Translation of a report and financial statements originally issued in Spanish – See Note 30

Red de Energía del Perú S.A.

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

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Red de Energía del Perú S.A.

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

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Report of the Independent Auditors

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Report of Indepent Auditors

To the Shareholders of Red de Energía del Perú S.A.

We have audited the accompanying financial statements of Red de Energía del Perú 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 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 and for the internal control that Management determines is appropriate to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor´s 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.

Report of Indepent 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 financial statements referred to above present fairly, in all material respects, the financial position of Red de Energía del Perú 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.

Lima, Peru
February 12, 2019

Countersigned by:

Paredes, Burga & Asociados

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

Translation of financial statements originally issued in Spanish – See Note 30

Red de Energía del Perú 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	15,110,259	16,515,587
Trade accounts receivable	3.2(a) and 6	27,724,112	17,803,741
Accounts receivable from related parties	3.2(a) and 23(c)	970,125	1,477,116
Other accounts receivable	3.2(a) and 7	2,324,133	2,715,080
Supplies and spare parts	3.2(d) and 8	10,835,504	9,221,257
Prepaid expenses		1,814,455	857,573
Total current assets		58,778,588	48,590,354
Trade accounts receivable, net	3.2(a) and 6	-	486,018
Long-term accounts receivable from related parties	3.2(a) and 23(c)	874,909	965,479
Long-term other accounts receivable	3.2(a) and 7	4,859,394	4,950,348
Facilities, furniture and equipment, net	3.2(e) and 9	10,129,837	11,391,767
Intangible assets, net	3.2(h) and 10	431,265,826	449,578,574
Total non-current assets		447,129,966	467,372,186
Total assets		505,908,554	515,962,540

	Note	2018	2017 (Restated) Note 3.2
		US$	US$
Liabilities and equity			
Current liabilities			
Trade accounts payable	3.2(a) and 11	11,308,895	8,714,354
Accounts payable to related parties	3.2(a) and 23(c)	1,777,791	1,424,250
Taxes and social contributions	3.2(k)	7,378,265	3,722,567
Other accounts payable	3.2(a) and 12(a)	9,222,514	7,384,805
Provisions	3.2(i) and 12(c)	15,206,195	13,109,514
Financial obligations	3.2(a) and 13(a)	72,089,325	75,887,110
Total current liabilities		116,982,985	110,242,600
Long-term other accounts payable	3.2(a) and 12(a)	-	105,475
Long-term provisions	3.2(i) and 12(c)	28,464,389	30,047,456
Long-term financial obligations	3.2(a) and 13(a)	138,123,489	144,712,127
Derivative hedging instruments	24	22,055,341	20,541,601
Deferred income tax liability, net	3.2(k) and 14(a)	13,423,196	15,944,271
Total non-current liabilities		202,066,415	211,350,930
Total liabilities		319,049,400	321,593,530
Equity	15		
Issued capital		23,682,675	23,682,675
Share premium		97,571,273	97,571,273
Other capital reserves		4,736,535	4,736,535
Other equity reserves		(4,330,156)	(4,783,518)
Retained earnings		65,198,827	73,162,045
Total equity		186,859,154	194,369,010
Total liabilities and equity		505,908,554	515,962,540

The accompanying notes are an integral part of this statement.

Red de Energía del Perú 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 income			
Electric power transmission services	2	143,769,920	128,336,741
Construction services		13,174,824	18,650,995
Complementary services	17	21,976,657	16,294,994
		178,921,401	163,282,730
Cost of electric power transmission services	18	(66,944,604)	(63,848,095)
Cost of construction services	23(j)	(13,525,216)	(18,250,699)
Provision for maintenance and replacements	12(c)	(9,983,076)	(11,125,405)
Gross profit		88,468,505	70,058,531
Operating expenses			
Administrative expenses	19	(11,779,458)	(12,014,741)
Other operating income, net		1,609,045	2,221,726
		(10,170,413)	(9,793,015)
Operating margin		78,298,092	60,265,516
Other income (expenses)			
Financial income		1,027,630	1,098,754
Financial expenses	21	(12,828,757)	(13,627,631)
Exchange difference, net	26(b)	(999,464)	1,333,916
		(12,800,591)	(11,194,961)
Profit before income tax		65,497,501	49,070,555
Income tax	14(b)	(18,460,719)	(18,826,296)
Net income		47,036,782	30,244,259
Other comprehensive income			
Cash flow hedging		621,043	6,035,007
Income tax		(167,681)	(1,629,452)
	15(d)	453,362	4,405,555
Total comprehensive income for the year		47,490,144	34,649,814
Basic and diluted earnings per common share (in U.S. dollars)	25	0.65	0.42
Weighted average number of shares in circulation (units)	25	72,160,000	72,160,000

The accompanying notes are an integral part of this statement.

Red de Energía del Perú S.A.

Statement of changes in equity

For the years ended December 31, 2018 and 2017

	Issued capital US$	Share premium US$	Other capital reserves US$	Other equity reserves US$	Retained earnings US$	Total US$
Balances as of January 1, 2017	23,682,675	97,571,273	4,736,535	(9,189,073)	82,917,786	199,719,196
Net income	-	-	-	-	30,244,259	30,244,259
Other comprehensive income	-	-	-	4,405,555	-	4,405,555
Total comprehensive income for the year	-	-	-	4,405,555	30,244,259	34,649,814
Declared dividends, note 15(e)	-	-	-	-	(40,000,000)	(40,000,000)
Balances as of December 31, 2017 (Restated, note 3.2)	23,682,675	97,571,273	4,736,535	(4,783,518)	73,162,045	194,369,010
Net income	-	-	-	-	47,036,782	47,036,782
Other comprehensive income	-	-	-	453,362	-	453,362
Total comprehensive income for the year	-	-	-	453,362	47,036,782	47,490,144
Declared dividends, note 15(e)					(55,000,000)	(55,000,000)
Balances as of December 31, 2018	23,682,675	97,571,273	4,736,535	(4,330,156)	65,198,827	186,859,154

The accompanying notes are an integral part of this statement.

Translation of financial statements originally issued in Spanish – See Note 30

Red de Energía del Perú S.A.

Statement of cash flows

For the years ended December 31, 2018 and 2017

	Note	2018 US$	2017 (Restated) Note 3.2 US$
Operating activities			
Collection from customers		158,630,522	145,528,361
Payments to suppliers and employees		(51,866,846)	(55,311,625)
Income tax paid		(17,833,901)	(12,957,759)
Payment of interest		(12,812,660)	(11,902,345)
Other operating collections (payments)		2,494,168	(1,365,667)
Net cash and cash equivalents provided by operating activities		78,611,283	63,990,965
Investing activities			
Sales of furniture and equipment		-	473,536
Purchase of intangible assets	10	(13,940,182)	(18,481,519)
Purchase of furniture and equipment	9	(740,857)	(335,546)
Net cash and cash equivalents used in investing activities		(14,681,039)	(18,343,529)
Financing activities			
Dividends paid	15(e)	(55,000,000)	(40,000,000)
Amortization of borrowings	26	(37,336,107)	(3,420,151)
Proceeds from borrowings	26	28,000,000	-
Net cash and cash equivalents used in financing activities		(64,336,107)	(43,420,151)
Net increase (net decrease) in cash in the year before changes in exchange rate		(405,863)	2,227,285
Effect on the variation in the exchange rate		(999,465)	1,333,916
Net increase (net decrease) in cash and cash equivalents for the year		(1,405,328)	3,561,201
Cash and cash equivalents at the beginning of the year		16,515,587	12,954,386
Cash and cash equivalents at year – end	5(a)	15,110,259	16,515,587
Transactions that do not generate cash flows			
Net unrealized loss on hedging instruments		453,361	4,405,555

The accompanying notes are an integral part of this statement.

1. **Business activity**

(a) Identification -

Red de Energía del Perú S.A. (hereinafter "the Company") was incorporated on July 3, 2002. The Company is a subsidiary of Interconexión Eléctrica S.A. E.S.P. (a company with legal address in Colombia). The Company's legal address is Av. Juan de Arona 720, floor 6, 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 and related companies.

The Company's electric power transmission operations are developed in accordance with the Electrical Concession Law and its rules and are regulated and supervised by the Supervising Organism of Investment in Energy and Mining (OSINERGMIN for 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, 2018 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, before their restatement, were approved by the Mandatory Annual Shareholder's Meeting held on March 13, 2018.

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

On June 5, 2002, the Peruvian Government awarded to Interconexión Eléctrica S.A. E.S.P. (hereinafter "ISA") the electrical transmission systems concessions operated by Empresa de Transmisión Eléctrica Centro Norte S.A. – ETECEN and Empresa de Transmisión Eléctrica del Sur S.A. – ETESUR. As a result of the award, the Company was incorporated and made a payment of US$286,657,295, see note 10(a), starting its operations on September 5, 2002. On this date, it was signed the contract by which ISA transfers to the Company its concession rights. The concession contract establishes the rights and obligations of the parties and the rules and procedures governing each other for the supply of goods and services and exploitation of the electrical transmission line, service delivery and transfer of all assets to the Peruvian State at the end of the concession period. The concession period is thirty years beginning from September 5, 2002.

According to the concession contract, ISA is the pre-qualified operator of the concession, so the Company, in accordance with its statutes, pays a royalty equivalent to 1 percent of its revenues.

In reward for its electric power transmission service, the Company receives an annual remuneration (the "Guaranteed Annual Remuneration"), which was initially set at US$58,638,000 annually. The Guaranteed Annual Remuneration is in force during the concession's lifetime and it is adjusted annually in accordance with the variation of the US "Finished Goods Less Food and Energy" index. The Peruvian Government, through the Ministry of Energy and Mines, guarantees that the Energy and Mining Superintendence Organism (OSINERGMIN) will put in place the tariff mechanisms necessary to assure that the Guaranteed Annual Remuneration received by the Company in return for their transmission services will be fully paid each year. The Company recognized an annual income deriving from its electrical transmission service for 2018 and 2017 amounting to US$143,769,920 and US$128,336,741, respectively.

Amendments to the concession contract –
Between the years 2006 and 2017, additional clauses to the concession contract were approved in order to execute the following extensions, which at the time have already been capitalized:

- Extension N° 1: The service became operational on July 3, 2007. The final investment audited by an independent party as of April 18, 2008 amounted to US$33,968,262. See note 10(c).
- Extension N° 2: The service became operational on March 8, 2008. The final investment audited by an independent party as of November 24, 2008 amounted to US$34,703,622. See note 10(c).
- Extension N° 3: The service became operational on February 16, 2009. The final investment audited by an independent party as of May 31, 2009 amounted to US$16,272,245. See note 10(c).
- Extension N° 4: The service became operational on January 12, 2009. The final investment audited by an independent party as of May 31, 2009 amounted to US$4,751,515. See note 10(c).
- Extension N° 5: The service became operational on January 9, 2011 and investments have been made for US$40,788,769. See note 10(c).
- Extension N°6: The service became operational on August 18, 2011 and investments have been made for US$21,080,960. See note 10(c).
- Extension N°7: The service became operational on January 21, 2012 and investments have been made for US$22,315,075. See note 10(c).
- Extension N°8: The service became operational on September 21, 2011 and investments have been made for US$2,851,671. See note 10(c).
- Extension N°9: The service became operational on October 14, 2012 and investments have been made for US$32,629,122. See note 10(c).
- Extension N°10: The service became operational on April 29, 2013 and investments have been made for US$4,276,257. See note 10(c).

- Extension N°11: The service became operational on July 12, 2013 and investments have been made for US$10,134,732. See note 10(c).
- Extension N°12: The service became operational on February 22, 2014 and investments have been made for US$8,330,620. See note 10(c).
- Extension N° 13: The commercial operation of the last milestone was on May 9, 2017 and the Company has invested US$19,639,854 as of December 31, 2018 (US $ 19,607,840 as of December 31, 2017), see note 10(c)
- Extension N°14: The service became operational on June 26, 2015 and investments have been made for US$24,044,879. See note 10(c).
- Extension N° 15: The service became operational on January 5, 2016 and investments have been made for US$56,870,097 as of December 31, 2018 (US$58,628,774 as of December 31, 2017). See note 10(c).
- Extension N° 16: The service became operational on January 11, 2016 and investments have been made for US$16,334,676. See note 10(c).
- Extension N° 17: The service became operational on May 25, 2017 and investments have been made for US$28,319,817 as of December 31, 2018 (US$28,375,582 as of December 31, 2017). See note 10(c).
- Extension N° 19 – Milestone 1: The service became operational on November 3, 2017 and investments have been made for US$1,224,252 as of December 31, 2018 (US$1,147,527 as of December 31,2017). See note 10(c).

Likewise, in recent years additional clauses were approved to the concession contract for the execution of the following extensions, which continue in process up to date:

- Extension N° 18: The extension should become operational within a period not greater than 25 months counted from January 19, 2017. The initial budget for the project is US$11,305,178. The estimated date of entering into service of the project is February 19, 2019. As of December 31, 2018, the Company has made investments for US$11,847,884 (US$472,817 as of December 31, 2017), see note 10(d).
- Extension N° 19 – Milestone 2: According to the contract signed with the Ministry of Energy and Mines, it must be put into operation on May 9, 2019 and investments have been made for US$2,395,736 as of December 31, 2018 (US$195,289 as of December 31, 2017), see note 10(d).
- Extension N° 20 - According to the contract signed with the Ministry of Energy and Mines, it must be put into operation on October 16, 2020. As of December 31, 2018 and 2017, the Company has made investments of US$36,643, see note 10 (d).
- Extension N° 21 is under negotiation with the Peruvian Government. As of December 31, 2018, and 2017, the Company has made investments for US$120,193, see note 10(d).

Beginning 2013, the Company decided to accept contracting electricity transmission services with private companies. As of today, there are the following ongoing projects:

Private Contract – ETEN Cold Reserve Plant
In August 2013, the Company signed a contract for transmission services for the ETEN Cold Reserve Thermoplant, under which it undertook the construction, operation and maintenance of installations for the performance of electricity transmission services. This contract has an 18 -year term from its entry into operation in July 2015. As of December 31, 2018, the Company has made investments for US$1,176,916 (US$1,174,671 as of December 31, 2017).

Private Contract – Wind Energy
In October 2013, the Company signed a Contract for Wind Energy Transmission Services, under which it committed to the construction, operation and maintenance of installations for the performance of electricity transmission services. This contract has an 18 -year term from its entry into operation in April 2015. As of December 31, 2018, the Company has made investments for US$1,896,740 (US$1,895,117 as of December 31, 2017).

Private Contract - Generación Andina
In September 2013, the Company signed a contract for transmission services with Generación Andina, under which it committed to the construction, operation and maintenance of installations for the performance of electricity transmission services. This contract has an 18 -year term from entry into operation in January 2017. The investment budget is estimated at US$2,251,731. As of December 31, 2018 and 2017, the Company has made investments for US$ 2,232,016.

3. Summary of significant accounting policies and principle

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 in respect of the previous period, except of the issued standards not yet applicable that did not require the restatement of previous financial statements, as explained in Note 4.

In note 3.4 include 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 disclosure

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	16,515,587	-	16,515,587
Trade accounts receivable	18,224,852	(421,111)	17,803,741
Accounts receivable from related parties	1,477,116		1,477,116
Other accounts receivable, net	2,715,080	-	2,715,080
Supplies and spare parts	9,221,257	-	9,221,257
Prepaid expenses	857,573	-	857,573
Total current assets	49,011,465	(421,111)	48,590,354
Non-current assets	467,372,186	-	467,372,186
Total assets	516,383,651	(421,111)	515,962,540
Total liabilities	321,593,530	-	321,593,530
Equity			
Issued capital	23,682,675	-	23,682,675
Share premium	97,571,273	-	97,571,273
Other capital reserves	4,736,535	-	4,736,535
Other equity reserves	(4,783,518)	-	(4,783,518)
Retained earnings	73,583,156	(421,111)	73,162,045
Total equity	194,790,121	(421,111)	194,369,010
Total liabilities and equity	516,383,651	(421,111)	515,962,540

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$
Ordinary activities income	163,282,730	-	163,282,730
Cost of transmission services	(93,224,199)	-	(93,224,199)
Gross profit	70,058,531	-	70,058,531
Administrative expenses	(11,593,630)	(421,111)	(12,014,741)
Other operating income	2,221,726	-	2,221,726
Operating margin	60,686,627	(421,111)	60,265,516
Financial income	1,098,754	-	1,098,754
Financial expenses	(13,627,631)	-	(13,627,631)
Exchange difference, net	1,333,916	-	1,333,916
Profit before income tax	49,491,666	(421,111)	49,070,555
Income tax	(18,826,296)	-	(18,826,296)
Net income	30,665,370	(421,111)	30,244,259

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

3.3 Summary of significant accounting principles and practices –

(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 rate (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 financial statements are categorized within the fair value hierarchy, described as follows:

- 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 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 at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income should the specific criteria be met. 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 at cash balances held in banks. For the purpose of the financial statement of cash flows, 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 valuation risk.

(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.

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

(e) Facilities, furniture and equipment –

Facilities, furniture and equipment is stated at cost, net of accumulated depreciation and / or accumulated impairment losses. The cost of facilities, furniture and equipment comprises the purchase price or construction cost is the total amount paid and the fair value of any other consideration given to acquire the asset. The purchase price or construction cost corresponds to the total of the amount paid and the fair value of any other consideration given for acquiring the asset.

This cost includes the cost of replacing components of facilities, furniture and equipment and in the case of qualified assets, the cost of financing. Facilities, furniture and equipment also includes the cost of assets acquired under finance lease agreements. 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
Owned projects	20
Improvements in leased facilities	10
Furniture and fixtures	10
Other equipment	Between 4 and 10
Vehicles	5

The asset´s residual value, useful lives and depreciation methods are reviewed at each reporting period, and adjusted prospectively 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.

As of December 31, 2018 and 2017, the Company does not maintain facilities, and equipment that would qualify for interest capitalization from loans.

(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 lower.

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. Collections 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 maintains private power transmission contracts signed with third parties (see notes 2 and 7 (b)), which are considered financial lease contracts. Disbursements incurred by the Company for the construction of the related asset are recognized as a receivable, to the extent that the transmission lines are still in construction and as a receivable equivalent to the capital of lease installments pending collection when the construction has been completed.

(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 good, which are capitalized as part of the respective assets. All other loan 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 12(e).

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.

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 factors that indicate that the carrying amount of facilities, furniture and equipment and intangibles cannot be recovered.

(j) Revenue and expenses recognition –
Revenue 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 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 -
The revenues and cost for the projects' construction services are recognized in the income statement 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 as the services are provided.

Interests –
Interest income is recognized on a time-proportion basis using the effective interest method and recorded in the "financial income" caption if 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 2002.

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 assets.

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 2002.

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 that is subject to the tax and to 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 sales 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 with the estimated period of use of the assets that will be maintained or replaced.

Provision for Technical Standard on Electrical Services Quality (NTCSE) –
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 which approved the Technical Standard on Electrical Services Quality. This standard it 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 the total duration of interruptions, 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) Employees' benefits -
The Company has short-term obligations for employee benefits including salaries, severance contributions, legal bonuses, performance bonuses and workers' profit sharing. These obligations are monthly recorded, on accrual basis.

(n) Contingencies –
A contingent liability is recorded in the financial statements when the existence of an obligation will only be confirmed by future events or when the amount of the obligation can be reliably measured. Otherwise, it is only disclosed in notes to the financial statements.

Contingent assets are not recorded in the financial statements, but they are disclosed in notes to the financial statements when their contingency degree is probable.

(o) 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.

(p) 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.

(q) 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 services 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, these income presented in the statement of comprehensive income, correspond 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 its related party (PDI) or third parties.

The solely segment of the Company is the electric power transmission.

3.4 Significant accounting judgments, estimates and assumptions –
The most significant judgment in relation to the financial statement is described below:
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 2017.

The most significant estimates considered by the Company's Management in relation to the financial statements are mainly refed 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 10)-

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

(i) Impairment of long – lived assets (see notes 9 and 10) -
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 12(e)) –
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 as 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 12(e).

(iii) Taxes (see note 16) –
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 related to taxes.

(iv) Recovery of deferred income taxes (see note 14) –
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 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 obtain 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 made based on 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$
Fixed funds and cash	55,802	57,277
Current bank accounts (b)	3,642,732	6,538,526
Time deposits (c)	11,411,691	9,912,384
Trust fund collection accounts	34	7,400
	15,110,259	16,515,587

(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) Time deposits fall due at under 90 days in the first instance and may be renewable at the end of each term. As of December 31, 2018, these deposits yielded interest at an effective annual rate between 2.95% and 4.60% for deposits in Soles and fluctuated between 2.18% and 2.81% for deposits in U.S. dollars (as of December 31, 2017, 3.32% and 3.51% for deposits in Soles and fluctuated between 1.20% and 1.40% for deposits in U.S. dollars).

6. Trade accounts receivable, net

(a) This item is made up as follows:

	2018 US$	2017 (Restated) Note 3.2 US$
Invoices receivable	4,260,632	2,392,207
Estimate for accrued transmission services (e)	24,281,817	16,583,227
	28,542,449	18,975,434
Estimation for doubtful accounts (c)	(818,337)	(685,675)
	27,724,112	18,289,759
Current portion	27,724,112	17,803,741
Non-current portion	-	486,018
	27,724,112	18,289,759

(b) Trade accounts receivable are designated mainly in Soles, mature currently 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) An analysis of aging 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	23,945,334	-	23,945,334
Past due:			
Under 30 days	3,035,145	455,240	3,490,385
From 31 and 180 days	291,985	16,702	308,687
From 181 and 360 days	36,542	3,113	39,655
More than 360 days	415,106	343,282	758,388
Total	27,724,112	818,337	28,542,449
As of December 31, 2017 (Restated)			
Not past due	16,583,226	-	16,583,226
Past due:			
Under 30 days	945,728	290,263	1,235,991
From 31 and 180 days	170,529	8,959	179,488
From 181 and 360 days	93,077	9,229	102,306
More than 360 days	497,199	377,224	874,423
Total	18,289,759	685,675	18,975,434

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

	2018 US$	2017 (Restated) US$
Beginning balance	685,675	149,909
Estimation for doubtful accounts, note 19	132,662	535,766
Ending balance	818,337	685,675

7. Other accounts receivable

(a) This item is made up as follows:

	2018 US$	2017 US$
Accounts receivable corresponding to private transmission contracts (b)	4,984,574	5,086,192
Advances to suppliers (c)	1,399,924	1,808,063
Accounts receivable from personnel	221,339	-
Claims to third parties	10,283	10,283
Other accounts receivable	680,428	760,890
	7,296,548	7,665,428
Estimation for doubtful accounts, note 19	(113,021)	-
	7,183,527	7,665,428
Current portion	2,324,133	2,715,080
Non-current portion	4,859,394	4,950,348
Total	7,183,527	7,665,428

(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 3.3(f), disbursements effected by the Company for the construction of a related asset are considered as accounts receivable, insofar as completion of the transmission line is pending, and as 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$725,142 which are presented as "Financial income" in the statement of comprehensive income (US$708,914 during 2017).

As of December 31, 2018 and 2017, the Company's Management believes that it is unnecessary to record an allowance for doubtful accounts as its main customers have a strong reputation in the domestic and international market and show neither financial problems nor indication of impairment at the 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	831,396	125,181	794,097	135,844
After one year but not more than five years	3,325,584	724,039	3,955,091	666,538
More than five years	8,064,998	4,135,354	6,949,206	4,283,810
Minimum lease collections	12,221,978	4,984,574	11,698,394	5,086,192
Less - amounts representing financial income	(7,237,404)	-	(6,612,202)	-
Present value of minimum lease collections	4,984,574	4,984,574	5,086,192	5,086,192

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

8. Supplies and spare parts, net

(a) This item is made up as follows:

	2018 US$	**2017** US$
Supplies and spare parts (b)	11,254,839	9,743,993
Less – Impairment of supplies and spare parts (c)	(419,335)	(522,736)
	10,835,504	9,221,257

(b) The category is composed of supplies for high voltage equipment and for control systems of transmission lines.

(c) In Management's opinion, the provision for inventory impairment appropriately covers the impairment risk of the supplies as of December 31, 2018 and 2017.

9. Facilities, furniture and equipment, net

(a) The composition and movement of this caption for the years 2018 and 2017 is presented below:

	Owned buildings and Improvements in leased facilities US$	Vehicles US$	Furniture and fixtures US$	Other equipment US$	Owned projects US$	Units in transit US$	Total US$
Cost							
Balances as of January 1,2017	2,309,900	6,252,882	420,077	14,963,933	8,297,487	870,221	33,114,500
Additions (c)	19,190	-	-	245,842	-	70,514	335,546
Transfer	-	-	-	207,777	-	(207,777)	-
Transfer to intangible assets	-	-	-	-	-	(507,146)	(507,146)
Retirements and/or sales	-	(444,697)	-	-	-	-	(444,697)
Other	-	-	-	(5,026)	-	-	(5,026)
Balances as of December 31,2017	2,329,090	5,808,185	420,077	15,412,526	8,297,487	225,812	32,493,177
Additions (c)	68,096	-	-	359,702	-	313,059	740,857
Transfer to intangible assets	-	-	-	83,161	-	-	83,161
Retirements and/or sales	-	(392,204)	-	(193,138)	-	(80,953)	(666,295)
Balances as of December 31,2018	2,397,186	5,415,981	420,077	15,662,251	8,297,487	457,918	32,650,900
Accumulated depreciation							
Balances as of January 1,2017	1,420,848	3,864,282	368,060	11,041,255	2,505,645	-	19,200,090
Additions (b)	309,665	590,004	15,825	1,011,144	417,965	-	2,344,603
Retirements and/or sales	-	(441,817)	-	(1,466)	-	-	(443,283)
Balances as of December 31,2017	1,730,513	4,012,469	383,885	12,050,933	2,923,610	-	21,101,410
Additions (b)	128,085	510,717	12,930	926,144	417,965	-	1,995,841
Retirements and/or sales	-	(392,204)	-	(183,984)	-	-	(576,188)
Balances as of December 31,2018	1,858,598	4,130,982	396,815	12,793,093	3,341,575	-	22,521,063
Net book value							
Balances as of December 31,2018	538,588	1,284,999	23,262	2,869,158	4,955,912	457,918	10,129,837
Balances as of December 31,2017	598,577	1,795,716	36,192	3,361,593	5,373,877	225,812	11,391,767

(b) Depreciation expense is shown in the statement of comprehensive income as follows:

	2018 US$	2017 US$
Cost of electric power transmission services, note 18	1,479,953	1,661,958
Administrative expenses, note 19	515,888	682,645
	1,995,841	2,344,603

(c) During 2018, additions correspond mainly to diverse equipment such as network analyzers, thermal imaging cameras, mobile rectifiers for US$442,863. During 2017, the additions correspond mainly to diverse equipment such as printers and meters for US$245,842.

(d) As of December 31, 2018 and 2017, facilities, furniture and equipment are not granted as guarantees to third parties.

(e) The Company has insured its main assets in accordance with Management policies. In Management's opinion, insurance contracted as of December 31, 2018 and 2017 reasonably covers the risk of loss of assets at those dates.

(f) As of December 31, 2018 and 2017, Management has assessed the use and conditions of its long-term assets and did not find any indicator that these assets may be impaired.

10. Intangible assets, net

(a) The movement and composition of intangibles is presented below:

	2018				
	Electric transmission system concessions (e) US$	Extensions to the concession (c) US$	Software US$	Projects in progress (d) US$	Total US$
Cost					
Balances as of January 1	286,657,295	415,205,236	4,060,879	965,491	706,888,901
Additions	-	32,015	256,053	13,652,114	13,940,182
Transfers (f)	-	76,722	-	(76,722)	-
Transfers from other assets	-	-	35,487	(118,648)	(83,161)
Other (j)	-	(1,814,440)	-	-	(1,814,440)
Balances as of December 31	286,657,295	413,499,533	4,352,419	14,422,235	718,931,482
Accumulated amortization					
Balances as of January 1	146,512,602	108,021,957	2,775,768	-	257,310,327
Additions (b)	9,555,243	20,570,275	229,811	-	30,355,329
Balances as of December 31	156,067,845	128,592,232	3,005,579	-	287,665,656
Net book value	130,589,450	284,907,301	1,346,840	14,422,235	431,265,826

	2017				
	Electric transmission system concessions (e) US$	Extensions to the concession (c) US$	Software US$	Projects in progress (d) US$	Total US$
Cost					
Balances as of January 1	286,657,295	376,398,202	3,321,633	21,551,947	687,929,077
Additions	-	-	232,100	18,249,419	18,481,519
Transfers (f)	-	38,835,875	-	(38,835,875)	-
Transfers from other assets	-	-	507,146	-	507,146
Other	-	(28,841)	-	-	(28,841)
Balances as of December 31	286,657,295	415,205,236	4,060,879	965,491	706,888,901
Accumulated amortization					
Balances as of January 1	136,957,359	88,330,334	2,583,302	-	227,870,995
Additions (b)	9,555,243	19,691,623	192,466	-	29,439,332
Balances as of December 31	146,512,602	108,021,957	2,775,768	-	257,310,327
Net book value	140,144,693	307,183,279	1,285,111	965,491	449,578,574

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

	2018 US$	2017 US$
Cost of electric power transmission services, note 18	30,183,424	29,283,576
Administrative expenses, note19	171,905	155,756
	30,355,329	29,439,322

(c) The item "Extensions to the concession" corresponds to the incurred cost to fulfill with the investment commitments agreed with Peruvian State (note 2). The investment per extension is detailed below:

	2018 US$	2017 US$
Extension N°1	33,968,262	33,968,262
Extension N°2	34,703,622	34,703,622
Extension N°3	16,272,245	16,272,245
Extension N°4	4,751,515	4,751,515
Extension N°5	40,788,769	40,788,769
Extension N°6	21,080,960	21,080,960
Extension N°7	22,315,075	22,315,075
Extension N°8	2,851,671	2,851,671
Extension N°9	32,629,122	32,629,122
Extension N°10	4,276,257	4,276,257
Extension N°11	10,134,732	10,134,732
Extension N°12	8,330,620	8,330,620
Extension N°13 (Milestone A and C)	11,352,916	11,352,916
Extension N° 13 (Milestone B)	8,286,938	8,254,924
Extension N°14	24,044,879	24,044,879
Extension N°15	56,870,097	58,628,774
Extension N°16	16,334,676	16,334,676
Extension N°17	28,319,817	28,375,582
Extension N°19 (Milestone 1)	1,224,252	1,147,527
Other extensions	34,963,108	34,963,108
	413,499,533	415,205,236

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

	2018 US$	2017 US$
Extension N°18	11,847,884	472,817
Extension N°19 (Milestone 2)	2,395,736	195,289
Extension N°20	36,643	36,764
Extension N°21	120,193	120,193
Other extensions	21,779	140,428
Total	14,422,235	965,491

(e) The caption "Electric transmission system concessions" corresponds to the payment made to the Peruvian State for the award of the process of power transmission systems operated by ETECEN and ETESUR (Note 2).

(f) During 2018, transfers of projects in progress to the item “Extensions to the concession” correspond to the upgrade in the investment of the extension N°19 (Milestone 1) for US$76,722 (during 2017, correspond to the capitalization of the expansion N°13 (Milestone B), N°17 and N°19 (Milestone 1) for US$38,835,875).

(g) Projects are primarily financed with generic loans, through standard financing agreements (see note 13(b)). As of December 31, 2017, the rate used for the determination of costs of loans subject to capitalization was 5.37 percent - the same as the weighted average rate for capitalization. During 2017, the additions to projects in progress include capitalized financial expenses for a total of US$507,210. See note 21.

(h) As of December 31, 2018 the Company has mortgaged the concession rights and the concession assets, in guarantee of the obligations set out in note 13(b).

(i) The Company maintains insurance on its main assets in accordance with Management’s policies. 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.

(j) As of December 31, 2018, it corresponds to the regularization of provisions resulting from works settlements, mainly for the expansion project N°13 (Milestone B) and N°15.

(k) As of December 31, 2018 and 2017, the Company’s Management made an assessment of the value in use of intangible assets, and found no evidence of impairment in such assets.

11. Trade account payables

(a) This item is made up as follows:

	2018 US$	2017 US$
Suppliers	9,154,288	5,207,325
Provisions of invoices payable	1,918,026	3,416,249
Advance payments from customers	236,581	90,780
	11,308,895	8,714,354

(b) Trade accounts payable correspond primarily to 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, are not subject to interest and are normally settled within 30 days. No specific guarantees have been issued for these obligations.

12. Other accounts payable and provisions

(a) This item is made up as follows:

	2018 US$	2017 US$
Workers' profit sharing (b)	4,052,825	2,996,347
Interest payable	2,988,947	1,214,043
Remunerations payable	1,747,830	2,772,828
Other accounts payable	432,912	507,062
	9,222,514	7,490,280
Current portion	9,222,514	7,384,805
Non-current portion	-	105,475
	9,222,514	7,490,280

(b) Workers' profit sharing -
According to Peruvian laws, the Company has a workers' profit sharing plan of 5 percent of the annual taxable income. The distribution of this profit among the employees is based on two guidelines: 50 percent of the profit is distributed based on the number of days worked by each employee in the prior year and 50 percent of the profit is distributed based on the proportion of their annual salaries.

(c) The following table details the composition of provisions:

	Provision for Electrical Services Technical Standard (d) US$	Maintenance and replacement provision (e) US$	Total US$
As of January 1, 2018	538,744	42,618,226	43,156,970
Disbursements	(281,710)	(11,576,533)	(11,858,243)
Provision for the year	220,201	9,983,076	10,203,277
Update of discount rate, note 21	-	2,168,580	2,168,580
As of December 31, 2018	477,235	43,193,349	43,670,584
Current portion	477,235	14,728,960	15,206,195
Non- current portion	-	28,464,389	28,464,389
Total	477,235	43,193,349	43,670,584

	Provision for Electrical Services Technical Standard (d) US$	Maintenance and replacement provision (e) US$	Total US$
As of January 1, 2017	421,983	39,602,061	40,024,044
Disbursements	(215,850)	(10,690,978)	(10,906,828)
Provision for the year	332,611	11,125,405	11,458,016
Update of discount rate, note 21	-	2,581,738	2,581,738
As of December 31, 2017	538,744	42,618,226	43,156,970
Current portion	538,744	12,570,770	13,109,514
Non- current portion	-	30,047,456	30,047,456
Total	538,744	42,618,226	43,156,970

(d) Provision for Electrical Services Quality Technical Standard (Peruvian acronym NTCSE) –
In accordance with Supreme Decree N° 020-1997-EM Electrical Services Quality 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.

(e) 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 in the years between 2019 and 2032 on the transmission line systems that were previously operated by ETECEN and ETESUR. The provision for maintenance and replacement corresponds principally to the outlays required to maintain the transmission line's 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 estimates plus current available information related to operational Concessions up to date, on the basis of an equivalent period to 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 costs depend on market prices, maintenance activities and prices for required equipment, 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 in US$)	129,848,222	120,524,266
Free-risk rate	3.550% - 4.351%	1.479% – 3.638%
Average probability of budget execution	80%	79%
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.

13. Financial obligations

(a) This item is made up as follows:

	2018 US$	2017 US$
Corporate bonds		
Corporate bonds (b)	142,441,952	179,778,058
Structuring commissions	(535,344)	(20,926)
	141,906,608	179,757,132
Financial leases		
Scotiabank Perú S.A. (c)	306,206	842,105
Bank loans		
Scotiabank Perú S.A. (d)	28,000,000	-
Scotiabank Perú S.A. (e)	40,000,000	40,000,000
Total financial obligations	210,212,814	220,599,237
Current portion	72,089,325	75,887,110
Non - current portion	138,123,489	144,712,127
	210,212,814	220,599,237

(b) Corporate bonds –

The following chart details debt corresponding to corporate bonds:

	Authorized amount	Currency	Issuance date	Annual interest rate %	Payment	Maturity date	2018 US$	2017 US$
Second program								
Twentieth Issuance Series A (*)	38,000,000	US$	January 2011	6.5	Quarterly	January 2026	38,000,000	38,000,000
Seventeenth Issuance Series A (*)	20,000,000	US$	January 2011	5.57	Quarterly	January 2018	-	20,000,000
Fourth Issuance Series A	21,500,000	US$	February 2007	Libor 3 months + 0.75	Quarterly	February 2019	488,637	2,443,182
Third program								
Fourth Issuance (*)	40,000,000	US$	October 2012	5.875	Semiannual	April 2031	40,000,000	40,000,000
First Issuance Series A	104,140,000	PEN	November 2012	5.375	Semiannual	November 2022	30,966,399	32,141,975
First Issuance Series B	77,305,000	PEN	February 2013	5.125	Semiannual	February 2024	22,986,916	23,859,568
Third Issuance Series A (*)	10,000,000	US$	January 2011	4.625	Semiannual	February 2023	-	10,000,000
Seventh Issuance	20,000,000	US$	July 2014	3.75	Semiannual	July 2021	10,000,000	13,333,333
							142,441,952	179,778,058

(*) The payment of capital of these bonds will be carried out in one payment in years 2026 and 2031, respectively.

(**) The payment of the bonus capital was made in advance.

Guarantees and obligations -

On November 13, 2013, the General Meeting of Bondholders of the Second Corporate Bonds Program of Red de Energía del Perú S.A. was held, under which the holders of the outstanding Bonds of all existing issuances made under the Second Program approved by a majority modify the Framework Contract of the Second Corporate Bonds Program, in order to remove and set aside (i) 6.11 Sixth Framework Contract Clause (financial obligations), (ii) the literal k) of paragraph 8.1 of the Eighth Framework Contract Clause, and (iii) any reference to paragraph 6.11 of the Sixth Framework Contract Clause. The purpose of the amendment is to standardize the financial safeguards of the Second Issuance Framework Contract with the Corporate Bonus Third Program, since the latter bond program did not establish compliance with financial ratios or other types of ratios.

On May 17, 2018, the General Meeting of Bondholders of the Second and Third Corporate Bonds Program of Red de Energía del Perú S.A. the, by virtue of which the holders of the outstanding Bonds of all the current issuances made within the framework of the Second and Third Programs approved by majority the following:

- Modification of the Framework Contract of the Second Program in order to eliminate, lift and cancel the specific guarantees granted in support of compliance with the obligations under the Bonds issued under the Second Corporate Bonds Program (hereinafter, the "Second Program"), as well as any reference to them.
- Granting of powers to the General Representative of Bondholders to sign all public and / or private documents required to formalize the resolutions adopted by the General Meeting of Bondholders of the Second Program.
- Modification of the Third Program Framework Contract with the objective of eliminating, lifting and canceling the specific guarantees granted in support of compliance with the obligations under the Bonds issued under Third the Corporate Bonds Program (hereinafter, the "Third Program"), as well as any reference to them.
- Granting powers to the General Representative of Bondholders to sign all public and / or private documents required to formalize the resolutions adopted by the General Meeting of Bondholders of the Third Program.

(c) Scotiabank Perú –
On November 2, 2016, the Company signed a financial lease contract with Scotiabank amounting to US$1,185,872 for the acquisition of vehicles. The loan term is 30 months and accrues interest at the semiannual rate equivalent to 2.38 percent.

On November 21, 2018, the Company entered into a financial lease agreement with Scotiabank for US$63,332 for the acquisition of vehicles, the term is 30 months and accrues semi-annual interest at an annual effective interest rate of 4.55 percent.

Future minimum payments for assets acquired under finance leases and the present value of lease payments are as follows:

	2018		2017	
	Minimum payments US$	**Present value of lease payments US$**	**Minimum payments US$**	**Present value of lease payments US$**
Within a year	272,856	267,356	615,403	599,232
More than a year	40,639	38,850	245,757	242,873
Total payments to be made	313,495	306,206	861,160	842,105
Less interest payable	(7,289)	-	(19,055)	-
Present value of the net minimum leases payments	306,206	306,206	842,105	842,105

(d) Scotiabank Perú S.A. –
On March 26, 2018, the Company subscribed a promissory note with Scotiabank Perú in which a credit of US$40,000,000 Bullet is granted. The term of the loan is 1 year from the closing date. This loan accrues annual interest at an annual effective rate of 2.60 percent. As of December 31, 2018, the debt balance amounts to US$28,000,000.

(e) Scotiabank Perú S.A. –
On March 27, 2018, the Company renewed a promissory note with Scotiabank Perú in which a credit of US$40,000,000 Bullet is granted. The term of the loan is 1 year from the closing date. This loan accrues annual interest at an annual effective rate of 2.60 percent. As of December 31, 2018, the debt balance amounts to US$40,000,000.

(f) Payment schedule -

As of December 31, 2018 and 2017, the payment schedule for the non-current portion of the financial obligations is as follows:

	2018 US$	2017 US$
2019	-	4,064,843
2020	3,358,932	3,333,333
2021	3,346,584	3,333,333
2022	30,966,401	33,014,628
2023	22,986,916	22,986,916
2024 onwards	78,000,000	78,000,000
Less: structuring commissions	(535,344)	(20,926)
	138,123,489	144,712,127

14. 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$	Credit /(debit) to equity US$	As of December 31, 2017 US$	Credit /(debit) to the statement of comprehensive income US$	Credit /(debit) to equity US$	As of December 31, 2018 US$
Deferred asset							
Provision for maintenance and replacements	26,298,491	(5,069,401)	-	21,229,090	(4,167,123)	-	17,061,967
Fair value of hedging financial instruments	7,697,412	(505,217)	(1,629,452)	5,562,743	559,881	(167,682)	5,954,942
Outlays for replacing concessions assets	915,061	257,596	-	1,172,657	(1,015,517)	-	157,140
Other provisions	234,458	3,652,284	-	3,886,742	(3,853,175)	-	33,567
Provisions for vacations	201,404	39,698	-	241,102	(17,233)	-	223,869
Provision for Electrical Services Quality Technical Standard	113,935	(113,935)	-	-	-	-	-
	35,460,761	(1,738,975)	(1,629,452)	32,092,334	(8,493,167)	(167,682)	23,431,485
Deferred liability							
Effect of the difference in amortization rates on intangible assets	(40,418,994)	2,107,442	-	(38,311,552)	3,052,428	-	(35,259,124)
Depreciation of replacement units	(2,752,146)	(1,232,441)	-	(3,984,587)	5,193,189	-	1,208,602
Effect of capitalized borrowing costs	(2,364,865)	(577,348)	-	(2,942,213)	331,579	-	(2,610,634)
Pre-operational expenses	(409,025)	(2,389,228)	-	(2,798,253)	2,700,783	-	(97,470)
Others	-	-	-	-	(96,055)	-	(96,055)
	(45,945,030)	(2,091,575)	-	(48,036,605)	11,181,924	-	(36,854,681)
	(10,484,269)	(3,830,550)	(1,629,452)	(15,944,271)	2,688,757	(167,682)	(13,423,196)

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

	2018 US$	2017 US$
Income tax		
Current	21,149,476	14,995,746
Deferred	(2,688,757)	3,830,550
	18,460,719	18,826,296

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

	2018 US$	2017 US$
Profit before income tax	65,497,501	49,070,555
Theoretical income tax (27%)	17,684,325	13,249,050
Other permanent items	776,394	335,615
Adjustments for assets clean-up	-	5,241,631
Income tax expense	18,460,719	18,826,296

15. Net equity

(a) Issued capital –

As of December 31, 2018 and 2017, issued capital was represented by 72,160,000 common shares, totally subscribed and paid up. 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 20.01 to 30 percent	2	60
From 30.01 to 40 percent	1	40
	3	100

According to legislation in force as of December 31, 2018 and 2017, there are no restrictions to the remittance of profits or to the repatriation of capital.

(b) Share premium –

Corresponds to an additional capital premium contributed by shareholders on August 28, 2002.

(c) Other equity reserves –

Corporations 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. As of December 31, 2018 and 2017, the reserve amount has reached the minimum level established.

(d) Other equity reserves
During 2018, the Company had unrealized gain of US$453,361 (US$4,405,555 in 2017), net of its tax effect of US$167,682 (US$1,629,452 in 2017) of hedging instruments originated by changes in the estimated market value of the derivative financial instruments hedging cash flows.

(e) Dividend distributions –
In the Annual Mandatory Shareholders' Meeting held on November 20, 2018, it was agreed to distribute dividends for US$15,000,000 equivalent to US$0.21 per common share, charged to the accumulated results not distributed as of December 31, 2017, which were canceled during the year 2018.

The Shareholders' Meeting dated March 13, 2018 agreed the dividend distribution of US$40,000,000 equivalent to US$0.55 per common share, US$30,665,370 corresponding to 2017 profit and the difference corresponding to retained earnings , being canceled during 2018.

The Shareholders' Meeting dated March 21, 2017 agreed the dividend distribution of US$40,000,000 equivalent to US$0.55 per common share, US$30,036,134 corresponding to 2016 profit and the difference corresponding to retained earnings, being canceled during 2017.

16. Tax situation

(a) On July 26, 2002, the Company subscribed a Legal Stability Agreement with the Peruvian State which remains in force during the lifetime of the concession granted. This agreement is related to the investments of the shareholders through capital contributions to be made for an amount of US$20,000,000, which was completed in December 2002. The agreement provides, mainly for investors and recipient of the investment, taxation stability related to income tax regimes and stability in recruitment of workers. Income tax rate is 27 percent on taxable profits.

Corporations not domiciled in Peru and individuals must pay an additional tax of 4.1 percent over received dividends.

(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.

(c) Management considers that it has determined the taxable income under the general regime of income tax in force in 2002, which requires adding and deducting to the result shown in the financial statements, those items that the aforementioned legislation recognizes as taxable and non-taxable, respectively.

(d) Beginning January 1, 2005, in accordance with Article 87 of the Tax Code, and in compliance with the legislation detailed in Supreme Decree No.151-2002-EF, the Company's accounts are maintained in U.S. dollars.

(e) With the purpose of determining the income tax, the transfer prices of transactions among related parties and with companies domiciled in territories with low or no taxation, must be supported by documentation containing information about the valuation methods applied and criteria used in its determination. Based on an 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 the tax authorities may apply to the legislation currently in force, at this time it is not possible to determine whether future revisions would affect the Company's liabilities. Therefore any eventual increased taxation resulting from a fiscal revision would be applied to the financial year in which the revision taxes place.

During 2011, the National Superintendence of Tax Administration (SUNAT) began to audit the income tax for fiscal year 2009, during 2012, the audit was extended to the years 2007 and 2008, and for these audits SUNAT has issued resolutions with objections to the determination of taxes made by the Company for approximately US$229,000. The Company has filed a claim, which was declared groundless by SUNAT, the Company filed an appeal before the Tax Court, which to the date of this report is pending pronouncement from the Court.

In 2013, the SUNAT started the final audit of income tax for the years 2011 and 2012 and for such audits SUNAT issued resolutions objecting the taxes determined by Company for approximately US$236,000 and US$75,000 respectively. The Company has filed an appeal to the exceptions indicated, which are pending ruling as of today.

Management and its legal advisors consider that objections, if there is any, formulated by SUNAT will be resolved in the following administrative stages in favor of the Company. In Management's opinion and its legal advisors opinion, any eventual additional tax charge would have no significant effect on the financial statements as of December 31, 2018 and 2017.

17. Complementary services

This item is made up as follows:

	2018 US$	2017 US$
Services rendered to related parties, note 23(b)	12,513,138	11,040,892
Additional transmission services	7,073,487	3,384,379
Operating and maintenance services	1,027,056	850,885
Specialized technical services	734,030	46,540
Other	628,946	972,298
	21,976,657	16,294,994

18. Cost of the electric energy transmission services

This item is made up as follows:

	2018 US$	2017 US$
Amortization, note 10(b)	30,183,424	29,283,576
Personnel expenses, note 20	17,249,209	15,818,010
Services provided by third parties	7,965,152	7,832,926
Insurance	2,045,584	2,066,062
Services rendered by related parties, note 23(b)	1,893,319	1,125,647
Taxes	1,882,106	1,681,913
Royalties paid to related parties, note 23(b)	1,679,965	1,510,082
Depreciation, note 9(b)	1,479,953	1,661,958
Consumption of supplies	635,627	952,329
Other	1,930,265	1,915,592
	66,944,604	63,848,095

19. Administrative expenses

This item is made up as follows:

	2018 US$	2017 (Restated) Note 3.2 US$
Services rendered by third parties	5,346,884	5,213,513
Personnel expenses, note 20	4,988,774	4,652,479
Depreciation, note 9(b)	515,888	682,645
Estimation of doubtful accounts, note 6(e) and 7(a)	245,683	535,766
Amortization, note 10(b)	171,905	155,756
Consumption of supplies	119,418	172,480
Taxes	109,564	128,912
Other expenses	281,342	473,190
	11,779,458	12,014,741

20. Personnel expenses and average number of employees

This item is made up as follows:

	Cost of electric of power transmission services, note 18		Administrative expenses, note 19		Total	
	2018 US$	2017 US$	2018 US$	2017 US$	2018 US$	2017 US$
Salaries	6,283,765	6,550,320	2,640,235	2,187,824	8,924,000	8,738,144
Various bonuses	2,356,238	956,560	160,441	263,186	2,516,679	1,219,746
Workers' profit sharing	3,244,157	2,391,801	841,169	620,104	4,085,326	3,011,905
Bonuses	1,159,053	1,113,405	259,842	242,623	1,418,895	1,356,028
Social security	847,402	847,141	199,277	193,536	1,046,679	1,040,677
Contributions to Essalud	699,797	681,992	207,514	199,264	907,311	881,256
Severance indemnities	756,146	719,151	164,055	158,713	920,201	877,864
Vacations	608,003	596,643	128,678	127,835	736,681	724,478
Other personnel expenses	1,294,648	1,960,997	387,563	659,394	1,682,211	2,620,391
	17,249,209	15,818,010	4,988,774	4,652,479	22,237,983	20,470,489
Average number of employees	277	275	101	101	378	376

21. Financial cost

This item is made up as follows:

	2018 US$	2017 US$
Interest on bank loans, bonds and subordinated loans	10,198,822	11,199,140
Update of net present value on the provision for maintenance and replacement, note 12(c)	2,168,580	2,581,738
Other	461,355	353,963
Sub total	12,828,757	14,134,841
Capitalized financial expenses, note 10(g)	-	(507,210)
Total	12,828,757	13,627,631

22. Commitments and guarantees

As of December 31, 2018, the Company maintains letters of guarantee with local financial entities for US$5,578,676 and S/886,910 (US$5,662,824 and S/685,961 as of December 31, 2017), related to compliance with the contractual terms of the concession contracts.

23. 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:

- Consorcio Transmantaro S.A., is dedicated to the transmission of electricity.
- Interconexión Eléctrica ISA Perú S.A., is dedicated to the transmission of electricity.
- Proyectos de Infraestructura del Perú S.A., is dedicated to build the transmission lines to the group companies.
- Internexa Perú S.A., is dedicated to provide telecommunications services.
- Interconexión Eléctrica S.A. E.S.P., is the Parent Company of the ISA Group, located in Colombia, and is dedicated to the electricity transmission.

(b) The main transactions with related parties as of December 31, 2018 and 2017 are set out below:

	2018	2017
	US$	US$
Income		
Income from operating and maintenance services (d)	7,199,168	5,905,789
Income from specialized services (e)	711,365	980,113
Income from management services (f)	3,859,741	3,287,737
Service operation and lease maintenance (k)	618,242	418,164
Other income	124,622	449,089
Total income from services, note 17	12,513,138	11,040,892
Expenses		
Acquisition of construction services (g), note 18	1,893,319	1,125,647
Royalty expenses (h), note 18	1,679,965	1,510,082
Intangibles		
Acquisition of construction services (i)	615,401	996,616
Other transactions		
Collection of finance leases (k)	87,396	84,500
Collection of financial interest from leases (k)	19,144	19,151

(c) As a consequence of these and other minor transactions, balances of accounts receivable and payable corresponding to related parties as of December 31, 2018 and 2017 are detailed in the following table:

	2018	2017
	US$	US$
Accounts receivable -		
Trade		
Consorcio Transmantaro S.A. (d) and (e)	649,782	1,160,111
Internexa Perú S.A. (e)	94,386	128,696
Interconexión Eléctrica Isa Perú S.A. (d)	64,810	89,189
Transnexa S.A EMA	18,733	-
	827,711	1,377,996

	2018 US$	2017 US$
Non-trade		
Consorcio Transmantaro S.A. (k)	1,017,323	1,051,592
Transnexa S.A. E.M.A.	-	13,007
	1,017,323	1,064,599
	1,845,034	2,442,595
Current portion	970,125	1,447,116
Non - current portion	874,909	965,479
	1,845,034	2,442,595
Accounts payable -		
Trade		
Internexa Perú S.A. (g)	485,747	101,202
Proyectos de infraestructura del Perú S.A.C. (i)	51,283	256,905
Intercolombia S.A. E.S.P.	27,395	12,429
Consorcio Transmantaro S.A.	19,553	-
XM Compañía de Expertos en Mercado S.A. E.S.P.	14,659	19,959
	598,637	390,495
Non-trade		
Interconexión Eléctrica S.A. E.S.P. (h)	1,179,154	1,033,755
	1,777,791	1,424,250

Except for loans granted to Consorcio Transmantaro S.A., accounts receivable and payable to related parties have short-term maturities, do not accrue interests and do not have specific guarantees.

(d) The Company provides operating and maintenance services to the electrical transmission lines of its related parties Consorcio Transmantaro S.A. and Interconexión Eléctrica ISA Perú S.A.

(e) The Company provides specialized technical services for supervising the construction of transmission lines to Consorcio Transmantaro S.A. and for installing optical fiber in the transmission system to Internexa Perú S.A.

(f) These services include administrative and financial resources provided by the Company to its related parties, mainly to Consorcio Transmantaro S.A.

(g) These services include connectivity services provided by the related party Internexa Perú S.A. and consulting services, advice and analysis provided by Interconexión Eléctrica S.A. E.S.P.

(h) It corresponds to the royalty paid to its Parent Company Interconexión Eléctrica S.A.E.S.P. according to the concession contract, see note 2.

(i) The Company subscribed contracts with Proyectos de Infraestructura del Perú S.A.C. (PDI), a related party, with the purpose of constructing transmission lines. These contracts provided for the supply of services conceived to manage, administer and supervise construction, as well as to put into service and operation of the extension of transmission lines described in note 2. Such contracts provide for a construction timeframe that vary between 12 and 24 months. During 2018 and 2017, the Company disbursed the following amounts to PDI:

	2018 US$	2017 US$
Extension N°13	-	224,073
Extension N°17	-	496,337
Extension N°18	397,112	148,871
Extension N°19	218,289	127,335
	615,401	996,616

(j) Company disbursements in favor of its related party and third parties relating to the construction of electrical energy transmission lines were as follows:

	2018 US$	2017 US$
Disbursements in favor of third parties	12,909,815	17,254,083
Disbursements in favor of PDI (i)	615,401	996,616
	13,525,216	18,250,699

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. Furthermore, the interpretation establishes that earnings equating to a fair value placed on the construction service should be recognized. In the Company's particular case, this revenue, recorded in the statement of comprehensive income, corresponds to the same value as costs incurred, inasmuch as the Company generates no profit margin for rendering these services since they are provided, administered and/or supervised by its related party PDI (see paragraph (i)), except for the costs incurred according to the contract that the Company signed with Volcan Compañía Minera S.A.A. for the relocation of the Pomacocha-Carhuamayo transmission line, which generates a profit margin of 10%.

(k) It corresponds to the services related to the transferring of the control center of the project La Planicie to its related party Consorcio Transmantaro S.A. under finance leases amounting to US$1,017,323 (US$1,051,592 during 2017).

(l) Transactions with related parties were effected in accordance with 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.

(m) Board and Management remuneration –
Outlays related to Board and Management remunerations and related concepts amounted to US$1,695,407 during 2018 (US$653,133 during 2017). The Company provides Management with no post-employment or post-contract benefits and no equity participation scheme exists.

24. Hedging derivatives

To mitigate the risk of exchange rate in Soles resulting from the volatility of the exchange rate, whereas the functional currency of the Company is the U.S. dollar, the Company has entered into Cross Currency Swap hedging contracts, which were designated as cash flow derivatives because they are intended to cover the risk of fluctuations in the exchange rates of financial obligations in Soles.

On November 8, 2012 and February 7, 2013, the Company signed cross currency swap contracts with the BBVA Banco Continental amounting to S/104,140,000 and S/77,305,000, maturing in November 2022 and February 2023, with annual nominal rate of 5.375% and 5.1250%, respectively, covering cash flows in soles resulting from the volatility of the exchange rate associated with the First Issuance Series "A" and First Issuance Series "B" of the Third Corporate Bonds Programme, see note 13(b), for which it pays US$39,998,464 and US$29,999,224 at an annual nominal rate of 4.760% and 4.990%, respectively, whose flows are settled semi – annually. Critical periods of hedging contracts have been negotiated to match the terms of its obligations.

As of December 2018 and 31, 2017, the Company recognized in liabilities the fair value of cross currency swap amounting to US$22,055,342 and US$20,541,601, respectively, and the effectiveness of these contracts has not been observed since no significant element of ineffectiveness has emerged.

25. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing net income for the period by the weighted average number of shares outstanding during the period. Basic and diluted earnings per share are the same because there are no dilutive effects on earnings.

The following table presents the calculation of earnings per share:

	2018 US$	2017 US$
Common shares	72,160,000	72,160,000
Weighted average number of issued shares	72,160,000	72,160,000
Basic and diluted earnings per common share		
Net income for the year used in the calculation	47,490,143	34,649,814
Basic and diluted earnings per share	0.65	0.42

26. Financial risk management objectives and policies

By the nature of its activities, the Company is exposed to market, credit and liquidity risks, which are managed through a process of identifying, measuring and continuous monitoring, subject to risk limits and other controls. This risk management process is critical to the continued profitability of the Company.

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 use 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. The area is also responsible for arranging credit lines with finance 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 risks to capital and credit risks.

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

Market risk
Market 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 prices. In the case of the Company, market prices include two types of risk: interest rate risk and exchange rate risk. Financial instruments exposed to market risk include time deposits, loans and financial obligations.

Sensitivity analyses shown in the following sections relate to the situation as of December 31, 2018 and 2017. These analyses are prepared based on the supposition 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 contemplate the impact of a variation of tax or labor legislation or provisions on the Company's books.

(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 to interest rates in the market. The Company's exposure to market interest rate risk relates principally to time deposits and to long - term financial obligations with variable interest rates.

The Company manages its interest rate risk by obtaining mainly corporate bonds with fixed interest rates (98 percent of total debt). As of December 31, 2018 the Company had a debt amounting to US$488,637, subject to variable interest rates, (US$2,443,182 as of December 31, 2017) see note 13(b).

The table below details the effects of earnings before income tax that derive from a reasonable variation in interest rates after the effect of hedging accounting. Other variables remain constant in this chart:

	Increase / decrease in basic points	Effect on pre-tax results US$
2018	+100	14,659
2018	-100	(14,659)
2017	+100	34,205
2017	-100	(34,205)

(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 as a result of changes to exchange rates. The Company's exposure to exchange rate risk relates mainly to its operational activities (and when earnings and expenses are incurred in a currency not normally used by the Company).

Foreign currency transactions are carried out at free market exchange rates as published by the Superintendence of Banking, Insurance and Private Fund Administrators. As of December 31, 2018, the average weighted free market exchange rates for the United States dollar were US$0.297 for buy and sell (as of December 31, 2017, the respective rates were US$0.309 for buy and sell).

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

	2018 S/	2017 S/
Assets		
Cash and cash equivalents	18,172,299	25,883,184
Trade accounts receivable	57,893,713	43,409,726
Other accounts receivable	1,545,692	265,473
	77,611,704	69,558,383
Liabilities		
Trade accounts payable	6,737,987	12,309,064
Other payables	19,445,727	18,921,561
	26,183,714	31,230,625
Net asset position	51,427,990	38,327,758

As of December 31, 2018 and 2017, the Company has hedging derivatives, cross currency swap, which reduce exposure to fluctuations in exchange rates in Soles from issuances in that currency through the Third Bond Programme. As of December 31, 2018 and 2017, total financial obligations in Soles are covered from an exchange rate risk, see Note 24.

During 2018, the hedge effect of exchange rate difference was US$2,048,073 (US$1,871,173 for 2017).

The result of maintaining foreign currency balances for the Company in the years 2018 and 2017 was a net gain of approximately US$999,464 and US$1,333,916, respectively, which are presented in the "Exchange difference, net" caption in the statement of comprehensive income.

The table below details the effects of earnings before income tax that derive from a reasonable variation in foreign currency exchange rates (Sol), including the effect of derivative instruments. Other variables remain constant in this chart:

	Percentage Increase / decrease	**Effect on pre-tax results** US$
2018	+10%	(1,205,479)
2018	-10%	1,205,479
2017	+10%	(1,182,773)
2017	-10%	1,182,773

Credit risk

Credit risk is the risk that the counterpart cannot fulfill his 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 institutions.

Trade accounts receivable -

Customer credit risk is based upon policies, procedures and controls exercised through Company credit risk management. Customer credit rating is assigned based on a detailed credit risk rating chart.

The requirement to assess impairment is evaluated at the close of each financial year. The assessment is on an individual basis for the most important clients. Calculations rely heavily upon historical experience.

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 two most important customers represented 20 and 16 percent of total sales (23 and 21 percent of total sales in 2017). As of December 31, 2018, 36 percent of accounts receivable were attributable to these clients (27 percent as of December 31, 2017). The Company's electrical power transmission services connect the generating companies to the Peruvian National Grid (SEIN) and to certain mining companies.

The evaluation for doubtful accounts is updated on an individual basis for each client and is concurrent with the preparation of the financial statements date.

Accounts receivables from related parties -
The Company believes that there is no credit risk with respect to accounts receivable from related parties, primarily because the main accounts are held with Interconexión Eléctrica S.A. E.S.P., Consorcio Transmantaro S.A. and Proyectos de Infraestructura del Perú S.A. These are internationally and nationally prestigious corporations, which maintain regular trading relationships with the Company.

The maximum exposure to credit risk at the date of the statement of financial position is the book value of each class of financial asset described in Notes 6 and 23(b).

Cash deposits -
Credit risks applicable to banks and financial houses are assessed by the treasury and financial department in accordance with the Company's policy. Investment of excess funds is only transacted with approved counterparts and within the credit limits assigned to each recipient. The Company's Management reviews counterparts' credit limits annually, but these may be updated during the course of the financial year. Credit limits are established with a view to minimize risk concentration and mitigate any eventual financial loss that might result from a counterpart's failure to fulfill an obligation. The Company's maximum exposure to credit risks pertaining to the statement of financial position as of December 31, 2018 and 2017 is their book value as set out in note 5.

Insofar as banks and financial entities, the Company only accepts those institutions that possess a minimum independent risk rating of "A".

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

Access to financing sources is sufficiently assured, whilst debts that mature within 12 months could be refinanced, if necessary, by existing lenders.

The following chart summarizes the maturity profiles pertaining to the Company's liabilities and is based upon undiscounted payments as set out in the respective contracts:

	Overdue 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 31 December 2018						
Financial obligations						
Principal	-	70,155,303	1,398,679	60,658,832	78,000,000	210,212,814
Future interest	-	3,198,526	6,656,647	28,888,788	23,182,500	61,926,461
Trade accounts payable	-	11,308,895	-	-	-	11,308,895
Accounts payable to related parties	-	1,777,791	-	-	-	1,777,791
Other payables	-	9,222,514	-	-	-	9,222,514
Total	-	95,663,029	8,055,326	89,547,620	101,182,500	294,448,475
As of 31 December 2017						
Financial obligations						
Principal	-	72,155,303	3,731,807	10,731,510	133,980,617	220,599,237
Future interest	-	3,688,087	8,143,332	23,956,803	36,378,847	72,167,069
Trade accounts payable	-	8,714,354	-	-	-	8,714,354
Accounts payable to related parties	-	1,424,250	-	-	-	1,424,250
Other payables	-	7,274,697	-	215,583	-	7,490,280
Total		93,256,691	11,875,139	34,903,896	170,359,464	310,395,190

The previous table does not include the hedging financial derivatives as Management considers that these contracts are effectively liquidated on a net basis. The flow from hedging derivatives and the reconciliation of the amounts equivalent to the book values of the net discounted flow resulting from these instruments is shown below:

	2018					
	Not due US$	Under 3 months US$	From 3 to 12 months US$	From 1 to 5 years US$	Over 5 years US$	Total US$
Inflows	-	-	-	37,546,024	-	37,546,024
Outflows	-	-	-	53,602,017	30,747,705	84,349,722
Net flow	-	-	-	(16,055,993)	(30,747,705)	(46,803,698)
Net discounted flow	-	-	-	(12,333,338)	(7,777,746)	(20,111,084)

	2017					
	Not due US$	Under 3 months US$	From 3 to 12 months US$	From 1 to 5 years US$	Over 5 years US$	Total US$
Inflows	-	610,648	2,336,148	43,889,527	24,440,795	71,277,118
Outflows	-	748,481	2,652,408	53,602,017	30,747,703	87,750,609
Net flow	-	(137,833)	(316,260)	(9,712,490)	(6,306,908)	(16,473,491)
Net discounted flow	-	(139,500)	(357,547)	(12,188,649)	(7,855,905)	(20,541,601)

Capital management –

The Company's capital management policy main 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 structure and implements pertinent adjustments in accordance with changes to the economic conditions. The Company may vary dividend payments to shareholders, reimburse capital or issue shares – all with the purpose of maintaining or modifying capital structure. During the financial years closing on December 31, 2018 and 2017 there were no changes to capital management objectives, policies or processes.

The Company has a clear focus for achieving an optimal capital structure (debt and equity as the sole financing sources) which will enhance the Company's profitability and allows the Company to fulfill its obligations to both creditors and shareholders. The Company's policy for maintaining or adjusting capital structure involves negotiating new loans after previous financial commitments have been amortized.

Liability and equity balances, together with their percentage participation, as of December 31, 2018 and 2017 are detailed below:

	2018 US$	%	2017 US$	%
Total liability	319,049,400	63	321,593,530	62
Total equity	186,859,154	37	194,369,010	38
Total liability and equity	505,908,554	100	515,962,540	100

The Company controls capital using a debt ratio defined as the quotient between net debt and total capital plus net debt. The Company's policy is to keep the debt ratio between 40 percent and 60 percent. Net debt includes loans, trade account payables and other accounts payables, less cash and cash equivalents.

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

	2018 US$	2017 (Restated) US$
Total financial obligations	210,212,814	220,599,237
Trade, related and other accounts payable	22,309,200	17,628,884
(-) Cash and cash equivalent	(15,110,259)	(16,515,587)
Net debt (a)	217,411,755	221,712,534
Total equity	186,859,155	194,369,010
Total liability and equity (b)	404,270,910	416,081,544
Gearing ratio (%) (a/b)	54%	53%

Changes in liabilities from financial activities-

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

		Cash flows			
	Balance as of 01.01.2018 US$	Loans US$	Amortization US$	Other (*) US$	Balance as of 12.31.2018 US$
Financial liabilities:					
Corporate bonds	179,757,132	-	(37,336,107)	(514,417)	141,906,608
Bank loans and financial leases	40,842,105	28,000,000	-	(535,899)	68,306,206
Total	220,599,237	28,000,000	(37,336,107)	(1,050,316)	210,212,814

		Cash flows			
	Balance as of 01.01.2017 US$	Loans US$	Amortization US$	Other (*) US$	Balance as of 12.31.2017 US$
Financial liabilities:					
Corporate bonds	183,169,382	-	-	(3,412,250)	179,757,132
Bank loans and financial leases	41,546,922	-	(3,420,151)	2,715,334	40,842,105
Total	224,716,304	-	(3,420,151)	(696,916)	220,599,237

(*) The column "Other" includes the accrual of the structuring commissions, which does not generate cash flows.

27. 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 their 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 financial instruments' book values with their 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	15,110,259	16,515,587	15,110,259	16,515,587
Trade accounts receivable, net	27,724,112	18,710,870	27,724,112	18,710,870
Accounts receivable from related parties	1,845,034	2,442,595	1,845,034	2,442,595
Other accounts receivable	7,183,527	7,665,428	7,183,527	7,665,428
Total	51,862,932	45,334,480	51,862,932	45,334,480
Financial liabilities				
Trade accounts payable	11,308,895	8,714,354	11,308,895	8,714,354
Accounts payable to related parties	1,777,791	1,424,250	1,777,791	1,424,250
Other accounts payable	11,195,842	7,490,280	11,195,842	7,490,280
Financial obligations:				
Loans at variable rates	488,637	2,443,182	489,684	2,442,551
Fixed rate loans	210,259,521	218,176,981	210,487,880	225,285,490
Restructuring commissions	(535,344)	(20,926)	(535,344)	(20,926)
Total	234,495,342	238,228,121	234,724,748	245,335,999

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.

The Company has signed agreements on derivative financial instruments with a financial institution with solvent credit rating. Derivative valued through valuation techniques that uses observable data from the market is a cross currency swap. The valuation technique that is most commonly applied is the pricing model term, which uses present calculations. The model incorporates various data, such as creditworthiness of the parties, the exchange rate for spot and forward transactions, interest rate curves and prices of the underlying product.

The Company uses cross currency contracts to manage certain exposures in their transactions. Following, it is described the characteristics and effects of such contracts:

Cash Flow Hedge-
As of December 31, 2018, the fair value of cross currency swap contracts amounts to US$22,055,341 (US$20,541,601 as of December 31, 2017).

Fair value hierarchy –
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value, according to its valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Valuation techniques (there is no observable information from the market).

As of December 31, 2018 and 2017, the Company had the following fair value instruments in its statement of financial position:

	2018 US$	2017 US$
Liabilities measured at fair value:		
Level 2		
Cross currency swap	22,055,341	20,541,601
Total	22,055,341	20,541,601

28. Standards for protecting the environment and technical standards

(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 standards -

Technical Standard for Electrical Services Quality -

By Supreme Decree N°020-97-EM endorses the Electrical Services Quality (Peruvian acronym NTCSE) which establishes minimum levels for the quality of 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.

The 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.

29. Subsequent events

Between 1 January 2019 and the date of issuance of the financial statements (February 12, 2019), no significant subsequent events financial or accounting have occurred that may affect the interpretation of these financial statements.

30. 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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