# *Empresa de Energía de Bogotá S.A. E.S.P.- and its Subsidiaries*

***Consolidated Financial Statements as of December 31, 2007 and 2006 and for the years then ended and Independent Auditors' Report***

# INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Empresa de Energía de Bogotá S.A. E.S.P.:

We have audited the accompanying consolidated balance sheets of EMPRESA DE ENERGÍA DE BOGOTÁ S.A. E.S.P. AND ITS SUBSIDIARIES (the "Companies") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity, changes in financial position and cash flows for the years then ended (all expressed in millions of Colombian pesos). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Colombia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Companies as of December 31, 2007 and 2006, and the results of their operations, the changes in their financial position and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Colombia.

As discussed in Note 2 to the accompanying financial statements, effective January 1, 2007 the Companies charge their tax on equity against the equity revaluation account. In prior years the tax on equity was charged as an expense in the income statement.

Our audits also comprehended the translation of the Colombian peso amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. The translation of the financial statement amounts into U.S. dollars and the translation of the financial statements into English have been made solely for the convenience of the readers in the United States of America.

Deloitte & Touche Ltda.
February 20, 2008
Bogotá, Colombia

## 1. OPERATIONS

Empresa de Energía de Bogotá S.A. E.S.P., the "Company" or "EEB", is a Colombian stock corporation (*sociedad anónima*) organized as a public utility company (*empresa de servicios públicos*) under the laws of Colombia. Directly and through its subsidiaries, affiliated companies and investees, EEB engages in the generation, transmission and distribution of electricity and the transportation and distribution of natural gas. EEB is controlled by the government of the District of Bogotá, the capital of Colombia.

The Company is mainly ruled by Law 142 or the Public Utilities Statute and Law 143, which establishes the norms that rule all activities related to electric-power generation, transmission, distribution, and commercialization, its bylaws, the investment framework agreements, and other norms contained in the Code of Commerce. Laws 142 and 143 of July 11, 1994 establish the competitive structure, rates and subsidy regimes for the sales of electricity and other operating and regulatory matters of the sector. The rates applicable to the energy transmission service are regulated by the Energy and Gas Regulatory Commission ("*Comisión de Regulación de Energía y Gas – CREG*"), which is a Technical Organization attached to the Ministry of Mines and Energy.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

EEB's financial statements have been prepared on the basis of accounting principles generally accepted in Colombia, or Colombian GAAP. For the convenience of readers outside Colombia, the financial statements have been translated into English, certain reclassifications have been made and certain clarifying account descriptions have been included.

Certain accounting practices applied by the Company that conform with Colombian GAAP may not conform with generally accepted accounting principles in the United States of America.

The consolidated financial statements as of December 31, 2007 and 2006 include the financial statements of Empresa de Energía de Bogotá S.A. E.S.P. and its subsidiaries EEB International Ltd., Transportadora Colombiana de Gas S.A. E.S.P. – ("Transcogas"), Transportadora de Gas del Interior S.A. E.S.P. – TGI S.A. E.S.P. ("TGI") and its subsidiary TGI International Ltd. Transcogas and TGI are Colombian stock corporations (*sociedades anónimas*) organized as public services companies (*empresas de servicios públicos*) under the laws of Colombia and engaged in the transportation of natural gas. EEB International Ltd. and TGI International Ltd. were incorporated in Cayman Island in order to serve as an investment vehicle.

The Company's financial statements are prepared pursuant to standards set forth in the Accounting Manual for Entities that are Providers of Domestic Public Services ("*Plan de Contabilidad para Entes Prestadores de Servicios Públicos Domiciliarios*"), established by the Office of the Superintendency of Domestic Public Services ("SSPD"), which conform to Colombian GAAP. The more significant accounting policies and practices followed by the Companies are summarized below:

a. *Accounting change*

*Tax on equity* – During the year ended December 31, 2007 EEB accrued this tax amounting to Col$9,906 million through a charge against the equity revaluation as allowed by Colombian law. In prior years, the tax on equity was charged as an expense in the income statement.

b. *Consolidation* – The consolidated financial statements include the accounts of EEB and all majority owned subsidiaries in which EEB has control. The Company's investments in other non-controlled entities are carried at their historical cost. In June 2005 and February 2007, EEB purchased 71.99% of Transcogas' and 97.91% of TGI's outstanding common stock, respectively. Also, the consolidated financial statements include the accounts of EEB International Ltd. and TGI International Ltd. incorporated in July 2007 and 100% owned by EEB and TGI, respectively.

Selected information from the separate balance sheets and income statements of EEB, EEB International Ltd., Transcogas and TGI and its subsidiary as of December 31, 2007 and 2006 and for the years then ended are as follows:

**December 31, 2006**

| | EEB | Transcogas |
|---|---|---|
| Balance sheets | | |
| Total assets | Col$ 5,802,031 | Col$ 76,558 |
| Total liabilities | 668,106 | 42,730 |
| Shareholders' Equity | 5,133,925 | 33,828 |
| Income statements | | |
| Operating revenues | 66,546 | 24,196 |
| Net income | 422,480 | 5,011 |

**December 31, 2007**

| | EEB | Transcogas | TGI and its Subsidiary | EEB International Ltd. |
|---|---|---|---|---|
| Balance sheets | | | | |
| Total assets | Col$8,151,783 | Col$ 90,335 | Col$ 3,421,788 | Col$ 1,247,227 |
| Total liabilities | 2,054,227 | 50,917 | 2,357,095 | 1,247,225 |
| Shareholders' Equity | 6,097,556 | 39,418 | 1,064,693 | 2 |

| | EEB | Transcogas | TGI and its Subsidiary | EEB International Ltd. |
|---|---|---|---|---|
| Income statements | | | | |
| Operating revenues | 73,630 | 27,132 | 352,433 | - |
| Net income | 869,037 | 6,295 | 289,990 | - |

The following table summarizes the minority shareholders' interest as of December 31:

| | % | 2006 | | 2007 | |
|---|---|---|---|---|---|
| Transcogas | 28.0002 | Col$ | 9,472 | Col$ | 11,037 |
| TGI | 2.0855 | | - | | 22,206 |
| | | Col$ | 9,472 | Col$ | 33,243 |

d. *Foreign currency transactions* – Foreign currency transactions and balances denominated in a currency other than the Colombian peso are translated into Colombian pesos at the official exchange rate (*Tasa Representativa del Mercado*) as certified by the Colombian Financial Superintendency. The exchange gains and losses resulting from accounts payable and liabilities denominated in foreign currency that resulted from the acquisition of inventories and property, plant and equipment is capitalized until the asset is in condition to be used or sold. All other exchange gains and losses are included in operations. The official exchange rates (per U.S.$ 1.00) used to translate the foreign currency assets and liabilities were:

| | | |
|---|---|---|
| December 31, 2006 | Col$ | 2,238.79 |
| December 31, 2007 | Col$ | 2,014.76 |

e. *Temporary investments* – Temporary investments are initially recorded at cost and subsequently valued at market price. Profits and losses on valuation at market prices are recorded within the current period results.

f. *Allowance for doubtful accounts* – The Companies determine the allowance on the basis of the aging and individual analyses of the creditworthiness of its customers.

g. *Inventories* – Inventories are recorded at cost. Cost is determined based upon the average-cost method. A provision is recorded to reduce obsolete and slow-moving inventories to net realizable value.

h. *Property, plant and equipment, net* –

*EEB and Transcogas* – Property, plant and equipment are valued at cost, adjusted for inflation through December 31, 2001 and 2005, respectively.

*TGI* - Property, plant and equipment is valued at net replacement cost as determined by technical appraisal made at the date of the acquisition of the assets.

Depreciation is computed applying the straight-line method over the estimated useful life. Annual depreciation rates applied are the following:

| | **EEB** | **Transcogas** | **TGI** |
|---|---|---|---|
| Buildings | 2% | 5% | 4.28% |
| Gas pipelines | - | 5% | 1.96% |
| Plants, ducts and stations | 4% | 5% | 4.03% |
| Transmission network, lines and cables | 2% | - | - |
| Internal communications roads | - | 5% | - |
| Machinery and equipment | 6.6% | - | 10% |
| Scientific equipment | 10% | - | - |
| Furniture and fixtures | 10% | 10% | 10% |
| Communication equipment | 10% | - | 10% |
| Computer equipment | 20% | 33.33% | 20% |
| Transportation equipment | 20% | 20% | 20% |
| Other equipment | 10% | - | 10% |

For accounting purposes the Companies do not estimate any salvage value for its assets since it deems such value to be relatively immaterial; consequently, assets are fully depreciated.

i. *Permanent investments* – All investments made in shares of non-controlled companies are recorded at their acquisition cost and those made in controlled companies are consolidated. Foreign-currency investments are translated into Colombian pesos at closing rates and the result thereof is compared to the intrinsic value. For investments made in controlled and non-controlled companies, any excess amount from the market value or the intrinsic value over the cost adjusted at the end of the period, is recorded as "Revaluation of assets", and credited to the equity account "Surplus from revaluation of assets". If at the year's closing its market value or its intrinsic value is lower than the cost adjusted, once the appraisal surplus is exhausted, any deficit is recognized through provisions credited to results of the period.

j. *Other assets:*

<u>*EEB*</u>
*Deferred charges* – Primarily correspond to the tax for the preservation of democratic security, which is amortized over five years in accordance with the provisions of the SSPD. Also it includes all costs incurred in the purchase of software and certain investment projects, which are being amortized through the straight-line method over a five-year period.

*Goodwill* – Goodwill corresponds to the difference between the amount paid by EEB and the net book value of the net assets acquired. They are amortized through the straight-line method over an estimated life of 20 years.

*Transcogas S.A. E.S.P*

*Deferred charges* – Mainly correspond to the costs incurred in leasehold improvements which are being amortized through the straight-line method for the term of the lease agreement (18 months).

*Intangibles* – Mainly correspond to the purchase of software which are being amortized through the straight-line method over a three-year period. Also, it includes the cost of Company's trademark which is amortized through the straight-line method over a ten-year period.

*TGI S.A. E.S.P.*

*Intangible assets beyond BOMT contracts* – Corresponds to the net replacement cost of the construction portion of every pipeline asset built pursuant to a BOMT Contract estimated by a technical appraisal. These costs are amortized through the straight-line method over the remaining estimated life of the pipelines, as follows:

| **BOMT Contract** | **Annual depreciation rate** | **Period** |
|---|---|---|
| Centragas BOMT Contract (Ballena – Barrancabermeja Pipeline) | 1.85% | 54 years |
| Transgas BOMT Contract (Mariquita – Cali Pipeline) | 1.81% | 55 years |
| GBS BOMT Contract (Boyacá and Santander Pipeline) | 1.72% | 58 years |

*Goodwill* – Goodwill corresponds to the difference between the amount paid by TGI and the net fair value of the assets, rights and contracts acquired. They are amortized through the straight-line method using an estimated life of 65 years.

*Prepaid O&M expenses under BOMT Contracts* – These correspond to payments made in advance covering operating and maintenance costs of gas pipelines according to the BOMT Contracts; such costs are amortized through the straight-line method during the remaining lives of BOMT Contracts, as follows:

| **BOMT Contract** | **Annual depreciation rate** | **Period** |
|---|---|---|
| Centragas BOMT Contract (Ballena – Barrancabermeja Pipeline) | 26.31% | 3.8 years |
| Transgas BOMT Contract (Mariquita – Cali Pipeline) | 9.61% | 10.4 years |
| GBS BOMT Contract (Boyacá and Santander Pipeline) | 38.46% | 2.6 years |

*Preoperating expenses* – These correspond to the amounts paid for incorporation expenses, commissions, fees and legal expenses incurred to structure the process of acquisition of the

Empresa Colombiana de Gas (“Ecogas”) Business and subsequent incorporation of TGI. Preoperating expenses are amortized using the straight-line method over a period of five years.

*Rights of way* – Correspond to the net book value that Ecogas had recorded at the time of disposal of the assets, rights and contracts. Rights of way are amortized using the straight-line method based on an estimated useful life of 65 years.

*Software and licenses* – Correspond to the costs incurred in the purchase of computer software and licenses, which are amortized using the straight-line method over a period of 3 years.

k. *Revaluation of assets* – Correspond to the differences between the net book value of assets and their value determined by technical appraisals. Such revaluation of assets is recorded in the non-current assets account “Revaluation of Assets” with the offsetting entry charged (credited) to the shareholders’ equity account “Surplus from revaluation of assets”. Assets are revalued every three years based on technical appraisals. Revaluations are performed on specific asset groups. If the revaluation results in a decrease in the book value of the assets, the charge is first recorded against any surplus associated with the individual assets or class of assets, and any decrease in excess of the existing surplus is charged against income.

l. *Labor obligations* – Correspond to the Company’s obligations for mandatory and voluntary employee benefits under applicable labor agreements, as well as employee severance, interest on severance, seniority bonuses, vacation accruals and contributions for social security.

The retirement pension obligation represents the present value of all future allowances that the Company will pay to those employees that have fulfilled or that will fulfill certain legal requirements regarding age, time of service and others, determined on the basis of actuarial studies that the Company obtains every year, in accordance with regulations issued by the Superintendency of Corporations, without the specific investment of funds.

The Company records the liability and its updates for complementary benefits for retirement pensions, such as medical services and other additional benefits that the retirees are entitled to, in accordance with actuarial calculations performed by an independent actuary. As a result, the liability which, at present value, covers the estimated obligation for these benefits, is being recorded as of the date of the closing of the period and charged to results.

For employees covered by the social security regime (Law 100 issued in 1993), the Companies cover its pension obligation through the payment of contributions to the Social Security Institute (Spanish acronym, ISS) and/or to the Private Pension Funds, under the terms and conditions provided for in the aforementioned law.

m. *Collections on behalf of third parties* –Correspond to the obligations resulting from collection of taxes, contributions and other items in favor of public entities, based on legal regulations. Mainly include the transportation tax, industries contribution and development quota.

n. *Income tax provision* – The Companies determine the current provision for income taxes based upon the taxable income estimated pursuant to the Colombian Tax Law. The effect of temporary differences that implies the payment of a lower or greater tax in the current year, calculated at current rates, is recorded as deferred tax asset or liability, as applicable, provided that there is reasonable expectation that those differences will reverse in the foreseeable future.

o. *Memorandum accounts* – Mainly include the contingent rights and obligations and the differences between book and fiscal figures and other memorandum accounts.

p. *Revenue recognition*
*EEB* – Sales are recognized in the period when the transmission services are rendered.

*Transcogas and TGI* – Revenues from the sales of gas transportation services are recorded based on output delivery and capacity provided at rates as specified under contract terms. Sales revenues include uninvoiced sales of transportation services for which services have been provided, but have not been billed at period-end. These amounts are included in current assets, as accounts receivable.

q. *Use of estimates* – The preparation of financial statements in conformity with Colombian GAAP requires management to make estimates that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

r. *Statements of cash flows* – The statements of cash flows were prepared using the indirect method, which includes the reconciliation of annual net income or loss to net cash provided by operating activities.

s. *Cash equivalents* – For purposes of presentation in the statement of cash flows, the Company classifies current temporary investments within cash equivalents.

t. *Net income per share* – Determined based on the subscribed and fully paid up shares at the end of the period.

u. *Convenience translation to U.S. dollars* - The U.S. dollar amounts presented in the accompanying financial statements have been translated from the Colombian peso solely for the convenience of the readers at the exchange rate of Col$2,014.76 per U.S. dollar as of December 31, 2007. Such translations should not be construed as representations that the Colombian peso amounts represent or have been or could be converted into U.S. dollars at that rate or any other rate.

v. *Reclassifications* - Certain 2006 amounts have been reclassified to conform to the 2007 presentation.

## 3. CASH AND CASH EQUIVALENTS

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Cash | Col$ | 27 | Col$ | 6 |
| Banks | | 57,687 | | 80,047 |
| Cash equivalents | | 2,000 | | 90,846 |
| | Col$ | 59,714 | Col$ | 170,899 |

## 4. TEMPORARY INVESTMENTS

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Treasury securities – TES | Col$ | 64,610 | Col$ | 611 |
| Term deposit certificates | | 54,123 | | 225,619 |
| Bonds and securities | | 23,032 | | 119,468 |
| Mortgage securities | | - | | 4,655 |
| Trust rights | | 2,499 | | 3,599 |
| Mandatory investments | | - | | 3 |
| | Col$ | 144,264 | Col$ | 353,955 |

## 5. ACCOUNTS RECEIVABLE, NET

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Related parties (see Note 12) | Col$ | 167,714 | Col$ | 59,763 |
| Customers | | 13,660 | | 47,161 |
| Sundry debtors | | 29,897 | | 34,190 |
| Advances | | 33,995 | | 10,116 |
| Deposits given under management - pensions | | 205,865 | | 203,654 |
| Trust mandates – *Muña* (See Note 14) | | 1,791 | | 2,322 |
| Other trust mandates | | 1,935 | | 17,996 |
| Other accounts receivable | | 1,317 | | 760 |
| | | 456,174 | | 375,962 |
| Less – Allowance for doubtful accounts | | (23,649) | | (25,031) |
| | | 432,525 | | 350,931 |
| Less – short-term accounts receivable | | (221,617) | | (141,861) |
| Long-term accounts receivable | Col$ | 210,908 | Col$ | 209,070 |

The following is the roll forward of the allowance for doubtful accounts:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Beginning balance | Col$ | 26,769 | Col$ | 23,649 |
| Provisions | | 3,531 | | 1,599 |
| Recoveries | | (4,266) | | (13) |
| Write-offs | | (2,385) | | (204) |
| Ending balance | Col$ | 23,649 | Col$ | 25,031 |

## 6. INVENTORIES

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Storehouses | Col$ | 6,574 | Col$ | 31,441 |
| Inventory held by third parties | | 695 | | 199 |
| | | 7,269 | | 31,640 |
| Less – Allowance for obsolescence | | (1,993) | | (1,222) |
| | | 5,276 | | 30,418 |
| Less – Long term inventories | | - | | (13) |
| | Col$ | 5,276 | Col$ | 30,405 |

The movement of the inventory provision is as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Initial balance | Col$ | 1,940 | Col$ | 1,993 |
| Provision | | 53 | | - |
| Recovery | | - | | (605) |
| Write-offs | | - | | (166) |
| Final balance | Col$ | 1,993 | Col$ | 1,222 |

## 7. PROPERTY, PLANT AND EQUIPMENT, NET

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Depreciable - | | | | |
| Buildings | Col$ | 19,120 | Col$ | 25,338 |
| Gas pipelines | | 64,480 | | 907,255 |
| Plants, ducts and substations | | 99,256 | | 258,767 |

| | As of December 31, | |
|---|---|---|
| | 2006 | 2007 |
| Transmission network, lines and cables | 171,916 | 295,143 |
| Internal communications roads | 81 | 81 |
| Machinery and equipment | 1,949 | 3,323 |
| Furniture and fixtures | 477 | 745 |
| Communication and computing equipment | 5,999 | 7,657 |
| Transportation equipment | 629 | 1,188 |
| Other assets | 89 | 91 |
| Total depreciable | 363,996 | 1,499,588 |
| Less: Accumulated depreciation | (120,264) | (151,271) |
| Property, plant, and equipment impairment provision | (33,354) | (33,696) |
| | 210,378 | 1,314,621 |
| Non-depreciable – | | |
| Land | 3,572 | 6,769 |
| Constructions in process | 44,792 | 7,735 |
| Unexploited property, plant and equipment | - | 114 |
| Movable assets in the warehouse | - | 239 |
| Equipment and materials in the warehouse | - | 1,399 |
| | 48,364 | 16,256 |
| | Col$ 258,742 | Col$ 1,330,877 |

## 8. PERMANENT INVESTMENTS

| | As of December 31, | |
|---|---|---|
| | 2006 | 2007 |
| Shares | Col$ 1,661,251 | Col$ 1,785,093 |
| Mandatory investments | 5 | - |
| | 1,661,256 | 1,785,093 |
| Less - Valuation allowance for investments | (2,981) | (3,025) |
| | Col$ 1,658,275 | Col$ 1,782,068 |

Investments made in shares as of December 31, 2007 correspond to:

| | Number of Shares | Percentage of Stock | Cost |
|---|---|---|---|
| Emgesa S.A. E.S.P. | 76,710,851 | 51.51% | $ 1,219,636 |
| Codensa S.A. E.S.P. | 68,036,719 | 51.51% | 261,978 |
| Consorcio Transmantaro | 56,921,704 | 40.00% | 96,338 |
| Red de Energía del Perú S.A. | 28,864,000 | 40.00% | 90,722 |
| Gas Natural S.A. E.S.P. | 9,229,121 | 24.99% | 47,640 |
| Isagén S.A. E.S.P. | 68,716,000 | 2.52% | 34,611 |
| Interconexión Eléctrica S.A. | 18,448,050 | 1.83% | 21,462 |
| Electrificadora del Meta S.A. E.S.P. | 31,026 | 16.23% | 4,077 |
| Financiera Energética Nacional | 22,122 | 0.53% | 4,208 |
| Gestión Energética S.A. E.S.P. | 161,811,391 | 0.06% | 2,662 |
| Electrificadora del Caribe S.A. E.S.P. | 11,050,014 | 0.04% | 854 |
| Banco Popular | 8,772,703 | 0.11% | 598 |
| Electrificadora de la Costa Atlántica S.A. E.S.P. | 4,417,787 | 0.03% | 159 |
| Promotora Hidroeléctrica Pescadero - Ituango S.A. | 111,154 | 0.81% | 117 |
| Hidrosogamoso S.A. | 1 | 0.70% | 20 |
| Aguas de Bogotá S.A. E.S.P. | 10 | 0.07% | 10 |
| Grupo Nacional de Chocolates S.A. | 223 | 0.00% | 1 |
| | | Col$ | $ 1,785,093 |

Out of the total number of shares of Codensa S.A. E.S.P. and Emgesa S.A. E.S.P., 20,010,799 and 20,952,601 respectively, correspond to non-voting stock with a preferential dividend of US$ 0.10 per share to Codensa S.A. E.S.P. and US$0.1107 per share to Emgesa S.A. E.S.P.

A summary of the dividends and interest received is as follows:

| | Year Ended December 31, 2006 | | 2007 | |
|---|---|---|---|---|
| Dividends earned: | | | | |
| Codensa S.A. E.S.P. | Col$ | 129,681 | Col$ | 253,824 |
| Emgesa S.A. E.S.P. | | 118,965 | | 263,594 |
| Gas Natural S.A. E.S.P. | | 33,715 | | 39,368 |
| Financiera Energética Nacional | | 2,355 | | 624 |
| Transcogas S.A. E.S.P. | | 2,175 | | - |
| Interconexión Eléctrica S.A. E.S.P. | | 2,104 | | 1,683 |
| Electrificadora del Meta S.A. E.S.P. | | 1,343 | | 1,369 |
| Isagen S.A. E.S.P. | | 731 | | 2,723 |
| Red de Energía del Perú S.A. | | - | | 12,632 |
| Consorcio Transmantaro | | - | | 5,468 |
| Banco Popular | | 147 | | 129 |
| Subtotal dividends earned | | 291,216 | | 581,414 |

| | Year Ended December 31, | |
|---|---|---|
| | 2006 | 2007 |
| Financial interest earned | 17,442 | 49,433 |
| Profit on valuation of deposits given under management - pensions | 8,558 | 7,400 |
| | Col$ 317,216 | Col$ 638,247 |

## 9. OTHER ASSETS, NET

| | As of December 31, | |
|---|---|---|
| | 2006 | 2007 |
| Intangible assets beyond BOMT contracts | Col$ - | Col$ 1,840,738 |
| Goodwill | 18,972 | 324,811 |
| Prepaid O&M expenses under BOMT contracts | - | 136,845 |
| Common-usage projects | 57,287 | 57,287 |
| Preoperating expenses | - | 16,641 |
| Studies and projects | 4,548 | 14,511 |
| Deferred charges | 2.912 | 1,878 |
| Prepaid insurance | 1,594 | 3,707 |
| Administrative claims | 2,550 | 2,428 |
| Deferred tax | 107 | 2,121 |
| Rights of way | - | 1,336 |
| Other | 275 | 279 |
| | 88,245 | 2,402,582 |
| Less: | | |
| Allowance for common-usage projects | (57,287) | (57,287) |
| Allowance for administrative claims | (2,550) | (2,428) |
| Goodwill amortization | (1,423) | (30,449) |
| Accumulated amortization of intangible assets beyond BOMT contracts, software and licenses and rights of way | (70) | (4,263) |
| | 26,915 | 2,308,155 |
| Less – Prepaid expenses – short term | (1,998) | (31,599) |
| | Col$ 24,917 | Col$ 2,276,556 |

## 10. FINANCIAL OBLIGATIONS

| | Interest Rate | Maturity Date | | As of December 31, 2006 | | 2007 |
|---|---|---|---|---|---|---|
| **Financial obligations:** | | | | | | |
| Senior Notes EEB | 8.75% | 31/10/2014 | Col$ | - | Col$ | 1,247,225 |
| Senior Notes TGI | 9.50% | 3/10/2017 | | - | | 1,546,559 |
| ABN AMRO BANK | Libor+1.75% | 30/04/2008 | | - | | 201,476 |
| BBVA | DTF + 3.88% | 23/11/2008 | | 105,557 | | 106,299 |
| BBVA | 12.29% Nom. | 22/08/2008 | | 38,836 | | 39,438 |
| Banco Davivienda | DTF + 1.4% | 22/08/2008 | | 20,548 | | 20,679 |
| Kreditansantal Fur Wiederaufbau | 5.5% | 30/06/2013 | | 11,518 | | 9,770 |
| Banco de Crédito | DTF + 2.5% | 27/12/2008 | | 8,942 | | 8,943 |
| Credit Suisse | No interest | 10/08/2012 | | 7,610 | | 6,179 |
| Suleasing | DTF + 6.0% | 23/01/2008 | | 105 | | 105 |
| Other | | | | - | | 3 |
| | | | | 193,116 | | 3,186,676 |
| **Obligations with related parties:** (Note 12): | | | | | | |
| Gas Natural S.A. E.S.P. | DTF+4% | 17/01/2008 | | 5,799 | | 2,320 |
| Gas Natural S.A. E.S.P. | DTF+4% | 23/10/2008 | | 4,226 | | 10,017 |
| | | | | 10,025 | | 12,337 |
| | | | | 203,141 | | 3,199,013 |
| Less – Current portion | | | | (158,118) | | (446,003) |
| | | | Col$ | 45,023 | Col$ | 2,753,010 |

DTF means Interest Rate on Fixed Term Deposits *(Depósito a Término Fijo)*

The debt denominated in foreign currency as of December 31, 2007 was US$1,360 million corresponding to the senior notes, US$100 corresponding to ABN AMRO BANK, €$3,30 million corresponding to Kreditansantal Fur Wiederaufbau and CHF$3,46 corresponding to Credit Suisse.

As of December 31, 2007 long-term debt maturities are as follows:

| Year | | Amount |
|---|---|---|
| 2009 | Col$ | 3,012 |
| 2010 | | 3,012 |
| 2011 | | 3,012 |
| 2012 | | 3,012 |
| 2013 and subsequent | | 2,740,962 |
| | Col$ | 2,753,010 |

***Covenants* –** EEB and TGI as guarantors of the issuance of bonds made by EEB International Ltd. and TGI International Ltd. and under the provisions of the Issue Indenture acquired the following covenants:

*EEB –*

- EEB's consolidated net debt to consolidated EBITDA ratio must not exceed 4.5:1.0.

- EEB's consolidated EBITDA to consolidated interest expense ratio must not be lower than 2.25:1.0.

*TGI –*

- TGI's net debt to EBITDA ratio must not exceed 4.8:1.0.

- TGI's EBITDA to interest expense ratio must not be lower than 1.7:1.0.

In the event that any of the previous commitments is not fulfilled, the Company and its affiliates would have the following limitations:

- EEB and its subsidiaries must not create, incur, assume or allow the existence of any lien on any property or asset, profit or income (including accounts receivable) or rights with respect to any of such.

- EEB and its subsidiaries must not merge or consolidate with any other corporation. From this event is excluded the possible merger of TGI with Transcogas.

- EEB and its subsidiaries must not engage in any business other than the business of the same general type presently conducted by EEB.

- EEB and its subsidiaries must not create or acquire any subsidiary, or make any investment in another corporation, except related investments in the ordinary course of business.

- EEB and its subsidiaries must not dispose of any assets, except:

  - sales of inventories, damaged, obsolete, used, nonproductive or surplus assets, waste and investments in the ordinary course of business; and

  - other disposals for consideration that does not exceed, individually or jointly U.S.$30 million (or its equivalent in other currencies) per year.

- EEB and its subsidiaries must not incur any debt and must not guarantee any obligation in favor of a third party.

Additionally to the foregoing, EEB and its subsidiaries must not make any changes in the accounting treatment and practices of financial reports or in the treatment of taxes, except as required or permitted by Colombian GAAP, consistently applied during the period.

## 11. ACCOUNTS PAYABLE

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Local suppliers | Col$ | 1,876 | Col$ | 3,796 |
| Sundry creditors | | 7,068 | | 66,342 |
| Dividends payable | | 131,439 | | 162 |
| Deposits received from third parties | | 9,798 | | 19,940 |
| Advances | | 1,719 | | 1,355 |
| Related parties (Note 12) | | 1,569 | | 1,029 |
| Taxes | | 2,410 | | 12,081 |
| Other | | 279 | | 1,317 |
| | Col$ | 156,158 | Col$ | 106,022 |

## 12. RELATED PARTIES

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Assets: (Note 5) | | | | |
| Accounts receivable– | | | | |
| Codensa S.A. E.S.P. | Col$ | 11 | Col$ | 12 |
| Emgesa S.A. E.S.P. | | 54 | | 30 |
| Gas Natural S.A. E.S.P. | | 4,283 | | 2,180 |
| | | 4,348 | | 2,222 |
| Dividends receivable – | | | | |
| Codensa S.A. E.S.P. | | 93,663 | | - |
| Emgesa S.A. E.S.P. | | 69,703 | | 57,541 |
| | | 163,366 | | 57,541 |
| | Col$ | 167,714 | Col$ | 59,763 |
| Liabilities: | | | | |
| Financial obligations (Note 10) | | | | |
| Gas Natural S.A. E.S.P. | Col$ | 10,025 | Col$ | 12,337 |
| Accounts payable – (Note 11) | | | | |
| Codensa S.A. E.S.P. | | 109 | | 107 |
| Emgesa S.A. E.S.P. | | 145 | | 161 |
| Gas Natural S.A. E.S.P. | | 1,315 | | 761 |
| | | 1,569 | | 1,029 |

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Provisions (Note 14) | | | | |
| Gas Natural S.A. E.S.P | | 136 | | 50 |
| | Col$ | 11,730 | Col$ | 13,416 |
| Purchase of fixed assets | | | | |
| Gas Natural S.A. E.S.P | Col$ | 12,979 | Col$ | 13,425 |

The effect on operations of the transactions with related parties, additional to the dividends received described in Note 8, is as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Revenues: | | | | |
| Emgesa S.A. E.S.P. | Col$ | 364 | Col$ | 301 |
| Codensa S.A. E.S.P. | | 662 | | 1,798 |
| Red de Energía del Perú S.A. | | 698 | | - |
| Gas Natural S.A. E.S.P. | | 22,753 | | 25,416 |
| | Col$ | 24,477 | Col$ | 27,515 |
| Costs and expenses: | | | | |
| Emgesa S.A. E.S.P. | Col$ | 621 | Col$ | 657 |
| Codensa S.A. E.S.P. | | 2,747 | | 3,531 |
| Red de Energía del Perú S.A. | | 118 | | - |
| Gas Natural S.A. E.S.P. | | 8,937 | | 9,035 |
| | Col$ | 12,423 | Col$ | 13,223 |

## 13. COLLECTIONS ON BEHALF OF THIRD PARTIES

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Development quota | Col$ $ | 90 | Col$ | 2,379 |
| Transportation tax | | 332 | | 5,763 |
| Special contributions | | - | | 17 |
| | Col$ | 422 | Col$ | 8,159 |

***Development quota*** **–** Corresponds to 3.0% of the rate that the Affiliates Transcogas and TGI collected from customers for the gas effectively transported in accordance to the Law 401 of 1997. Development quota is transferred to the Ministry of Mines and Energy.

***Transportation tax –*** By delegation of the Ministry of Mines and Energy, quarterly basis consignors are billed for the transportation tax established by the code of petroleum, Decree No. 1056 of 1953 and based upon resolutions issued by the Ministry, payments are made to the municipalities through which the gas pipelines run, based upon the gas quantity transported.

***Industries contribution –*** Contribution collected from the industry according to the provisions of Law 143 of 1994.

## 14. PROVISIONS

Provisions consisted of the following:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Provisions for contingencies | Col$ | 32,903 | Col$ | 26,232 |
| Related parties (Note 12) | | 136 | | 50 |
| Other provisions | | 1,369 | | 8,427 |
| | | 34,408 | | 34,709 |
| Less – Short-term provisions | | (1,505) | | (8,477) |
| | Col$ | 32,903 | Col$ | 26,232 |

The allowances for contingencies correspond to:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Administrative | Col$ | 25,965 | Col$ | 19,871 |
| Civil | | 2,400 | | 2,132 |
| Labor | | 4,538 | | 4,229 |
| | Col$ | 32,903 | Col$ | 26,232 |

***Popular action –*** There is a popular action for an undetermined amount filed against Codensa S.A. E.S.P., EEB and the Office of the Mayor of Bogotá to order the annulment of covenants and the recovery of the public lighting service assets together with the respective economic damages. This lawsuit obtained a favorable ruling for the Company in the first instance in the Administrative Court, which is currently being appealed before the Council of State. The Company’s management and its legal advisors consider that these lawsuits are without basis; therefore, they estimate that any payment as a result of these contingencies is remote.

***Group action –*** A group action was filed in 2001 against EEB, Emgesa and the *CAR* for the alleged material and moral damages caused by the environmental damage produced in the Muña Dam. The initial claim of the plaintiffs amounts to approximately US$ 1,500 million.

Currently, the Company is complying with a ruling issued by the Higher Court of Bogotá resulting from a popular/class action that ordered EEB to proceed and adopt the technical and legal measures necessary to mitigate the environmental impacts that the *Muña* Dam generates on the population of Sibaté. The Company formed a Technical Task Force, under the coordination of *Universidad de los Andes*, including some international specialists, with the purpose of analyzing the status of *the Muña Dam* and proposing actions tending to improve its environmental quality. As a result of this, the Company is undertaking an action plan that includes civil works and actions tending to an environmental improvement of the Dam and to decrease the pollution level to acceptable ratios. These activities are being supervised by a security committee that was assembled for that purpose by Civil Court Four of the Bogotá Venue. This committee consists of representatives from the Company, the Ministry of the Environment, the Municipality of Sibaté, the *Corporación Autónoma Regional de Cundinamarca*, the Public Prosecutor, *Ecofondo* and one delegate from the Ombudsman for environmental issues. The security committee is responsible for verifying compliance with the ruling issued against the Company and for supervising that the action plan is implemented.

On the other hand, the Administrative Court of Cundinamarca through ruling dated August 25, 2004, in development of a popular action process related to the Bogotá River and the Muña Dam, approved the Pact of Compliance that the Company presented, which contains the same works and actions that are included in the Action Plan that the Company is carrying out in the Municipality of Sibaté, in compliance with the ruling of the Higher Court of Bogotá, also including the maintenance of the works for two (2) more years.

During 2005, the Company entered into agreements with Emgesa S.A. E.S.P. and the *Empresa de Acueducto y Alcantarillado de Bogotá S.A. E.S.P.,* with the purpose of participating in the works and activities tending to: a) retirement of the "*buchón*" in the *Muña* Dam and termination of the study denominated "Definition and Technical Valuation of Alternatives for Sectorization, Operation, and Hydro-Dynamic Management and Modeling and of Water Quality of the Muña Dam", b) Deinition of the model and selection of alternatives to continue with the works inside the Dam; and c) Definition of commitments to be assumed by the parties upon termination of the covenant, with the purpose of implementing phases that are subsequent to the execution.

Accordingly, a trust mandate was constituted in *Fiduciaria de Occidente* amounting to Col$2,322 million as of December 31, 2007 (Col$1,791 as of December 31, 2006) (see Note 5).

***Contingencies –*** As of December 31, 2007 and 2006, the value of the claims the Company and its subsidiaries have corresponding to administrative, fiscal, civil, labor lawsuits and arbitrations amount to Col$56,121 million and Col$62,272 million, respectively, and others for undetermined amounts. Based upon the evaluation of the likelihood of success in the defense of these cases, the Company and its subsidiaries have provisioned Col$26,232 million and Col$32,903 million as of December 31, 2007 and 2006, respectively, to cover for the probable losses for these contingencies.

The Company's management estimates that the results of the litigation corresponding to the non-provisioned portion shall be favorable to the Company's interests and will not accrue significant liabilities that have to be recorded or that, if there are any, they will not significantly affect the Company's financial position.

## 15. RETIREMENT PENSIONS AND SUPPLEMENTARY BENEFITS

| | As of December 31, | | | |
|---|---|---|---|---|
| | **2006** | | **2007** | |
| Actuarial estimate of retirement pensions | Col$ | 228,059 | Col$ | 225,352 |
| Less – current portion | | (30,285) | | (28,794) |
| | Col$ | 197,774 | Col$ | 196,558 |

Expenses for retirement pensions are as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2006** | | **2007** | |
| Pension payments (retired employees) | Col$ | 29,578 | Col$ | 28,086 |

The value of the pension liability as of December 31, 2007 and 2006 is determined based upon an actuarial estimate. Such estimate was made by an independent actuary, taking into account a DANE rate of 4.77 % and 5.34% as of December 31, 2007 and 2006, respectively. The number of people covered in the actuarial estimate as of December 31, 2007 and 2006 is 1,964 and 1,978, respectively.

The Company has recorded the liability corresponding to medical benefits and other additional social benefits for pensioners, as follows:

| | As of December 31, | | | |
|---|---|---|---|---|
| | **2006** | | **2007** | |
| Supplementary benefits other than retirement pensions | Col$ | 58,967 | Col$ | 57,870 |
| Less – Current portion | | (3,976) | | (4,986) |
| | Col$ | 54,991 | Col$ | 52,884 |

## 16. OTHER LIABILITIES

| | As of December 31, | | | |
|---|---|---|---|---|
| | **2006** | | **2007** | |
| Income received in advance | Col$ | 17 | Col$ | - |
| Deferred tax | | - | | 23,429 |
| Accruals BOMT contracts (1) | | - | | 11,076 |
| | | 17 | | 34,505 |
| Less – current portion | | (17) | | (1,109) |
| | Col$ | - | Col$ | 33,396 |

(1) Correspond to the accrual of the obligation to acquire the pipelines upon expiration of the BOMT contracts, as follows: (i) U.S.$2.76 million (Col$5.56 billion) for Transgas de Occidente S.A. (ii) U.S.$0.54 million (Col$1.09 billion) for Boyaca and Santander and (iii) U.S.$2.20 million (Col$4.42 billion) for Centragas S.A.

## 17. TAXES

***Income tax –*** The Companies are subject to income tax at a rate of 34%. The taxable years 2005 and 2006 are open to fiscal review.

Pursuant to Article 191 of the Tax Statute, the Domiciliary Public Utility Companies are not subject to presumptive (minimum taxable) income.

The detail of the provision for income tax is as follows:

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2006** | | **2007** | |
| Current tax | Col$ | 2,125 | Col$ | 15,611 |
| Deferred tax | | (89) | | 21,414 |
| Adjustment of previous period | | - | | 25 |
| | Col$ | 2,036 | Col$ | 37,050 |

***Tax on equity*** - By means of Law 863 dated December 29, 2003, the Colombian Government created a tax on equity for taxable years 2004, 2005 and 2006. The taxable base of the Equity Tax comprises of the book value of the taxpayer's net equity owned on January 1st of every taxable year, applying a rate of 0.3%. As discussed below, the equity tax with the rate of 1.2% was extended up to 2010.

***Industry and Commerce Tax –*** The Company files and pays the Industry and Commerce Tax over its revenues and it is liquidated at 1.104%, 0.966%, 0.414% in Bogotá; 0.6% in Mosquera; 0.8% in Cartagena and Cúcuta; 0.4% in La Mesa, and 1% in El Colegio, Funza, Soacha and Ubalá.

***Tax Reform – Law 1111 issued on December 27, 2006 –*** Below is a summary of the most significant modifications to the Colombian tax regime for years 2007 and thereafter:

- The income tax rate was reduced to 34% for the year 2007 and to 33% for the year 2008 and thereafter.
- Remittance taxes applicable to branches of foreign corporations and income tax on profits applicable to foreign investors were eliminated.
- Inflation adjustments for tax purposes are eliminated.
- The equity tax with a rate of 1.2% is extended up to 2010.
- The deduction for acquisition of real productive fixed assets is permanently increased to 40%.

- The deduction of industry and commerce tax and property taxes is increased from 80% to 100%.
- The deduction of 25% of the levy on financial transactions is permitted.

## 18. SHAREHOLDERS' EQUITY

*Capital stock* – The authorized capital stock is represented by 306,041,892 shares of a Col$7,744.038 par value each, 85,871,565 shares of which were subscribed and paid-in as of December 31, 2007.

*Mandatory reserves*

*Legal reserve* – The Colombian Code of Commerce requires companies to appropriate at least 10% of the net income of each year to the legal reserve until such reserve is equal to at least 50% of paid-in capital. The legal reserve is not distributable as dividends before the liquidation of the Company, but it may be used to absorb net losses.

*Shareholders' equity revaluation* – Shareholders' equity revaluation reflects equity inflation adjustments. This amount may not be distributed as profit to the stockholders until the Company is liquidated or such value is legally capitalized.

*Reserve for rehabilitation, extension and replacement of systems* – With the purpose that 1997 profits enjoy the income tax exemption stated by Article 211 of the Tax Statute, they were appropriated as reserve for the rehabilitation, extension, and replacement of the systems for the provision of the domiciliary public service.

*Remittances abroad* – According to current legislation in force, a foreign investment entitles its holder to remit abroad, in freely convertible currency, not only the net proven profits periodically generated according to the balance sheets of every social exercise but also the capital invested and the capital gains. Dividends in favor of stockholders non-resident in Colombia were subject to a seven percent (7%) income tax rate. With the Tax Reform enacted by Law 1111 of December 27, 2006, the remittance taxes are eliminated as from January 1, 2007.

*Surplus from revaluation of fixed assets* – The Company recorded the following revaluation surplus:

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Investments | Col$ | 3,110,420 | Col$ | 3,311,975 |
| Property, plant and equipment | | 129,015 | | 150,231 |
| | Col$ | 3,239,435 | Col$ | 3,462,206 |

## 19. COST OF SALES

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Transmission of energy: | | | | |
| Personnel services | Col$ | 1,960 | Col$ | 2,670 |
| General costs | | 885 | | 1,875 |
| Depreciation | | 7,499 | | 8,238 |
| Amortization | | 46 | | 75 |
| Leases | | 102 | | 132 |
| Goods and services | | 438 | | 616 |
| Contributions | | 4,192 | | 4,642 |
| Maintenance orders and contracts | | 2,551 | | 3,378 |
| Public utilities | | 53 | | 36 |
| Fees | | 273 | | 219 |
| Insurance | | 1,597 | | 1,537 |
| Taxes | | 510 | | 711 |
| Other costs | | 3,990 | | 3,464 |
| | | 24,096 | | 27,593 |
| Natural gas transportation: | | | | |
| Personnel services | | - | | 3,882 |
| General costs | | - | | 1,524 |
| Depreciation | | 3,014 | | 22,602 |
| Amortization | | - | | 49,255 |
| Leases | | 7,108 | | 6,800 |
| Maintenance orders and contracts | | 3,058 | | 42,926 |
| Insurance | | 43 | | 3,892 |
| Other costs | | - | | 773 |
| | | 13,223 | | 131,654 |
| | Col$ | 37,319 | Col$ | 159,247 |

## 20. OTHER INCOME

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Provision recovery | Col$ | 19,684 | Col$ | 11,926 |
| Other recoveries | | 8,987 | | 15,287 |
| Gain on sale of property | | 4,975 | | 485 |
| Leases | | 2,618 | | 2,892 |
| Services | | 792 | | 988 |
| Adjustments from prior years | | 2,574 | | 376 |
| Other | | 3 | | 383 |
| | Col$ | 39,633 | Col$ | 32,337 |

## 21. EXTRAORDINARY INCOME

In May 2006, *Codensa S.A. E.S.P.* approved a partial capital reduction, which was authorized in October 2006 by competent authorities. As a consequence of this capital reduction, the Company received a return of contributions in cash amounting to $197,307 million, which was recorded as follows: $80,257 million as a lower value of the investments cost and $117,050 million as extraordinary income.

In November 2004, *Codensa* approved a partial capital reduction, which was authorized in July 2005 by competent authorities. As a consequence of this capital reduction, the Company received a return of contributions in cash amounting to $476,257 million, which was recorded as follows: $193,723 million as a lower value of the investments cost and $282,534 million as extraordinary income.

The extraordinary income corresponds to the recovery of the carrying value of assets that had been provisioned in previous years and is equivalent to the amount of reversal of the proportional share of the previously recorded revaluation of fixed assets, which are realized as extraordinary income due to the return of the contributions in cash for a value greater than the investment cost recorded by the Companies.

## 22. ADMINISTRATIVE EXPENSES

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2006 | | 2007 | |
| Personal services | Col$ | 7,783 | Col$ | 10,938 |
| Imputed contributions | | 1,188 | | 1,254 |
| Effective contributions | | 4,694 | | 4,840 |
| Payroll contributions | | 254 | | 332 |
| Retirement pensions | | 29,578 | | 28,086 |
| Amortization of actuarial estimate | | 4,104 | | - |
| Pension quota parts | | 342 | | 710 |
| Medical services | | 3,384 | | 3,050 |
| Fees | | 5,399 | | 19,077 |
| Organization and start up expenses | | - | | 3,328 |
| Studies and projects | | - | | 3,168 |
| Public utilities | | 239 | | 484 |
| Advertising | | 843 | | 2,481 |
| Subscriptions and affiliations | | - | | 579 |
| Taxes | | 10,409 | | 30,099 |
| Surveillance and security | | 662 | | 877 |
| Communications and transportation | | 557 | | 622 |
| Maintenance, materials and supplies | | 3,534 | | 2,570 |

| | Year Ended December 31, 2006 | | Year Ended December 31, 2007 | |
|---|---|---|---|---|
| Leasehold improvements | | 53 | | 510 |
| Insurance | | 809 | | 1,376 |
| Other general expenses | | 4,675 | | 3,908 |
| Depreciation | | 718 | | 843 |
| Amortization | | 3,464 | | 5,191 |
| Provision for investment protection | | 4,932 | | 353 |
| Debtors provision | | 3,531 | | 1,599 |
| Inventory provision | | 53 | | - |
| Allowance for contingencies | | 1,168 | | 1,012 |
| Property, plant, and equipment impairment provision | | - | | 1,459 |
| (Less) Expenses assigned to the transmission business | | (3,279) | | (3,314) |
| | Col$ | 89,094 | Col$ | 125,432 |

## 23. FINANCIAL EXPENSES

| | Year Ended December 31, 2006 | | Year Ended December 31, 2007 | |
|---|---|---|---|---|
| Interest | Col$ | 6,849 | Col$ | 212,833 |
| Commissions | | - | | 33,279 |
| Loss on valuation of deposits given under management - pensions | | 269 | | - |
| Bank expenses | | 198 | | 451 |
| | Col$ | 7,316 | Col$ | 246,563 |

## 24. MEMORANDUM ACCOUNTS

| | As of December 31, 2006 | | As of December 31, 2007 | |
|---|---|---|---|---|
| Debits: | | | | |
| Contingent rights | Col$ | 57,712 | Col$ | 58,374 |
| Fiscal | | 930,481 | | 934,082 |
| Control | | 27,126 | | 5,120 |
| | | 1,015,319 | | 997,576 |
| Credits: | | | | |
| Contingent obligations | | 130,179 | | 2,860,626 |

| | As of December 31, | |
|---|---|---|
| | 2006 | 2007 |
| Fiscal | 9,736 | 9,736 |
| Control | 776,634 | 722,195 |
| | 916,549 | 3,592,557 |
| | Col$ 1,931,868 | Col$ 4,590,133 |