Translation of a report and financial statements originally issued in Spanish – See Note 27 to the financial statements

Consorcio Transmantaro S.A.

Financial statements as of December 31, 2018 and 2017, together with the Report of Independent Auditors

Translation of a report and financial statements originally issued in Spanish – See Note 27

Consorcio Transmantaro S.A.

Financial statements as of December 31, 2018 and 2017 with the Report of Independent Auditors

Content

Translation of a report originally issued in Spanish – See Note 27

Report of Independent Auditors

To the Shareholders of Consorcio Transmantaro S.A.

We have audited the accompanying financial statements of Consorcio Transmantaro S.A. (a subsidiary of Interconexión Eléctrica S.A. E.S.P. from Colombia), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and for the internal control that Management determines is appropriate to the preparation of financial statements that are free from material misstatement, whether due fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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

Translation of a report originally issued in Spanish – See Note 27

Report of Independent Auditors (continued)

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

Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Consorcio Transmantaro S.A. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Lima, Peru,
February 12, 2019

Countersigned by:

Paredes, Burga & Asociados

Elizabeth Fontenla
C.P.C.C. Register No.25063

Consorcio Transmantaro S.A.

Statement of financial position

As of December 31, 2018 and 2017

	Note	2018	2017 (Restated) Note 3.2
		US$	US$
Assets			
Current assets			
Cash and cash equivalents	3.2(c) and 5	24,390,453	22,845,067
Trade accounts receivable	3.2(a) and 6	22,121,309	17,584,665
Accounts receivable from related parties	3.2(a) and 21(c)	25,120,718	228,607
Other accounts receivable	3.2(a), 3.2(f) and 7(a)	9,085,008	8,575,783
Value added tax credit	3.2(k)	-	5,022,496
Income tax asset	3.2(k)	5,990,031	4,343,290
Supplies and spare parts	3.2(d)	5,643,413	3,611,227
Prepaid expenses		2,309,159	884,241
Total current assets		94,660,091	63,095,376
Long-term trade accounts receivable	3.2(a) and 6	25,359,716	25,684,457
Long-term other accounts receivable	3.2(f) and 7(a)	71,863,791	73,285,567
Facilities, furniture and equipment, net	3.2(e)	2,325,615	2,422,765
Intangible assets, net	3.2(h) and 8	1,280,264,202	1,267,725,213
Total non-current assets		1,379,813,324	1,369,118,002
Total assets		1,474,473,415	1,432,213,378
Liabilities and equity			
Current liabilities			
Trade accounts payable	3.2(a) and 9	5,854,071	8,379,931
Accounts payable to related parties	3.2(a) and 21(c)	8,541,954	15,878,199
Taxes and contributions		1,565,516	121,378
Other accounts payable		4,637,369	3,757,400
Provisions	3.2(l) and 10(a)	1,729,831	1,676,032
Financial obligations	3.2(a) and 11(a)	90,782,826	28,206,668
Total current liabilities		113,111,567	58,019,608
Long-term accounts payable to related parties	3.2(a) and 21(c)	874,909	1,015,909
Long-term financial obligations	3.2(a) and 11(a)	730,999,569	758,206,649
Long-term provisions	3.2(l) and 10(a)	16,456,044	11,895,880
Deferred income tax liability, net	3.2(k) and 12(a)	127,971,566	104,712,272
Total non-current liabilities		876,302,088	875,830,710
Total liabilities		989,413,655	933,850,318
Equity			
Issued capital	13	265,409,194	265,409,194
Other capital reserves		27,005,517	22,516,467
Retained earnings		192,645,049	210,437,399
Total equity		485,059,760	498,363,060
Total liabilities and equity		1,474,473,415	1,432,213,378

The accompanying notes are an integral part of this statement.

Translation of financial statements originally issued in Spanish – See Note 27

Consorcio Transmantaro S.A.

Statement of comprehensive income

For the years ended December 31, 2018 and 2017

	Note	2018 US$	2017 (Restated) Note 3.2 US$
Operating revenues			
Power transmission services	3.2(j), 2 and 16	174,804,140	128,889,460
Construction services	3.2(j)	59,015,195	156,094,748
		233,819,335	284,984,208
Cost of construction services	3.2(j) and 21(e)	(59,298,949)	(155,943,663)
Cost of power transmission services	3.2(j) and 17	(67,399,037)	(46,754,051)
Provisions for maintenance and replacements	3.2(l) and 10(a)	(3,955,527)	(2,943,429)
Gross profit		103,165,823	79,343,065
Operating income and expenses			
Administrative expenses	3.2(j) and 18	(1,640,498)	(1,571,810)
Other income, net		551,119	504,110
Operating profit		102,076,443	78,275,365
Other income (expenses)			
Financial income	3.2(j) and 19	14,851,728	14,142,853
Financial expenses	3.2(j) and 20	(40,684,040)	(29,393,915)
Exchange difference, net		(824,976)	2,358,365
		(26,657,288)	(12,892,697)
Profit before income tax		75,419,155	65,382,668
Income tax	3.2(k) and 12(b)	(23,722,455)	(20,809,536)
Net income		51,696,700	44,573,132
Other comprehensive income			-
Total comprehensive income for the year		51,696,700	44,573,132
Basic and diluted earnings per common share (in U.S. dollars)	3.2(o) and 22(b)	0.063	0.054
Weighted average number of shares outstanding (units)	3.2(o) and 22(b)	819,887,259	819,887,259

The accompanying notes are an integral part of this statement.

Consorcio Transmantaro S.A.

Statement of changes in equity

For the years ended December 31, 2018 and 2017

	Issued capital US$	Other capital reserves US$	Retained earnings US$	Total US$
Balances as of January 1, 2017	265,409,194	18,213,732	170,167,002	453,789,928
Net income	-	-	44,573,132	44,573,132
Transfer to legal reserve	-	4,302,735	(4,302,735)	-
Balances as of December 31, 2017 (Restated, note 3.2)	265,409,194	22,516,467	210,437,399	498,363,060
Net income	-	-	51,696,700	51,696,700
Transfer to legal reserve	-	4,489,050	(4,489,050)	-
Dividends paid, note 13(c)	-	-	(65,000,000)	(65,000,000)
Balances as of December 31, 2018	265,409,194	27,005,517	192,645,049	485,059,760

The accompanying notes are an integral part of this statement.

Translation of financial statements originally issued in Spanish – See Note 27

Consorcio Transmantaro S.A.

Statement of cash flows

For the years December 31, 2018 and 2017

	Nota	2018 US$	2017 (Restated) Note 3.2 US$
Operating activities			
Collections from customers		171,881,517	125,015,813
Value added tax credit recovery	14(h)	-	46,169,766
Collection of interest		12,152,578	11,344,787
Other collections related to the activity		6,689,243	2,599,037
Income tax paid		(2,109,902)	(4,498,575)
Payments to suppliers		(55,023,497)	(15,150,737)
Payments of interests		(38,121,969)	(27,903,028)
Net cash and cash equivalents provided by operating activities		95,467,970	137,577,063
Investing activities			
Purchase of intangible assets	8(a)	(61,772,252)	(169,124,830)
Purchase of fixed assets		(118,686)	(118,507)
Net cash and cash equivalents used in investing activities		(61,890,938)	(169,243,337)
Financing activities			
Proceeds from borrowings	23	62,000,000	172,000,000
Amortization of financial obligations	23	(28,206,671)	(122,947,370)
Dividends paid	13(c)	(65,000,000)	-
Net cash and cash equivalents provided by (used in) financing activities		(31,206,671)	49,052,630
Net increase in cash in the year before changes in exchange rate		2,370,361	17,386,356
Effect of variation in exchange rate		(824,975)	2,358,366
Net increase in cash and cash equivalents for the year		1,545,386	19,744,722
Cash and cash equivalents at the beginning of the year		22,845,067	3,100,345
Cash and cash equivalents at year – end		24,390,453	22,845,067

The accompanying notes are an integral part of this statement.

1. **Identification and business activity**

   (a) Identification -
   Consorcio Transmantaro S.A. (hereinafter "the Company") was incorporated in January 1998. The Company is a subsidiary of Interconexion Eléctrica S.A. E.S.P. (Company with legal address in Colombia). The Company's legal address is Av. Juan de Arona 720, 6th floor, San Isidro, Lima, Peru.

   (b) Business activity -
   The Company's main business activity is the electric power transmission produced by generating companies. The Company also provides operational and maintenance services to private entities that run transmission lines and sub-stations.

   The Company's electric power transmission operations are developed in accordance with the Electrical Concession Law and are regulated and supervised by the Supervising Organism of Investment in Energy and Mining (OSINERGMIN by its Spanish acronym).

   (c) Approval of financial statements -
   The financial statements as of December 31, 2018 were approved by the Company's Management on February 12, 2019 and will be presented for the approval of the Board of Directors and to the Shareholders within the terms established by law. In Management's opinion, the accompanying financial statements will be approved without changes by the Board of Directors and Shareholders' Meetings that will be held during the first quarter of 2019. The financial statements as of December 31, 2017 were approved by the Mandatory Annual Shareholders' Meeting held on March 13, 2018.

2. **Concession contracts of electrical transmission systems**

   Mantaro-Socabaya concession

   Mantaro-Socabaya concession

   In January 1998, the Peruvian State (through the Special Committee authorized by Supreme Resolution No. 498-96-PCM dated December 30, 1996) awarded to the Company the Mantaro-Socabaya electrical transmission system concession. As a result of the award, the Company obtained the right to design, build and commercially exploit the above-mentioned electrical transmission system, together with the responsibility for its maintenance and repairing. The concession term is for thirty-three years, starting in February 1998.

By virtue of the aforementioned award, the Company signed with the Peruvian State the Build, Own, Operate and Transfer contract (named BOOT contract) which establishes the rights and obligations of both parties, as well as the rules and procedures that are in force for the design, supply of goods and services, construction and commercial exploitation of the Mantaro-Socabaya electrical transmission line, as well as the transfer of all the corresponding assets to the Peruvian State at the termination of the concession.

The Mantaro-Socabaya transmission line became commercially operative on October 8, 2000. From that date, it has rendered a public service of electric power transmission and it is part of the national grid (known by its Peruvian acronym as SINAC). In reward of the service, the Company receives an income corresponding to the established tariff regime in the concession contract. The contract is regulated by the Energy and Mining Superintendence Organism (OSINERGMIN).

In reward for its electric power transmission service, the Company receives a fee corresponding to the total transmission cost, which corresponds to the annuity of the carried out investment, including operating and maintenance overheads as well as other outgoings. The investment amounts to US$157,466,796, see note 8(c). During the concession's lifetime, the remuneration is adjusted annually in accordance with the U.S. "Finished Goods Less Food and Energy" index. The Peruvian State, through the Ministry of Energy and Mines, guarantees that the Energy and Mining Superintendence Organism (OSINERGMIN) will put in place the necessary tariff mechanisms to assure that the remuneration received by the Company in return for their transmission services will be entirely recovered from their customers. The Company recognized an annual income originated from its electrical transmission service for 2018 and 2017 amounting to US$174,804,140 and US$128,889,460, respectively, see note 16.

Extension N°1

In June 2009, the Company and the Ministry of Energy and Mines signed an addendum to the concession contract detailing an extension to the Mantaro-Socabaya electric transmission line's capacity amounting to 505 MVAR. The service became operational in July 2011. As of December 31, 2018 and 2017, the Company had invested US$71,051,390, see note 8(c).

Chilca- La Planicie- Zapallal concession

The Company entered into a concession contract with the Peruvian State on September 8, 2008. The agreement has been made under BOOT modality, expires after 30 years from the date the service became operational. The service became operational in June of 2011. As of December 31, 2018 and 2017, the Company had invested US$140,091,014 and US$140,045,350, respectively, see note 8(c).

Ica-Independencia concessions
On October 21, 2009, the Company entered into a concession contract with the Peruvian State in order to carry out a construction project designated "Independencia – Ica Transmission Line 220Kw Structural Upgrade (Southern Area Transmission System)". The service became operational in June 2011. As of December 31, 2018 and 2017, the Company had invested US$10,340,212, see note 8(c).

Zapallal-Trujillo concession
The Company entered into a concession contract with the Peruvian State on February 18, 2010. The contract has been made under BOOT modality, for a period of 30 years from its start-up, commissioning of the project was in December 2012. As of December 31, 2018 and 2017, the Company had invested US$212,179,564, see note 8(c).

Talara-Piura concession
The Company entered into a concession contract with the Peruvian State on August 26, 2010. The contract expires after 30 years from the date the service becomes operational. Commissioning of the project was in August 2013. As of December 31, 2018 and 2017, the Company had invested a total of US$21,209,658, see note 8(c).

Pomacocha-Carhuamayo concession
The Company entered into a concession contract with the Peruvian State on September 22, 2010. The contract expires after 30 years from the date the service becomes operational, commissioning of the project was September 20, 2013. As of 31 December 2018 and 2017, the Company had invested a total of US$25,390,682, see note 8(c).

Trujillo- Chiclayo concession
The Company entered into a concession contract with the Peruvian State on May 26, 2011. This contract has a term of 30 years from its start-up, commissioning of the project was in July 2014. As of December 31, 2018, the Company had invested a total of US$123,454,846 (US$123,465,713 as of December 31, 2017), see note 8(c).

Reinforced 1 Trujillo - Chiclayo
The Company entered into a concession contract with the Peruvian related the first reinforcement to the Guaranteed Transmission System contract (SGT for its Spanish acronym) approved by Ministry Resolution N° 557-2015 MEM/DM dated July 27, 2017. As of December 31, 2018, the Company had invested a total of US$5,760,180 (US$4,228,261 as of December 31, 2017), see notes 8(c) and 8(d).

Machupicchu-Cotaruse concession
The Company entered into a concession contract with the Peruvian State on December 22, 2010. The contract expires after 30 years from the date the service becomes operational, which occurred in August 2015. As of December 31, 2018, the Company had invested a total of US$109,180,700 (US$109,092,238 as of December 31, 2017), see note 8(c).

Mantaro – Montalvo concession
The Company entered into a concession contract with the Peruvian State on September 26, 2013. The contract expires after 30 years from the date the service becomes operational, which took place in November 2017. As of December 31, 2018, the Company had invested a total of US$482,360,523 (US$465,833,822 as of December 31, 2017), see notes 8(c) and (d).

Planicie - Industriales concession
The Company entered into a concession contract with the Peruvian State on September 11, 2014. The contract expires after 30 years from the date the service becomes operational, which took place in August 2017. As of December 31, 2018, the Company had invested a total of US$36,348,256 (US$36,881,571 as of December 31, 2017), see note 8(c).

Orcotuna concession
The Company entered into a concession contract with the Peruvian State on November 18, 2014. The contract expires after 30 years from the date the service becomes operational, which occurred in November 2017. As of December 31, 2018, the Company had invested a total of US$16,285,022 (US$14,938,769 as of December 31, 2017), see note 8(c).

Friaspata - Mollepata concession
The Company entered into a concession contract with the Peruvian State on November 18, 2014. The contract expires after 30 years from the date the service becomes operational, which occurred in August 2018. As of December 31, 2018, the Company had invested a total of US$36,775,393 (US$32,297,587 as of December 31, 2017), see notes 8(c) and 8(d).

Additional extension N°1
The Company entered into the first additional clause - Extension N° 1 under the Mantaro Socabaya BOOT contract with the Peruvian State on October 19, 2015. The commercial operational took place in September 2017. As of December 31, 2018, the Company had invested US$5,682,633 (US$5,771,706 as of December 31, 2017), see note 8(c).

Carapongo concession
The Company entered into a concession contract with the Peruvian State on July 22, 2015. The contract expires after 30 years from the date the service becomes operational, which occurred in December 2018. As of December 31, 2018, the Company had invested US$61,839,233; likewise, the Callahuanca section is in progress for US$99,550 (US$49,088,533 as of December 31, 2017), see notes 8(c) and 8(d).

Mantaro-Nueva Yanango-Carapongo concession and Associated Substations
On September 19, 2017, the Company entered into a concession agreement for this section. The contract expires after 30 years from the date the service becomes operational. As of December 31, 2018, the Company had invested a total of US$11,671,486 (US$1,529,030 as of December 31,2017) for this project in progress, see note 8(d).

Nueva Yanango-Nueva Huánuco Concession and Associated Substations
The Company signed the concession contract with the Peruvian State on September 19, 2017. This contract expires after 30 years from its start-up. As of December 31, 2018, the Company has made investments for this ongoing project for US$ 15,385,129, see note 8 (d).

Private Contract - Compañía Eléctrica El Platanal S.A.
In September 2008, Red de Energía del Perú S.A. transferred to the Company the contract that had previously entered into with Compañía Eléctrica El Platanal S.A. (hereinafter CELEPSA). As a result, the Company was obliged to build the El Platanal – Chilca transmission line as well as to provide an electric energy transmission service to this client. The contract is in force for a 20-year period. The total investment in the transmission line amounted to US$15,637,415. The transmission service started in August 2009.

Private Contract – Minera Miski Mayo S.A.
In March 2009, the Company subscribed a contract with Miski Mayo mining company. Under the terms of the contract, the Company would construct a transmission line and a 220-1138 Kv sub-station. In addition, an electric energy transmission service would be provided. This contract is in force for a period of 30 years. An amount of US$14,274,174 was invested in the transmission line which entered into service in March 2010.

Private Contracts - "Duke Energy S.A." and "Kallpa Generación S.A."
In July 2009 the Company signed two contracts – one with Duke Energy S.A. and the other with Kallpa Generación S.A. Under the terms of the contracts, the Company was committed to build the 220 Kv cell at the Chilca Nueva sub-station and the Kallpa III 220 Kv cell at the Chilca sub-station, respectively. The Company was also contracted to supply an electrical transmission service. The total value of each construction contract amounts to US$1,185,601 and US$1,171,387, respectively. Both contracts are in force for 20 years and became operational in May 2010.

Private Contract - "Kallpa Generación S.A."
In December 2011, the Company signed a contract with Kallpa Generación S.A. Under the terms of the contract, the Company committed to supply an electrical transmission service from the 220Kv cell at the Chilca Nueva Sub-station. The total value of the contract amounts to US$1,004,483.

Private Contract - "Fenix Power Perú S.A."
In August 2010, the Company entered into a contract for transmission services with Fenix Power Perú S.A. Under the terms of the contract, the Company was committed to construct a transmission line, a 220 Kv sub-station, and to provide electrical energy transmission service. The total investment amounted to US$14,515,217 and the contract term is 20 years. The transmission service began to be provided in March 2013.

Private Contract – "ATN2 S.A."
In November 2012, the Company entered into a contract with ATN2 SA for electrical energy transmission services. Under the terms of the contract, the Company was committed to the construction, operation and maintenance of facilities to provide electric transmission services. As of December 31, 2018, the Company had invested a total of US$4,500,620 and the contract term is 18 years. The transmission service began to be provided in January 2014.

Private Contract – "Minera Suyamarca S.A.C."
In November 2012, the Company entered into a contract with Minera Suyamarca for electrical energy transmission services. Under the terms of the contracts, the Company was committed to the construction, operation and maintenance of facilities to provide electric transmission service. At 31 December 2018, the Company had invested a total of US$2,231,469 and the contract term is 18 years. The transmission service began to be provided in August 2015.

Private Contract – "Termochilca S.A.C."
In December 2010, the Company entered into a contract with Termochilca S.A.C. for electrical energy transmission services. Under the terms of the contract, the Company was committed to the construction and operation of facilities to provide electric transmission service. At 31 December, the Company had invested a US$10,436,027 and the contract term is 20 years. The transmission service began to be provided in August 2013.

Private Contract - "Luz del Sur S.A.A."
In October 2013, the Company entered into a contract with Luz del Sur S.A.A. for transmission services. Under the terms of the contract, the Company was committed to the construction and operation of facilities to provide electric transmission service. As of December 31, 2018, the Company has invested US$2,641,873 and the contract term is 30 years. The transmission service began to be provided in August 2015.

Private Contract - "Extension of Santo Domingo de los Olleros sub-station"
In October 2015, the Company entered into an extension to the contract with Termochilca S.A.C., for transmission services. Under the terms of the contract, the Company was committed to the construction and operation of facilities to provide electric transmission service. As of December 31, 2018, the Company has invested US$5,241,336 and the contract term is 17 years. The transmission service began to be offered in December 2017.

Private Contract - "Talara Refinery Modernization Project - Petroperú."
In March 2018, the Company signed a Contract for Transmission Services with the state-owned company Petróleos del Perú S.A. (Petroperú), under which it committed to the construction, operation and maintenance of the facilities for the transmission service for the Talara Refinery Modernization Project and the Modernized Refinery. As of December 31, 2018, the Company has invested US$2,702,585 and the contract term is 30 years. Also, the project is still in the construction stage.

3. Summary of significant accounting policies

3.1 Basis of preparation and presentation –

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as issued by the International Accounting Standards Board (the "IASB") as of December 31, 2018 and 2017.

The accompanying financial statements have been prepared on a historical cost basis, based on the accounting records kept by the Company. The financial statements are presented in United States dollars, which is the Company´s functional and presentation currency, except when otherwise indicated.

The financial statements provide comparative information regarding the previous period, there are certain standards and modifications applied for the first time by the Company during 2018, which have had an impact on the financial statements issued in the previous period, as explained in note 3.2.

In note 3.4 includes information on judgments, estimates and significant accounting assumptions used by management in the preparation of the accompanying financial statements.

3.2 Changes in accounting policies and disclosures –

Adoption of new accounting standards –

During 2018, the Company has adopted the new standards issued by the IASB, effective beginning January 1, 2018; specifically, IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments".

The Company has recorded the impacts that resulted from the adoption of these standards and has incorporated them in the financial statements as of December 31, 2018.

The description of the main changes and the estimated impact, as applicable, are detailed below:

- IFRS 15 "*Revenue from Contracts with Customers*"

  IFRS 15 was published in May 2014 and amended in April 2016 and establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognized at an amount that reflects the consideration to which an entity expects to be entitled as agreed with a customer. The accounting principles established in IFRS 15 provide a more structured approach to measure and recognize income.

This new standard abrogated all previous rules relating to revenue recognition. A total retroactive or partial retroactive application is required for the periods beginning on or after January 1, 2018

The Company adopted IFRS 15 retrospectively, with an initial application date on January 1, 2018. The Company has not modified the comparative information, as it did not identify differences in the adoption of the standard.

- *IFRS 9 "Financial Instruments"*
  IFRS 9 presents changes mainly in the following areas: the classification and measurement of financial instruments, the impairment of financial assets, hedge accounting and the accounting for changes in financial liabilities.

  For the transition to IFRS 9, the Company has used the full retrospective approach indicated by the standard. The aspects associated with hedge accounting and changes in liabilities have no impact on the initial application of IFRS 9 for the Company.

  The main impacts resulting from the initial application of IFRS 9 are associated with aspects of classification, measurement and impairment of the financial assets as described below:

  - Classification and measurement of financial assets
    IFRS 9 includes three main classification categories for financial assets:
    - amortized cost,
    - fair value with changes in other comprehensive income,
    - fair value with changes in results

    The classification of financial assets under IFRS 9 is based both on the business model in which a financial asset is managed and on the characteristics of the contractual cash flows of those instruments. The standard eliminates the existing categories of IAS 39 from held-to-maturity, loans and accounts receivable and available for sale.

  - Impairment
    IFRS 9 replaces the model of incurred losses presented in IAS 39 to an expected credit loss model (ECL). IFRS 9 requires that the ECL of all its financial assets be recorded, except those that are carried at fair value with an effect on results and shares, estimating it over 12 months or for the entire life of the financial instrument ("lifetime"). In accordance with the provisions of the standard, the Company applied the simplified approach (which estimates the loss for the life of the financial instrument), for trade accounts receivable, and the general approach for other financial assets; the same that requires evaluating whether or not a significant increase in risk exists to determine whether the loss should be estimated based on 12 months after the reporting date or during the entire life of the asset.

From the application of this new concept of ECL, the Company has determined the following impacts in its financial statements:

- Trade accounts receivable are subject to impairment evaluation using the simplified approach. The Company has concluded that, based on the historical behavior of its client portfolio where there were no defaults, the credit quality of the clients and a qualitative evaluation of prospective macroeconomic information, additional provisions were made for impairment of accounts receivable in relation to the level of credit risk.

The impacts of the accounting changes in the financial statements of the comparative periods are described below:

Adjustment to the items of the statement of financial position as of December 31, 2017:

	Balance as of 12.31.17	Impacts IFRS 9	Balance as of 12.31.17 (Restated)
	US$	US$	US$
Assets			
Current assets			
Cash and cash equivalents	22,845,067	-	22,845,067
Trade accounts receivable	17,902,029	(317,364)	17,584,665
Accounts receivable from related parties	228,607		228,607
Other accounts receivable	8,575,783	-	8,575,783
Value added tax credit	5,022,496		5,022,496
Income tax asset	4,343,290		4,343,290
Supplies and spare parts	3,611,227	-	3,611,227
Prepaid expenses	884,241	-	884,241
Total current assets	63,412,740	(317,364)	63,095,376
Non-current assets	1,369,118,002	-	1,369,118,002
Total assets	1,432,530,742	(317,364)	1,432,213,378
Total liabilities	933,850,318	-	933,850,318
Equity			
Issued capital	265,409,194	-	265,409,194
Other capital reserves	22,516,467	-	22,516,467
Retained earnings	210,754,763	(317,364)	210,437,399
Total equity	498,680,424	(317,364)	498,363,060
Total liabilities and equity	1,432,530,742	(317,364)	1,432,213,378

Adjustment to the items of the statement of income for the year ended December 31, 2017:

	2017 US$	Impacts IFRS 9 US$	2017 (Restated) US$
Operating revenues	284,984,208	-	284,984,208
Cost of power transmission services	(205,641,143)	-	(205,641,143)
Gross profit	79,343,065	-	79,343,065
Administrative expenses	(1,254,446)	(317,364)	(1,571,810)
Other income, net	504,110	-	504,110
Operating profit	78,592,729	(317,364)	78,275,365
Financial income	14,142,853	-	14,142,853
Financial expenses	(29,393,915)	-	(29,393,915)
Exchange difference, net	2,358,365	-	2,358,365
Profit before income tax	65,700,032	(317,364)	65,382,668
Income tax	(20,809,536)	-	(20,809,536)
Net income	44,890,496	(317,364)	44,573,132

Certain statements and amendments became effective for annual periods beginning on or after January 1, 2018; however, they did not have an impact in the financial statements; thus, they were not disclosed. The Company has not early adopted any other standard or interpretation issued that is not yet effective.

3.3 Summary of significant accounting policies –

(a) Financial instruments: initial recognition and subsequent measurement –

(i) Financial assets –

Initial recognition and measurement -

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Company's financial assets include cash and cash equivalent, trade and other receivables and account receivables from related parties.

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

The classification depends on the business model of the Company and the contractual terms of the cash flows.

Financial assets at amortized cost (debt instruments) -
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and not for its sale or trading, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets are not reclassified after their initial recognition, except if the Company changes its business model for its management.

This category includes cash and cash equivalent, trade and other receivables and account receivables from related parties.

Financial assets at fair value through OCI with recycling of cumulative gains and losses *(debt instruments)* -
A financial asset is measured at fair value through changes in other comprehensive income if the following two conditions are met:

- The financial asset is conserved within a business model whose objective is met both by obtaining the contractual cash flows and selling the cash flows, and
- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of principal and interest.

The Company does not have debt instruments classified in this category.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) -
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through changes in OCI when they meet the definition of equity and are not held for trading.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss -
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized as finance costs (net negative changes in fair value) or finance income (net positive changes in fair value) in the statements of profit or loss.

The Company has no investments classified as financial assets at fair value through profit or loss.

Derecognition -

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset or, (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company´s continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

When continuing involvement takes the form of a guarantee on the transferred asset, it is measured at the lower of original book value of assets and the maximum amount of consideration that the Company would have to pay for the guarantee.

Impairment of financial assets -

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, accounts payable to related parties and financial obligations.

Subsequent measurement -

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Company has not designated any financial liability as at fair value through profit or loss as of December 31, 2018 and 2017.

Loans and borrowings -
After their initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and loss are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest rate method is included as financial costs in the statements of profit or loss.

This category includes trade and other payables, accounts payable to related parties and financial obligations.

Derecognition -
A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statements of profit or loss.

(iii) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(iv) Fair value measurement -

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use to rank the asset or liability value, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account the ability of market participant to generate economic benefits by using the asset in its highest and best use or by selling this to another market participant that would use the asset at its maximum and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient information is available to measure fair value, maximizing the use of relevant observable inputs and minimize the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated statements of financial position on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement.

At each reporting date, the Company's Management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

For this analysis, Management contrasts the main variables used in the latest assessments made with updated information available from valuations included in contracts and other relevant documents.

Management also compares the changes in the fair value of assets and liabilities with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(b) Foreign currency translation -

(i) Functional and presentation currency –
The Company's financial statements are presented in U.S. dollars, which is also the Company's functional currency.

(ii) Transactions and balances in foreign currency –
The transactions carried out in a currency other than the functional currency are considered as transactions in foreign currency. Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the reporting date. The gains or loss for exchange differences resulting from the liquidation of such transactions and the translation of monetary assets and liabilities in foreign currency to the exchange rates prevailing at year-end, are recognized in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

(c) Cash and cash equivalents –
Cash and cash equivalents in the statement of financial position comprise cash and balances held in banks. For the purpose of preparation of the cash flows statement, cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less. These accounts do not have any significant risk of changes in value.

(d) Supplies and spare parts –

Supplies and spare parts are valued at the lower of cost and net realizable value. Cost is determined based on a weighted average method.

The estimation for supplies impairment is calculated based on a specific analysis performed annually by Management and is charged to profit or loss in the year in which the requirement of that provision is determined.

(e) Facilities, furniture and equipment –

The item of facilities, furniture and equipment is stated at cost, net of accumulated depreciation and / or accumulated impairment losses. The cost of an item of facilities, furniture and equipment comprises its purchase price or its manufacturing cost, including non-refundable purchase duties and taxes and any costs necessary to put the asset into operating conditions as anticipated by management. The purchase price or the construction cost correspond to the total of the amount paid and the fair value of any other consideration given for acquiring the asset.

This cost includes replacing components of facilities, furniture and equipment and, in the case of qualified assets, the cost of financing. For the significant components of facilities, furniture and equipment that must be replaced periodically, the Company derecognized the replaced component and recognizes the new component with their respective useful lives and depreciation. Similarly, when a major inspection is performed, its cost is recognized as a replacement to the extent that they meet the recognition requirements. Other repair and maintenance costs are recognized as expenses as incurred.

Depreciation –

Depreciation is calculated following the straight-line method using the following estimated useful lives:

	Years
Improvements in leased facilities	10
Furniture and fixtures	10
Vehicles	5
Other equipment	Between 4 and 10

The asset's residual value, useful lives and methods of depreciation are reviewed at each reporting period, and adjusted if appropriate.

An item of facilities, furniture and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

(f) Financial leases –

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Private contracts with third parties –

The Company as lessor -

For leases where the Company transfers substantially all the risks and benefits incidental to ownership of the leased asset, a finance lease receivable is recognized, either at the fair value of the leased asset (expenditure incurred in the construction of the asset) or the present value of the minimum lease collections, whichever is less.

Subsequently, at the date of use of the asset, the finance lease is recognized under the financial method, recording the capital of the lease installments to be collected as an account receivable. Charges for finance leases are distributed between finance income and the reduction of accounts receivable under finance leases so as to determine a constant rate of interest on the remaining balance of the receivable. These credits are recognized as financial income in the statement of comprehensive income.

Collections or payments under operating leases are recognized as income or expenses in the statement of comprehensive income, on a straight line basis over the lease term.

As of December 31, 2018 and 2017, the Company has not performed financial leases as a lessee.

(g) Borrowing costs –

The costs of financial obligations are accounted for as expenses when incurred, except for those directly related to the acquisition or construction of a qualified asset, which are capitalized as part of the respective assets. All other loans costs are expensed as incurred. The costs of the financial obligations include charges for interests and other costs incurred related to the loans.

The capitalization of borrowing costs starts when the activities needed to prepare the qualified asset is in process and the borrowing's expenses and costs are being incurred. The capitalization of borrowings costs ends when the qualified asset is finalized and ready for its purpose. If the total cost of the resulting asset is greater than its recoverable value, the Company should record an impairment loss.

(h) Intangible assets–

Concession agreement with the Peruvian Government –

The Company has adopted IFRIC 12, Service Concession Arrangements, to record its concession contracts with the Peruvian Government (see note 2).The following two criteria are met for the Company's concession contract and, as result, are within the scope of IFRIC 12:

- The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the assets at the end of the term of the arrangement.

The Company uses the Intangible assets model to record its concession agreements.

The intangible asset represents the right granted by the Peruvian *Government* to perform charges to electric power transmission service users. Extensions to the infrastructure are recorded as additions to intangible assets because they are expected to generate future economic benefits to the Company.

Significant replacements and maintenance that the Company must make to the infrastructure of the electricity transmission system in order to maintain the conditions required by the Peruvian State in accordance with the Concession Contract, and that will not generate future economic flows for the Company are recorded as part of the provision of maintenance and significant replacements, see note 10(c).

The intangible asset arising from the Concession contract is amortized using the straight line method during the effective period of the contract. The amortization expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

As of December 31, 2018 and 2017, the Company does not maintain ongoing projects which have to capitalize interest on loans.

Software –

The software licenses acquired are capitalized based on the costs incurred to acquire or set-up the specific computer software. These costs are amortized in 5 years.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

(i) Impairment of long-term assets –

At each year-end, the Company evaluates if there are indicators that an asset could be impaired. If there is an indicator, the Company prepares an estimate of the recoverable amount of the asset. The recoverable amount of an asset is the greater of the fair value of the unit cash of production less the costs to sell and its value in use, and it is determined for an individual asset unless the asset does not generate cash flows in an independent manner. When the book value of an asset exceeds its recoverable value, an asset is considered impaired and it is reduced to its recoverable value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. The impairment losses are recognized in the income statement.

Such assessment requires certain estimates and assumptions such as volume of projects, investments, working capital budgets, discount rates, list prices and operating costs.

As of December 31, 2018 and 2017, the Company's Management believes that there is no evidence of operational and / or economic situations that indicate that the carrying amount of facilities, furniture and equipment and intangibles cannot be recovered.

(j) Revenue and expenses recognition –

Revenues are recognized when all inherent risks and benefits of the service are transferred, to the extent that it is probable that the economic benefits related to the transaction will flow to the Company and the revenue can be reliably measured, without considering the time in which the payment is carried out. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

The following specific criteria must be met to recognize revenues:

Energy transmission services –
Revenues from the power transmission services are recognized at a point in time, when they are rendered, as established under the concession agreement signed by the Peruvian State. The performance obligation is satisfied when energy is transmitted. The transmission service rendered and not billed is accounted for on the basis of estimates of power transmission, which does not differ significantly from the subsequent actual billing.

Construction services -
Revenues and costs for the projects' construction services are recognized in the income statement over time, in proportion to the stage of completion of the project at the reporting date. The Company has not recognized any profit margin from these construction services given that they are rendered, managed and supervised by a related party. The related party is the only entity which recognizes a profit margin for those services in its financial statements.

Operation and maintenance services -
Revenues from operation and maintenance services to third party installations are recognized over time as the services are provided.

Interests –
Interest income is recognized on a time-proportion basis using the effective interest method and recorded as earned in the "Financial income" caption of the income statement.

Costs and expenses -
The costs and expenses are recognized as they are accrued, independent from the moment of payment, and are recorded in the periods to which they are related.

(k) Taxes -

Current income tax –
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax is calculated based on the Company´s financial information.

Current income tax is calculated and recorded in accordance with the legal stability agreement signed with the Peruvian State in 1998, for the whole concession term.

Deferred income tax –
The income tax for future period is recognized using the liability method on temporary differences between the accounting basis and the tax basis at the date of the statement of financial position.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and for the future offset of unused tax credits and tax loss carry forward. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be used.

The carrying amount of the deferred asset is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow the benefit of part or the entire deferred asset to be utilized. Unrecognized deferred assets are re-assessed on each statement of financial position date and are recognized if there is future taxable income to recover such asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled in accordance with the legal stability agreement signed with the Peruvian Government in 1998.

Deferred tax relating to items recognized outside profit or loss is recognized outside it. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax –
Revenues, expenses and assets are recognized net of the amount of sales tax, except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of sales tax included.

The net amount of value added tax recoverable from, or payable to the taxation authority, is included as part of receivables or payables in the statement of financial position.

(l) Provisions –

A provision is recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement. If the time value of money is material, the provisions are discounted using a pre-tax rate that reflects, when appropriate, the risks specific to the liability. When the discount is made, the increase in the provision due to the passage of time is recognized as a financial cost.

Provision for maintenances and significant replacements –

As part of its obligations under the Concession Agreement subscribed with the Peruvian State (note 2), the Company takes responsibility for the significant maintenances and replacements of the infrastructure it maintains. The future maintenance and replacement costs, necessary to maintain the infrastructure in the conditions required by the Peruvian State, are estimated and recorded as an expense and a provision at year end, in accordance to the estimated period of use of the assets that will be maintained or replaced.

Provision for Electrical Services Quality Technical Standard –

This Standard is mandatory for the supply of generation, transmission and distribution of electrical services subject to a regulated tariff; in accordance with Supreme Decree N°020-97-EM "Electrical Services Quality Technical Standard". This standard establishes the minimum levels of quality in electrical services and regulates the implementation of compensation for breaches of the quality parameters of electricity supply and the stated tolerances. These obligations are recorded in the income statement at the time of the interruption's events are in progress, and those exceed the tolerance level. This economic consideration by the compensation for interruption of power supply is calculated based on the number of interruptions and their total duration, and is paid to the generators that have been affected. Compensation arising from deficiencies in the transmission lines may not exceed 10% of the semiannual sales of the Company.

(m) Contingencies –

A contingent liability is disclosed when the existence of an obligation will only be confirmed by future events or when the amount of the obligation cannot be reliably measured.

Contingent assets are not recognized, but are disclosed when an inflow of economic benefits is probable.

(n) Subsequent events –
Events occurred subsequent to the year-end which provide additional information about financial status of the Company at the statement of financial position date (adjustment events) are included as part of the financial statements. Subsequent events that do not represent adjustment events are disclosed in notes to the financial statements.

(o) Earning per share -
Basic and diluted earnings per share amounts are calculated based on the weighted average number of ordinary shares outstanding as of the reporting period.

As of December 31, 2018 and 2017, the Company does not have financial instruments with dilutive effect; thus, basic and diluted earnings per share are the same.

(p) Segments –
A business segment is a distinguishable component of an enterprise that provides a single product or service or group of products or related services, and subject to risks and returns that are different from other business segments. A geographical segment is a distinguishable component of an enterprise that is dedicated to providing products or services within a particular economic environment and is subject to risks and returns that are different from those of components operating in other economic environments. Companies should consider its organizational structure and management and its internal financial reporting systems to identify segments.

With regard to the revenues from *construction s*ervices according to the requirements of IFRIC 12, the Company provides a construction service for the Peruvian State, so that, this standard establishes that an income equivalent to the fair value of construction service provided is recognized. In the case of the Company, this income presented in the statement of comprehensive income, corresponds to the same amount that the cost incurred whenever the Company does not generate a profit margin or profitability, in the presentation of these services in accordance with the definition of business segment from IFRS 8, since these are provided, administered and/or supervised by their related parties (PDI and REP) or third parties.

The only segment to the Company is the electric power transmission.

3.4 Significant accounting judgments, estimates and assumptions –
The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions to determine the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the day of the financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2018 and 2018.

The most significant estimates considered by the Company's Management in relation to the financial statements are mainly referred to:

(a) Significant judgments –

The most significant judgment in relation with the financial statements is described below:

Identification of the concession as an intangible asset (see note 8)-

Based on its analysis of IFRIC 12 Service Concession Agreements, the Company decided to use the intangible asset model to register transmission lines concessions granted by the Peruvian State. According to Company's Management, although the remuneration for the Company's transmission service is determined annually by the Peruvian State during the concession term, the concession contracts do not establish obligations by the Peruvian Government to take responsibility for the payment of the duties assigned to each service user as a result of the annual provision of transmission services, since the obligation is on the users of the service provided. That is, once the compensation is allocated to service users, there is no mechanism established in the Concession Agreement unconditionally guaranteeing the collection of the rights generated by the transmission service.

Furthermore, Company Management considers that the right to charge each transmission service end-user is generated on an annual basis whilst the Company remains capable of maintaining the transmission lines to a certain standard of service over the lifetime of each concession. If the service were not maintained to the standard specified, no counterpart exists to guarantee payment for the service. Moreover, and according to the terms established in the concession Contracts, insofar as the Peruvian Government cannot guarantee the permanent presence of electricity generating firms in the concession zones, it was established that in the absence of end-users, the corresponding concession Contracts will be interrupted until new generators enter into the transmission system.

As a result of the above considerations, the Company's Management concludes that although the Peruvian Government provides for the assignation of the service to each end-user, it does not guarantee the payment of the corresponding service fee. Therefore, and in accordance with the IFRIC 12 Service Concession Arrangements, the Intangible Asset model should be used.

(b) Estimates and assumptions –
The most significant estimates and assumptions in relation with the preparation of the financial statements are described below:

(i) Impairment of non-financial assets (see note 8) –
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

At the reporting date, there are available projections of those variables which show favorable trends in a view of the Company's objectives. These projections support the recoverability of its long - lived assets.

(ii) Provision for significant maintenance and replacement costs (see note 10) –
The provision for maintenance and replacements represents the present value of the costs of significant maintenance and replacement outlays expected during the remaining lifetime of the concession. This provision corresponds mainly to those expenses necessary in order to maintain the transmission lines' infrastructure in the operative conditions demanded by the Peruvian State and set out in the corresponding concession contract. The provision is calculated by the Transmission Management staff and is based on an assessment of factors relating to the condition and age of the transmission lines and sub-stations. The evaluation includes both a qualitative and a quantitative analysis.

Budget estimates are reviewed annually and take into consideration any material changes to previous projections. However, it should be pointed out that significant maintenance and replacement costs are dependent upon market prices, maintenance activity and the price of required equipment is affected by future economic conditions.

Based on the capital expenses budget previously approved by the Board, the financial planning staff indexes cash outflows by inflation and updates budget flows by applying an annual risk-free rate that takes into consideration market conditions and the specific risk of the related liability.

The main criteria and assumptions used for calculating the provision for significant maintenance and replacement are set out in note 10(c).

(iii) Taxes (see note 14) –
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the nature of the long-term concession contract and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could need future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile.

As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

(iv) Recovery of the deferred income taxes (see note 12) –
Significant management judgment is required to determine the amount of deferred tax assets that can be recognized in the statement of financial position. The deferred income taxes require the Management assesses if it is probable that taxable profit will be available in future periods in order to use the recorded deferred tax asset. The estimate future taxable profit is based on the projections of the operative cash flows and the applying of the corresponding tax laws in each jurisdiction. If the future cash flows and the taxable profit are significantly different from the estimates, such situation could have an impact in the Company's capacity to recover the net deferred tax asset recorded at the reporting date.

In addition, future changes in tax laws could limit the Company's capacity to obtaining tax deductions in future periods. Any difference between the estimates and subsequent real outflows is recorded in the period in which it occurs.

In Management's opinion, the estimates included in the financial statements were realized taking into consideration the best knowledge of the relevant facts and circumstances at the reporting date. However, the final results could be different from the estimates included in the financial statements.

4. Accounting standards

(i) Standards issued but not effective -

The standards and interpretations that were issued, but that were not yet effective at year-end are detailed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the amortization expense on the right-of-use asset

Subsequent to initial measurement, lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

Transition to IFRS 16
The Company plans to adopt the exemptions proposed in the standard for leases which expire after 12 months of the initial adoption date, and for those contracts with a low value asset.

During the last quarter of 2018, the Company has carried out a detailed corporate evaluation of the impact of IFRS 16, this evaluation will end in the first quarter of 2019; whereby; the impact that it could have on internal processes and financial statements has not yet been estimated.

Amendments to IFRS 9: Prepayment Features with Negative Compensation -
Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted. These amendments have no impact on the Company´s financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment -
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether it considers each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that best predicts the resolution of uncertainty should be followed. The interpretation is effective for annual periods beginning on January 1, 2019, but there are certain transition considerations available. The Company will apply the interpretation from its effective date. Since the Company operates in a complex tax environment, the application of this standard may affect its financial statement and required disclosures. In addition, the Company may need to establish processes and procedures to obtain the necessary information to apply the interpretation in a timely manner.

Management of the Company is evaluation the possible effects of this standard.

Annual Improvements 2015-2017 Cycle (issued in December 2017) -
IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. When an entity applies these amendments for the first time, it will do so from the stat date of the oldest comparative period. Since the Company´s current practices are aligned with these amendments, Management does not expect any effect on the Company´s financial statements.

IAS 23 Interest costs - Capitalized interest costs
The amendments clarify that an entity considers part of its general interest costs any interest costs originally incurred to develop a qualified asset when substantially all the activities necessary to prepare the asset for its use or sale have been completed.

An entity applies these amendments to finance costs incurred in or after the commencement of the reporting period in which the entity applies these modifications. These modifications will be applied to the interest costs incurred in the periods beginning on January 1, 2019 or later, allowing early application. Since the Company´s current practices are aligned with these amendments, Management does not expect any effect on the Company´s financial statements.

5. Cash and cash equivalents

(a) This item is made up as follows:

	2018 US$	2017 US$
Cash	428	400
Current bank accounts (b)	4,517,325	8,150,540
Time deposits (c)	19,872,700	14,694,127
	24,390,453	22,845,067

(b) As of December 31, 2018 and 2017, current bank accounts are held in both Soles and U.S. dollars. All are held in local banks and are freely available.

(c) Short-term deposits fall due at under 90 days in the first instance and may be renewable at their maturity. As of December 31, 2018, these deposits yielded interest at an effective rate that fluctuated between 3.65 % and 4.60% for deposits in Soles and between 2.45% and 2.55% for deposits in U.S. dollars (as of December 31, 2017, 3.41% for deposits in Soles and 1.40% for deposits in U.S. dollars).

6. Trade accounts receivable

(a) This item is made up as follows:

	2018 US$	2017 US$
Estimate of accrued transmission services (b), (c)	21,587,687	16,996,259
Accounts receivable from controversy (d)	26,403,405	26,590,227
	47,991,092	43,586,486
Estimation for doubtful accounts (f)	(510,067)	(317,364)
	47,481,025	43,269,122
Current portion	22,121,309	17,584,665
Non-current portion	25,359,716	25,684,457
	47,481,025	43,269,122

(b) Trade accounts receivable, except for accounts receivable from controversy, are mainly denominated in Soles, have current maturities and do not earn interest.

(c) It corresponds to the billing for transmission services performed in December of the current year and which were fully collected in January of the following year.

(d) In May 2004, the Company entered into an arbitration process with the Peruvian Government as a result of two controversies arising from the application of the terms of the BOOT contract corresponding to the Mantaro-Socabaya concession. On December 7, 2004 the definite arbitration award was issued. Among its conclusions are the following:

- Declare the Company's position justified with regard to the BOOT contract, insofar as said contract does not empower the Peruvian State to apply a discount to the Company's monthly remuneration.

- Declare the Company's position justified with regard to the amount that the Peruvian State must refund. An amount stated in US$7,145,626, which includes interest accrued until March 1, 2005.

On May 20, 2005, Addendum N°5 was subscribed with the Peruvian State, wherein it was agreed that the Company's position was valid concerning the amount the Peruvian State should refund. A timetable of payments over a period of 26 years was established. The payments will be added to the monthly invoices and include a 12 percent annual interest rate.

As of October 31, 2013, Addendum N°10 was signed with the Peruvian State, in which it is resolved to amend and clarify the entire execution over the "Monthly charge" pending in the abovementioned controversy. In this regard, the parties agreed to reimburse the Company the amounts owed in the period from March 2005 to April 2014. The amount of the restitution shall be made under the tariff charge during the remaining period of the BOOT contract, from May 1, 2014, with a 12 percent annual interest rate.

The amortization schedule corresponding to this receivable is set out below:

	2018 US$	2017 US$
2018		-
2018	-	905,770
2019	1,045,523	1,014,463
2020 onwards	25,357,882	24,669,994
	26,403,405	26,590,227

During 2018, interest income amounting to US$3, 251, 706 was recognized (US$3,296,410 during 2017), which are shown in the financial income caption. See note 19.

(e) An analysis of aging of the current portion of trade accounts receivable as of December 31, 2018 and 2017 is set out below:

	Not provisioned US$	Provisioned US$	Total US$
As of December 31, 2018			
Not past due	19,096,648	-	19,096,648
Past due:			
Under 30 days	1,777,681	408,140	2,185,821
From 31 to 180 days	180,608	4,418	185,026
From 181 to 360 days	22,683	24,800	47,483
More than 360 days	-	72,709	72,709
Total	21,077,620	510,067	21,587,687
As of December 31, 2017 (Restated)			
Not past due	15,887,927	-	15,887,927
Past due:			
Under 30 days	599,422	200,667	800,089
From 31 to 180 days	66,656	3,865	70,521
From 181 to 360 days	122,336	21,529	143,865
More than 360 days	2,553	91,304	93,857
Total	16,678,894	317,365	16,996,259

(f) The movement of the impairment estimate for accounts receivable during 2018 and 2017 was as follows:

	2018 US$	2017 (Restated) US$
Beginning balance	317,364	-
Estimation for doubtful accounts, note 18	192,703	317,364
Ending balance	510,067	317,364

7. Other accounts receivable

(a) This item is made up as follows:

	2018 US$	2017 US$
Accounts receivable corresponding to private transmission contracts (b)	75,717,850	73,017,501
Advances to suppliers (c)	2,947,103	5,938,873
Accounts receivable for compensation (d)	1,493,742	1,551,797
Other accounts receivable	815,805	1,353,179
	80,974,500	81,861,350
Estimation for doubtful accounts, note 18	(25,701)	-
	80,948,799	81,861,350
Current portion	9,085,008	8,575,783
Non-current portion	71,863,791	73,285,567
	80,948,799	81,861,350

(b) Financial lease contracts -

Private contracts corresponding to electric energy transmission services signed in conjunction with third parties (see note 2) are considered financial lease contracts. In accordance with the accounting practices described in note 3.2(f), disbursements effected by the Company for the purpose of a related asset construction are considered as accounts receivable insofar as completion of the transmission line is pending, and an account receivable equivalent to the capital lease installments pending collection when construction is completed. During 2018, accounts receivable corresponding to private transmission contracts generated interest amounting to US$11,107,695 (US$10,337,969 during 2017), see note 19.

These lease contracts include renewal clauses but do not contemplate call options or updating clauses. Renewals are an option available to the lessee.

As of December 31, 2018 and 2017, the Company's Management believes that it is unnecessary to record an allowance for doubtful accounts as their main customers have a strong reputation in the domestic and international market and show neither financial problems nor indication of impairment at end of the period.

Future minimum collections receivable under applicable lease contracts, together with the present value of the net minimum lease collections, are set out below:

	2018		2017	
	Minimum collections US$	**Present value** US$	**Minimum collections** US$	**Present value** US$
Within one year	12,578,905	3,892,296	11,468,329	1,283,731
After one year but not more than five years	50,315,619	9,055,044	45,873,316	7,551,484
More than five years	130,344,201	62,770,510	131,450,076	64,182,286
Minimum lease collections	193,238,725	75,717,850	188,791,721	73,017,501
Less - amounts representing financial income	(117,520,875)	-	(115,774,220)	-
Present value of minimum lease collections	75,717,850	75,717,850	73,017,501	73,017,501

(c) Advances to suppliers correspond to advances to various suppliers for the construction of transmission projects and negotiation of servitude.

(d) In February 2014, the Peruvian State agrees to return to the Company the payments related to the Electrical Services Technical Standard (NTCSE for its Spanish acronym) corresponding to Extension No. 1 of Mantaro- Socabaya transmission lines since, according to Addendum No. 8, it is exonerated from NTCSE payments since it does not have a supporting infrastructure. The Company estimates that it will recover such compensation in the mid-term.

8. Intangible assets, net

(a) The movement and corresponding accumulated amortization of intangibles is presented below:

	2018				2017			
	Electric transmission system concessions (c) US$	Software US$	Projects in progress (d) US$	Total US$	Electric transmission system concessions (c) US$	Software US$	Projects in progress (d) US$	Total US$
Cost								
Balances as of January 1,	1,393,687,473	1,503,606	87,230,183	1,482,421,262	870,584,538	1,503,606	441,569,202	1,313,657,346
Additions	17,373,824	-	44,398,428	61,772,252	-	-	169,124,830	169,124,830
Transfers (e)	104,374,807	-	(104,374,807)	-	523,463,849	-	(523,463,849)	-
Transfers to supplies and spare parts (f)	(20,002)	-	20,002	-	(360,914)	-	-	(360,914)
Balances as of December 31,	1,515,416,102	1,503,606	27,273,806	1,544,193,514	1,393,687,473	1,503,606	87,230,183	1,482,421,262
Accumulated amortization								
Balances as of January 1,	213,192,443	1,503,606	-	214,696,049	181,093,989	1,484,263	-	182,578,252
Additions	49,233,263	-	-	49,233,263	32,098,454	19,343	-	32,117,797
Balances as of December 31,	262,425,706	1,503,606	-	263,929,312	213,192,443	1,503,606	-	214,696,049
Net book value	1,252,990,396	-	27,273,806	1,280,264,202	1,180,495,030	-	87,230,183	1,267,725,213

(b) The annual amortization expense is recorded in the statement of comprehensive income as follows:

	2018 US$	2017 US$
Cost of power transmission services note 17	49,233,263	32,098,454
Administrative expenses, note18	-	19,343
	49,233,263	32,117,797

(c) The item "Electric transmission system concessions" corresponds to the cost of constructing the electric transmission systems relating to the concessions contracted with the Peruvian State, (see note 2). The balance is detailed below:

	2018 US$	2017 US$
Mantaro – Montalvo	482,360,523	465,833,822
Zapallal – Trujillo	212,179,564	212,179,564
Mantaro-Socabaya	157,466,796	157,466,796
Chilca-La Planicie-Zapallal	140,091,014	140,045,350
Trujillo – Chiclayo	123,454,846	123,465,713
Machupicchu – Cotaruse	109,180,700	109,092,238
Extension N°1 Mantaro-Socabaya	71,051,390	71,051,390
Carapongo	61,839,233	-
Planicie Industriales	36,348,256	36,881,571
Friaspata – Mollepata	36,775,393	-
Pomacocha – Carhuamayo	25,390,682	25,390,682
Talara – Piura	21,209,658	21,209,658
Orcotuna	16,285,022	14,938,769
Ica-Independencia	10,340,212	10,340,212
Reinforcement 1 Trujillo - Chiclayo	5,760,180	-
Additional Extension N°1	5,682,633	5,771,706
Other projects	-	20,002
Total	1,515,416,102	1,393,687,473

(d) As of December 31, 2018 and 2017, the projects in progress comprise the following concessions (see note 2):

	2018 US$	2017 US$
Yanango – Nueva Huanuco	15,385,129	-
Yanango – Carapongo	11,671,486	1,529,030
Carapongo – Callahuanca	99,550	49,088,533
Friaspata – Mollepata	-	32,297,587
Reinforcement 1 Trujillo – Chiclayo	-	4,228,261
Other projects	117,641	86,772
	27,273,806	87,230,183

(e) During 2018, transfers from "Projects in progress" to "Electric transmission system concessions" of the projects Carapongo, Friaspata-Mollepata and Reinforcement 1 Trujillo-Chiclayo amounted to US$104,374,807 (during 2017, transfers amounted to US$523,463,849).

(f) As of December 31, 2018 and 2017, the projects are financed only with specific loans, see note 11(c). The additions to ongoing projects include capitalized financing costs totally amounting to US$3,418,888 and US$12,988,165 during 2018 and 2017, respectively, see note 20.

(g) The Company maintains insurance on its main assets in accordance with the policies established by Management. In Management's opinion, the practices adopted with regard to insurance are consistent with international standards and the risks of eventual loss or losses attributable to accidents or damage outlined in the relevant policies are reasonable given the type of assets owned by the Company.

(h) As of December 31, 2018 and 2018, the Company's Management evaluated the condition and use of its intangible assets. No impairment indicator was identified.

9. Trade accounts payable

(a) This item is made up as follows:

	2018 US$	**2017** US$
Invoices payable	2,082,965	5,912,291
Provisions for invoices payables	3,771,106	2,467,640
	5,854,071	8,379,931

(b) Trade accounts payable are originated primarily from the purchase of goods and services destined to contribute to the development of the Company's operations. These liabilities are denominated in Soles and U.S. Dollars, do not accrue interest and are normally settled within 30 days. No specific guarantees have been granted for these obligations.

10. Provisions

(a) This items is made up as follows:

	Provision for Electrical Services Technical Standard (b) US$	Maintenance and replacement provision (c) US$	Total US$
As of January 1, 2018	61,361	13,510,551	13,571,912
Disbursements	(50,200)	(1,946,067)	(1,996,267)
Provision for the year	-	3,955,527	3,955,527
Fair value update, note 20	-	2,654,703	2,654,703
As of December 31, 2018	11,161	18,174,714	18,185,875
Current portion	11,161	1,718,670	1,729,831
Non-current portion	-	16,456,044	16,456,044
	11,161	18,174,714	18,185,875
As of January 1, 2017	72,886	11,002,207	11,075,093
Disbursements	(141,977)	(3,120,364)	(3,262,341)
Provision for the year	130,452	2,943,429	3,073,881
Fair value update, note 20	-	2,685,279	2,685,279
As of December 31, 2017	61,361	13,510,551	13,571,912
Current portion	61,361	1,614,671	1,676,032
Non-current portion	-	11,895,880	11,895,880
	61,361	13,510,551	13,571,912

(b) Provision for Electrical Services Technical Standard (Peruvian acronym NTCSE) –
In accordance with Supreme Decree N° 020-1997-EM Electrical Services Technical Standard, the Company records the monetary refunds which it is obliged to pay to its customers (i.e. the purchasers of its transmission service) in the event of technical malfunction. These monetary compensations for electrical outages are calculated on the basis of the number of outages and the total duration of the outages and are paid to the injured parties – i.e. the electrical generating companies.

(c) Provision for maintenance and replacement -

The provision for maintenance and replacement represents the present value of significant maintenance and replacement costs that the Company expects to incur between 2019 and 2048 for operating transmission lines, see note 8(c). The provision for maintenance and replacement corresponds principally to the outlays required to maintain the transmission lines infrastructure in accordance with the operational standards specified by the Peruvian State in the relevant concession contract. These costs have been estimated by the Transmission Management on the basis of the physical condition and age of the transmission lines.

The budgets for maintenance and replacement used for calculating the corresponding provision are based upon maintenance forecasts and current available information related to operational Concessions up to date, on the basis of an equivalent period to the remaining years of the Concession Contracts. Budgets are regularly reviewed with a view to incorporate any material change to previous projections. However; significant maintenances and replacements will depend on market prices, maintenance activities and prices for required equipments, which will reflect future economic conditions. Furthermore, disbursement schedules depend upon the useful life of units to be maintained or replaced.

The principal assumptions used for calculating the provision for maintenance and replacements as of December 31, 2018 and 2017 were as follows:

	2018	2017
Operating Budget (nominal value US$)	125,268,043	90,926,967
Risk-free rate	3.550 – 4.619%	1.479% – 4.538%
Average probability of budget execution	70%	69%
Projected inflation rate in the United States of America	2.5	2.5

As of December 31, 2018 and 2017, the Company's Management considers that the provision for significant maintenance and replacement is sufficient to fulfill the conditions of quality and efficiency demanded by the Peruvian State.

11. Financial obligations

(a) This item is made up as follows:

	2018 US$	2017 US$
Corporate bonds (b)		
Corporate bonds	450,000,000	450,000,000
Structuring commissions	(3,332,579)	(4,118,705)
	446,667,421	445,881,295
Bank loans (c)		
Bank loans	379,845,961	346,052,631
Structuring commissions	(4,730,987)	(5,520,609)
	375,114,974	340,532,022
Total financial obligations	821,782,395	786,413,317
Current portion	90,782,826	28,206,668
Non-current portion	730,999,569	758,206,649
	821,782,395	786,413,317

(b) Corporate bonds –

On April 30, 2013, the Company made the placement of international securities offerings under Rule 144A and Regulation S of the US Securities Act of 1933. On May 7, 2013, the Company proceeded with the settlement and issuance of bonds denominated "Senior Notes". The issuance amounted to US$450,000,000 at an issue price of 99.002%. It has a 10-year Bullet amortization, with semiannual coupons and accrue interest at an effective annual rate of 4.375%. These funds were used to debt prepayment. They are not subject to compliance of financial ratios or maintenance of specific levels of net working capital or liquidity.

(c) Bank loans –

The following table sets out the details of the debt corresponding to bank loans:

	2018 US$	2017 US$
Banco de Crédito del Perú S.A.A. (d)	230,263,156	246,052,632
Banco Internacional del Perú S.A.A. (e)	87,582,805	100,000,000
Scotiabank Perú (f)	35,000,000	-
Citibank - New York (g)	27,000,000	-
Structuring commissions	(4,730,987)	(5,520,609)
	375,114,974	340,532,023

(d) Banco de Crédito del Perú S.A.A. – BCP -

On March 18, 2015 the Company entered into a loan agreement with Banco de Crédito del Perú S.A.A. up to US$250,000,000, to be used in investment projects. The loan term is 12 years from the closing date. This loan accrues quarterly interests at an annual rate equivalent to 5.55 percent. As of December 31, 2018, debt balance amounts to US$230,263,156.

The Company is not required to maintain financial ratios as part of its contractual commitments.

(e) Banco Internacional del Perú S.A.A. - Interbank -

On November 19, 2015 the Company entered into a loan agreement with Interbank for US$100,000,000. This loan was used to prepay the loan from Banco de Crédito del Perú S.A.A. The loan term is 9 years from the date of disbursement. This loan accrues quarterly interests at an annual rate equivalent to 4.64 percent. As of December 31, 2018, the debt balance amounts to US$87,582,805.

The Company is not required to maintain financial ratios as part of its contractual commitments.

(f) Scotiabank Perú –Scotiabank-

On March 26, 2018, the Company subscribed a promissory note with Scotiabank Perú in which a credit of US$35,000,000 Bullet is granted. The term of the loan is 1 year from the closing date. This loan accrues annual interest at an effective rate of 2.60 percent. As of December 31, 2018, the debt balance amounts to US$35,000,000.

The Company is not required to maintain financial ratios as part of its contractual commitments.

(g) Citibank - New York

On January 24, 2018, The Company subscribed a promissory note with Citibank Bank New York in which a credit of US$27,000,000 Bullet is granted. The term of the loan is 1 year from the closing date. This loan accrues quarterly interest at an effective annual rate of 1.90 percent from the disbursement until April 24, 2018 and 2.75 percent from April 24, 2018 until maturity. As of December 31, 2018, the debt balance amounts to US$27,000,000.

The Company is not required to maintain financial ratios as part of contractual commitments.

(i) Payment schedule –

As of December 31, 2018 and 2017, the timetable for amortizing the non-current portion of the long-term debt is as follows:

	2018 US$	**2017** US$
2019	-	28,782,826
2020	29,385,716	29,385,718
2021	30,016,583	30,016,583
2022 onwards	679,660,836	679,660,836
Less: structuring commissions	(8,063,566)	(9,639,314)
	730,999,569	758,206,649

(i) Funds deriving from loans and corporate bonds have been applied in the development of the various concession projects undertaken by the Company.

12. Deferred income tax liability, net

(a) Details of this item are set out below, together with their respective originating entries:

	As of January 1, 2017 US$	Credit /(debit) to the statement of comprehensive income US$	As of December 31, 2017 US$	Credit /(debit) to the statement of comprehensive income US$	As of December 31, 2018 US$
Deferred asset					
Provision for maintenance and replacements	5,581,221	(1,224,216)	4,361,005	1,852,672	6,213,677
Tax loss	-	-	-	1,508,828	1,508,828
Other provisions	55,947	(47,681)	8,266	214,941	223,207
	5,641,168	(1,271,897)	4,369,271	3,576,441	7,945,712
Deferred liability					
Effect from differences in the amortization rate of intangible assets	(79,357,582)	(17,571,104)	(96,928,686)	(24,876,643)	(121,805,329)
Tax depreciation of financial lease contracts	(10,356,449)	(1,796,408)	(12,152,857)	(1,959,092)	(14,111,949)
	(89,714,031)	(20,639,409)	(104,712,272)	(26,835,735)	(135,917,278)
	(84,072,863)	(20,639,409)	(104,712,272)	(23,259,294)	(127,971,566)

(b) Income tax expenses, as shown in the statement of comprehensive income, breaks down as follows:

	2018 US$	2017 US$
Current	-	170,126
Deferred	23,259,294	20,639,410
Prior year income tax regularization	463,161	-
	23,722,455	20,809,536

(c) Following, the reconciliation of income tax expenses using the theoretical tax rate and the effective tax rate for the years 2018 and 2017:

	2018 US$	2017 US$
Profit before income tax	75,419,154	65,382,668
Theoretical income tax (30%)	22,625,746	19,614,800
Other permanent ítems	633,548	1,194,736
Prior year income tax regularization	463,161	-
Income tax expense	23,722,455	20,809,536

13. Net equity

(a) Issued capital –

As of December 31, 2018 and 2017, capital stock was represented by 819,887,259 common shares, fully subscribed and paid, the nominal value of each share is one Sol.

As of December 31, 2018 and 2017, the Company's corporate structure was as follows:

Percentage of individual stock participation	Number of shareholders	Total participation percentage %
From 10.01% to 40%	1	40%
From 41.01% to 60%	1	60%
	2	100%

(b) Other equity reserves –

Corporation Law in Peru requires that each financial year a minimum of 10 percent of distributable profits, net of income tax, be transferred to a legal reserve until this reaches an equivalent of 20 percent of the Company's capital. The legal reserve may be used to offset losses or may be capitalized, but in either circumstance must be replaced. The Company appropriates and registers the legal reserve when authorized to do so by the shareholders at the Annual General Meeting.

(c) Dividend distribution -

In the Annual Mandatory Shareholders' Meeting held on March 13, 2018, it was agreed to distribute dividends for US $ 65,000,000 corresponding to profits for the years 2017 and 2016, which were canceled during 2018.

14. Tax situation

(a) On February 24, 1998, the Company entered into a legal stability agreement with the Peruvian State, the term of which is valid for the entire term of the granted concession. The agreement grants mainly, for investors and the recipient of the investment, stability in the tax regime referred to the income tax and stability in the hiring of workers regimes. On October 27, 2006, the Company subscribed an addendum to the tax stability agreement with the Peruvian State, which clarified that the amount at that date of the capital contributions amounted to US$43,005,250. The income tax rate is 30 percent on taxable income.

Legal entities not domiciled in Peru and individuals must pay an additional tax of 4.1 percent on the dividends received.

(b) In July 2018, Law No. 30823 was published, whereby the Congress delegated to the Executive Branch the power to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:

(i) Beginning January 1, 2019, the treatment applicable to royalties and remuneration for services rendered by non-domiciled persons was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the income tax is withheld at the payment or accreditation of the compensation. In order for said cost or expense to be deductible for the local company, the remuneration must have been paid or credited up to the filing date of the annual tax return for the income tax (Legislative Decree No. 1369).

(ii) The rules that regulate the obligation of legal persons and / or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Law, and legal entities established in the country. The obligation covers non-domiciled legal entities and legal entities established abroad, as long as: a) they have a branch, agency or other permanent establishment in the country; b) the natural or juridical person who manages the autonomous patrimony or the investment funds from abroad, or the natural or juridical person who has the status of protector or administrator, is domiciled in the country; c) any of the parts of a consortium is domiciled in the country. This obligation will be fulfilled through the presentation to the Tax Authority of an informative Sworn Statement, which must contain the information of the final beneficiary and be presented, in accordance with the regulations and within the periods established by SUNAT Superintendency Resolution.

(iii) The Tax Code was modified in the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code - Legislative Decree No. 1422).
As part of this modification, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have collaborated with the design or approval or execution of acts or situations or economic relations foreseen as elusive in Rule XVI. In the case of companies that have a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of acts, situations or economic relations to be carried out within the framework of tax planning, this power being non-delegable. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of Legislative Decree No. 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or modification until March 29, 2019, without prejudice to the fact that the management or other administrators of the company have approved the aforementioned acts, situations and economic relations.

Likewise, it has been established that the application of Rule XVI, as regards the re-characterization of tax evasion cases, will take place in the final inspection procedures in which acts, events or situations produced since July 19, 2012 are reviewed.

(iv) Amendments to the Income Tax Law were included, effective as of January 1, 2019, to improve the tax treatment applicable to (Legislative Decree No. 1424):

- Income obtained from the indirect transfer of shares or participations representing the capital of legal persons domiciled in the country. Among the most relevant changes is the inclusion of a new indirect alienation assumption, which is configured when the total amount of the shares of the domiciled legal entity whose indirect disposal is made is equal to or greater than 40,000 Tax Units.

- Permanent establishments of sole proprietorships, companies and entities of any nature incorporated abroad. For this purpose, new cases of permanent establishment have been included, among them, when the rendering of services in the country occurs, with respect to the same project, service or related one, for a period that exceeds 183 calendar days in total within any period of twelve months.

- The system of credits against Income Tax for taxes paid abroad, to be included in the indirect credit (corporate tax paid by foreign subsidiaries) as credit applicable against the Income Tax of domiciled legal persons, in order to avoid the double economic imposition.

- The deduction of interest expenses for the determination of corporate income tax. In the years 2019 and 2020, the debt limit set at three times the net equity as of December 31 of the previous year will be applicable, both to loans with related parties, and to loans with third parties contracted as of September 14, 2018. Beginning 2021, the limit for the deduction of financial expenses will be equivalent to 30 percent of the EBITDA of the entity.

(v) Regulations have been established for the accrual of income and expenses for tax purposes as of January 1, 2019 (Legislative Decree No. 1425). Until 2018 there was no normative definition of this concept, so in many cases accounting rules were used for its interpretation. In general terms, with the new criterion, for the purpose of determining the Income Tax, it will be considered if the substantial events for the generation of the income or expense agreed upon by the parties have occurred, which are not subject to a condition precedent, in whose case the recognition will be given when it is fulfilled; the opportunity for collection or payment established will not be taken into account; and, if the determination of the consideration depends on a future event or event, the total or part of the corresponding income or expense will be deferred until that event or event occurs.

(c) Management considers that it has determined the taxable income under the general regime of income tax in force in 1998, which requires adding and deducting to the result shown in the financial statements, those items that the aforementioned legislation recognizes as taxable and not taxable, respectively.

(d) In accordance with the provisions of Article 87 of the Tax Code and after having complied with the provisions of Supreme Decree No.151-2002-EF, the Company maintains its accounting records in US dollars.

(e) For the purpose of determining the income tax, the transfer prices of transactions with related companies and with companies resident in territories with low or no taxation, must be supported by documentation and information on the valuation methods used and the criteria considered for its determination. Based on the analysis of the Company's operations, Management and its legal advisors believe that, as a consequence of the application of these standards, no significant contingencies will arise for the Company as of December 31, 2018 and 2017.

(f) Tax authorities have the power to review and, if applicable, correct the income tax and the value added tax calculated by the Company in the four years after the year of filing the tax return. Income tax returns from 2015 to 2018 and value added tax returns from December 2014 to December 2018 are pending review by the tax authorities.

Due to the possible interpretations that the tax authorities can give to the legal norms in force, to date it is not possible to determine if the revisions made will be result inabilities or not for the Company, so that any higher tax or surcharge that could result of the fiscal reviews, would be applied to the results of the fiscal year in which they are determined.

During 2011, the Company received an assessment by the National Superintendency of Tax Administration (SUNAT) regarding the 2008 income tax for US$2,490,000. The resolutions referred to the procedure for the carryover and offset of the tax losses of previous years. The Company filed a complaint to the aforementioned statement that was found to be not supported by SUNAT. In response, the Company filed an appeal before the Tax Court, which is pending ruling by the Court.

During 2013, the income tax audit of 2010 was initiated, for which the Company received an assessment from the National Superintendency of Tax Administration (SUNAT) regarding the depreciation of the transmission lines. On July 3, 2017, the claim process is resolved, by Resolution of Intendance No. 0150140013462 issued by the National Superintendency of Tax Administration (SUNAT) in which the claim is declared founded and therefore the entire process is finalized.

In the opinion of Management and its legal advisors, any eventual additional tax settlement would not be significant for the financial statements as of December 31, 2018 and 2017.

(g) As of December 31, 2018, the Company has an offsetting tax loss amounting to US$5,029,427, which is subject to the revisions indicated in (f).

(h) Management of the Company, in accordance with the tax legislation, decided to select the option of imputing the tax loss year after year, to the third category net income obtained within a period of four years computed from the fiscal year in which it generates the tax loss, so that the unpaid balance cannot be carried over to the following years. In this regard, the Company's Management, based on its projections of future taxable profits, decided to record a deferred tax asset as of December 31, 2018 for US$1,508,828, see note 12 (a).

(i) The Company maintained value added a tax credit originated, mainly, by the investments related to the construction of the transmission lines. In January 2011, through Supreme Resolution No. 005-2011-EM, the Company was qualified to be eligible for the early recovery of the value added tax for the investments made as of September 2010 in the investments of the projects in progress. During the year 2017, the Company recovered US$46,169,766.

15. Commitments and guarantees

As of December 31, 2018, the Company holds letters of guarantee with local financial institutions for US$151,422,998 and S/2,025,000 (letters of guarantee for US$83,353,251 and S/4,050,000 as of December 31, 2017) to guarantee the compliance of the contractual conditions associated with the concessions.

16. Power transmission services

This item is made up as follows:

	2018 US$	2017 US$
Mantaro – Socabaya	49,115,670	49,742,377
Mantaro - Montalvo	41,644,033	3,661,761
Zapallal – Trujillo	26,133,874	26,480,234
Trujillo - Chiclayo	15,513,105	15,728,047
Machupicchu – Cotaruse	11,424,854	11,560,757
Chilca – La Planice – Zapallal	10,552,092	10,695,785
Planicie Industriales	4,664,707	1,598,829
Pomacocha – Carhuamayo	2,453,375	2,485,790
Talara – Piura	2,288,132	2,319,234
FRIMO	1,889,293	-
Ica – Independencia	1,583,696	1,357,378
Orcotuna	1,537,185	152,687
Cotaruse Extension	892,666	213,410
La Niña	640,491	-
Carapongo	539,783	-
Complementary service	1,079,975	80,726
Private transmission services contracts	2,851,209	2,812,445
	174,804,140	128,889,460

17. Cost of power transmission services

This item is made up as follows:

	2018 US$	2017 US$
Amortization, note 8(b)	49,233,263	32,098,454
Operational and maintenance services rendered by related parties	6,297,981	4,958,826
Management services rendered by related parties, note 21(b)	3,658,748	3,027,170
Insurance	2,199,284	1,490,680
Taxes	1,942,851	1,865,264
Depreciation	215,837	216,939
Other expenses	3,851,073	3,096,718
	67,399,037	46,754,051

18. Administrative expenses

This item is made up as follows:

	2018 US$	2017 (Reexpresado Nota 3.2) US$
Advisory and consulting services	424,950	311,876
Connectivity services	397,795	279,502
Estimation for doubtful accounts, notes 6(f) and 7(a)	218,404	317,364
Amortization, note 8(b)	-	19,343
Other items	599,349	643,725
	1,640,498	1,571,810

19. Financial income

This item is made up as follows:

	2018 US$	2017 US$
Interest on accounts receivable related to private transmission contracts, see note 7(b)	11,107,695	10,337,969
Interest on accounts receivable related to controversy, note 6(d)	3,251,706	3,296,410
Other items	492,327	508,474
	14,851,728	14,142,853

20. Financial expenses

This item is made up as follows:

	2018 US$	2017 US$
Interest on long - term debt	20,659,205	18,545,376
Interest on bonds	19,687,500	19,687,500
Present value update of the provision for maintenance and replacements, note 10(a)	2,654,704	2,685,279
Other financing costs	1,101,519	1,463,925
	44,102,928	42,382,080
Capitalization of financial expenses, note 8(f)	(3,418,888)	(12,988,165)
Total	40,684,040	29,393,915

21. Transactions with related parties

(a) Nature of relation -

As of December 31, 2018 and 2017, the Company realizes transactions mainly with the following related entities:

- Red de Energía del Perú S.A., is dedicated to the transmission of electricity, provision of operation and maintenance, technical services and specialized services.

- Proyectos de Infraestructura del Perú S.A., is dedicated to the constructions of the transmission lines to the group companies.

- Internexa Perú S.A., is engaged in providing telecommunications services.

- XM Compañía de Expertos en Mercados S.A. E.S.P., specialized in the management of real-time systems, involving the exchange of information with added value, and markets of goods and related services.

(b) The main transactions related during 2018 and 2017 are set out below:

	2018 US$	2017 US$
Expenses		
Acquisition of operational, maintenance and telecommunication services (d)	7,166,789	5,508,279
Acquisition of management services (d), note 17	3,658,748	3,027,170
Intangible assets		
Acquisition of construction services (e)	31,950,519	123,946,115
Acquisition of specialized technical services (d)	581,177	1,501,361
Other transactions		
Amortization of financial leases (f)	(87,396)	(84,500)

(c) As a result of these and other minor transactions, as of December 31, 2018 and 2017, the Company had the following balances with its related parties:

	2018 US$	2017 US$
Accounts receivable -		
Trade		
Proyectos de infraestructura del Perú S.A.C. (e)	25,099,135	226,012
Red de Energía del Perú S.A.	19,553	1,964
Internexa Perú S.A.	2,030	631
	25,120,718	228,607
Accounts payable -		
Trade		
Proyectos de infraestructura del Perú S.A.C. (e)	7,784,264	14,821,287
Red de Energía del Perú S.A. (d)	702,905	848,015
Internexa Perú S.A.	91,436	51,197
XM Compañía de Expertos en Mercados S.A E.S.P.	4,357	14,375
Intercolombia S.A. E.S.P.	3,321	4,590
	8,586,283	15,739,464
Non-trade		
Red de Energía del Perú S.A. (f)	830,535	1,151,347
Interconexión Eléctrica S.A. E.S.P.	45	45
Intercolombia S.A. E.S.P.	-	3,252
	830,580	1,154,644

	2018 US$	2017 US$
	9,416,863	16,894,108
Current portion	8,541,954	15,878,199
Non-current portion	874,909	1,015,909
	9,416,863	16,894,108

Receivable and payable balances relating to related parties have short-term maturities, do not generate interest and are not underwritten with specific guarantees.

(d) Trade accounts payable to Red de Energía del Perú S.A. as of December 31, 2018 and 2017 correspond to the service received for operating and maintaining the transmission line concession by the Peruvian State and for private energy transmission contracts signed with third parties. They also include specialized technical services provided for the purpose of managing transmission line construction contracts from the Peruvian State and third parties. Finally, they include managerial, administrative and financial services. See (a).

(e) For the construction of the transmission lines, the Company subscribed with the related company Infrastructure Projects of Peru S.A.C. (PDI) contracts for the construction, management, administration and supervision of the construction, commissioning and operation of the transmission lines of the concessions indicated in the attached detail. These contracts have construction periods between 24 to 38 months. Likewise, the increase in the account receivable is mainly due to the advances granted to its related party (PDI) for the construction of the Coya and Yana projects. On the other hand, the decrease in accounts payable to PDI is mainly due to the start-up of the Mantaro - Montalvo and Planicie Industriales projects, during the last quarter of fiscal year 2017.

During 2018 and 2017, the Company has made the following disbursements to PDI, related to the construction of these concessions:

	2018 US$	2017 US$
Mantaro – Montalvo	10,823,002	62,215,134
Carapongo	6,696,103	35,229,292
Nueva Yanango – Carapongo	5,501,337	-
Nueva Yanango – Nueva Huanuco	5,463,102	-
Friaspata Mollepata	2,153,744	15,058,814
Orcotuna	1,075,580	6,087,726
Reinforcement 1 Trujillo – Chiclayo	129,084	236,111
Planicie Industriales	-	4,847,305
Cotaruse Extension	-	271,733
	31,841,952	123,946,115

Company's disbursements in favor of its related party and third parties pertaining to the construction of electrical energy transmission lines were as follows:

	2018 US$	2017 US$
Disbursements to PDI	31,841,952	123,946,115
Disbursements to third parties	26,875,820	30,496,187
Disbursements to REP (b)	559,054	1,432,015
Disbursements to Internexa (b)	17,010	69,346
Disbursements to XM Compañia de Expertos en mercados	5,113	-
	59,298,949	155,943,663

In accordance with the requirements of IFRIC 12 Service Concession Arrangements, the Company recognizes these incurred costs in the statement of comprehensive income as part of the cost of the construction service. According to this interpretation, the Company renders a construction service in favor of the Peruvian State, see note 3.2(j).

(f) As of December 31, 2018, it corresponds to the cost of transferring the control center from the project La Planicie of its related party Red de Energía del Perú S.A. in the form of financial leases for US$830,535 (US$1,051,592 as of December 31, 2017).

(g) Transactions with related parties were performed under normal market conditions. Taxes generated by these operations and the basis of their calculation are in line with current industry practice and are settled in accordance with tax legislation currently in force.

(h) Board and Management remuneration
Outlays related to Board and Management remunerations and related concepts amounted to US$68,050 during 2018 (US$74,301 during 2018). The Company provides Management with no post-employment or post-contract benefits and no equity participation scheme exists.

22. Basic and diluted earnings per share

(a) Earnings per basic and diluted share are calculated dividing the net income from corresponding period, by the average number of ordinary shares outstanding at the date of statement of financial position. Basic and diluted earnings per share are the same since there are no dilutive effects on earnings:

	Outstanding shares	Effective days during the period	Weighted average shares
Year 2018			
Balances as of January 1, 2018	819,887,259	365	819,887,259
Balances as of December 31, 2018	819,887,259		819,887,259
Year 2017			
Balances as of January 1, 2017	819,887,259	365	819,887,259
Balances as of December 31, 2017	819,887,259		819,887,259

(b) The calculation of earnings per basic and diluted shares of the controlling interest for the years ended December 31, 2018 and 2017 are presented below:

	2018		
	Earnings (numerator) US$	Shares (denominator)	Earnings per share US$
Basic and diluted earnings per share	51,696,700	819,887,259	0.063

	2017		
	Earnings (numerator) US$	Shares (denominator)	Earnings per share US$
Basic and diluted earnings per share	44,573,132	819,887,259	0.054

23. Financial risk management objectives and policies

By the nature of its activities, the Company is exposed to market, credit and liquidity risks. These are managed through a policy of identification, assessment and continuous monitoring and are subject to risk limits and other controls. The process of financial risk management is of cardinal importance to the Company's continuing profitability.

The independent risk control process does not contemplate business risks such as climate or environmental change or developments in technology or to industry. These are monitored through the Company's strategic planning program.

(a) Risk management structure –
Risk management structure is the responsibility of the Company's Board and Management, who are entrusted to identify and control risks in coordination with other areas of the Company, as explained below:

(i) Board of Directors –
The Board is responsible for guiding the general focus of risk management, and indicates the principles to be used to this purpose as well as the policies to be adopted in specific areas. These may include exchange rate risks, interest rate risks, credit risks and liquidity risks.

(ii) Treasury and Finance –
The treasury and finance area is responsible for the Company's daily cash flow administration whilst bearing in mind the policies, procedures and limits imposed by the Board and Company's Management. The area is also responsible for arranging credit lines with financial entities when deemed necessary.

(b) Risk mitigation -
As part of their ongoing risk management policy, the Company constantly evaluates different scenarios and identifies different strategies designed to alleviate eventual exposures to changes to interest rates, foreign exchange rates as well as capital risks and credit risks.

The Board reviews and imposes the policies for managing each of these risks, which are detailed in the following paragraphs:

Market risk
Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market prices. In the Company's case, market prices include two types of risk: interest rate risk and currency exchange rate risk. Financial instruments exposed to market risk include short-term deposits, loans and financial obligations.

The sensitivity analyses displayed in the paragraphs below are based upon the situation as of December 31, 2018 and 2017. These analyses are prepared based on the assumption that the net amount of debt, the coefficient of a fixed interest rate applied to the debt's variable interest rates, and the proportion of foreign currency financial instruments all remain constant.

These analyses do not include the impact of market variables movements on the book value of tax or labour obligations and provisions.

(a) Interest rate risk –
Interest rate risk is defined as a risk whereby a fair value, or a financial instrument's future cash flow fluctuates as a result of changes in market interest rates. The Company's exposure to market interest rate risk relates mainly to term deposits and to long-term financial obligations with variable interest rates. As of December 31, 2018, the Company does not have financial obligations with variable interest rates.

The Company manages its interest rate risk by obtaining corporate bonds and bank loans at fixed interest rates (100 percent of the total debt), see note 11(c).

(b) Exchange rate risk -
Exchange rate risk is defined as a risk whereby a fair value, or a financial instrument's future cash flow, fluctuates due to changes in foreign exchange rates. The Company's exposure to exchange rate risk relates principally to its operational activities – and when earnings and expenses are incurred in a currency, which is different from the Company's functional currency.

Foreign currency transactions are carried out at free market exchange rates as published by the Superintendence of Banking, Insurance and Private Pension Funds Administrators. As of December 31, 2018, the average weighted free market exchange rates for the United States dollar were US$0.297 buy and sale (US$0.306 for buy and sale as of December 31, 2017).

As of December 31, 2018 and 2017, the Company held the following assets and liabilities in Soles:

	2018 S/	2017 S/
Assets		
Cash and cash equivalents	23,690,455	6,678,669
Trade accounts receivable	62,732,303	54,397,749
Other accounts receivable	5,119,313	18,365,498
	91,542,071	79,441,916
Liabilities		
Trade accounts payable	1,801,595	1,695,515
Other accounts payable	5,942	3,198,961
	1,807,537	4,894,476
Net asset position	89,734,534	74,547,440

As of December 31, 2018 and 2017, the Company has no transactions with derivatives to hedge its currency risk. The result of maintaining foreign currency balances for the Company was a net loss of approximately US$824,976 (net gain of US$2,358,365 in 2017), which are presented in the caption "Exchange difference, net" of statement of comprehensive income.

Sensitivity to exchange rate -
The following table shows the sensitivity to a reasonably possible change in the exchange rate of the U.S. dollar, given that all other variables will remain constant, on the profit before income tax of the Company (due to changes in fair value of monetary assets and liabilities).

	Increase/ decrease percentage	**Effect on profit before income tax** US$
2018	+10%	1,711,473
2018	-10%	(1,711,473)
2018	+10%	2,303,516
2018	-10%	(2,303,516)

Credit risk
Credit risk is the risk that the counterpart cannot fulfill its obligations with regard to a financial instrument or a sales contract, thus generating a financial loss. The Company is exposed to credit risks due to the nature of its operational activities (primarily through accounts receivable and loans) and its financial activities that include deposits in banks and financial entities.

The Company considers trade accounts receivable to be a low credit risk as far as its principal customers are concerned inasmuch as the risk is reduced due to the fact that the total invoiced to each transmission service end user – and the collection dates – are regulated by OSINERGMIN and through procedures set out by the National Grid Operations Committee (COES for its Spanish acronym).

In 2018, the three most important customers represented 19 and 16 percent of total sales (13 and 12 percent of total sales in 2017). As of December 31, 2018, 35 percent of accounts receivable were attributable to these clients (48 percent as of December 31, 2017). The Company's electrical energy transmission services connect the generating companies to the Peruvian National Grid (SEIN) and some mining companies.

The assessment for doubtful accounts at the date of the financial statements and individually for each client is updated.

Liquidity risk

The Company constantly monitors the risk of a deficit of funds with recurrent short-term and long-term cash flow projections.

The Company's objective is to balance between continuity of funding and flexibility through the use of loans.

The following table summarizes the maturity profile of financial liabilities of the Company's on the basis of undiscounted payments under the respective contracts:

	Past - due US$	Under 3 months US$	From 3 to 12 months US$	From 1 to 5 years US$	Over 5 years US$	Total US$
As of December 31, 2018						
Financial obligations						
Principal	-	69,140,668	21,642,158	603,536,822	127,462,747	821,782,395
Future interest	-	5,241,617	31,702,750	127,008,416	14,833,974	178,786,757
Trade accounts payable	-	5,854,071	-	-	-	5,854,071
Accounts payable to related parties	-	8,541,954	-	874,909	-	9,416,863
Other accounts payable	-	4,637,369	-	-	-	4,637,369
Total	-	93,415,679	53,344,908	731,420,147	142,296,721	1,020,477,455
As of December 31, 2017						
Financial obligations						
Principal	-	6,999,069	21,207,599	88,185,127	670,021,522	786,413,317
Future interest	-	4,522,911	13,069,445	44,075,499	54,848,870	116,516,725
Trade accounts payable	-	7,220,529	103,714	1,055,688	-	8,379,931
Accounts payable to related parties	-	15,878,199	-	1,015,909	-	16,894,108
Other accounts payable	-	3,757,400	-	-	-	3,757,400
Total	-	38,378,108	34,380,758	134,332,223	724,870,392	931,961,481

Capital management –
The Company's capital management policy mains objective is to ensure that the Company maintains a solid credit rating and healthy capital ratios, with a view to grow the business and maximize its value to the stockholder.

The Company manages its capital to ensure that the entity continues as a going concern while maximizing the return to its shareholders through the optimization of debt and equity balances.

The capital structure of the Company consists of net debt (loans less cash and cash equivalents), and shareholders' equity.

Debt ratios as of December 31, 2018 and 2017 are set out below:

	2018 US$	2017 (Restated) US$
Total financial obligations	821,782,395	786,413,317
Trade accounts payable, to related parties and other payables	19,033,394	28,015,530
(-) cash and cash equivalents	(24,390,453)	(22,845,067)
Net debt (a)	816,425,336	791,583,780
Total net equity	485,059,760	498,680,424
Total liabilities and net equity (b)	1,301,485,096	1,289,946,840
Gearing ratio (a / b)	62.73%	61.35%

Changes in liabilities from financing activities (note 4 (i)) –

Following, changes in liabilities from financing activities for the years ended December 31, 2018 and 2017:

	Balance as of January 1, 2018 US$	Cash flow Loans US$	Cash flow Amortization US$	Other US$	Balance as of December 31, 2018 US$
Financial Liabilities:					
Corporate bonds	445,881,295	-	-	786,126	446,667,421
Bank loans	340,532,022	62,000,000	(28,206,671)	789,623	375,114,974
Total	786,413,317	62,000,000	(28,206,671)	1,575,749	821,782,395

	Balance as of January 1, 2017 US$	Cash flow Loans US$	Cash flow Amortization US$	Other US$	Balance as of December 31, 2017 US$
Financial Liabilities:					
Corporate bonds	445,236,220	-	-	645,075	445,881,295
Bank loans	291,409,600	172,000,000	(122,947,370)	69,792	340,532,022
Total	736,645,820	172,000,000	(122,947,370)	714,867	786,413,317

The column "Other" includes the accrual of the structuring commissions, which does not generate cash flow.

24. Information concerning fair values of financial instruments

Fair value is defined as the unbiased market price of an asset (or liability) that may be sold or exchanged in a transaction between knowledgeable and willing parties, providing the transaction is not a liquidation sale.

When a financial instrument is traded in a functioning active market, its standard market price is the best evidence of fair value. When the market price does not exist, or when this is not an adequate indicator of the instrument's worth, another substantially similar instrument may be employed to assess fair value. An analysis of discounted cash flows and other techniques are also available, but these are significantly affected by assumptions or the relevant adopted hypotheses. Despite the fact that Management has used its best judgment with a view to estimating fair values of the Company's financial instruments, any technique for such a process is inherently fragile. Consequently, fair value is not necessarily a true indicator of net market prices if the Company's financial instruments were to be liquidated.

The following methods and assumptions were adopted to assess fair values:

(a) Financial instruments with fair values similar to book values –
These are financial assets or liabilities that are cleared or mature in the short term (within three months), such as cash and cash equivalents, accounts receivable, accounts payable and other current liabilities. Fair value of these instruments is considered similar to its book value.

(b) Fixed rate financial instruments –
Fair values of fixed rate financial assets and liabilities at amortized cost are determined by comparing market interest rates at the time of their initial uptake with current rates applicable to similar instruments. The estimated fair values of interest-bearing deposits are determined through discounted cash flows that are prepared using market interest rates in the prevalent currency and considering products with similar maturity dates and inherent risks. Fair values of long-term financial commitments are approximately the same as their book values, insofar as interest rates are similar to those currently in force in the market.

The following table compares the Company's financial instruments' book values with fair values, as detailed in the financial statements:

	Book value		Fair value	
	2018 US$	2017 US$	2018 US$	2017 US$
Financial assets				
Cash and cash equivalents	24,390,453	22,845,067	24,390,453	22,845,067
Trade accounts receivable, net	47,481,025	43,586,486	47,481,025	43,269,122
Accounts receivable from related parties	25,120,718	228,607	25,120,718	228,607
Other accounts receivable	80,948,799	81,861,350	80,948,799	81,861,350
Total	177,940,995	148,521,510	177,940,995	148,204,146
Financial liabilities				
Trade accounts payable	5,854,071	8,379,931	5,854,071	8,379,931
Accounts payable to related parties	9,416,863	16,894,109	9,416,863	16,894,109
Other accounts payable	12,448,674	3,757,400	12,448,674	3,757,400
Financial obligations:				
Fixed rate loans	829,845,961	796,052,631	828,445,093	804,083,844
Structuring commissions	(8,063,566)	(9,639,314)	(8,063,566)	(9,639,314)
Total	849,502,003	815,444,757	848,101,135	823,475,970

Fair values of financial assets and liabilities are shown at prices which could be obtained in current transactions between willing parties, and not at a forced or liquidation sale. The following methods and assumptions are employed when estimating fair values:

- Cash and short-term deposits, together with trade and other accounts receivable, are to a greater degree the same as their book values insofar as these instruments mature in the short term.

- The estimated fair values of interest-bearing financial obligations are determined through discounted cash flows that are prepared using prevailing market interest rates for like products with similar maturity dates and inherent risks.

25. Standards for protecting the environment and technical standard

(a) Standards for protecting the environment -

In accordance with the General Environment Law (Law N°28611) and the Electrical Activities Environmental Protection Regulation (Supreme Decree N°29-94-EM), the Government establishes principals, policies and standards designed to protect the environment, to promote the rational use of natural resources, and to encourage sustainable development of activities relating to the generation, transmission and distribution of electrical energy.

As of December 31, 2018 and 2017, the Company's Management considers that any contingency relating to the environment would have a negligible effect upon the financial statements in general.

(b) Technical Standard for Electrical Services Quality -

Supreme Decree N°020-97-EM endorses the Technical Standard for Electrical Services Quality (Peruvian acronym: NTCSE) which establishes minimum levels for the quality of electrical services rendered to regulated customers and, supplementary, for independent clients. The standard applies to street lighting and to obligations undertaken by companies pertaining to the electricity sector as well as to firms that operate within the framework of the Electrical Concession Law.

The NTCSE contemplates measurement procedures and tolerances which encompass quality standards that are applicable to electricity services and to street lighting. OSINERGMIN is the entity responsible for overseeing and monitoring the above-mentioned standard with reference to both electrical companies and their customers. OSINERGMIN is also empowered to regulate the application of sanctions and compensatory fines when an entity does not fulfill its obligations within the parameters established by the NTCSE. Law N°28832 awards COES - SINAC power to assign responsibility when the NTCSE standard is transgressed and to calculate the corresponding compensatory penalties.

Company's Management considers that if any contingency relating to an incident of non-compliance of the parameters set out by the NTCSE were to arise due to damaged equipment, the event would be covered by the Company´s insurance policies.

26. Subsequent events

Between January 1, 2019 and the date of issuance of the financial statements (February 12, 2019), there have been no subsequent events of a financial or accounting nature that could affect the interpretation of these financial statements.

27. Explanation added for English language translation

The accompanying financial statements are presented on the basis of International Financial Reporting Standards. Certain accounting practices applied by the Company that conform with International Financial Reporting Standards, may differ, in certain respects, from generally accepted accounting principles in other countries. In case of discrepancy, the Spanish version prevails.

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