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Table of Contents*Annual Improvements 2011-2013 Cycle*

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

**4. Summary of significant accounting policies****4.1 Currency and foreign currency transactions****4.1.1 Functional and presentation currency of the financial statements**

The Company adopted the US dollar (US\$ or \$) as the functional and presentation currency since it better reflects the events and transactions performed by the Company. Adoption of the US dollar as functional currency was based on the following facts: income from energy sales is generated in dollars, debt obligations are denominated in dollars, capital contributions are made in dollars, and certain operating costs and expenses are also incurred in that currency. Information relating to exchange regulations and rates is included in Note 20.

Considering that the Company's accounting records are kept in Honduran lempiras, and that the US dollar was adopted as the functional currency, assets and liabilities denominated in foreign currency were translated into the financial statements' functional currency using the exchange rate ruling on the date of the statement of financial position. Non-monetary items measured on a historical cost basis were converted on the date of the statement of financial position using the exchange rate ruling on the original transaction date. Income and expenses are converted at the exchange rate in effect on the transaction date.

**4.1.2 Transactions in foreign currency**

Transactions in foreign currency, any currency other than the functional currency, are recorded at the exchange rate ruling on the transaction date. In determining its financial situation and operating results, the Company appraises and adjusts its assets and liabilities denominated in foreign currency at the exchange rate ruling on the date of this valuation and determination. Exchange rate differences resulting from the application of these procedures are recognized in the results of the period in which they occur.

**4.2 Cash**

Cash is comprised of cash on-hand and in banks.

**4.3 Restricted Cash**

Restricted bank account balances are not considered either unrestricted cash balances or cash equivalent balances for the purpose of the statement of cash flows. They are presented in the accompanying statements of financial position as "restricted cash", and are presented as current or non-current assets given management's expectation that they will be withdrawn for their defined purposes within the coming twelve-month period or otherwise. Net changes in such restricted cash balances are classified as a financing activity in the statement of cash flows based on the requirement for them under the debt agreements.

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