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- (d) Corresponds to a subordinated loan from Latin America Power Peru S.A.C. granted in June 20, 2014, for US\$6,000,000 (equivalent to S/16,848,000) with effective interest rate of 15.5 percent, to be repaid with future flows that are credited to the trust account the company. It is worth mentioning that the loan was granted in order to cover costs and pre-operating expenses, commissions, and other construction costs related to the development and implementation of Runatullo II and III Runatullo Hydroelectric Plants. This loan does not have a specific maturity date.

The financial expenses generated by such loans during 2014 amounted to S/535,909 and is presented under the caption "Financial expenses" in the statement of comprehensive income.

20. Transactions in foreign currency

Operations in foreign currency are performed at free market exchange rates. As of December 31, 2014 and 2013, the weighted average exchange rates of the free market published by the Superintendencia of Banking, Insurance and Private Pension Funds Administrators (SBS) for transactions in U.S. dollars were S/2.961 (buy) and S/2.989 (sell) (S/2.794 (buy) and S/2.796 (sell), as of December 31, 2013).

As of December 31, 2014 and 2013, the Company held the following assets and liabilities in US dollars:

	2014 US\$	2013 US\$
Assets		
Cash and cash equivalents	1,623,164	4,778,482
Other accounts receivable	1,754	—
Accounts receivable from related parties	20,278	2,072,622
	<u>1,645,196</u>	<u>6,851,104</u>
Liabilities		
Financial obligations	(59,882,182)	(38,983,900)
Trade accounts payable	(155,291)	(4,937)
Accounts payable to related entities	(5,061,592)	(3,518,155)
	<u>(65,099,065)</u>	<u>(42,506,992)</u>
Net liability position	<u>(63,453,869)</u>	<u>(35,695,888)</u>

As of December 31, 2014 and 2013, the Management of the Company has decided to take the risk of this position, so it has not used derivative instruments to cover the exchange rate risk.

During the year 2014, the Company has recorded a net exchange difference loss amounting to S/11,560,177 (loss of S/1,589,065 during 2013), which is presented in the "Exchange difference, net" caption in the statement of comprehensive income.

21. Financial risks management

The activities of the Company expose it to a variety of financial risks, including the effects of variations of exchange rates, credit and liquidity. The risk management program of the Company tries to minimize the potential adverse effects on its financial performance.

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