	1,040

Services received from related entities were carried out 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 received.

As of December 31st, 2014 and 2013, the Company has not granted guarantees to financial entities on behalf of related companies.

Remunerations to the Board of Directors and Administrators

(a) Board of Directors

Expenses paid to the Board of Directors as of December 31st, 2014 were (in thousands) US$94 (US$76 in 2013).

(b) Salaries

Retributions for salaries, other benefits to personnel and professional fees received as of December 31st, 2013 by persons of the Company with executive responsibilities, amounted to (in thousands) US$1,935 (US$2,165 in 2013).

27. LEASES

The Company has also entered into operating lease agreements of some offices, from 1 to 10 years, and with price increases governed by the Consumer Price Index (CPI).

As of December 31st, the Company has contacted with lessors the following minimum lease payments:

	2014	2013
	US$000	**US$000**
Up to one (1) year	1,718	1,695
Between one (1) and five (5) years	8,690	8,592
More than five (5) years	6,079	7,732

Expenses from leasing these offices amounted to (in thousands) US$1,649 in 2014 (US$1,006 in 2013).

28. NON-MONETARY TRANSACTIONS AND CASH FLOW STATEMENT

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

	2014	2013
	US$000	**US$000**
Capitalization of retained earnings	15,055	62,227
Acquisition of intangibles pending payment	8,521	15,841

29. COMMITMENTS AND CONTINGENCIES

(a) Deposits and guarantees granted

In order to guarantee obligations, the Company has granted deposits of banking institutions for an amount of (in thousands) US$16,854 (US$15,434 as of December 31st, 2013).

The main letters of guarantee valid as of December 31st, 2014 are:

Beneficiary	Start date	End date	Amount US$000
1. Ministerio de Energía y Minas	09.08.2010	09.08.2016	1,000
2. Transportadora de Gas del Peru S.A.	10.10.2013	01.05.2015	13,208
3. OSINERGMIN	10.04.2012	20.04.2015	1,603

The main guarantee letters valid as of December 31st, 2013 were:

	Beginning	Ending	Amount US$000
1. Ministerio de Energia y Minas	Aug. 09, 2010	Aug. 09, 2014	1,000
2. Transportadora de Gas del Perú S.A.	Oct. 10, 2013	Oct. 15, 2014	13,208
3. OSINERGMIN	Apr. 10, 2011	Apr. 20, 2014	1,611

(b) Contingencies

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

30. OTHER DISCLOSURES

Environmental regulations

According to the provisions of Supreme Decree. N° 015-2006-EM, Regulation of Environmental Protection in Hydrocarbon Activities, the construction and operation of High Pressure Pipelines and Other Pipelines have their corresponding Environmental Impact Assessments (hereinafter EIA) where, based in the environment assessment, environmental commitments that the Company must follow are established, with special emphasis on the pipeline's construction stage. The EIA includes an Environmental Management Plan (hereinafter EMA), where measures that must be considered by the Company are described, in order to prevent or mitigate negative environmental impacts and maintain their operations within the margins of the environmental regulations.

Additionally, the Company submits an annual environmental management report to OSINERGMIN and to OEFA (Organization of Environmental Evaluation and Regulation), entity responsible for verifying the compliance of its environmental commitments assumed by the company in the EMA.

As of December 31st, 2014, the accumulated expense directly related to the environment's protection amounted to US$242 (US$203 as of December 31st, 2013)

31. SUBSEQUENT EVENTS

There is no knowledge about subsequent events occurring between the closing date of these financial statements and February 5th, 2015 which could significantly affect them.