Free English Language Translation
From the Spanish Version

Elektra Noreste, S.A.
(A 51% owned subsidiary of Panama Distribution Group, S.A.)

Financial Statements for the period ended March 31, 2015

Elektra Noreste, S.A.
(A 51% owned subsidiary of Panama Distribution Group, S.A.)

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Management Report – Elektra Noreste, S.A.

We have reviewed the attached interim financial statements of Elektra Noreste, S.A. (the "Company"), which comprise the balance sheets as of March 31, 2015 and the income statement, the statement of changes in shareholders' equity, and cash flow statement for the three months ended on that date, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility over the Interim Financial Statements

The administration of Elektra Noreste, S.A. is responsible for the information and representation in the financial statements of the Company. The Company prepares the interim financial statements in accordance with the International Financial Reporting Standards based on available facts and circumstances, in the best estimates of management and the assessment of existing conditions.

The company maintains an accounting system and its respective internal control system design to provide reasonable assurance to the management of Elektra Noreste, S.A. regarding the preparation of reliable financial statements, that its accounting records are correct, and that the Company's asset are protected. The internal audit staff of the Company carries out periodic reviews to maintain the effectiveness of internal control procedures, corrective actions are taken to remedy control deficiencies and other opportunities for improving the system are addressed as they are identified.

Public Accountant's Responsibility

Our responsibility is to prepare the interim financial statements of the Company under International Financial Reporting Standards ("IFRS") based on their accounting records. In preparing the financial statements, we have reviewed the accounting information in order to validate the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements in question.

We believe that the evidence of the review that we have obtained is sufficient and appropriate to provide a reasonable basis. In our consideration, the interim financial statements present fairly, in all material aspects, the financial position of the Company as of March 31, 2015, and its financial performance, and its cash flows for the three months then ended, in accordance with the International Financial Reporting Standards ("IFRS").

Eric Morales
CPA No.1769
Panama, May 26, 2015

Elektra Noreste, S.A.
(A 51% owned subsidiary of Panama Distribution Group, S.A.)

Consolidated Statement of Financial position (unaudited)
March 31, 2015

Assets	Notes	2015	2014
Current Assets			
Cash and cash Equivalents	4	2,873,234	4,214,886
Trade and other receivables, net	5	116,251,760	103,431,220
Government subsidy	6	35,213,404	52,805,197
Regulatory assets	23	-	11,105,450
Inventories	7	20,673,097	18,084,905
Prepaid taxes		-	11,358,854
Other current assets	8	1,311,887	309,375
Total Current Assets		176,323,382	201,309,887
Non-current Assets			
Deferred Income tax	16	5,630,655	2,265,839
Intangibles, net	9	16,837,128	15,930,605
Post-employment benefits plan assets	10	-	529,116
Investment properties	11	2,142,300	2,142,300
Other non-current assets	12	467,556	1,001,777
Property plant and equipment, net	13	372,400,645	365,475,708
Total Non-current Assets		397,478,284	387,345,345
Total Assets		573,801,666	588,655,232

Liabilities and Stockholders'' Equity	Notes	2015	2014
Current Liabilities			
Generation and transmission	14	115,097,307	122,213,150
Other accounts payable and accrued expenses	14	39,575,094	40,839,895
Government subsidy	6	-	-
Customers deposits	15	3,472,646	6,269,663
Regulatory liability	23	4,569,252	-
Income tax payable		12,512,189	-
Post-employment benefits liability	10	39,378	36,420
Short term debt	17	-	12,000,000
Total Current Liabilities		175,265,866	181,359,128
Non-current Liabilities			
Deferred Income tax	16	2,454,585	19,168,810
Post-emplloyment benefits liability	10	510,925	412,683
Customer deposits	15	5,129,307	3,937,505
Provision for contingencies	26	1,406,521	1,975,980
Deferred credits	18	3,175,930	3,230,283
Long term debt	17	199,748,402	200,607,076
Total Non-current liabilities		212,425,670	229,332,337
Commitments and Contingencies	26		
Stockholder's equity			
Authorized and issue common stock: 50,000,000 shares without par value		106,642,962	106,642,962
Treasury stocks		(544,087)	(544,087)
Other accumulated comprehensive losses		(419,661)	(224,806)
Retained earnings	19	80,430,916	72,089,698
Total stockholders' equity		186,110,130	177,963,767
Total liabilities and stockholders' equity		573,801,666	588,655,232

See accompanying notes to the financial statement which are integral part of the financial statements.

Elektra Noreste, S.A.
(A 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements or Profit or Loss (unaudited)
For the three months ended March 31, 2015 and 2014

	Notes	2015	2014
Revenue			
Energy sales	20	150,874,086	165,418,125
Other income	21	3,376,660	3,435,608
Total Revenue		154,250,746	168,853,733
Purchase of energy and transmission charges, net	20, 22, 23	120,755,027	138,405,355
Gross distribution margin		33,495,719	30,448,378
Operating Expenses			
Salaries and other costs to personnel		3,025,892	2,485,199
Provision for doubtful accounts net		436,093	618,303
Repairs and maintenance		838,954	834,093
Professional services		4,692,022	3,790,323
Depreciation and amortization		5,725,781	4,949,800
General expenses		3,139,462	2,867,512
Loss on disposal of fixed assets		353,036	69,018
Total de operating expenses		18,211,240	15,614,248
Operating income		15,284,479	14,834,130
Interest income	24	45,321	108,362
Interest expense	24	(3,196,579)	(2,853,582)
Income before income taxes		12,133,221	12,088,910
Income taxes	16		
Current		23,871,043	350,430
Deferred		(20,079,040)	3,254,527
Total income taxes		3,792,003	3,604,957
Net income		8,341,218	8,483,953

The accompanying notes are an integral part of the financial statements.

Elektra Noreste, S.A.

(A 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements of Comprehensive Income (unaudited)
For the three months ended March 31, 2015 and 2014

	2014	2014
Net Profit	8,341,218	8,483,953
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Profit (Loss) on benefit plans for the employees net of income tax	(194,855)	-
Total of other comprehensive income (loss)	(194,855)	-
Total comprehensive income	**8,146,363**	**8,483,953**

The accompanying notes are an integral part of the financial statements.

Elektra Noreste, S.A.
(A 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements of Changes in Stockholders' Equity (unaudited)
For the three months ended March 31, 2015 and 2014

	Common Stock	Treasury Stock	Other Comprehensive losses accumulated	Retained earnings	Total
Balance as of January 1, 2014	106,642,962	(544,087)	(243,383)	35,081,976	140,937,468
Net income	-	-	-	8,483,953	8,483,953
Balance as of March 31, 2014	106,642,962	(544,087)	(243,383)	43,565,929	149,421,421
Balance as of December 31, 2014	106,642,962	(544,087)	(224,806)	72,089,698	177,963,767
Remeasurement on post-employment benefits	-	-	(194,855)	-	(194,855)
Net income	-	-	-	8,341,218	8,341,218
Balance as of March 31, 2015	106,642,962	(544,087)	(419,661)	80,430,916	186,110,130

The accompanying notes are an integral part of the financial statements.

Elektra Noreste, S.A.
(A 51% owned subsidiary of Panama Distribution Group, S.A.)

Statements of Cash Flows (unaudited)
For the three months ended March 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Net Income	8,341,218	8,483,953
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Depreciation and amortization	5,725,781	4,949,800
Loss on disposal of fixed asset	353,036	69,018
Provision for income tax	23,871,043	350,430
Interest expenses	3,271,304	3,085,411
Provision for doubtful accounts, net of recovery	436,093	618,303
Valuation of investment property	-	-
Amortization of debt issuance costs	97,233	92,450
Deferred income tax	(20,079,040)	3,254,527
Deferred regulatory accounts	15,674,702	(6,506,852)
Changes in operating assets and liabilities:		
Accounts receivable	(13,256,633)	(2,519,333)
Government subsidy	17,591,793	(39,764,554)
Inventory	(2,588,192)	(318,362)
Other assets	(468,290)	(593,100)
Trade accounts payable and other liabilities	(10,609,672)	22,288,196
Liability for benefits to employees	435,462	(54,326)
Income tax paid	-	(7,675,256)
Interest paid	(4,227,212)	(4,042,401)
Net cash provided (used) by operating activities	24,568,626	(18,282,096)
Cash flows from Investing activities		
Proceeds from sales of fixed assets	1,407	-
Acquisition of fixed assets	(13,911,685)	(11,653,037)
Net cash used in investing activities	(13,910,278)	(11,653,037)
Cash flows from financing activities		
Short term debt	(12,000,000)	28,000,000
Net cash provided (used) financing activities	(12,000,000)	28,000,000
Cash and cash equivalents:		
Net decrease in cash	(1,341,652)	(1,935,133)
Cash at beginning of the period	4,214,886	4,958,418
Cash at end of the period	2,873,234	3,023,285

The accompanying notes are an integral part of the financial statements.

1. Reporting entity

Elektra Noreste, S.A. (the "Company") is a corporation created as a result of the privatization of the Institute for Hydraulic Resources and Electricity ("IRHE"). The Company was incorporated by means of Public Deed No.143, dated January 19, 1998, and began operations in January 1998. The authorized share capital of the Company consists of fifty million common shares without par value. At present, Panama Distribution Group, S.A. ("PDG") owns 51% of authorized common shares issued and outstanding shares from the Company, while the Panamanian Government and former IRHE employees own 48.25% and 0.43%, respectively. The remaining stocks are held as treasury stocks.

The activities of the Company include the purchase of energy in blocks and its transportation to customers through the distribution network. In addition, the Company performs voltage transformation, the delivery of power to end consumers, and meter reading, invoicing and collections. The Company is also responsible for installing, operating, and maintaining public lighting in the concession area (as defined in the following paragraph), according to lighting levels and criteria established by the National Public Services Authority ("ASEP"). Additionally, the Company is authorized to engage in energy generation activities to a limit of 15% of the peak demand and energy in the concession area.

Under the concession contract described in Note 26.4 the Company has exclusive rights for the distribution and sale of electric power to customers located in the geographical areas of East Panama, Colon, the Bay of Panama, the Comarca Guna Yala and Darien. Exclusive rights in the distribution phase also includes "large customers" which are defined by Law 6 of February 3, 1997, as those customers with peak demand is over 100 KW per site, who also have the option to purchase energy directly from other agents of the electricity market.

The initial concession area is delimited to 1000 meters around the corresponding geographical area for existing power lines of any voltage, which previously comprised up to 500 meters. From the third year, there is a gradual expansion every two years of 1.000 meters from the existing power lines of any voltage up to 5,000 meters. With this new condition the Company is required to incorporate a term of 10 years to all communities that are at least 5,000 meters from the existing network of the beginning term of the current concession contract.

2. Bases of presentation and the adoption of the International Financial Reporting standards. (IFRS).

The financial statements are expressed in Balboas the official monetary currency of the Republic of Panama. As of March 31, 2015 and until date the Balboa has maintained to be on par with the US Dollar and is in free circulation. The Republic of Panama does not emit paper money and utilizes the US Dollar of the United States of America as its legal currency.

2.1 *Standards and interpretations new and / or revised but are not yet effective*

The Company has not adopted the following new and revised standards and interpretations that have been issued but are not yet effective.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009 introduces new requirements for classifying and measuring financial assets. IFRS 9 was amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and their reduction.

Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures

Amendments to IFRS 10 , IFRS 12 and IAS 27 Investment entities

Amendments to IFRS 10 define an investment entity and requires the Company to inform when it meets the definition of an investment entity and is not a consolidation of its subsidiaries, but instead measures its subsidiaries at fair value through the consolidated profit or loss statements in separate financial statements.

The management of the Company does not anticipate that the amendments to investment firms will have an effect on the financial statements of the Company, as the Company is not an investment entity.

Amendments to IAS 32 - Offsetting financial assets and liabilities.

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Especially the amendments clarify the meaning of 'currently has a legally enforceable right of set off' and 'simultaneous realization and settlement'.

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent changes in the fair value at the end of subsequent accounting periods. In addition under IFRS 9, entities may make an irrevocable election to present subsequent changes in their fair value of an equity (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

This will be mandatory effective for the reporting period that start in or after 1st of January 2018.

Management anticipates that all of the above standards and interpretations will be adopted in the financial statements of the Company for next accounting period. Management is also in the process of evaluating the impact of adoption on the financial statements of the Company for the period it's of initial application.

3. Summary of Significant Accounting Policies

A summary of significant accounting policies used in preparing the accompanying financial statements are presented below:

3.1 Cash and Cash Equivalents

All liquid investments with original maturity of three months or less are considered as cash equivalents.

3.2 Accounts Receivable

Accounts Receivable are recorded at the invoiced amount and bear interest on past due amounts. Interest is recorded as income until the end date of the customer's account which occurs approximately 60 days after the suspension of power supply. It is Company policy to review receivable balances on a monthly basis and adjust the allowance for doubtful accounts as required.

The Company establishes a provision for losses if it is determined that the amounts could be uncollectible. The Company estimates a provision based on the aging of the account and other factors or conditions that affect their clients and historical experience. Account balances are written off after all collection efforts and the potential recovery of these balances are considered remote. The Company does not have any off-balance sheet credit exposure related to its customers.

3.3 Inventory

Inventories mainly include materials and supplies for domestic consumption and service provision. The tools and spare parts are considered part of the inventory. Inventories are valued using the weighted average method and the cost includes expenses directly related to the acquisition and those incurred to give them their present location and condition.

Subsequent valuation is based on cost or net realizable value, whichever is lower. For inventory purchased for service delivery and domestic consumption, the net realizable value is the replacement cost.

3.4 Property, Plant and Equipment

Property, plant and equipment acquisitions, and construction in progress are recorded at their original cost which includes materials, labor, transportation costs, indirect costs and financial. The Company reports property, plant and equipment in the statement of financial position, net of accumulated depreciation.

Costs associated with significant improvements made to property, plant and equipment are capitalized as well as disbursements for significant renovations. The costs associated with repairs and minor replacements are expensed as incurred. The Company also capitalizes interest incurred during the construction period.

At the end of each reporting period management reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. The reversal of previously recognized impairment losses is permitted, except for goodwill. The recoverable amount is the higher of fair true value less cost of disposal and value in use. In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset The key assumptions used for future cash flows are based on volume and prices based on the most recent strategic plan of the Company, fuel costs projections, and operating costs that reflect market conditions necessary to carry out the investment projects of energy distribution. At March 31, 2015, no impairments were identified in long term assets of the Company.

Any gain or loss arising on the disposal, sale or retirement of an item of property plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset is recognized in profit or loss.

The depreciation and amortization is calculated using the straight-line method taking into account the estimated useful life of the asset. The estimated useful life of the assets are as follows:

	Estimated useful life in Year
Electric poles, towers and accessories	30 years
Electric transformers	30 years
Ducts and underground conductors	30 to 35 years
Overhead conductors and accessories	12 to 30 years
Substation equipment	12 to 30 years
Consumer meters	15 to 20 years
Buildings and Improvements	50 years
Public lighting equipment	25 years
Transportation equipment	8 years
Communication equipment	8 to 25 years
Office furniture and equipment	5 to 20 years

3.5 Purchase of Energy and Transmission Charge

The Company is required by law to guarantee through contracts the coverage of 100% of the demand for its regulated customers for the next 24 months. The strategy of purchasing energy is based on holding medium and long term contracts to protect customers from strong fluctuations on the generation component of the energy rate. These contracts are considered executory in nature and do not transfer to the Company the right to use the related property, plant and equipment.

These contracts for energy and capacity qualify under the exceptions for accounting of derivative instruments since they comply with the conditions for normal purchases and sales transactions. The company also engages in the purchase of short term hourly energy in the wholesale market, which is administered by the National Dispatch Center (Centro Nacional de Despacho “CND" in Spanish). The Company recognizes the current cost of energy purchase resulting from these contracts in the Statement of Profit and Loss.

In addition the Company pays a regulated rate to Empresa de Transmisión Eléctrica, S. A. (“ETESA”), a company fully-owned by the Panamanian State, for connecting to and for use of the transmission system. ETESA is responsible for expanding and upgrading the interconnecting transmission system to meet the requirements of the demand growth and system stability.

3.6 Income Tax

Income tax for the year includes both current and deferred tax. The current income tax refers to the estimated income tax payable over taxable income of the fiscal year using the applicable rate at the balance sheet date. Deferred income tax is recognized for the effects of all temporary differences between the book and tax basis of assets and liabilities.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the statement of profit or loss in the period in which the change is enacted. A valuation allowance is recorded to reduce the value of deferred tax assets, when it is not probable that fiscal benefits cannot be completely realized.

3.7 Customer deposits

The Company requires customers to provide cash deposits as a guarantee of payment for energy consumed, in accordance to the legislation set forth by the ASEP. The Company pays semiannual interests to customers that maintain deposits based on an average annual interest rate of the previous six months on local time deposits.

The ASEP issued resolution AN 411-Elec (Nov. 16, 2006) amended by Resolution AN 3473-Elec (May 7, 2010) which provides that in those cases where the customer has established a good payment record, defined as no more than three late payments in a twelve month period, the deposit shall be returned to the customer. The Company classifies deposits that do not meet the condition of a good payment record as non-current liabilities.

3.8 Contingencies

In the normal course of business, the Company is subject to various regulatory actions, proceedings, and lawsuits related to environment, tax or other legal matters. The Company establishes reserves for these potential contingencies when they are deemed probable and can be reasonably estimated. (See Note 26)

3.9 Employee Benefits

The Company adopts the accounting standards for benefits to employees based on the International Financial Reporting standards (IFRS). The liability recognized in the balance sheet related to employee benefits represents the present value of the obligation at the balance sheet date less the fair value of the assets plan, and any past service cost not yet recognized.

The cost of providing this benefit is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

The employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the company using interest rates accordingly to current market yields in respect of services provided by employees up to the reporting date.

Past service costs is recognized immediately in the profit or loss. Gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized as other comprehensive income (loss) accumulated. The Company reveals its employee benefits in Note 10.

3.10 Related Parties

As a result of the restructuring of the electricity sector in Panama, three distribution companies, four generating companies, and one transmission company were established. The Panamanian State retained approximately fifty-one percent (51%) interest in the hydraulic generating companies, a forty-nine percent (49%) interest in the thermal generating company and distribution companies, and one hundred percent (100%) interest in the transmission company. The Panamanian State has 48.25% of the Company's shares and 0.43% is owned by former IRHE employees.

In the normal course of business, the Company purchases electricity from the generating and other distribution companies, it then sells energy to governmental institutions and makes payments to the transmission company. The Company recognizes these activities as related party transactions.

3.11 Deferred Regulatory Accounts

The Company is subject to regulation by the ASEP. This agency regulates and makes the final determination regarding the rates the Company charges to its customers.

The Company maintains its accounts in accordance with the uniform system of accounts provided for electric utilities companies by the ASEP.

The Company is subject to the provisions of ASC 980, "Regulated Operations." The Regulatory assets represent probable future earnings associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable reductions in future earnings associated with amounts that are expected to be credited to customers through the ratemaking process. The regulatory system under which the Company operates, allows any excess or deficit between the estimated cost of energy considered in the rate, and the actual cost incurred by the Company can be included as a compensatory adjustment to be recovered from or refunded to customers in the next rate review.

Any excess in energy costs charged to customers is accrued as a regulatory credit account balance deferred on the balance sheets of the Company and leads to a reduction in the next rate review to be applied to customers. Likewise, any deficit in energy costs charged to customers is accrued as a regulatory debit account balance deferred on the balance sheets of the Company and leads to an increase in the next tariff revision to be recovered from customers.

Regulatory deferred accounts with debit balances represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory deferred accounts with credit balances represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process

3.12 Revenue Recognition

Energy Sales

The Company recognizes its earnings for energy sales when the service is delivered to and consumed by customers. The Company invoices customers based on meter readings that are performed on a systematic basis throughout the month. The applicable rates used to invoice customers include energy cost, and distribution components.

The energy cost component works as a pass-through for the energy purchased, and transmission charges while the distribution components is set by the ASEP to allow distributors to recover costs related to maintenance, administration, marketing, depreciation, standard energy losses and also to obtain a fair return on their investment. The energy cost component is adjusted every six months to reflect fluctuations in energy costs and the distribution components are adjusted based on the consumer price index. The Company recognizes as revenue the sale of energy that have not yet been invoiced, but that has already been consumed by customers. This revenue is recorded as unbilled revenue within the trade receivables on the balance sheet and is calculated based on actual average daily energy consumption and applicable rates to the customers of the Company.

Other Income

The Company recognizes connection and reconnection charges, pole rentals, and toll charges when the service is rendered. These charges are presented under Other Income in the statement of profit or loss.

3.13 Use of Estimates

The preparation of financial statements conforms to the International Financial Reporting standards (IFRS) which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The estimates and assumptions used are based upon management's evaluation of relevant facts and circumstances. Actual results could differ from those estimates. The most significant estimates include but are not limited to, the estimated useful life for depreciation and amortization, allowances for uncollectible accounts receivable, estimates of future cash flows associated with asset deterioration, contingency losses, collection or reimbursement of the fuel component adjustment account and estimated unbilled revenue.

3.14 Net Intangibles

The Company's intangibles consist of 1) Cost of development and licenses of applications obtained for internal use, which are amortized using the straight-line method based on a useful life up to 15 years. 2) Compensations and indemnities paid to constitute establishment of easements required for the passage of its distribution grid. These established easements are constituted as permanent, so the Company classifies these assets as having an indefinite useful life and therefore not subject to amortization.

3.15 Concentration of Credit Risk

The Company is solely dedicated to the distribution and marketing of electric energy to customers located in its concession area. The Company does not believe that significant risk of loss from a concentration of credit risk exists given the large number of customers that comprise its customer base and their geographical dispersion. In addition, the Company believes that its potential credit risk is adequately covered by the allowance for uncollectible accounts.

3.16 Provision for contingent Assets and liabilities

The Company recognizes as part of the costs of an its fixed assets in particular , an estimate of future costs expected to be incurred for dismantling, decommissioning or restoration whenever there is a legal or constructive obligation to dismantle or restore . Its counterpart is recognized as a provision for dismantling, decommissioning and restoration costs. The dismantling, decommissioning and restoration cost is depreciated over the estimated useful life of the asset.

The Company is subject to a broad range of environmental, health, and safety laws and regulations. In July 1998, the Panamanian Government enacted an environmental legislation creating an agency for the protection of the environment (Autoridad Nacional del Ambiente ("ANAM") in Spanish) and imposing new environmental standards which have an effect in the Company's operations. Failure to comply with the laws, rules and regulations, could account for the Company on having to make additional investments or may adversely affect the Company's financial results. The Company records a provision for dismantling and decommissioning all transformer where it is confirmed or is deemed to contain Poly Chlorinated Bi - Phenol ("PCB") either currently in use or out of service. The costs of dismantling and restoration is recognized at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a rate before tax, which is the average rate of indebtedness of the Company. The estimated future dismantling, decommissioning or restoration costs are reviewed annually and are adjusted as required. Changes in estimated future costs, the estimated dates of disbursement or the discount rate applied are added to or deducted from the cost of the asset, not exceeding the carrying amount of the asset, any excess is recognized immediately in the statement of profit or loss. The change in the value of the provision associated with the passage of time is recognized as interest expense in the income statement. The costs for environmental protection are capitalized if they extend the useful life of the property, increase its capacity and mitigate or prevent contamination from future operations. The costs associated with treatment and cleanup of environmental contamination are charged to expenses.

3.17 Subsidies

Deferred credits consist of subsidies in cash, and assets that the Company has received from the Office of Rural Electrification in order to promote electrification in unprofitable and non-concession rural areas not served. The Company registers its subsidies as assets at fair value in the balance sheet within property, plant and equipment and recognizes revenue received in advance. Property, plant and equipment is depreciated on a straight line along its life, just as the income is amortized to the statement of profit or loss. For cash subsidies given, the income received in advance is amortized to the statement of profit or loss over the period in which such subsidies is intended to offset the costs incurred by the Company.

3.18 Classification of Current and Non-Current

In the statements of financial position, assets and liabilities expected to be recovered or settled within twelve months are presented as current, and those assets and liabilities expected to be recovered or settled in more than twelve months are presented as non-current.

3.19 Reclassifications

Certain amounts in the financial statements for the period ended December 31, 2014 have been reclassified in order to conform to the presentation of the financial statements for the period ended March 31, 2015.

Self-supply subsidy amounting to B/. 8,800,094 at December 31, 2014 was presented previously as part of Trade and other receivables, net. The Company reclassified this account to present it as part of Government subsidy at the statement of financial position.

4. Cash and cash equivalents

The amounts of cash and cash equivalents consist of cash on hand and bank deposits. The details are as follows:

	March 31, 2015	Diciembre 31, 2014
Cash	41,804	39,305
Banks	2,831,430	4,175,581
Total cash and cash equivalents	2,873,234	4,214,886

5. Accounts Receivable - customers and others, Net

At March 31, 2015 accounts receivable - customers and others, net are as follows:

	March 31, 2015	December 31, 2014
Customers	81,479,854	80,958,743
Government and municipal entities	28,494,823	26,530,303
	109,974,677	107,489,046
Unbilled revenue	12,920,791	12,333,030
Others	7,573,294	6,157,830
	130,468,762	125,979,906
Allowance for doubtful accounts	(14,217,002)	(13,748,592)
Total	116,251,760	112,231,314

At March 31, 2015, the Company made no charged against the allowance for doubtful accounts (2014: B/. 110,425) and recovered balances of accounts previously written off in the amount of B/. 32,317 (March 31, 2014: B/. 52,270)

Following is the analysis of the receivables according to the aging by date of billing:

Days	Consumers - Energy		Other Services		Total	
	Mar-2015	Dec-2014	Mar-2015	Dec-2014	Mar-2015	Dec-2014
Current	62,135,976	55,351,924	2,151,350	2,131,159	64,287,326	57,483,083
30 days	29,431,101	17,634,586	216,438	608,811	29,647,539	18,243,397
60 days	2,267,759	8,817,753	1,270,021	177,796	3,537,780	8,995,549
90 days	5,762,684	4,389,033	761,855	306,050	6,524,539	4,695,083
90+ days	23,297,948	24,828,686	3,173,630	2,934,014	26,471,578	27,762,700
Totals	122,895,468	111,021,982	7,573,294	6,157,830	130,468,762	117,179,812

The reconciliation of the provision for doubtful accounts is presented below:

	March 31 2015	December 31 2014
Beginning balance	13,748,592	11,627,441
Increase in the Provision for the year	468,410	2,231,576
Discarded Accounts	-	(110,425)
Ending balance	14,217,002	13,748,592

6. Government subsidies

At March 31, 2015, the amount of subsidies from the government for B/. 35,213,404 (2014: B/. 52,805,197) included balances owed by grants given by the government to the customers through the Rate Stabilization Fund (FET) for B/. 10,127,011, the Compensation Energy Fund (FACE) for B/. 39,334,756 (2014: B/. 61,248,519), a receivable balance of B/. 8,850,264 for compensations given to self-supply customers (2014: B/. 8,800,094) and a balance payable due to variances on fuel costs for B/. 23,098,628 (2014: B/. 19,800,934. The FET is given to customers who consume lower than 400 kWh per month and is also given when the government agrees to subsidize rate adjustments.

Energy Compensation Fund (FACE) was created through Cabinet Resolution No.174 of November 8, 2011, which approved the establishment of a Trust Agreement which aims to compensate the electricity distribution companies for amounts owed to them by updating electricity rates due to the commitment by the State to mitigate the transfer of the country imported inflation through increases in fuel prices. The Trust agreement provides that in the years in which the rates submitted by the electricity distribution companies, and verified by the ASEP result to be more that the standard rate applied to customers of the previous semester, the FACE will be used to offset these increases, in the opposite case, the difference will be refunded to compensate FACE disbursements during the previous rate adjustment periods

The ASEP approved the rules of self-supply for customers of regulated electric utility, and the value to be compensated for self-supply through Resolution AN No. 3323 -Elec of March 10, 2010 and AN No. 3437 - Elec of April 20, 2010, and established that there would only be used when the National Dispatch Center (CND) declared rationing state of alert and when the ASEP indicates so. On April 26, 2013 CND through note 2013 declared Alertness Energy Rationing which motivated the creation of the Resolution No. 1417 of May 6, 2013 and No. 1423 of May 7, 2013, in which the National Energy Secretariat proposed to adopt measures for the implementation of operational strategies necessary to ensure efficient , continuous and uninterrupted delivery of the electric utility among which was the no use of air conditioning systems in the public sector, commercial offices, shopping centers, businesses and others, until the cease of the dry season. In addition, it was established by Resolution No.6138 -Elec May 7, 2013 the compensation value for self-supply energy customers to fifty cents (B/.0.50) per KWh.

7. Inventories

The Company has a policy of taking out insurance to cover the risks subject to their material inventory from various elements, in a determined amount, assuring that the insurance will be sufficient to cover the risks to which they are exposed.

Inventory materials for internal consumption are presented as follows:

	March 31, 2015	December 31, 2014
Inventory on warehouse	14,388,725	13,136,278
Inventory at third parties	4,002,021	3,234,133
Advanced to suppliers	917,097	1,612,296
Inventory in transit	1,365,254	102,198
Total Inventory	20,673,097	18,084,905

8. Other Current Assets

Other current assets details are presented as follows:

	March 31, 2015	December 31, 2014
Prepaid Insurance	164,033	215,592
Prepaid expenses	168,265	72,816
Advances to suppliers	978,191	15,384
Other	1,398	5,583
Total	1,311,887	309,375

9. Net Intangible Assets

Intangible assets held by the Company include intangibles assets with indefinite lives and finite lives the finite intangible assets are amortized over their estimated useful life. Details are presented as follows:

	Software and Applications	Licenses	Easement	Total
Intangible Assets				
Balance at 31st December 2013	6,711,008	6,384,141	1,037,573	14,132,722
Additions	8,547,314	1,640,419	85,198	10,272,931
Balance at 31st December 2014	**15,258,322**	**8,024,560**	**1,122,771**	**24,405,653**
Accumulated Amortization				
Balance at 31st December 2013	1,971,591	4,501,484	-	6,473,075
Amortization for the period	1,077,976	758,864	-	1,836,840
Transfers (-/+)	165,133	-	-	165,133
Balance at 31st December 2014	**3,214,700**	**5,260,348**	**-**	**8,475,048**
Net Intangible Assets	**12,043,622**	**2,764,212**	**1,122,771**	**15,930,605**

	Software and Applications	Licenses	Easement	Total
Intangible Assets				
Balance at December 31 , 2014	15,258,322	8,024,560	1,122,771	24,405,653
Additions	1,344,092	216,461	-	1,560,553
Disposals	-	-	-	-
Balance at March 31, 2015	**16,602,414**	**8,241,021**	**1,122,771**	**25,966,206**
Accumulated Amortization				
Balance at December 31 , 2014	3,214,700	5,260,348	-	8,475,048
Amortization for the period	441,913	214,117	-	656,030
Disposals	-	-	-	-
Balance at March 31, 2015	**3,656,613**	**5,474,465**	**-**	**9,131,078**
Net Intangible Assets	**12,945,801**	**2,766,556**	**1,122,771**	**16,835,128**

10. Employee Benefits

Defined Post-employment Benefit plans

The Company has three defined post-employment benefit plans.

- **Seniority Premium and Severance Fund**

According to the Labor Code of the Republic of Panama, the termination of any contract of indefinite duration, whatever the cause, the employee is entitled to a seniority premium at the rate of one week's salary for each year of work, since the beginning of the employment relationship. Seniority premiums represent 1.92 % of the salaries paid.

The Labor Code, that was amended by Law No. 44 of August 12, 1995, specifies that employers must establish a severance fund to cover seniority premiums and compensation for unfair dismissals or justified resignations. The Company maintains a trust fund through an authorized entity called Progreso, S.A , who acts as the trustee to secure the severance fund liability .

- **Discount on energy sales to a group of retirees from IRHE**

  The benefit grants 50 % discount on billing for electricity services to a closed group of former retires from the old IRHE. This benefit was inherited since the operations started and is given regardless of the service provider that they use.

- **Retirement Bonus**

  The current employees of the Company are eligible for the benefit of a bonus of B/. 2,000 if they choose the retirement by age granted by the Social Security Fund of Panama.

Details of the Asset or (Liability) is presented as follows::

Description	**Seniority Payment**		**Others**	
	2015	**2014**	**2015**	**2014**
Present Value of the obligations of defined Benefits	(1,245,157)	(1,307,181)	(449,103)	(449,103)
Reasonable value of the assets for the Plan	1,332,599	2,021,129	-	-
Surplus or (deficit) for the defined benefits	87,442	713,948	(449,103)	(449,103)
Adjustment to the surplus for the Asset ceiling	(184,832)	(184,832)	-	-
Net Assets or (Liabilities) for defined Benefits	**(97,390)**	**529,116**	**(449,103)**	**(449,103)**
Present value of the obligations as of 1 January	(1,307,181)	(1,161,000)	(459,423)	(459,423)
Present Service Cost	(31,139)	(42,674)	(8,569)	(8,569)
Interest expenses	-	(66,427)	(14,580)	(14,580)
Profit or Loss	-	(185,454)	(35,697)	(35,697)
Payments made by the Plan	93,163	148,374	69,166	69,166
Present value of Obligations at December 31st	**(1,245,157)**	**(1,307,181)**	**(449,103)**	**(449,103)**
Reasonable value of the assets of the Plan at 31st December	2,021,129	1,819,110	-	-
Payments made by the Plan	(688,530)			
Contributions to the plan by the Company	-	202,019	-	-
Reasonable value of the assets of the Plan at 31st December	**1,332,599**	**2,021,129**	**-**	**-**

The assets of the plan administered by Profuturo S.A., are invested primarily in time deposits and bonds, as regulated by Executive Decree No. 106 of 1995. The maximum asset's fair value is the amount contributed, because the revenue changes based on the market values of the investments is being managed by the administrator of the fund.

The principal actuarial assumptions used to determine the obligation are:

Description	2015	2014
Discount Rate	3.93	3.93
Percentage Rate of Annual Salary Increase	4	4
Survival Tables	Mortality Table of the urban population of the Republic of Panama 2010-2015	Mortality Table of the urban population of the Republic of Panama 2010-2015

11. Investment Properties

The movement of investment properties is presented as follows:

	Mar 31, 2015	Dec 31, 2014
Beginning balance	2,142,300	1,697,505
Transfers from property, plant and equipment	-	399,195
Net gain on fair value adjustment	-	45,600
Disposals	-	-
Ending balance	2,142,300	2,142,300

12. Other Non-current Assets

The other non- current assets is presented as follow:

	Mar 31, 2015	Dec 31, 2014
Guarantee deposits	167,610	102,610
Severance funds	256,810	856,032
Others	43,136	43,135
Total Other Assets Non Current	467,556	1,001,777

13. Net Property Plant and Equipment

Property, plant and equipment are detail as follows:

	Distribution Grid	Land & Buildings	Other Property Plant & Eqp	Construction in Progress	Total
Property Plant and Equipment					
Balance December 31, 2013	425,413,589	23,035,460	19,443,098	48,992,802	516,884,949
Additions	39,809,232	4,465,258	2,808,187	53,656,182	100,738,859
Transfers	-	-		(56,994,494)	(56,994,494)
Disposals	(6,635,447)	(229,123)	(582,707)	-	(7,447,277)
Balance at December 31, 2014	**458,587,374**	**27,271,595**	**21,668,578**	**45,654,490**	**553,182,037**
Accumulated Depreciation					
Balance December 31, 2013	158,785,474	6,236,766	9,880,644	-	174,902,884
Depreciation for the period	16,516,352	649,853	1,322,501	-	18,488,706
Transfers	688,617	-	-	-	688,617
Disposals	(5,720,226)	(219,396)	(434,256)	-	(6,373,878)
Balance at December 31, 2014	**170,270,217**	**6,667,223**	**10,768,889**	**-**	**187,706,329**
Property Plant & Equipment Net	**288,317,157**	**20,604,372**	**10,899,689**	**45,654,490**	**365,475,708**

	Distribution Grid	Land & Buildings	Other Property Plant & Eqp	Construction in Progress	Total
Property Plant and Equipment					
Balance at December 31, 2014	466,349,578	27,392,437	13,785,532	45,654,490	553,182,037
Additions	9,904,741	6,144,895	646,160	13,911,685	30,607,481
Transfers	(35,571)	28,372	7,198	(18,258,348)	(18,258,349)
Disposals	(1,504,511)	-	(58,137)	-	(1,562,648)
Balance at March 31, 2015	**474,714,237**	**33,565,704**	**14,380,753**	**41,307,827**	**563,968,521**
Accumulated Depreciation					
Balance at December 31, 2014	173,999,444	6,667,223	7,039,662	-	187,706,329
Depreciation for the period	4,428,109	131,454	510,188	-	5,069,751
Transfers	-	-	-	-	-
Disposals	(1,186,757)	-	(21,447)	-	(1,208,204)
Balance at March 31, 2015	**177,240,796**	**6,798,677**	**7,528,403**	**-**	**191,567,876**
Property Plant & Equipment Net	**297,473,441**	**26,767,027**	**6,852,350**	**41,307,827**	**372,400,645**

14. Accounts Payable

Generation and transmission - Accounts payable for generation and transmission companies are presented as follows:

	Mar 31, 2015	Dec 31, 2014
Non-related Parties		
Panam Generating Ltd.	8,713,159	9,114,307
Pedregal Power Company	1,696,725	3,036,494
Sistema de Generación, S.A.	2,486,928	3,155,760
Generadora del Atlántico, S.A.	12,569,323	11,292,574
Alternegy, S.A.	10,641,539	11,451,775
Bontex, S.A.	1,567,233	1,302,758
Otros	14,865,089	17,684,138
	52,539,996	57,037,806
Related Parties (Note 20)		
AES Panamá, S.A.	15,105,538	10,445,533
Autoridad del Canal de Panamá	3,240,003	4,259,041
Empresa de Distribución Eléctrica Metro Oeste, S.A.	225,858	-
Empresa de Distribución Eléctrica Chiriquí, S.A.	-	158
Empresa de Generación Eléctrica Bahía Las Minas Corp.	12,265,582	13,029,818
Empresa de Generación Eléctrica, S.A.	-	31,263
ENEL Fortuna, S.A.	28,909,945	33,654,339
Energía y Servicios de Panamá, S.A.	211,522	1,355,169
Empresa de Transmisión Eléctrica, S.A.	2,598,863	2,400,023
	62,557,311	65,175,344
Total	115,097,307	122,213,150

Other accounts payable and accrued expenses - Other payables and accrued expenses are as follows:

	Mar 31, 2015	Dec 31, 2014
Suppliers	15,678,568	17,625,656
Construction Contracts	20,942,352	19,816,281
Accrued Expenses	65,893	2,869,667
Employee's withholding taxes	588,281	528,291
Total	37,275,094	40,839,895

15. Customer deposits

The movement of the account customer deposits, are presented as follows:

	Mar 31, 2015	Dec 31, 2014
Beginning balance	10,207,168	6,698,530
Deposits received from customers	1,824,344	5,933,423
Accumulated Interest	46,938	128,396
Deposits reimbursed to customers	(3,399,867)	(2,413,244)
Interest Payable	(76,630)	(139,937)
Ending balance	8,601,953	10,207,168
Current portion	3,472,646	6,269,663
Long Term portion	5,129,307	3,937,505

16. Income Tax

The provision for income tax is determined based on book income before income taxes, adjusted for any non-taxable income and non-deductible expenses, if any. The statutory income rate tax is 30%.

The difference between the provision for income tax and the income tax calculated using the enacted statutory corporate tax of 30% for income before the income tax reported on the financial statements is due to the following:

	Mar 31, 2015	Mar 31, 2014
Income Tax		
Calculated at the expected statutory rate	3,639,966	3,626,673
Decrease in Income tax due to non taxable income	(19,798)	(23,353)
Adjustment to Prior year Income tax	136,805	(402)
Non deductible expenses	35,030	2,039
Total income tax expense	3,792,003	3,604,957

Deferred income tax assets and liabilities recognized on temporary differences that will be reversed in future periods are as follows:

	Mar 31, 2015	Dec 31, 2014
Deferred income tax assets:		
Provision for uncollectible accounts	1,043,408	1,152,091
Inventory	59,908	65,207
Post-employment benefits liability	172,882	134,731
Compensation provision	187,822	346,934
Provision for contingencies	387,519	557,906
Government subsidy	2,399,128	-
Regulatory liability	1,370,775	-
Other deferred assets	9,213	8,970
Total deferred income tax assets	5,630,655	2,265,839
Deferred income tax - liability		
Government subsidy	-	13,154,491
Regulatory assets	-	3,331,635
Assets for benefits to Employees	-	158,735
Revaluation of Investment properties	311,194	311,194
Other deferred liabilities	68,087	103,266
Accumulated depreciation applicable to future periods	2,075,304	2,109,489
Total Deferred income tax - liability	2,454,585	19,168,810

Changes in deferred taxes related to the creation or reversal of temporary differences recognized in the profit or loss are presented below:

Inventory	5,300	(7,902)
Post-employment benefits liability	(1,142)	(1,879)
Reserve for Bonus payments	159,112	90,919
Provision for contingencies	170,387	102,906
Loss carryforward	-	(662,977)
Other deferred assets	(242)	34,608
	442,098	(222,847)
Movements in deferred income tax - liabilities		
Accounts Receivable - FACE and CVC	(15,553,620)	2,598,388
Regulatory Assets	(4,702,411)	891,769
Post-employment benefits plan assets	(195,743)	21,400
Other deferred liabilities	(35,180)	-
Accumulated depreciation applicable to future periods	(34,184)	(34,184)
	(20,521,138)	3,477,373
Total deferred income tax	(20,079,040)	3,254,526

In accordance with tax regulations, the last three years of companies' income tax returns in Panamá are subject to audit. Years starting as of 2012 are subject to an audit revision by the tax authorities, although no audit is currently scheduled or in process, prior to 2012 the years are considered to be closed for audit purposes.

The Company periodically identifies and evaluates any potential uncertain tax positions and concludes that there are no uncertain tax positions requiring recognition in the financial statements. Management expects tax authorities to allow these positions when and if examined, and has a high level of confidence based on technical merits of these positions. At March 31, 2015 the company maintains provision on the amounts that should be paid to the tax authorities.

Investment Tax Credit

During 2001, the Company received an investment tax credit for B/.13,673,745, which was granted by the Panamanian Government under an incentive law that promoted investments in infrastructure to expand the energy distribution network.

The tax credit can be used as a reduction of up to 25% of the income tax incurred in any given year, until 100% of the fiscal credit is consumed in the coming years. The Company has made 100% use of this fiscal credit.

Due to the fiscal benefit already received, the Company will not be eligible to recognize as a deductible tax expense the depreciation that corresponds to the investment in infrastructure for B/. 13,673,745, for which the total tax effect will be B/. 4,102,123.

17. Debt

17.1 Short Term Debt

At March 31, 2015 and December 31, 2014 the credit facilities obligations are presented as follows:

	2015	**2014**
Banco Nacional de Panamá	-	12,000,000

The Company maintains available revolving credit lines with The Bank of Nova Scotia, Banco General, S.A., Banistmo, S.A., Banco Panamá, S.A, Banco Panamá,S.A. Banco Nacional de Panamá and Banco Latinoamericano de Comercio Exterior which totalize to B/. 172,000,000 at March 31, 2015, (2014 B/. 172,000,000), with annual interest rates based on LIBOR ranging between one (1) to three (3) o six (6) months, plus a margin between 2% to 2.5%. These unsecured credit facilities are not subject to guarantees and are available for a maximum period of one year. Floor rates for these revolving agreements are between 1.40% and 3.25%. The Company uses these credit facilities as needed for working capital or any other immediate needs. These credit lines have an order of priority "pari passu" as any other "senior" unsecured and unsubordinated obligations that the Company has. The credit lines include among other provisions a coverage debt indicator of the debt, which establishes that the debt limit that should not exceed 3.25 of its EBITDA.

17.2 Long term Debt

At March 31, 2015 and December 31, 2014, the carrying amount and the fair value of long-term debt are presented as follows:

	Mar 31, 2015		**December 31, 2014**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Senior Notes 2021	99,664,423	119,404,000	101,518,185	118,674,000
Corporate Bonds 2018	20,208,454	18,521,487	20,173,412	18,434,437
Senior Bonds 2027	79,875,525	81,696,800	78,915,479	79,974,000
Total Long Term Debt	199,748,402	219,622,287	200,607,076	217,082,437

17.3 Senior Notes 2021

The Company has notes payable under a senior debt agreement ("Senior Notes") totaling B/.100, 000,000. The notes have a fixed interest rate of 7.6%, payable semi-annually, with a maturity date of July 12, 2021. Principal payment is due upon maturity. The notes are not guaranteed, and not subordinated. The Company may redeem the Senior Notes, in part or in whole, at any time prior to their maturity if they meet certain conditions including, payment of a premium. Obligations include among other provisions a debt coverage ratio indicator, which sets a debt limit not to exceed 3.25 times its EBITDA.

In the occurrence of an event of default under the terms and conditions of the Indenture, the Trustee, at the request of the bond holders keeping not less than 25% in the principal amount and if it is expected that such event of default remains, will immediately declare all bonds due, and payable.

17.4 Corporate Bonds 2018

On October 20, 2008, in a public offering, the Company offered corporate "Bonds" with a face value of B/.40,000,000 unsecured and unsubordinated with a maturity date of October 20, 2018. On such date, B/.20,000,000 of these corporate bonds were signed and issued with Banco General, S.A. The bonds have a ranking of "pari passu" with other unsecured and not guaranteed obligations of the Company. The bonds will bear interest at LIBOR plus 2.375% per annum, payable on a quarterly basis. Principal is due upon maturity. The proceeds from the offering of the bonds were used to fund current and future capital expenditures and for general corporate purposes. The bonds are subject to additional terms and conditions which are customary for this transaction. The Company may redeem the bonds, in whole or in part, at the third anniversary from the date of the offer. Failure to comply with the terms of the contract resulting from one or more grounds of early maturity and these would have not been corrected within the stipulated time, the Administrative Agent may, on behalf of the registered holders of the bond, issue a declaration of acceleration, which will be informed to the Company, and in whose date of issue, all bonds of the issuance will automatically become overdue obligations and the Company will be requested to contribute the necessary amount to cover the principal of the Bonds issued and outstanding and the interest earned on them, whether in arrears or ordinary, and all and any expenses, fees, or other amounts owed by the Issuer.

17.5 Senior Notes 2027

On December 6, 2012, the Company entered into a Note Purchase Agreement with a group of investors, this individually and not jointly agreed to purchase from the Company a total of B/.80,000,000 in Corporate Notes or Senior Notes. The notes were agreed at a fixed rate of 4.73% payable semi-annually, with a maturity date of December 13, 2027 and will be issued pursuant to the Indenture Agreement signed between the Company and The Bank of New York Mellon in its capacity as trustee, which is dated December 11, 2012.

With reference to the Note Purchasing Agreement and the Indenture Agreement, the Company signed on December 13, 2012 a Bridge Loan Agreement where the Company agrees to issue unencumbered promissory notes ("Bridge Notes,") payable to each of the purchasers for a total of B/.80,000,000. In turn, each of the purchasers agrees to transfer funds corresponding to each of the Bridge Notes to the Company. The Agreement provides that the Bridge Notes will bear annual interest of 4.73% cumulative from the date the funds are transferred, with a maturity date of February 1, 2013 or on the date of termination of the Loan Agreement, whichever occurs first. The Loan Agreement terminated by issuing the Senior Notes. The Loan Agreement required the Company to maintain and ensure it has indebtedness capacity in funds available in its credit lines facilities along with its with cash equivalents for an amount in excess of the amount to be paid for the termination of this agreement.

The Notes Purchasing Agreement was signed on January 17, 2013, thus making the delivery of the Senior Notes to the buyers, being on that same date is confirmed by the Company and the buyers that the conditions of the Note Purchase Agreement has been met and the Company is released of payment obligations under the Bridge Notes and the Financing Agreement. The payment price signed under the issuance of Corporate Notes or Senior Notes should be satisfied with the cancellation of the Bridge Notes and the payment obligations set in the Financing Agreement without any additional payment by the buyers to the Company.

During the time the Indenture Agreement remains outstanding, the Company shall comply with the terms of the agreement, some of which are indicated below:

- Prohibition of creating assuming, incurring or suffering any Lien on any of the properties or assets of the Company or its subsidiaries.

- Not allowing any Subsidiary, in one or a series of transactions, to consolidate or merge with any company or to assign or transfers, all or most of its property, assets or revenues to any company (other than a Subsidiary of the Company) or allow any company (other than a Subsidiary of the Company) to merge with or into it.

- Not allowing the ratio of Consolidated Total Indebtedness to Consolidated EBITDA for the then most recently ended four fiscal quarters to exceed 3.50x. The Consolidated Total Indebtedness to Consolidated EBITDA may exceed 3.50x during a period of eligible acquisition or capital investment, no more than twice during the term of the Notes, provided that during such the Consolidated Total Indebtedness to Consolidated EBITDA Ratio does not exceed 4.0x.

If the Company fails to comply with the performance or observation of any of the clauses or terms described above, the Trustee shall, at the request of the Holders declare all Notes due and payable immediately. Upon the Notes becoming immediately due and payable, the Company shall pay the Trustee an amount equal to the sum of the principal amount of the Notes outstanding, all interest accrued thereon, any additional amounts, and the Make Whole Amount (the "Event of Default

Redemption Amount "), as calculated by the Company and informed to the Trustee in writing. For the purposes of the Event of Default Redemption Amount, the "Make-Whole Amount" shall equal the difference between (i) the sum of (a) the present value of the expected future principal and interest cash flows from the Notes (minus any accrued interest), discounted at a per annum rate equal to the then-current Treasury Note Yield, closest to the remaining weighted average life on the Notes calculated at the time of payment of the Event of Default Redemption Amount and (b) 0.50% per annum and (ii) the principal amount of the outstanding Notes.

The Company defers costs associated with the issuance of long-term debt. These costs include commissions and other costs such as legal, registration and stamps. The debt issuance costs are amortized over the term of the debt instrument using the effective interest method and are presented net of long-term debt on the balance sheet of the Company.

18. Deferred Credits

Government grants related to income or to assets are presented as follows:

	Mar 31, 2015	Dec 31, 2014
Grants related to income:		
Initial Balance	820,773	941,076
Amortizations	(27,954)	(120,303)
	792,819	820,773
Grants related to assets:		
Initial Balance	2,409,510	2,515,105
Increase in Subsidies	-	-
Amortizations	(26,399)	(105,595)
	2,383,111	2,409,510
Total Deferred Credits	**3,175,930**	**3,230,283**

19. Stockholders' Equity

The Authorized Share capital of the Company at March 31, 2015, consists of 50,000,000 common shares authorized and issued without par value of which 160,031 shares are held in treasury.

Retained earnings are presented as follows:

	Mar 31, 2015	Dec 31, 2014
Retained earnings beginning balance	72,089,698	35,081,976
Complementary Tax	-	(1,249,971)
Net Profit for the year	8,341,218	38,257,693
Total Stockholders' Equity	**80,430,916**	**72,089,698**

Dividends Tax

The shareholders pay a dividend tax of 10 percent (10 %), which is withheld from dividends they receive. If dividends are not distributed, or the total distribution is less than forty percent (40%) of taxable net income, an advance dividend tax of net four percent, must be paid when the time comes to declare dividends on these gains. This rate of four percent (4%) is called "Complementary Tax" and is considered an advance dividend tax. The Complementary tax paid is recorded and presented as a reduction of shareholders' equity or as an increase when it is established due to the filing of the dividend tax return. During the period ended March 31, 2015, the Company has not made dividend tax payments (2014: B/. 1,249,971).

Treasury Shares

In 1998, following the privatization of the power industry , former employees of " IRHE " entity owned by the state, had the option to purchase a portion of the common shares of the Company. In any event that employees who wish to sell their previously acquired stock, the Company is no longer required to repurchase these shares.

20. Balances and transactions with Related Parties.

In the normal course of business, the Company purchases electricity from the generating companies and other distribution companies that sell energy to the governmental institutions and makes payments to the transmission company. These transactions are made on terms and conditions of the power purchase agreements and transmission rates disclosed in Notes 3.5 and 26.

A summary of the balances and transactions resulting from the purchase and sale of energy with related parties are presented as follows:

	Mar 31, 2015	Dec 31, 2014
Balances		
Accounts Receivable (customers) - Government (Note 5)	28,494,823	26,530,303
Accounts Receivable (Government subsidies) (Note 6)	26,363,140	44,005,103
Accounts Payable (Generation and transmission) (Note 14)	62,557,311	65,175,344
Transactions		
Sale of Energy	21,909,221	31,168,063
Purchase of energy	53,777,092	67,329,179
Cost of Transmission	5,067,679	5,429,778

Remuneration to key personnel of the Company are detailed below:

	Mar 31, 2015	Mar 31, 2014
Salaries	191,657	123,205
Representation expense	144,638	100,464
13th Month bonus	35,053	24,775
Year end bonus	447,891	327,834
Total Remunerations	819,239	576,278

21. Other Income

The Company recorded other income as presented below:

	Mar 31, 2015	Mar 31, 2014
Charges for connection/reconnection.	341,320	189,800
Pole Rentals	1,001,918	938,623
Toll charges	1,151,689	1,544,577
Other Income	881,733	762,607
Total of Other Income	3,376,660	3,435,607

22. Costs and operating expenses

The Company recorded purchase of energy and transmission charges as detailed below:

	Mar 31, 2015	Mar 31, 2014
Purchase of Energy	99,930,499	135,871,116
Transmission Charges	5,149,826	5,506,803
Variances in regulatory liability	15,674,702	(2,972,564)
Total of Purchase of Energy and Transmission charges - Net	120,755,027	138,405,355

The Company presents its expenses in the statement of profit or loss according to their nature. The expenses classified by function are as follows:

	Mar 31, 2015	Mar 31, 2014
Operation and Maintenance Expenses	7,673,407	6,224,459
Marketing and service fees	5,597,674	5,316,785
Administrative Expenses	4,587,123	4,003,987
Loss on disposals of fixed assets	353,036	69,018
Total Operating expenses	18,211,240	15,614,249

General Operating expenses are presented as follows:

	Mar 31, 2015	**Mar 31, 2014**
Rents	496,943	423,992
Training	44,104	43,647
Fuel and Lubricants	69,479	64,002
Compensation to customers	418,093	208,827
Donations and social responsibility	31,595	129,320
Bank charges	87,584	48,914
Security materials and other	48,152	44,639
Taxes	464,174	432,435
Publicity	107,651	25,415
Insurance	236,452	254,981
Utilities expense	446,490	341,932
Employee expenses	256,815	241,775
Office materials	33,235	49,133
Sundry expenses	83,372	270,170
Travel expenses	69,821	52,136
Regulatory fee	245,502	236,193
Total general expenses	3,139,462	2,867,511

22. Balance in Deferred Regulatory accounts.

The regulated system under which the Company operates allows any excess or deficiency between the estimated cost of energy considered in the rate, and the current cost incurred by the Company can be included as a compensatory adjustment to be recovered or returned from the client in the next rate review.

Any excess in energy costs charged to customers is accrued as a deferred regulatory credit account balance on the balance sheet, and leads to a reduction in the next rate review to be applied to customers. Likewise, any shortfall in energy costs charged to customers is accrued as a deferred regulatory debit account balance on the balance sheet and leads to an increase in the next rate revision to be recovered from customers. The deferred debit (credit) regulatory account includes six months with actual fuel price information and six months with estimated fuel price information. Changes resulting from increased and / or decreased on the recovery of these energy costs are reflected in the line of energy purchases and transmission charges, net in the statement of profit or loss.

In recent years, the debit (credit) deferred regulatory account has not been fully transferred to customers of the Company through by increasing the rate charged. The amount not billed to customers has been subsidized by the Panamanian State. At March 31, 2015 the government allowance account reflects a balance receivable of B/. 26,363,140 (2014: B/. 44,005,103, see Note 6).

At March 31, 2015, the Company has recorded in books deferred purchase costs in the amount of B/. 4,569,252 (2014: B/. 11,105,450), which are presented as " regulatory assets or liabilities " on the balance sheet as the result of accumulated costs due to the electricity rate based on the actual cost of purchased energy variations. The regulatory liability includes a balance receivable of B/. 34,573,712, accumulated during the first half of 2014 and is been recovered in customer billing rate adjustment in the first half of 2015, a balance payable of B/.1,696,090 accumulated during the second half of 2014 to be returned to the customer billing rate adjustment in the second half of 2015 and a balance payable of B/.37,446,874 accumulated during the first half of 2015 to be returned to customer billing rate adjustment in the first half of 2016.

By Resolution No. 3323 AN-Elec of March 10, 2010 and No. 3437 AN-Elec of April 20, 2010, the ASEP approved the Rules of Self-sufficiency for regulated customers of public electric utility companies, and the value of the compensation for self-sufficiency and established it would only be used where there is a ruling of alert declared by the National Dispatch Center (CND), and when the ASEP indicates when Rationing is necessary.

On April 26, 2013, the CND, through note No. ETE-DCND-GOP-409-2013 declared an alert for Energy Rationing which prompted the creation of Resolution No. 1417 of 6 May 2013, and No. 1423 of May 7, 2013, in which the National Secretariat of Energy proposed necessary measures for the implementation of operational strategies to ensure the efficient, continuous and uninterrupted provision of public services, for commercial offices, malls, stores and others until the effect of the rainy season ceases.

Additionally, Resolution No. 6138-Elec of May 7, 2013 was created in which the compensation value for self-sufficient rate was updated to fifty cents balboa (B/. 0.50) per Kwh, among others. At March 31, 2015 the Company has a receivable for the amount of B/. 8,850,264 (2014 B/. 8,800,094) for compensation to self-sufficient customers, which is included in "Trade and other, net" in the balance sheet of the Company (see Note 5).

24. Financial income and expenses

Financial income and expenses are detail as follows:

	Mar 31, 2015	Mar 31, 2014
Financial Income:		
Interest collected from suppliers	2,274	69,685
Interest from bank deposits	43,047	38,678
	45,321	108,363
Financial expense:		
Interest on bank loans net of interest capitalized	3,145,986	2,809,594
Other interests	50,593	43,988
	3,196,579	2,853,582

25. Regulatory aspects

The Regulatory and Institutional Framework for the provision of public service power distribution in the Republic of Panama is ruled by Law No. 6 of 3 February 1997. On July 30, 2008, the National Secretariat of Energy was created. The National Secretariat of Energy is based and governed by Law No. 52 which among its objectives, is to establish global policy and the strategic definition of the energy sector. The electricity sector is regulated by the National Authority of Public Services based on definitions provided under Law No. 6 of February 3, 1997.

26. Commitments and Contingencies

26.1 Commitments

The rules of purchase for the contract market, established by Resolution No. 991 AN-Elec on July 11, 2007, which was amended, establishes the minimum obligations of contracts for medium and long term power and energy to the distribution companies. The power must be contracted to cover the maximum demand generation of the Company and energy must be contracted according to the associated energy required. ETESA must make calls to concurrency acts to meet the needs of power and energy to its final customers the electricity distribution companies and ensure that the calls being made will fulfill the minimum levels of recruitment for the distribution company's supply.

The Company routinely enters into purchase contracts with different number and length requirements, as part of their obligation to distribute and sell electricity to their regulated customers. The Company must recover the costs associated with these obligations in future rates from their customers. In addition, all energy supply contracts are executed by the Company to meet its obligations to deliver power to customers.

In compliance with the Electricity Law of 1997, the Company negotiated the long-term power purchase agreements with generation companies. This contract covers most of the contribution of their regulated clients total peak demand for electricity customers and works towards limiting any associated energy costs. Historically, the Company annually contracts about 95% to 99% of its total energy requirements via purchase agreements on the contract market. For the period ended March 31, 2015, the Company purchased approximately 92%, of the energy required through the purchase of energy on the contract market. These purchase agreements include both a fixed charge based on energy capacity requirements and a variable charge based on the energy consumed.

The Electric Transmission Company (ETESA) is responsible for preparing the bid processes for energy purchase on behalf of the distribution companies. The bids are received, evaluated and awarded by ETESA and then assigned to each distribution company based on their requirements. Distribution companies are obligated to sign contracts based on the awarded bids.

The company has several unconditional long-term contractual obligations, related to the purchase of energy capacity. The amount of incremental payments required for such obligations, are presented as follows:

Year	Payment Obligations
2015	111,212,542
2016	124,071,369
2017	120,391,623
2018	126,913,732
Hereafter	1,078,537,803
Total	1,561,127,069

As of March 31, 2015 the Company made expenditures for the amount of B/.37,070,847 (2014: B/.20,634,171), in long-term unconditional contracts, recorded under purchase of energy and transmission charges, net on the statement of profit or loss

Every four years the Company and the workers' Union, negotiate a Collective Agreement. The last agreement expired in 2012. In January 4, 2013, the Company finished the negotiations with the workers' Union, and a new agreement was signed. These agreements do not maintain or consider additional material obligations besides those written in Note 10.

26.2 Operating Leases

The Company has entered into a seven-year non-cancelable operative lease agreement, whose term began in May 2007, for the use of offices and operational facilities. In October 2013 an automatic extension was requested for 3 additional years to the operating lease leaving its expiry in April 2017. As of March 31, 2015 the minimum rental payments required under this operating lease with initial or remaining non-cancellable lease terms in excess of one year are:

	Payment Obligations
2015	422,660
2016	576,684
2017	194,113
Total	1,193,457

At March 31, 2015, the total operating lease expenses was B/ 496,943 (2014: B/. 423,992).

26.3 Guarantees

The Company has provided limited guarantees to generation companies in order to provide credit assurance and performance of obligations under the power purchase agreements. These guarantees are not recognized on the balance sheets, because the Company believes that it will be able to perform under these contracts and that it is not probable that payments will be required. The guaranteed amounts are limited to a month´s estimate of energy capacity and associated energy consumption, and are established for a twelve-month period with automatic renewals as long as the power purchase agreement is in place. The aggregate guarantee amount for the performance obligation is B/.56,307,463. The Company has also issued a guarantee in favor of the ASEP in the amount of B/.15,000,000 in compliance with Clause 53 of the Concession Contract.

The Company has several standby letters of credit for B/.4,064,283 in favor of ETESA, guaranteeing the payment of transmission costs and energy purchases in the energy exchange market. In the same manner it also maintains letters of credit in favor of the Ente Regulador Operator - El Salvador for B/.423,764 to secure payment of power purchase in the regional market and for Strategic Investments in Panama for B/. 5,040,900 for the purchase of land for construction of its Corporate Building.

26.4 Concession Contract

The Company has exclusive rights to install, own, and operate an energy distribution network, and to supply energy to end customers other than large customers, currently defined as those with peak demand on a site-by-site basis of over 100KW. Large customers can choose to buy energy directly from generation companies or from the spot market.

The concession agreement was signed on October 22, 1998 for a 15-year term. On October 22, 2012, the regulator issued the notice of convocation for the competitive process of open participation for the sale of the majority of the shares of the company. The current owner, Panama Distribution Group, S.A. ("PDG") may participate in this process, and if its bid is equal or higher than the highest bid made by other competitors, it will then retain ownership of the majority of the shares. If on the contrary, another competitor offers a higher price, then the property will be awarded to such competitor and the offered price will be given to the current owner of the shares ("PDG"). In any case, a new 15-year concession will be granted, without any payment to the state. On October 15, 2012, the ASEP issued Resolution No. 5655, establishing that the current owners of the majority package are prequalified due to their condition of current operators of the concession. According to the timetable established by the ASEP, the reception of prequalification document was held in June 2013. On August 9, 2013 the presentation of offers was verified, in which PDG won the award for 15 years more. This concession period began on October 22, 2013.

The concession contract establishes provisions related to the Concessionaire's obligation in the provision of service, the prohibition of the separation of the majority shares package, the obligation to deliver technical and financial information periodically to the ASEP, compliance with the technical quality standards (quality standards, measurement standards, and operation regulations of the CND), payment of a control fee, supervision and monitoring by the ASEP, which cannot be transferred to users through the tariff.

26.5 Contingencies

As result of issues arising in the ordinary course of business, the Company is or may be involved in legal, tax and regulatory proceedings before various courts, regulatory commissions, and governmental agencies. The Company recognizes a provision when there it is likely that a liability has been incurred and the amount of the associated loss can be reasonably estimated. The Company is unable to predict the outcome of various legal proceedings, ultimate outcome of these proceedings, but after consideration of these provisions it is not expected that the final results of these process will have a material impact on the Company's financial position or on the result of operations.

As of March 31, 2015 the Company has recorded the sum of B/.1,406,521 to cover potential losses that may occur as a result of third party claims. These reserves are reported in the statement of financial position in "Provision for contingencies".

The provisions detailed are presented as follows:

	Legal Claims	Compensation to Customers	Dismantlement	Total
Balance 31st December 2013	129,640	649,684	172,558	951,882
Increases	470,057	1,173,616	2,758	1,646,431
Provision used	(114,404)	(507,929)	-	(622,333)
Balance 31st December 2014	**485,293**	**1,315,371**	**175,316**	**1,975,980**
Balance 31st December 2014	485,293	1,315,371	175,316	1,975,980
Increases	6,689	290,999	696	298,384
Provision used	(5,000)	(862,843)	-	(867,843)
Balance 31st March 2015	**486,982**	**743,527**	**176,012**	**1,406,521**

26.6 Litigations

Following the most relevant case:

The ASEP through Resolution AN No.3473-Elec of May 7, 2010, modified Resolution JD-5863, dated February 17, 2006, which contains Title IV of the Distribution and Commercialization Regimen, which contains a provision on its article number 22, entitling the ASEP to review at the end of each rate period the maximum allowable income “IMP” approved versus actual revenue received to determine whether the variations are within a reasonable range. The variation in sales, in the amount and/or type of customer and/or the cost of supplies or labor will not be taken into consideration, in a way different to the one reflected by the IPC of the Comptroller General of the Republic.

Although the procedure for calculating and adjusting any unreasonable excess has yet to be defined and up to date ASEP has not set "reasonable margin", the position of the Company’s management is that by March 31, 2015 there is no loss contingency to be recorded in the financial statements as a result of this resolution, since they have only three months elapsed from the application of rates resulting Maximum Income Allowed to be in effect from July 1, 2014 to June 30, 2018 and has not seen major differences between the actual income compared to the approved Maximum Income Allowed. It is noted that in tariff period July 2002 to June 2006 the ASEP determined that the real incomes of the Company were approximately 6.6% over the Maximum Income Allowed and given that not ordered any returns, the Company has considered taking 6.6% as the "reasonable margin". Similarly for the period July 2006 to June 2010 the ASEP not ordered any refund. However, the Maximum Income Allowed for the period from July 2014 to June 2018 approved by Resolution No 7656-AN Elec dated July 25, 2014, the ASEP applied a discount for the annual gap between the investments made in relation to the Investments approved in the Maximum Income Allowed for the previous tariff period (July 2010 to June 2014), without confirming whether the Company generated real income above the Maximum Income Allowed for a larger margin than the fair yet to be defined, according to the established in Article No.22 of Resolution JD-5863 dated February 17, 2006. The Company believes that the application of this discount does not fall within that Article 22 which has filed an appeal with the Supreme Court. Importantly, taking a yearly gap between the investments made in connection with the investments approved in the Maximum Income Allowed for the current tariff period (July 2014 to June 2018) resulting again in applying a discount, this discount would be applied to the Maximum Income Allowed to be approved for the period July 2018 to June 2022.

27. Financial Instruments

27.1 Financial risk management

The Company is exposed to financial risks that are part of the normal course of business. It has a policy focused at establishing, what are the financial risks that could negatively impact the business performance. The Company policy includes, among others the development of a risk matrix which establishes the parameters of measurement, impact and monitoring which allows them to take the necessary measures to prevent and control risky situations. The risks are reviewed regularly by management in order to update the status and thereof promptly cope with such an eventuality. Based on the above, the Company is exposed, from a financial point of view, to market risk (exchange rate and interest rate), credit risk, and liquidity risk.

27.2 Market Risk

27.2.1 Exchange rate risk

At March 31, 2015 and December 31, 2014 the Company has not entered into transactions that generate monetary assets and liabilities denominated in currencies other than the US dollar which are subject to the risk of exchange rate fluctuations of the dollar against such foreign currencies.

27.2.2 Interest rate risk

The Company is exposed to interest rate risks because their debt contract has floating interest rates. The risk is managed by the Company maintaining an appropriate balance between fixed rate contracts and floating rate contracts. At March 31, 2015 the Company has a 10% (2014: 10%) of the debt contracted at a floating interest rate and 90% (2014: 90 %) at a fixed interest rate.

27.2.3 Sensitivity analysis of Interest rates.

Sensitivity analysis for interest rate determined that that has been outlined below is based on the exposure to interest rates on financial debt instruments, considering that the cost of financing should have a reduced percentage of variation. The position of management regarding its financing structure has been to contract most of its debt at a fixed rate within a range of above 85% and the variable rate in 15%. A parameter of 50 basis point (increase or decrease) is used internally by management to assess the reasonableness of a possible effect of change in interest rates.

	2015		**2014**	
	Variation in the interest rate		**Variation in the interest rate**	
	+.50%	-.50%	+.50%	-.50%
Impact on Net Profit (Loss) before taxes	60,666	-60,666	60,445	-60,445

27.2.4 Credit Risk

Financial instruments of the Company that are potentially subject to credit risk are mainly cash and cash equivalents, accounts receivable, accounts receivable from related parties and other financial assets.

Financial institutions in which the Company maintains its cash and cash equivalents are recognized institutions and have the appropriate credit ratings. Management does not consider that these financial institutions are exposed to any credit risk.

27.2.5 Concentration of credit risk

The Company is dedicated exclusively to the distribution and sale of electricity to its customers located in its concession area. The Company does not believe that there is a significant risk of loss as a result of the concentration of credit, since a lot of customers in the portfolio are geographically dispersed. In addition, the Company believes that its potential credit risk is adequately covered by the allowance for doubtful accounts.

27.2.6 Liquidity Risk

Management maintains conservative levels of liquidity. Additionally it maintains short-term financing facilities that provide the flexibility to meet its obligations if necessary.

Following is an analysis of the financial liabilities of the Company by due date. This analysis is shown according to the contractual maturity date and are cash flows undiscounted to its present value

	Less than 1 year	From 1 to 5 years	More than 5 years
2015			
Accounts Payable for Purchase of energy	115,097,307	-	-
Long term debt	-	20,000,000	180,000,000
Totals	115,097,307	20,000,000	180,000,000
2014			
Accounts Payable for Purchase of energy	122,213,150	-	-
Short term debt	12,000,000	-	-
Long term debt	-	20,000,000	180,000,000
Totals	134,213,150	20,000,000	180,000,000

27.2.7 Capital Risk Management

The Company manages its capital to ensure that it can continue as a going concern, while maximizing the return to shareholders through the optimization of debt and equity. The company strategy has not changed since 1998.

The capital structure of the Company consists of net debt (loans and the issuing of Net cash and cash equivalents bonds disclosed in Note 17) and assets (consisting of equity capital, treasury shares, other comprehensive income and retained earnings). The Company reviews the capital structure on a quarterly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Company has a level of net debt at March 31, 2015 of 1.06 (2014: 1.17), determined as the ratio of net debt relative to its equity.

The net debt ratio is presented as follow:

	Mar 31, 2015	Dec 31, 2014
Debt (Short term loans)	-	12,000,000
Issuance of bonds (Long term debt)	199,748,402	200,607,076
Cash and cash equivalents	(2,873,234)	(4,214,886)
Total Debt - net	196,875,168	208,392,190
Equity	186,110,130	177,963,767
Debt ratio	1.06	1.17

28. Fair value measurement

The methodology set out in IFRS 13 Fair Value Measurement specifies a hierarchy of valuation techniques based on whether the variables used in determining the fair value are observable or not. The Company determines the fair value on a recurring and non-recurring basis, as well as for disclosure purposes:

- Based on quoted prices in active markets for identical assets or liabilities that the Company can access at the measurement date (level 1).

- Based on valuation techniques commonly used by market participants using variables other than quoted prices that are observed for the asset or liability, either directly or indirectly (level 2).

- Based on internal valuation techniques discounted cash flows or other valuation models estimated using variable estimates by the company on non-observable assets or liabilities, in the absence of observed variables in the (level 3) market.

Valuation techniques and variables used by the Company in measuring the fair value recognition and disclosure:

Investment property measured at fair value, for purposes of recognition: the price quoted on a specific appraisal of the property is used; these items are classified in Level 1 of the fair value hierarchy.

Customer accounts receivable, accounts payable, short-term debt and deposit customers: the carrying amount approximates fair value because of the short maturity of these instruments.

Long-term debt, for disclosure purposes: Fair value for long-term debt including fixed rate senior notes emissions for B/. 100,000,000 and B/. 80,000,000 has been determined with level 1 input using quoted prices in active markets for identical liabilities that the Company can access prices at the measurement date. The fair value of long-term debt with variable interest rate for the issuance of corporate bonds by B/. 20,000,000 has been determined with level 3 input, using a methodology of discounted cash flows based on the information available in the market. These estimates are subjective in nature and involve uncertainties; consequently, actual results may differ from these estimates.

The value in books and the estimated fair value of the liabilities of the Company that are not recognized at fair value in a separate statement of financial position, but require disclosure at fair value at March 31, 2015 and December 31, 2014 are :

	2015					2014			
	Value in	Fair Value estimated				Fair Value estimated			
	books	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Liabilities									
Bonds that expire in 2021	99,664	119,404	-	-	119,404	118,674	-	-	118,674
Bonds that expire in 2018	20,208	-	-	18,521	18,521	-	-	18,434	18,434
Bonds that expire in 2017	79,876	81,697	-	-	81,697	79,974	-	-	79,974
Total	**199,748**	**201,101**	**-**	**18,521**	**219,622**	**198,648**	**-**	**18,434**	**217,082**

29. Subsequent Events

The Company evaluated all the events and transactions that took place between the dates on the balance sheet and the date on which the financial statements were issued and determined that no additional disclosures are required.

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