

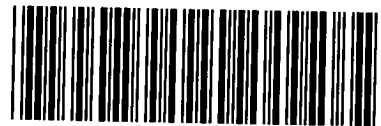
**Andina plc**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

**(Company No. 8095058)**

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# Andina plc

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# Andina plc

## STRATEGIC REPORT

### HIGHLIGHTS

Andina plc (“Andina” or the “Company” and with its subsidiaries the “Group”) is a Latin American energy group.

Year ended 31 December	2014	2013
	US\$m	US\$m
Revenue	134	177
Operating (loss)/profit	(1)	10

Our financial results incorporating the results of Andina together with its subsidiaries for the year ended 31 December 2014 are set out below.

The Group recorded an operating loss of US\$1.0 million for the year compared to an operating profit of US\$9.6 million in 2013.

### BUSINESS REVIEW

The Group’s focus is on the energy sector including electricity generation and distribution and other regulated public sectors in South America. Its principal assets are a 51% indirect controlling interest in Empresa Distribuidora de Electricidad de Mendoza Sociedad Anónima, the main electricity distribution company in the Province of Mendoza (“EDEMISA”) and an indirect controlling 47% interest in Hidroeléctrica Ameghino Sociedad Anónima, a 60MW hydroelectric power plant in the Province of Chubut (“HASA”).

### TRADING AND FINANCIAL PERFORMANCE

Revenue for the Group for the year fell from US\$177 million in 2013 to US\$133 million in 2014. Revenues from operating activities in local currency increased by 12% year on year but the devaluation of the AR\$ against the US\$ accounted for the fall in Group revenues in the reporting currency US\$ (see note 2.10 for details of changes in exchange rates). The increase in operating revenues primarily resulted from a 11% increase in energy demand in the distribution business and a 25% increase in energy generated in the generation business.

The Group’s total assets have decreased from US\$227 million in 2013 to US\$221 million at the end of the year mainly as a consequence of the devaluation of the AR\$ against the US\$, which resulted in US\$16 million of exchange losses being recognised in the statement of comprehensive income for the year.

Net current liabilities increased from US\$73 million at the end of 2013 to US\$91 million at the end of 2014, which is compounded by the delays in the payment for energy purchased from CAMMESA (refer to the directors report on page 7 for further details). Included in current liabilities is an overdue payment of US\$5.8m payable to a previous shareholder of EDEMISA. (see the directors report on page 8 for further details). At the year-end, the Group had cash resources of US\$12.3 million compared to US\$14.4 million at the end of 2013.

Borrowings have fallen from US\$22 million in 2013 to US\$12 million at the end of the year, which is higher in real terms as the majority of the debt is AR\$ denominated. Included in borrowings is a US\$5 million secured loan payable by Andina plc carrying interest at a rate of 12.75% per annum due for repayment by March 2013, which at the date of this report has not been repaid. (see the directors report on page 8 for further details)

The directors will not be recommending the payment of a dividend.

### OPERATIONAL AND FINANCIAL REVIEW

Due to the devaluation of the AR\$ referred to above, the financial review has been performed in AR\$ to enable the reader to better understand the underlying performance of the business. Current year balances have also been presented in US\$.

### EDEMISA

#### *Financial*

EDEMISA reported a post-tax loss of AR\$110.8 million (US\$13.7 million) (2013: AR\$9.2 million (US\$1.5 million) profit).

# Andina plc

## STRATEGIC REPORT (continued)

### EDEMSA (continued)

Sales for the year increased by 11% over 2014 to AR\$1,055 million (US\$130.3 million). This increase resulted primarily from the increases in tariffs implemented in June and November 2013 that impact directly in 2014 with minimum impact in 2013 and to a lesser extent a 1.2% increase in the demand for energy (3,629 GWh in the year).

Gross profits were AR\$278 million (US\$34.3 million) compared to AR\$293 million in 2013. Operating profit decreased from AR\$64 million in 2013 to AR\$2.5 million (US\$0.3 million), mainly due to administrative and distribution expense increases reflecting rises in line with inflation for the year (overall a 23% increase), despite efforts to control the prices of services and primary inputs for operational management. The largest increases were observed in remuneration, social security contributions, other employee benefits and provisions for law suits and other claims. The company recorded EBITDA of AR\$42.5 million (US\$5.3 million) in 2014 compared to AR\$103 million in 2013.

Total liabilities increased by AR\$514 million during the year (56%), primarily as a result of the delays in making payments to CAMMESA (see the directors report on page 7 for more details). Cash flow from operations and increased liabilities have financed the increase in total assets of AR\$403 million, particularly investments in the electricity distribution infrastructure during the period.

The tariff deficit and low cash generation has led to a concentration of liabilities in the short term, reducing working capital and generating a higher liquidity risk.

At the end of 2012 certain covenants under the syndicated loan had not been met and whilst no formal notice of default was received the company classified all amounts outstanding as current liabilities. In May 2013 the company negotiated successfully an amendment to the syndicated loan agreement, extending the maturity date to 16 August 2015 and modifying certain of the indices included in the original agreement. As at 31 December 2013 the company was in compliance with all covenants and on 17 November 2014 the company exercised its right to prepay the loan in full.

### *Operational*

During 2014, progress was made in consolidating the improvements made in 2013 in relation to productivity and process efficiency. All key trading indicators improved in 2014, with the company maximising operational efficiencies within the framework of planned expenditure.

During the year the company has worked intensively with large customers to provide technically economic solutions for new supplies, some of which have been incorporated in 2014 subject to demand with others to be added during 2015, as we complete the infrastructure works required for this purpose. Since the beginning of 2013 commercial management has worked hard to cooperate with various initiatives carried out by the national and provincial government to meet, in a timely manner, new requirements involving the processing, forming and standardization of large volume transactions, which will be used to determine the more efficient allocation of Federal Government grants for public services.

Furthermore regulatory provisions issued by the Ministry of Planning and the Ministry of Energy, require the allocation of significant resource for the implementation of new schemes and billing mechanisms for our customers, which has been managed in coordination with the sub-management systems, administration and management of legal affairs.

*Meter readings:* During 2014 meter readings times were reduced by making business process improvements in product management. The company has reorganised and restructured new contractors to improve the efficiency of the reading processes and business operations. As a result the management process, control and traceability certification service has improved.

*Energy losses:* During 2014, despite the social and economic crisis affecting the country, it has managed to maintain and slightly improve the level of losses. This was made possible by a thorough analysis of all customers combined with a program of onsite visits by operational staff to improve the effectiveness in detecting irregularities. Energy losses have reached a record low of 10.51%. Energy losses continue on a downward trend; December 2009 11.3%; December 2010 10.8%; December 2011 10.7%; December 2012 10.9%; December 2013 10.7%; and December 2014 10.51%.

# Andina plc

## STRATEGIC REPORT (continued)

### HASA

#### *Financial*

The company recorded an increase in post-tax profit for the year to AR\$0.4 million (US\$0.1 million) compared to the 2013 profit of AR\$0.2 million. Sales increased to AR\$27 million (US\$3.3 million) compared to AR\$13.7 million in 2013. The power generated in the year was 127GWh, an increase of 24.5% compared to the 102GWh generated in 2013.

The results of HASA continue to be impacted by the fact the price paid for electricity generated has not been adjusted in line with cost increases and whilst the water level at the end of the year was slightly higher than at the end of 2013 the trend is a falling water level.

#### *Operational*

Accumulated water during the year was 1212.12 hm<sup>3</sup> compared to 1274.05 hm<sup>3</sup> in 2013.

The annual generation of 127.2 GWh was 27.3 % below the historical average but 24.5% higher than 2013.

The maximum monthly generation in 2014 was recorded in the month of January with 15.8 GWh and the minimum in the month of April with 8.6 GWh. The monthly average value for 2014 was 10.6 GWh.

The total energy produced during the year was sold in the spot market. Collection arrears decreased with amounts due from CAMMESA 60 days overdue at the end of the year (2013: 76 days).

Hydroelectric generators, especially those with a smaller capacity, are not able to achieve production levels that balance their operating costs due to tariff delays. As a result in March 2013, the Ministry of Energy published resolution 95/2013 SE and in May 2014 resolution 529/2014 SE, changing the price structure that applies energy generation. HASA did not adhere to the new methodology established by resolution 95/2013 SE as it was not economically beneficial but has adhered to resolution 529/2014 SE, which has resulted in a substantial increase in prices charged power generated. This provides a more stable return irrespective of variations in generation levels and resulted in a 31% increase in the average return over the last eleven months.

### EARNINGS PER SHARE

Basic and diluted loss per share increased from 3.08 cents in 2013 to 10.54 cents in 2014. No new shares were issued during the year.

### KEY PERFORMANCE INDICATORS

The directors use a range of performance indicators to monitor progress in the delivery of the Group's strategic objectives, to assess actual performance against targets and to aid management of the business and consider the following to be relevant in assessing performance.

#### *Sales:*

Sales provide a measure of Group activity that is influenced by the demand for electricity and the amount of electricity generated and energy prices. Revenue increased from AR\$965 million to AR\$1,083 million in 2014.

#### *Gross margin*

This represents the margin generated by the core business and excludes all non-operating costs, such as financing and tax expenses as well as any one-off items. Gross margins dropped to 25% in 2014 from 30% in 2013.

#### *Energy losses*

This measures the efficiency of the energy distributed and includes the technical and commercial loss. Energy losses are on a downward trend falling from 10.7% at the end of 2013 to 10.5% at the end of 2014.

#### *Water level*

The reservoir water level is an indication of the amount of power that can be generated. The water level at the end of 2013 was 159.2 metres compared to 159.6 metres at the end of 2014.

# Andina plc

## STRATEGIC REPORT (continued)

### FUTURE DEVELOPMENT

The immediate focus of management is on securing tariff reviews that will ensure long-term sustainability, making the necessary investments in the infrastructure of the businesses to meet demand, negotiating a combination of debt waivers and a revised payment plan with CAMESA to enable accumulated payables and loan balances to be settled in an orderly fashion (refer below for details of two recently passed resolutions by the Secretary of Energy outlining plans to ensure the sustainability of electricity generators and distributors) and restructuring other Group and Company debts and payables.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are set out below:

*Tariffs* – The Group's financial performance is impacted by periodic tariff reviews. Tariffs extant during the year under review were insufficient to maintain economic and financial sustainability and the delay in the implementation of tariffs for the fourth review period means the Group is financially exposed. This remains a key risk as continuing delays or shortfalls in tariff increases could result in the Group becoming unviable. See page 7 for further details.

*Energy prices* – The financial performance of the Group is impacted by Argentine energy prices. The Group seeks to mitigate these risks by monitoring price fluctuations and taking action to minimise the impact on financial performance.

*Operating risk* – Forced outage and failure of equipment will impact the Group's ability to distribute and generate electricity. The Group seeks to mitigate these risks by having a risk-based plant maintenance and replacement program.

*Regulatory and political risk* – The Group's activities are highly regulated and the Group seeks to mitigate these risks by working closely with the regulators.

*Exchange controls and access to capital* – Current foreign currency legislation in Argentina restricts the flow of capital out of Argentina, which could cause delays in the Group meeting its financial obligations outside Argentina. To mitigate this risk the Group holds funds outside Argentina.

*Currency fluctuations* – As disclosed in note 2.10 the functional currency of the Group is AR\$. Changes in exchange rate impact the group's performance which is presented in US\$.

Fair value calculations are affected by these risks and uncertainties.

### SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 12 March 2015 decree N° 390/15 was issued, which ratified the Framework Agreement of the Convergence Program of Electricity Tariffs and Reaffirmation of Electrical Federalism in Argentina for the year 2015, agreed on 12 January 2015 between the Nation and the Province of Mendoza.

Under this agreement the current tariff schemes effective at 31 December 2013 will not change until 31 December 2015 but the fourth tariff period beginning on 1 January 2016 and ending on 31 July 2018 will recognise lost earnings for the period from the 1 August 2013 to 31 December 2015.

**Approved by the Board of Directors  
and signed on behalf of the Board**

**Neil Bleasdale  
Director  
20 May 2015**

# Andina plc

## DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of Andina for the year ended 31 December 2014.

### PRINCIPAL ACTIVITIES

The Group is a Latin American energy group, with electricity generation and distribution interests in Argentina.

### NAMES, QUALIFICATIONS AND EXPERIENCE OF DIRECTORS

The names and details of the directors of the Company as at the date of this report were as follows:

#### Neil Bleasdale (Chairman)

Neil Bleasdale joined the board on 17 May 2013. Neil is the Chairman and Chief Executive Officer of EDEMSA. He is a businessman and holds a B.A. (with honours) from the University of Leeds, England. He also acts as a non-executive director and alternate director of a number of other Argentine companies.

#### Luis Alvarez Poli (Chief Executive Officer)

Luis Alvarez Poli joined the board on 6 June 2012. Luis graduated as a Certified Public Accountant and Corporate Administrator from the Universidad Católica Argentina in Buenos Aires. He also has a postgraduate MBA from the Instituto de Altos Estudios Empresariales IAE. Luis has more than 19 years of experience in capital markets, investor relations and financial restructuring in energy and media companies. He was previously a financial director and manager in, among others, Transportadora de Gas del Sur and Petrobras (formerly Perez Companac) and has also worked for Banco Macro in the capital.

#### Jorge Depresbiteris (Chief Operating Officer)

Jorge Depresbiteris joined the board on 17 May 2013. Jorge graduated from Universidad Tecnológica Nacional with a degree in Electrical Engineering in 1982. He has many years of experience in different roles in multi-national electricity companies and is currently Commercial Manager at EDEMSA responsible for commercial operations, planning and strategies and customers service. Jorge worked in several management positions in both generation and distribution for CMS Energy from 1994 to 2008 in Argentina and Venezuela, where he was General Manager of the vertically-integrated Seneca power company in Isla Margarita, with 125,000 customers.

#### Nigel Duxbury (Chief Financial Officer and Company Secretary)

Nigel Duxbury joined the board on 6 June 2012. Nigel has extensive experience both as a finance director and senior executive in small and large quoted and unquoted companies within Europe, Asia and the USA. He has a background in finance and accountancy, having qualified as a chartered accountant with Touche Ross, London.

#### Marcelo Comba (Non-Executive Director)

Marcelo Comba joined the board on 17 May 2013. Marcelo graduated as a solicitor from the University of Buenos Aires in 1988 and became a Master in Business Law in 1994. After working in the legal departments of Siemens S.A. and Ferrovias SAC, he has worked since 2002 as a Partner in the law firm of Aidar Bestene-Garcia Moreno & Associates. In 2004 he also became President of HASA.

### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US\$16.9 million (2013: US\$2.2 million loss).

The directors do not recommend the payment of a dividend by the ultimate parent company (2013: US\$nil).

### FINANCIAL RISK MANAGEMENT

The Company's exposure to financial risk is set out in note 28 to the financial statements.

### COUNTRY OF INCORPORATION

The Company was incorporated in England and Wales.

# Andina plc

## DIRECTORS' REPORT (continued)

### COUNTRY OF OPERATION

The Group's activities are based in Argentina.

### GOING CONCERN

At 31 December 2014, the Group had net current liabilities of US\$91 million and debt of US\$12 million. The Directors have concluded that a material uncertainty exists casting significant doubt on the Group's ability to continue as a going concern. After making enquiries and careful consideration, the directors have concluded that there is a reasonable expectation that the Group and the Company, notwithstanding that both have net current liabilities at the year end, have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. However in making this assessment the directors have considered the following matters which give rise to material uncertainties that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If as a result of these material uncertainties the Company and the Group were unable to continue as a going concern, it is unlikely that they would be able to realise their assets or discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that may result if the Company and Group were unable to continue as a going concern.

#### *Status of EDEMESA tariff review and settlement of CAMMESA payable and loan balances*

In Argentina, power generators sell their electricity on the wholesale market, operated by CAMMESA, who administer the wholesale electricity market, including: the operation and dispatch of generation and price calculation; and the administration of the commercial transactions in the electricity markets. While the Argentine power sector is deregulated, the Energy Secretariat has veto power over CAMMESA and has the ability to alter the functioning of the competitive market.

The revenues of the Group's principal trading subsidiary, EDEMESA, are subject to a regulated tariff regime set by the Province of Mendoza, which under its concession agreement is revised on a specified periodic basis. During 2014 the existing tariff was less than required to cover operational and capital expenditure and led to adverse movements in working capital. At the date of this report, the tariff review for the tariff period scheduled to commence on 1 August 2013 has neither been approved nor implemented and there is currently a high degree of uncertainty as to both the level of the new tariff and the timing of its implementation, which would be not before January 2016. Given the high cost inflation environment that EDEMESA operates in, delays in the implementation of a new tariff and the shortfalls in the expected tariff settlement there is a material uncertainty as to the future viability of EDEMESA and ultimately the Group.

On 16 April 2014, the Ministry of Federal Planning and the Government of the Province of Mendoza signed the "Programme for the Convergence of Electricity Tariffs and Reaffirmation of Federalism in Electricity in Argentina" (the "Programme"), which has been adopted by most of the provinces in Argentina. This programme has several objectives aimed at improving the quality and efficiency of the electricity distribution sector as well as attempting to standardise tariffs on a comparable regional basis. As a result of this programme, end-user tariffs remained unchanged throughout 2014. However, the National and Provincial governments have indicated that they will compensate the electricity distribution companies, such as EDEMESA, for an element of the shortfall suffered from the deferral of the tariff review by making payments equivalent to the capital expenditure incurred during the period and part of their operating costs.

Under the scheme EDEMESA was due AR\$130 million (US\$15.5 million) during 2014, funded by the Department of Energy through CAMMESA, the administrator of the wholesale electricity market. During 2014 EDEMESA performed renditions of works totalling AR\$ 83.7 million, however, at the date of these financial statements, EDEMESA has received AR\$9.4 million (US\$1.2 million) of funding. The timing and ultimate payment of the remaining AR\$120.6 million (US\$14.1 million) is unclear, and due to the possibility of a new scheme being implemented following recent announcements the Company has not recognised a receivable in respect of this amount.

The delays and uncertainties arising from the implementation of the new tariff regime described above have resulted in EDEMESA deferring payment of its payables balance to its principal supplier, CAMMESA, the state controlled electricity wholesale company. At the year end EDEMESA had payables due to CAMMESA of US\$101.9 million comprising of purchased electricity and interest on the overdue payables balance. Whilst taking no direct action to enforce payment of this balance, CAMMESA has also claimed penalty interest of US\$12.7 million which the Company has not recognised as the directors do not consider it probable that payment of the penalty interest will be enforced in light of the factors described above.

On 22 May 2014, the Energy Secretariat of the Ministry of Federal Planning issued Resolution 530 under which the responsibility for the renegotiation of the debts, which distributors have with CAMMESA for the supply of electricity, was transferred from CAMMESA to the Energy Secretariat.



# Andina plc

## DIRECTORS' REPORT (continued)

### GOING CONCERN (continued)

In April 2015, since the date of approval of the EDEMSA financial statements (which included an emphasis of matter in respect of these uncertainties in the Auditors' report), the following developments have occurred which the directors consider to be evidence that the provincial government acknowledge the need to find an urgent solution to an industry wide issue:

- the Province of Mendoza through the decree 390/15 has recognized from August 1, 2013 through to December 31, 2015 the "differential VAD: (value added of distribution) for revenues that have not been received during this period.
- end-user tariffs are going to remained unchanged throughout 2015.

This announcement indicates to the directors that the national government acknowledges that the deferred payment of amounts due to CAMMESA is an industry wide issue which needs to be ultimately resolved in conjunction with the outstanding tariff review described above.

The mechanism by which the Company will receive this differential has not been detailed, however the directors expect that it will include a combination of debt waivers and a revised payment plan consistent with cash flows expected to be generated under the new tariff regime/compensation arrangements. As a result the directors consider it probable that EDEMSA will be able to clear its accumulated payables with CAMMESA in an orderly fashion and therefore remain a going concern.

#### *Payable to previous shareholder*

At the time of the acquisition of the second 50% indirect interest in Sodem S.A., a wholly owned subsidiary and intermediate holding company for the group's interest in EDEMSA, the terms of the acquisition included the possibility of an earn-out payment. However, certain elements of the earn-out were open to interpretation and as a result the final amount due was not determined until 2010, at which time a liability of US\$10.8 million was recognised in the Group's financial statements. At the year end an amount of US\$5.8 million (including rolled up interest) is still pending. Of this, US\$5.8 million is overdue for payment at 31 December 2014. During the year the Group has settled US\$1.8 million of overdue debt with this lender and the company is currently in discussions to renegotiate the payment terms for the remaining amount payable.

Discussions to renegotiate the payment terms are at an advanced stage, verbal agreement has been reached on many of the key terms and the Board is hoping to formalise the agreement imminently. This renegotiation will involve the assignment of the benefit of the loan to other third parties who have agreed to offer more favourable repayment terms. In the short term the Group is unable to rely on dividends from its principal subsidiary trading entities, so in the event the Group is unable to reach agreement with the existing creditor, it will seek to refinance the debt with another party or satisfy the debt through the issue of some other form of financial instrument.

Given the status of these negotiations, the directors consider there are sufficient grounds to believe that agreement can be reached without it endangering the going concern status of the group.

#### *Parent company loan default*

At the reporting date a US\$5 million secured loan to the Company (plus rolled up interest), as detailed in note 21, repayable by March 2013 has not been repaid and twelve quarterly interest instalments of US\$0.16 million each are also overdue. In March 2014 the Company received a letter demanding repayment of the loan. In October 2014 the company responded with a proposal to refinance the debt on terms mutually acceptable to both parties. There has been no subsequent communication between either of the parties.

In the short term the Parent Company is unable to rely on dividends from its principal subsidiary trading entities, so in the event it is unable to reach agreement with the existing lender, it will seek to refinance the debt with another party or satisfy the debt through the issue of some other form of financial instrument. However the directors have reasonable expectations that they will be able to successfully renegotiate the loan terms, based on their past dealings with the lender including previous renegotiations of the loan terms. For this reason the directors consider the going concern basis of preparation for the Company to be appropriate.

Based on the current status of the discussions and negotiations described above, and the current cash flow projections for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the annual financial statements continue to be prepared on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future. In making this judgment the Directors considered the Group's financial position, current intentions, profitability of operations and access to financial resources.

# Andina plc

## DIRECTORS' REPORT (continued)

### DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each person who was a director at the time this report was approved:

- so far as that director was aware there was no relevant audit information of which the Company's auditors were unaware; and
- that director has taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

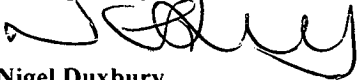
### EVENTS AFTER THE REPORTING PERIOD

Refer to the Strategic Report.

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board



Nigel Duxbury  
Company Secretary  
20 May 2015

# Andina plc

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the Group and parent financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit/loss for the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Our opinion

In our opinion:

- Andina plc's group financial statements, and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's loss and the group's and the parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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## Emphasis of matter - Material uncertainty regarding continuation as a going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosures in Note 2.2 to the financial statements concerning the group's and parent company's ability to continue as a going concern which indicated that there are material uncertainties regarding:

- *the future tariffs to be paid to the group's principal subsidiary EDEMSA for the distribution of electricity, and related to this, the mechanism in which the payable of US\$101.9 million (excluding penalties) due to CAMMESA at the year end will be settled;*
- *the ability of a subsidiary of the group to renegotiate an overdue payable of US\$5.8 million in respect of an earn out agreement relating to the acquisition of EDEMSA shares; and*
- *the ability of the parent company to renegotiate the terms of a US\$5 million secured loan that is in default.*

Should tariff increases or other forms of compensation not be forthcoming or the outstanding balances due to CAMMESA and other lenders not be renegotiated, both the group and parent company may no longer be viable.

These conditions, along with the other matters explained in Note 2.2 to the financial statements, indicate the existence of material uncertainties that may cast significant doubt about the group's and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group or parent company were unable to continue as a going concern.

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## What we have audited

Andina plc financial statements comprise:

- the Consolidated statement of financial position as at 31 December 2014 and Company statement of financial position as at 31 December 2014;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated cash flow statement and Company cash flow statement for the year then ended;
- the Consolidated statement of changes in equity and Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Other matters on which we are required to report by exception**

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**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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**Responsibilities for the financial statements and the audit**

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**Our responsibilities and those of the directors**

As explained more fully in the Directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Timothy McAllister (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
20 May 2015

# Andina plc

## CONSOLIDATED INCOME STATEMENT

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Revenue	3	133,636	176,717
Cost of sales		(99,702)	(123,829)
<b>Gross profit</b>		33,934	52,888
Other operating income		4,511	3,551
Distribution costs		(17,415)	(20,267)
Administrative expenses		(21,994)	(26,559)
<b>Operating (loss)/profit</b>	5	(964)	9,613
Finance income	7	4,837	5,979
Finance costs	8	(25,125)	(14,602)
<b>(Loss)/profit before income tax</b>		(21,252)	990
Taxation benefit /(expense)	9	4,386	(3,140)
<b>Loss for the year</b>		(16,866)	(2,150)
 <b>Loss attributable to:</b>			
Owners of the parent		(10,139)	(2,963)
Non-controlling interests		(6,727)	813
		(16,866)	(2,150)
 <b>Basic and diluted loss per ordinary share</b>			
	10	(10.54)	<b>Cents</b> (3.08)

The notes on pages 21 to 54 are an integral part of these financial statements.

# Andina plc

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	31-Dec-14	31-Dec-13
	US\$'000	US\$'000
Loss for the year	(16,866)	(2,150)
Translation differences	(16,158)	(24,101)
<b>Total comprehensive expense for the year</b>	<b>(33,024)</b>	<b>(26,251)</b>
<b>Total comprehensive expense attributable to:</b>		
Owners of the parent	(16,932)	(13,970)
Non-controlling interests	(16,092)	(12,281)
<b>Total comprehensive expense for the year</b>	<b>(33,024)</b>	<b>(26,251)</b>

The above items will not be subsequently reclassified to profit and loss unless the underlying assets are disposed of.

The notes on pages 21 to 54 are an integral part of these financial statements.

# Andina plc

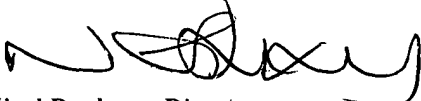
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	Note	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Non-current assets</b>			
Intangible assets	12	15,773	21,255
Property, plant and equipment	13	103,001	117,817
Available for sale financial assets	14	4	938
Trade and other receivables	16	7,291	9,622
Deferred income tax assets	17	18,232	15,312
<b>Total non-current assets</b>		144,301	164,944
<b>Current assets</b>			
Inventories	18	8,540	5,035
Available for sale financial assets	14	14,899	6,859
Trade and other receivables	16	40,808	35,256
Cash and cash equivalents	19	12,246	14,355
<b>Total current assets</b>		76,493	61,505
<b>Current liabilities</b>			
Trade and other payables	20	144,747	102,948
Financial liabilities	21	9,813	18,600
Provisions	22	12,895	13,001
<b>Total current liabilities</b>		167,455	134,549
<b>Non-current liabilities</b>			
Trade and other payables	20	9,289	11,183
Financial liabilities	21	1,873	3,337
Deferred income tax liabilities	17	10,549	12,829
<b>Total non-current liabilities</b>		21,711	27,349
<b>Net assets</b>		31,628	64,551
<b>Capital and reserves</b>			
Called up share capital	23	14,904	14,904
Profit and loss account		(25,959)	(15,921)
Merger reserve	26	40,432	40,432
Translation reserve	26	(22,193)	(15,400)
<b>Equity attributable to owners of the parent</b>		7,184	24,015
Non-controlling interests	25	24,444	40,536
<b>Total equity</b>		31,628	64,551

The notes on pages 21 to 54 are an integral part of these financial statements.

The financial statements on pages 12 to 54 were approved by the Board of Directors and authorised for issue on 20 May 2015 and were signed on its behalf by:

  
Nigel Duxbury, Director

Company No. 8095058



**Andina plc**

**COMPANY STATEMENT OF FINANCIAL POSITION**

**31 DECEMBER 2014**

	Note	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	15	39,540	42,060
<b>Total non-current assets</b>		<u>39,540</u>	<u>42,060</u>
<b>Current assets</b>			
Trade and other receivables	16	3,207	3,118
Cash and cash equivalents	19	30	71
<b>Total current assets</b>		<u>3,237</u>	<u>3,189</u>
<b>Current liabilities</b>			
Trade and other payables	20	1,202	1,338
Financial liabilities	21	8,950	7,668
<b>Total current liabilities</b>		<u>10,152</u>	<u>9,006</u>
<b>Net assets</b>		<u>32,625</u>	<u>36,243</u>
<b>Capital and reserves</b>			
Called up share capital	23	14,904	14,904
Profit and loss account		(24,056)	(22,518)
Merger reserve	26	40,432	40,432
Translation reserve	26	1,345	3,425
<b>Total equity</b>		<u>32,625</u>	<u>36,243</u>

The notes on pages 21 to 54 are an integral part of these financial statements.

The financial statements on pages 12 to 54 were approved by the Board of Directors and authorised for issue on 20 May 2015 and were signed on its behalf by:

  
Nigel Duxbury, Director

Company No. 8095058

## Andina plc

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

#### FOR THE YEAR ENDED 31 DECEMBER 2014

	Called up share capital	Profit and loss account	Merger reserve	Translation reserve	Equity attributable to owners of the parent	Non controlling interests	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2013</b>	14,904	(13,068)	40,432	(4,393)	37,875	52,817	90,692
Loss for the year	-	(2,963)	-	-	(2,963)	813	(2,150)
Translation differences	-	-	-	(11,007)	(11,007)	(13,094)	(24,101)
Total comprehensive expense for the year	-	(2,963)	-	(11,007)	(13,970)	(12,281)	(26,251)
Fair value of share based payments	-	110	-	-	110	-	110
<b>At 31 December 2013</b>	14,904	(15,921)	40,432	(15,400)	24,015	40,536	64,551
Loss for the year	-	(10,139)	-	-	(10,139)	(6,727)	(16,866)
Translation differences	-	-	-	(6,793)	(6,793)	(9,365)	(16,158)
Total comprehensive expense for the year	-	(10,139)	-	(6,793)	(16,932)	(16,092)	(33,024)
Fair value of share based payments	-	101	-	-	101	-	101
<b>At 31 December 2014</b>	14,904	(25,959)	40,432	(22,193)	7,184	24,444	31,628

The notes on pages 21 to 54 are an integral part of these financial statements.

**Andina plc**

**COMPANY STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Called up share capital US\$'000</b>	<b>Profit and loss account US\$'000</b>	<b>Merger reserve US\$'000</b>	<b>Translation reserve US\$'000</b>	<b>Total equity US\$'000</b>
<b>At 1 January 2013</b>	14,904	(2,992)	40,432	2,498	54,842
Loss for the year	-	(19,636)	-	-	(19,636)
Translation differences	-	-	-	927	927
Total comprehensive expense for the year	-	(19,636)	-	927	(18,709)
Fair value of share based payments	-	110	-	-	110
<b>At 31 December 2013</b>	14,904	(22,518)	40,432	3,425	36,243
Loss for the year	-	(1,639)	-	-	(1,639)
Translation differences	-	-	-	(2,080)	(2,080)
Total comprehensive expense for the year	-	(1,639)	-	(2,080)	(3,719)
Fair value of share based payments	-	101	-	-	101
<b>At 31 December 2014</b>	14,904	(24,056)	40,432	1,345	32,625

The notes on pages 21 to 54 are an integral part of these financial statements.

# Andina plc

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>(Loss)/profit for the year before taxation</b>		(21,252)	990
<b>Adjustments for:</b>			
Depreciation and amortisation		5,115	7,362
Exchange movement on debt		400	(106)
Increase in inventories		(8,310)	(3,101)
Increase in trade and other receivables		(9,784)	(7,201)
Increase in creditors and other payables		44,774	40,739
Increase in provisions for liabilities and charges		4,980	3,118
Finance costs		25,125	14,602
Finance income		(4,837)	(5,979)
Taxation		(21)	-
Share based payments		101	110
Profit on disposal of fixed assets		75	31
<b>Cash generated from operations</b>		36,366	50,565
Taxation paid		(1,413)	(1,368)
<b>Cash flows from operating activities</b>		34,953	49,197
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(15,577)	(17,512)
Purchase of investments		(10,339)	(2,471)
Proceeds from/(purchase of) available for sale financial assets		919	(242)
Proceeds from grants		-	531
Interest received		-	3,209
<b>Net cash used in investing activities</b>		(24,997)	(16,485)
<b>Cash flows from financing activities</b>			
Repayments of borrowings and interest paid		(10,160)	(22,452)
Funds from borrowing		1,591	957
<b>Net cash used in financing activities</b>		(8,569)	(21,495)
<b>Net increase in cash and cash equivalents</b>		1,387	11,217
Cash and cash equivalents at the beginning of the year		14,355	6,511
Effect of foreign exchange rate changes		(3,496)	(3,373)
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	12,246	14,355

### Significant non-cash transactions

There were no significant non-cash transactions in 2014 or 2013 apart from the transactions detailed below:

	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Transfer of inventory to property, plant and equipment	2,973	4,412

The notes on pages 21 to 54 are an integral part of these financial statements.

# Andina plc

## COMPANY CASH FLOW STATEMENT

**FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	31-Dec-14	31-Dec-13
		US\$'000	US\$'000
<b>Loss for the year before taxation</b>		(1,639)	(19,636)
Impairment loss		-	18,136
<b>Loss for the year before taxation and impairment loss</b>		(1,639)	(1,500)
<b>Adjustments for:</b>			
Exchange movement on debt		400	(106)
Increase in trade and other receivables		19	(119)
(Decrease)/increase in trade creditors and other payables		(48)	708
Finance costs		1,415	640
Finance income		(313)	-
Share based payments		101	110
<b>Cash used in operations</b>		(65)	(267)
<b>Cash flows from operating activities</b>		(65)	(267)
<b>Cash flows from financing activities</b>			
Loans from subsidiaries		27	314
<b>Net cash generated from financing activities</b>		27	314
<b>Net (decrease)/increase in cash and cash equivalents</b>		(38)	47
Cash and cash equivalents at the beginning of the year		71	21
Effect of foreign exchange rate changes		(3)	3
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	30	71

### Significant non-cash transactions

There were no significant non-cash transactions in 2014 or 2013.

The notes on pages 21 to 54 are an integral part of these financial statements.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company is incorporated in England and Wales and domiciled in the United Kingdom. The principal activities of the Company and its subsidiaries (“the Group”), and a description of its operations, are set out in the Directors’ Report.

### 2. ACCOUNTING POLICIES

#### 2.1 Introduction

The Group was demerged from Andes Energia plc with effect from 11 July 2012.

All Andina group companies, which were owned and controlled by Andes Energia plc prior to the demerger, were transferred to the new ultimate parent company, Andina. The introduction of the new ultimate parent company constitutes a group reconstruction.

The transaction falls outside the scope of IFRS 3 “Business Combinations”.

#### 2.2 Going concern

At 31 December 2014, the Group had net current liabilities of US\$91 million and debt of US\$12 million. The Directors have concluded that a material uncertainty exists casting significant doubt on the Group’s ability to continue as a going concern. After making enquiries and careful consideration, the directors have concluded that there is a reasonable expectation that the Group and the Company, notwithstanding that both have net current liabilities at the year end, have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. However in making this assessment the directors have considered the following matters which give rise to material uncertainties that may cast significant doubt on the Company’s and the Group’s ability to continue as a going concern. If as a result of these material uncertainties the Company and the Group were unable to continue as a going concern, it is unlikely that they would be able to realise their assets or discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that may result if the Company and Group were unable to continue as a going concern.

#### *Status of EDEMESA tariff review and settlement of CAMMESA payable and loan balances*

In Argentina, power generators sell their electricity on the wholesale market, operated by CAMMESA, who administer the wholesale electricity market, including: the operation and dispatch of generation and price calculation; and the administration of the commercial transactions in the electricity markets. While the Argentine power sector is deregulated, the Energy Secretariat has veto power over CAMMESA and has the ability to alter the functioning of the competitive market.

The revenues of the Group’s principal trading subsidiary, EDEMESA, are subject to a regulated tariff regime set by the Province of Mendoza, which under its concession agreement is revised on a specified periodic basis. During 2014 the existing tariff was less than required to cover operational and capital expenditure and led to adverse movements in working capital. At the date of this report, the tariff review for the tariff period scheduled to commence on 1 August 2013 has neither been approved nor implemented and there is currently a high degree of uncertainty as to both the level of the new tariff and the timing of its implementation, which would be not before January 2016. Given the high cost inflation environment that EDEMESA operates in, delays in the implementation of a new tariff and the shortfalls in the expected tariff settlement there is a material uncertainty as to the future viability of EDEMESA and ultimately the Group.

On 16 April 2014, the Ministry of Federal Planning and the Government of the Province of Mendoza signed the “Programme for the Convergence of Electricity Tariffs and Reaffirmation of Federalism in Electricity in Argentina” (the “Programme”), which has been adopted by most of the provinces in Argentina. This programme has several objectives aimed at improving the quality and efficiency of the electricity distribution sector as well as attempting to standardise tariffs on a comparable regional basis. As a result of this programme, end-user tariffs remained unchanged throughout 2014. However, the National and Provincial governments have indicated that they will compensate the electricity distribution companies, such as EDEMESA, for an element of the shortfall suffered from the deferral of the tariff review by making payments equivalent to the capital expenditure incurred during the period and part of their operating costs.

Under the scheme EDEMESA was due AR\$130 million (US\$15.5 million) during 2014, funded by the Department of Energy through CAMMESA, the administrator of the wholesale electricity market. During 2014 EDEMESA performed renditions of works totalling AR\$83.7 million, however, at the date of these financial statements, EDEMESA has received AR\$9.4 million (US\$ 1.2 million) of funding. The timing and ultimate payment of the remaining AR\$120.6 million (US\$14 million) is unclear, and due to the possibility of a new scheme being implemented following recent announcements the Company has not recognised a receivable in respect of this amount.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### 2.2 Going concern (continued)

##### *Status of EDEMSA tariff review and settlement of CAMMESA payable and loan balances (continued)*

The delays and uncertainties arising from the implementation of the new tariff regime described above have resulted in EDEMSA deferring payment of its payables balance to its principal supplier, CAMMESA, the state controlled electricity wholesale company. At the year end EDEMSA had payables due to CAMMESA of US\$101.9 million comprising of purchased electricity and interest on the overdue payables balance. Whilst taking no direct action to enforce payment of this balance, CAMMESA has also claimed penalty interest of US\$12.7 million which the Company has not recognised as the directors do not consider it probable that payment of the penalty interest will be enforced in light of the factors described above.

On 22 May 2014, the Energy Secretariat of the Ministry of Federal Planning issued Resolution 530 under which the responsibility for the renegotiation of the debts, which distributors have with CAMMESA for the supply of electricity, was transferred from CAMMESA to the Energy Secretariat.

In April 2015, since the date of approval of the EDEMSA financial statements (which included an emphasis of matter in respect of these uncertainties in the Auditors' report), the following developments have occurred which the directors consider to be evidence that the provincial government acknowledge the need to find an urgent solution to an industry wide issue:

- the Province of Mendoza through the decree 390/15 has recognized from August 1, 2013 through to December 31, 2015 the "differential VAD: (value added of distribution) for revenues that have not been received during this period.
- end-user tariffs are going to remained unchanged throughout 2015.

This announcement indicates to the directors that the national government acknowledges that the deferred payment of amounts due to CAMMESA is an industry wide issue which needs to be ultimately resolved in conjunction with the outstanding tariff review described above.

The mechanism by which the Company will receive this differential has not been detailed, however the directors expect that it will include a combination of debt waivers and a revised payment plan consistent with cash flows expected to be generated under the new tariff regime/compensation arrangements. As a result the directors consider it probable that EDEMSA will be able to clear its accumulated payables with CAMMESA in an orderly fashion and therefore remain a going concern.

##### *Payable to previous shareholder*

At the time of the acquisition of the second 50% indirect interest in Sodem S.A., a wholly owned subsidiary and intermediate holding company for the group's interest in EDEMSA, the terms of the acquisition included the possibility of an earn-out payment. However, certain elements of the earn-out were open to interpretation and as a result the final amount due was not determined until 2010, at which time a liability of US\$10.8 million was recognised in the Group's financial statements. At the year end an amount of US\$5.8 million (including rolled up interest) is still pending. Of this, US\$5.8 million is overdue for payment at 31 December 2014. During the year the Group has settled US\$1.8 million of overdue debt with this lender and the company is currently in discussions to renegotiate the payment terms for the remaining amount payable.

Discussions to renegotiate the payment terms are at an advanced stage, verbal agreement has been reached on many of the key terms and the Board is hoping to formalise the agreement imminently. This renegotiation will involve the assignment of the benefit of the loan to other third parties who have agreed to offer more favourable repayment terms. In the short term the Group is unable to rely on dividends from its principal subsidiary trading entities, so in the event the Group is unable to reach agreement with the existing creditor, it will seek to refinance the debt with another party or satisfy the debt through the issue of some other form of financial instrument.

Given the status of these negotiations, the directors consider there are sufficient grounds to believe that agreement can be reached without it endangering the going concern status of the group.

##### *Parent company loan default*

At the reporting date a US\$5 million secured loan to the Company (plus rolled up interest), as detailed in note 21, repayable by March 2013 has not been repaid and twelve quarterly interest instalments of US\$0.16 million each are also overdue. In March 2014 the Company received a letter demanding repayment of the loan. In October 2014 the company responded with a proposal to refinance the debt on terms mutually acceptable to both parties. There has been no subsequent communication between either of the parties.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**2. ACCOUNTING POLICIES (continued)**

**2.2 Going concern (continued)**

*Parent company loan default (continued)*

In the short term the Parent Company is unable to rely on dividends from its principal subsidiary trading entities, so in the event it is unable to reach agreement with the existing lender, it will seek to refinance the debt with another party or satisfy the debt through the issue of some other form of financial instrument. However the directors have reasonable expectations that they will be able to successfully renegotiate the loan terms, based on their past dealings with the lender including previous renegotiations of the loan terms. For this reason the directors consider the going concern basis of preparation for the Company to be appropriate.

Based on the current status of the discussions and negotiations described above, and the current cash flow projections for the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore the annual financial statements continue to be prepared on a going concern basis, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future. In making this judgment the Directors considered the Group's financial position, current intentions, profitability of operations and access to financial resources.

**2.3 Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs as adopted by the EU"), the Companies Act 2006 that applies to companies reporting under IFRS and IFRIC Interpretations.

The consolidated financial statements have been prepared on the historical cost convention, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Where a change in the presentation format between the prior year and current year financial statements has been made during the period, comparative figures have been restated accordingly.

**2.4 Critical accounting estimates and judgements**

The preparation of the financial statements in conformity with generally accepted accounting practice required management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Impairment of property, plant and equipment, intangible assets and investments*

Estimated useful lives and residual values are reviewed annually, taking into account prices prevailing at each reporting date. The carrying values of property, plant and equipment are also reviewed for impairment where there has been an event or change in circumstance that would indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. The value in use is determined using the present value of the future cash flow expected to be derived from an asset or cash generating unit. The calculation of estimated future cash flows and residual values is based on management's reasonable estimates and is therefore subjective.

As a result of the material uncertainties referred to in note 2.2 of the financial statements the directors carried out impairment tests of assets at the cash generating unit level. Following these tests, the directors believe that in the Group financial statements, the recoverable amount is in excess of the carrying value for each cash generating unit.

If the tariff review referred to above is either delayed beyond 1 January 2016 or is awarded at a level lower than that currently anticipated, further impairments of the Group's/Company's investment in the utility group may be required.



NOTES TO THE FINANCIAL STATEMENTS (continued)

**2. ACCOUNTING POLICIES (continued)**

**2.4 Critical accounting estimates and judgements (continued)**

*Share based payments*

In determining the fair value of equity settled share based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on estimates, including the timing with which options will be exercised and the future volatility in the price of the Company's shares. Details of the assumptions are given in note 24.

*Bad debt provisions*

A full line-by-line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt and inventory provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible. Details of the provisions made and the movements in the provisions are shown in note 16.

*Provision for legal and other claims*

Provision for legal and other claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. There remains a risk that the provisions do not match the level of claims, which are ultimately made. Details of the provisions and the movements on the provisions are given in note 22.

*Recognition of deferred tax assets*

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. There remains a risk that future taxable profits are not available to utilise deferred tax assets recognised. The extent of future profits largely depends on the timing and extent of tariff increases and the announcements for general new regulations in the electricity market.

*End of service benefits*

The group recognises a provision for employee end of service benefits that include management's best estimate of certain variables which may not ultimately match the amounts actually paid at the end of service. The key assumptions are wage increases, employee turnover, the mortality rate and the discount rate. Past experience and actuarial tables of mortality are used in making the estimate.

**2.5 Adoption of new and revised International Financial Reporting Standards**

**(i) New and amended standards adopted by the Group**

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the Group:

- IFRS 10 'Consolidated Financial Statements', issued in May 2011, replaces the consolidation requirements in SIC-12 'Consolidation-Special Purpose Entities' and IAS 27 'Consolidated and Separate Financial Statements'. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material for the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**2. ACCOUNTING POLICIES (continued)**

**2.5 Adoption of new and revised International Financial Reporting Standards (continued)**

*(i) New and amended standards adopted by the Group (continued)*

The Group has not early adopted any standards, interpretations or amendments that were issued but are not yet effective.

New standards and interpretations issued by the IASB that are relevant to the Group for first time application for the year ended 31 December 2014 that were endorsed by the EU for application later than 1 January 2014 (see note 2.5(ii)) were consequently not adopted by the Group for the year ended 31 December 2014.

*(ii) New standards, amendments and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Amendment to IAS 19, 'Employee benefits' regarding employee or third party contributions to defined benefit plans. The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives. The standard is not mandatory for the Group until 2015. The Group is currently assessing the impact of IFRS 12.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**2.6 Basis of consolidation**

The consolidated financial statements include the financial statements of Andina and its subsidiaries.

Subsidiaries are entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, where appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's interest therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination together with the non-controlling interests' share of profit or loss and each component of other comprehensive income since the date of the combination. Total comprehensive income is attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The non-controlling interest of shareholders in the acquiree is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. ACCOUNTING POLICIES (continued)**

**2.7 Revenue recognition**

*Revenue*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts recoverable for services provided and sales made in the normal course of business, net of discounts, VAT and other sale related taxes.

Revenue from electricity distribution is recognised in the period the services are provided and from electricity generation on delivery of energy to clients, when title and risks are transferred to the customer.

*Other operating income*

Other operating income primarily arises from ancillary services provided to third parties and is recognised at the time the service is provided.

**2.8 Finance income**

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

**2.9 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.10 Foreign currency**

The individual financial statements of each Group company are maintained in the currency of the primary economic environment in which it operates (its functional currency), which in the case of the Argentinean companies is the Argentine Peso and in the case of the Company is Pounds Sterling. For the purposes of the consolidated financial statements, the results and financial position of each Group entity are expressed in US Dollars, which is the presentation currency for the consolidated financial statements, to facilitate comparison with other utility companies.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising are included in the income statement for the period. Gains and losses arising on the re-translation of the opening net assets of the Company at prevailing exchange rates are transferred to the translation reserve. For the purposes of preparing consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on consolidation are classified as equity and transferred to the Group's translation reserve.

The financial statements are presented in US\$ and the average rate used was US\$ 1.65 to £1 and AR\$ 8.10 to US\$1 and the closing rate used was US\$1.55 to £1 and AR\$8.54 to US\$1 (2013: average rate US\$1.56 to £1 and AR\$ 5.46 to US\$1 and closing rate US\$1.65 to £1 and AR\$6.49 to US\$1).

**2.11 Government grants**

Government subsidies are recognised at their fair value when there is reasonable certainty that those subsidies will be collected and that the Company will meet all the conditions established.

Government subsidies received in relation to the purchase of non-current assets are deducted from the cost of such assets. These assets are depreciated over their estimated useful lives on the basis of their net acquisition cost.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### 2.12 Employee benefits

##### *Bonus for years of service*

This represents the accrued benefits to be paid to employees covered by the collective bargaining agreement for light and power, that have completed twenty, twenty-five, thirty, and thirty-five years of service. This is paid in the form of a special remuneration equivalent to the monthly salary in the month that the year of service conditions are met. This amount doubles when the employee reaches forty years of service.

##### *Bonus for retirement or disability*

This represents accrued benefits be paid to employees covered by the collective bargaining agreement for light and power, for staff reaching retiring age or retiring as a result of disability prior to this. All such employees who have at least five years of service with the company are entitled to this benefit. Employees are paid a bonus equivalent to ten months of their last monthly salary. This benefit is increased by two percent for each year of service exceeding the first five years. These benefits are valued according to the actuarial method of the projected unit credit. The company estimates the future outcome of certain variables that affect the value of the liability, including the rate of inflation, salary increases and changes in mortality rates. The amounts calculated are discounted using a discount rate that reflects the time value of money and the risks specific to the flows considered. The differences between the prior year estimates and the actual charge and changes in estimates are classified as gains and losses with administrative expenses.

#### 2.13 Taxation

##### *Current and deferred tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**2. ACCOUNTING POLICIES (continued)**

**2.13 Taxation (continued)**

*Minimum notional income tax*

The Company determines the tax on notional presumed income by applying the current rate of 1% on the Company's taxable assets at year-end. The tax on notional presumed income and the income tax complement each other. The Company's tax obligation for each year will be equal to the higher of these taxes. However, should the tax on notional presumed income exceed income tax in any given fiscal year, such excess may be computed as a payment on account of any excess of income tax over the tax on minimum presumed income that may arise in any of the ten subsequent fiscal years.

The Company recognized the tax on notional presumed income earned in previous years as a credit, considering that it will offset future taxable income.

**2.14 Share-based payments**

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and the grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

**2.15 Intangible assets**

*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the parent's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### 2.15 Intangible assets (continued)

##### *Goodwill (continued)*

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

##### *Concession assets*

Concession assets acquired are stated at fair value at the date of acquisition.

Amortisation is charged on a straight-line basis over the 30 year (EDEMESA) and 50 year (HASA) terms of the concession and is recognised within administrative expenses.

#### 2.16 Property, plant and equipment

Property, plant and equipment are shown at cost less subsequent depreciation. Costs include expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Network and transformer stations and other works	30 to 50 years
Buildings	30 to 50 years
Machinery and equipment	up to 25 years
Transformers	30 to 40 years
Other assets - Vehicles, furniture and fixtures	4 to 9 years

Land is not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Work in progress is not depreciated.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

#### 2.17 Impairment of assets

Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. See note 12.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped by business segment for which there are separately identifiable cash flows (cash-generating units).

#### 2.18 Financial assets

##### *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### 2.18 Financial assets (continued)

##### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

##### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of it within 12 months of the end of the reporting period.

#### *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other operating (expense)/income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other operating (expense)/income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### 2.18 Financial assets (continued)

##### *Recognition and measurement (continued)*

If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in notes 2.20 and 16.

##### *Impairment of financial assets*

###### (a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables categories, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

###### (b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred in (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

#### 2.19 Inventories

Raw materials and consumables are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost formula method.

#### 2.20 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.



# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. ACCOUNTING POLICIES (continued)

#### 2.20 Trade receivables (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account and the amount of the loss is recognised in the income statement within distribution costs.

When a trade receivable is uncollectable, it is written off against the provision for impairment. Subsequent recoveries of amounts previously written off are credited against distribution costs in the income statement.

#### 2.21 Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are held with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and carried at amortised cost using the effective interest method.

#### 2.22 Cash and cash equivalents

Cash and cash equivalents include call deposits held with banks and other short-term highly liquid investments with original maturities of 3 months or less.

#### 2.23 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

#### 2.24 Financial liabilities

Bank loans and other borrowings are initially recognised at net proceeds of issue and subsequently measured at amortised cost.

#### 2.25 Finance leases

Finance leases have been treated as financial purchases and stated at present value at the initial transaction date plus accrued interest at the year end.

#### 2.26 Provisions

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

#### 2.27 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs, allocated between share capital and share premium. Equity instruments issued by the Company for non-cash consideration are recorded at the market value of the equity instrument at the date of issue, net of direct issue costs, allocated between share capital and share premium.

## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 2. ACCOUNTING POLICIES (continued)

##### 2.28 Public Service Quality - Penalties

EDEMESA's activities are regulated by the provincial regulator, Ente Provincial Regulador Eléctrico ("EPRE"). EPRE regulates rate approval and control and supervision of service, technical product and commercial quality. Failure to comply with the provisions of the concession and applicable regulations may result in penalties being imposed. EDEMESA has been assessed as being in breach of the stage II quality standards and is therefore subject to penalties. However, the company considers the application of these quality standards should be relaxed due to the economic damage sustained as a result of the continuing delays in implementing new tariffs. As of the date of these financial statements, this position has not been resolved and the company has included its best estimate of the liabilities associated with the prospective penalties as a provision in these financial statements. The balance included in provisions at the year end amounted to US\$ 8.2 million (2013: US\$8.3 million), which also included US\$ 3.3 m (2013: US\$ 3.9 m) to cover the risks associated with possible fines.

##### 2.29 Restrictions arising from the concession contract of EDEMESA

EDEMESA's shares, rights and obligations under the concession contract may not be assigned, in whole or part, to a third party without the prior consent of the Province of Mendoza.

##### 2.30. Preservation of the assets comprising the hydroelectric complex

The concession operator agrees to use the assigned assets in such a manner so as to preserve them from any damage, fair wear and tear excepted and not to alter the nature, purpose or use of any assets comprising the hydroelectric complex. The concession operator is forbidden to pledge, mortgage or assign these assets. Furthermore, the concession operator is forbidden to grant the possession of the assets or consent to any third-party event or act that may affect or reduce their value. The concession agreement provides for certain revocation clauses in the event such non-compliance arises.

#### 3. REVENUE

Revenues relate to electricity generation and distribution services. Any unbilled revenue is treated as an unbilled debtor. This figure is adjusted based on a judgement of the likelihood of collecting the outstanding debt based on historical data.

The Group recognises revenue when the amount can be measured reliably, it is probable that future economic benefits are generated to the entities, collection is reasonably assured and when specific criteria for the operations of the company are met.

#### 4. OPERATIONAL SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker, which in the case of the Group is considered to be the Board of the Company. In the opinion of the Board the operations of Andina, comprise two operating segments, that is, electricity distribution and electricity generation. An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses and whose results are regularly reviewed by the Board.

The following is an analysis of the Group's revenue and results by operating segment. The Group's operations are based in Argentina.

2014	Electricity Distribution	Electricity Generation	Unallocated Corporate	Total
Analysis of revenue and profit:	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	130,297	3,339	-	133,636
Operating profit/(loss)	301	(900)	(365)	(964)
Finance income	3,605	919	313	4,837
Finance costs	(21,989)	(1,406)	(1,730)	(25,125)
(Loss) before income tax	(18,083)	(1,387)	(1,782)	(21,252)
Income tax benefit/(expense)	4,388	(2)	-	4,386
(Loss) for the year	(13,695)	(1,389)	(1,782)	(16,866)

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. OPERATIONAL SEGMENTS (continued)

2013	Electricity Distribution	Electricity Generation	Unallocated Corporate	Total
Analysis of revenue and profit:	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	174,207	2,510	-	176,717
Operating profit/(loss)	11,703	(1,113)	(977)	9,613
Finance income	4,889	1,090	-	5,979
Finance costs	(12,058)	(1,929)	(615)	(14,602)
Profit/(loss) before income tax	4,534	(1,952)	(1,592)	990
Income tax benefit/(expense)	(3,042)	(98)	-	(3,140)
Profit/(loss) for the year	1,492	(2,050)	(1,592)	(2,150)

	2014 US\$'000	2013 US\$'000
<b>Analysis of total assets:</b>		
Electricity distribution	209,356	213,469
Electricity generation	8,899	11,577
Total segment assets	218,255	225,046
Unallocated assets	2,539	1,403
Consolidated total assets	220,794	226,449

	2014 US\$'000	2013 US\$'000
<b>Analysis of total liabilities:</b>		
Electricity distribution	167,057	140,622
Electricity generation	3,404	3,994
Total segment liabilities	170,461	144,616
Unallocated liabilities	18,705	17,282
Consolidated total liabilities	189,166	161,898

	2014 US\$'000	2013 US\$'000
<b>Analysis of total capital expenditure:</b>		
Electricity distribution capital expenditure	18,919	21,919
Electricity generation capital expenditure	-	5
Consolidated total capital expenditure	18,919	21,924

	2014 US\$'000	2013 US\$'000
<b>Analysis of total depreciation:</b>		
Electricity distribution depreciation	4,667	6,690
Electricity generation depreciation	37	62
Consolidated total depreciation	4,704	6,752

	2014 US\$'000	2013 US\$'000
<b>Analysis of total amortisation:</b>		
Electricity distribution amortisation	271	402
Electricity generation amortisation	140	208
Consolidated total amortisation	411	610

## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 5. OPERATING (LOSS)/PROFIT

	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>This is stated after charging:</b>		
Amortisation	411	610
Depreciation	4,704	6,752
Loss on foreign exchange	553	518
Royalties	9,494	9,307
<b>An analysis of auditors' remuneration is as follows:</b>		
Audit of the consolidated financial statements	67	74
Audit of the subsidiary	211	120
<b>Total audit fees</b>	278	194
Tax compliance services	11	11
Tax advisory services	-	5
<b>Total non-audit fees</b>	11	16

#### 6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

##### a) Staff numbers and costs

The average monthly number of persons including executive directors was:

	31-Dec-14 No.	31-Dec-13 No.
Selling	163	160
Technical	387	384
Administration	170	175
	720	719
	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Wages and salaries	28,475	30,733
Social security costs	5,793	7,031
Share based payments	72	69
	34,340	37,833

##### b) Directors' emoluments

The directors' emoluments for services provided to the Company and other Group companies were as follows:

	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Aggregate emoluments	605	657
	605	657
Emoluments of the highest paid director	321	345

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. STAFF COSTS AND DIRECTORS' EMOLUMENTS (continued)

#### c) Employee benefits

Provision has been made for retirement and disability benefits in accordance with note 2.12.

As at 31 December 2014 the following provision have been made:

Provision for employee benefits	Current	Non-current	Total
	US\$'000	US\$'000	US\$'000
Bonus for retirement/disability	1,375	4,948	6,322
Bonus for years of service	109	876	986
Total 31 December 2014	<u>1,484</u>	<u>5,824</u>	<u>7,308</u>
Total 31 December 2013	<u>1,276</u>	<u>5,798</u>	<u>7,074</u>

The following amounts have been expensed in the income statement during the year:

Charge to the income statement	31-Dec-14	31-Dec-13
	US\$'000	US\$'000
Bonus for retirement/disability	2,283	1,595
Bonus for years of service	388	521
Total	<u>2,671</u>	<u>2,116</u>

The movements in provisions made are detailed below:

Movement in provisions	US\$'000
Balance as at 1 January 2014	7,074
Service costs	681
Interest payments	941
Actuarial losses	1,049
Benefits paid	(637)
Foreign exchange movement	<u>(1,800)</u>
Balance as at 31 December 2014	<u>7,308</u>

### 7. FINANCE INCOME

	31-Dec-14	31-Dec-13
	US\$'000	US\$'000
Interest receivable and similar income	4,837	5,979
	<u>4,837</u>	<u>5,979</u>

### 8. FINANCE COSTS

	31-Dec-14	31-Dec-13
	US\$'000	US\$'000
Interest costs	25,125	14,602
	<u>25,125</u>	<u>14,602</u>

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. TAXATION

	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Current tax	(167)	(2,044)
Other concept	(1,557)	-
Deferred taxation	6,110	(1,096)
Income tax benefit/(expense)	4,386	(3,140)
(Loss)/profit on ordinary activities before income tax	(21,252)	990
Income tax benefit/(expense) on (loss)/profit at standard rate of 35%	7,438	(347)
Effects of:		
Expenses not deductible for tax purposes	(184)	(366)
Effect of items not taxable	(359)	-
Temporary timing differences	15	-
Recovery of minimum notional tax	(1,789)	(1,234)
Tax losses for which no deferred tax asset is recognised	(735)	(1,193)
Income tax benefit/(expense)	4,386	(3,140)

The tax rate used for the 2014 and 2013 reconciliations above is the corporate tax rate of 35% payable by corporate entities in Argentina on taxable profits under tax law in that jurisdiction. There is no tax arising on any items within the consolidated statement of comprehensive income.

The Group is liable to pay a minimum notional income tax at the applicable tax rate (1%), calculated on the amount of computable assets at the closing of the financial year. This tax is supplementary to income tax and the Group's tax liability in each fiscal year will be the higher of the minimum notional income tax and the income tax for the year. If the minimum notional income tax for a given financial year exceeds the amount of income tax, such excess may be carried forward as a partial payment of income tax for any of the ten following fiscal years.

### 10. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. The basic and diluted loss per share are the same as there are no instruments that have a dilutive effect on losses.

	31-Dec-14 Cents	31-Dec-13 Cents
Basic and diluted loss per share	(10.54)	(3.08)
	US\$'000	US\$'000
Loss for the financial year attributable to owners of the parent	(10,139)	(2,963)
	No. '000	No. '000
Weighted average number of shares	96,156	96,156
Effect of dilutive warrants	-	-
Diluted weighted average number of shares	96,156	96,156
	No. '000	No. '000
Potential number of dilutive warrants	12,264	13,992

The warrants are deemed to be non-dilutive for the purposes of this calculation.

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### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 11. LOSS FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not included its own income statement and statement of comprehensive income in these financial statements. The Company's loss for the year amounted to US\$1.6 million (2013: US\$19.6 million).

#### 12. INTANGIBLE ASSETS

GROUP	Goodwill US\$'000	Concession US\$'000	Total US\$'000
<b>Cost</b>			
<b>At 1 January 2013</b>	14,499	25,018	39,517
Foreign exchange movements	(3,559)	(6,141)	(9,700)
<b>At 31 December 2013</b>	10,940	18,877	29,817
Foreign exchange movements	(2,621)	(4,523)	(7,144)
<b>At 31 December 2014</b>	8,319	14,354	22,673
<b>Accumulated Amortisation</b>			
<b>At 1 January 2013</b>	-	(10,668)	(10,668)
Charge for the year	-	(610)	(610)
Foreign exchange movements	-	2,716	2,716
<b>At 31 December 2013</b>	-	(8,562)	(8,562)
Charge for the year	-	(411)	(411)
Foreign exchange movements	-	2,073	2,073
<b>At 31 December 2014</b>	-	(6,900)	(6,900)
<b>Net Book Value</b>			
<b>At 31 December 2014</b>	8,319	7,454	15,773
<b>At 31 December 2013</b>	10,940	10,315	21,255

#### Accumulated Amortisation

The amortisation charge for the year is included in the costs of sales line in the income statement.

#### Goodwill

Goodwill arose on the acquisition of the electricity distribution business in the Province of Mendoza in 1998 by EDEMSA. The recoverable amount of this asset is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets, adapted to cover a five year period. Cash flows beyond the five year period are extrapolated using an estimated growth rate of 1%, which the Directors believe reflects economic growth in the Province of Mendoza. The cash flows include estimates of tariff increases, gross and net margins, growth rates and discount rates. Management determines the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used (2014 11.73%; 2013 11.73%) are real interest rates, pre-tax and reflect specific risks relating to the industry and the country of operation. Further to the changes in the electricity market detailed in note 2.2, management re-evaluated the assumptions underlying the cash flow projections and the recoverable amount under different scenarios. Whilst, all scenarios produced consistent values, it should be noted that since the new regulations are still to be formalised, the final outcome may differ from the assumptions used.

#### Concession assets

The concession assets represent the amount paid to acquire the concessions and are valued at cost less accumulated depreciation. The Company considers that the book value of these assets does not exceed the estimated value in use under present economic and technical conditions, which were estimated in the context of the current regulatory position in the electricity market mentioned in the previous paragraph. The remaining life of the concession assets are as follows:

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. INTANGIBLE ASSETS (continued)

#### Concession assets (continued)

2014	Distribution US\$'000	Generation US\$'000	Total US\$'000
Net book value	3,497	3,957	7,454
Remaining life	Years 14	Years 30	
2013	Distribution US\$'000	Generation US\$'000	Total US\$'000
Net book value	4,937	5,378	10,315
Remaining life	Years 15	Years 31	

Under a 1998 concession agreement SODEMESA was awarded an exclusive right to distribute electricity in the Province of Mendoza. The concession agreement is 30 years divided into three management periods of 10 years each. Under a 1994 concession agreement HASA was awarded a 50 year concession to operate the Ameghino hydro power generating plant located in the Province of Chubut.

### 13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Network and transformer stations and other works US\$'000	Buildings and land US\$'000	Machinery and equipment US\$'000	Transformers US\$'000	Work in progress and other assets US\$'000	Total US\$'000
<b>Cost</b>						
At 1 January 2013	166,318	15,191	16,711	23,101	25,143	246,464
Transfers	7,228	187	868	2,848	(11,131)	-
Additions	6	-	77	-	21,841	21,924
Disposals	-	-	(52)	(30)	(2)	(84)
Foreign exchange movements	(41,978)	(3,759)	(4,244)	(6,120)	(7,880)	(63,981)
<b>At 31 December 2013</b>	<b>131,574</b>	<b>11,619</b>	<b>13,360</b>	<b>19,799</b>	<b>27,971</b>	<b>204,323</b>
Transfers	3,839	1,955	374	1,248	(7,416)	-
Additions	-	-	392	-	18,527	18,919
Disposals	(267)	(77)	(1)	-	(19)	(364)
Foreign exchange movements	(31,706)	(2,881)	(3,240)	(4,808)	(7,273)	(49,908)
<b>At 31 December 2014</b>	<b>103,440</b>	<b>10,616</b>	<b>10,885</b>	<b>16,239</b>	<b>31,790</b>	<b>172,970</b>
<b>Depreciation</b>						
At 1 January 2013	(73,963)	(3,121)	(11,284)	(8,181)	(10,637)	(107,186)
Charge for the year	(4,477)	(371)	(629)	(739)	(536)	(6,752)
Disposals	-	-	50	1	2	53
Foreign exchange movements	18,869	826	2,862	2,126	2,696	27,379
<b>At 31 December 2013</b>	<b>(59,571)</b>	<b>(2,666)</b>	<b>(9,001)</b>	<b>(6,793)</b>	<b>(8,475)</b>	<b>(86,506)</b>
Charge for the year	(3,054)	(289)	(305)	(553)	(503)	(4,704)
Disposals	230	39	1	-	19	289
Foreign exchange movements	14,417	652	2,172	1,656	2,055	20,952
<b>At 31 December 2014</b>	<b>(47,978)</b>	<b>(2,264)</b>	<b>(7,133)</b>	<b>(5,690)</b>	<b>(6,904)</b>	<b>(69,969)</b>
<b>Net Book Value</b>						
At 31 December 2014	55,462	8,352	3,752	10,549	24,886	103,001
At 31 December 2013	72,003	8,953	4,359	13,006	19,496	117,817



# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. PROPERTY, PLANT AND EQUIPMENT (continued)

Under the contracts by which the Group's electricity generation and distribution assets were acquired and are regulated, there are restrictions on use of the assets and also obligations to maintain relevant assets with the intention of protecting the services they provide. In addition, the Group cannot pledge relevant assets as security for borrowings, other than for borrowings incurred to fund the acquisition of such assets.

### 14. AVAILABLE FOR SALE FINANCIAL ASSETS

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Non-current assets</b>				
Loans to other entities	3	932	-	-
Other investments	1	6	-	-
	<u>4</u>	<u>938</u>	<u>-</u>	<u>-</u>
<b>Current assets</b>				
Loans to other entities	1,077	1,499	-	-
Investment trusts	354	-	-	-
Other investments	1,201	600	-	-
Listed government bonds	12,267	4,760	-	-
	<u>14,899</u>	<u>6,859</u>	<u>-</u>	<u>-</u>

#### Unlisted equity securities

Unlisted equity securities represent investments in equity securities that are not quoted on a recognised stock exchange and are stated at amortised cost, which is management's best estimate of their fair value.

#### Other investments

Other investments are carried at amortised cost, which is management's best estimate of their fair value.

#### Listed government bonds

Listed government bonds were valued based on quoted prices at the year end.

### 15. INVESTMENTS IN SUBSIDIARIES

	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Non-current assets</b>		
As at 1 January	42,060	59,145
Impairment provision	-	(18,136)
Foreign exchange movements	(2,520)	1,051
As at 31 December	<u>39,540</u>	<u>42,060</u>

The directors consider the carrying value of investments is supportable based on the value in use of the assets in HASA and EDEMSA.

## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 15. INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2014 the Company had the following principal subsidiary undertakings. They have the same year-end date as the Company and have been included in the consolidated financial statements. The Company's principal subsidiary undertakings all have share capital consisting solely of ordinary shares. All the interests are held partly directly and partly indirectly through intermediate subsidiaries, which are wholly owned.

	Country of incorporation	Area of Operation	Ownership Interest %	Activity
Andes Electricidad S.A.	Argentina	Argentina	100	Holding
Empresa Distribuidora de Electricidad de Mendoza S.A.	Argentina	Argentina	51	Electricity distribution
Hidroelectrica Ameghino S.A.	Argentina	Argentina	47	Electricity generation

#### 16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Non-current</b>				
Other receivables	4,903	9,622	-	-
Other debtors	2,388	-	-	-
	7,291	9,622	-	-
<b>Current</b>				
Trade receivables	9,745	13,150	100	100
Less: provision for impairment	(2,633)	(2,841)	-	-
	7,112	10,309	100	100
Prepayments and accrued income	10,884	13,995	-	-
Advance to suppliers	7,402	1,345	-	-
Loans to subsidiaries	-	-	3,107	2,992
Other taxes and social security	5,690	4,380	-	26
Grants	274	251	-	-
Other receivables	9,446	4,976	-	-
	40,808	35,256	3,207	3,118

Trade receivables are non-interest bearing and generally have a 45 to 90 day term. Due to their short maturities, the fair value of trade receivables approximates to their book value. A provision for impairment of trade receivables is established when there is no objective evidence that the Group will be able to collect all amounts due according to the original terms. The Group considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired. The energy is sold in the Argentine wholesale market through transactions administrated by CAMMESA. The directors consider that the carrying amount of other receivables approximates to their fair value.

## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 16. TRADE AND OTHER RECEIVABLES (continued)

The energy and capacity of HASA is sold in the Argentine wholesale market through transactions administrated by CAMMESA. However, the lack of determination of a uniform price by the Argentine Energy Secretariat led there to being insufficient funds to finance the wholesale market, resulting in the creation of the Fund for the Necessary Investments to allow for the Increase of Electric Power Supply in the Argentine Wholesale Electric Power Market ("FONINVEMEM"). On previous years CAMMESA stipulated how these debts should be cancelled.

After the end of the mentioned regulation and until HASA adopted the new stipulated regulation, together with the general resolutions 95/2005 of the Ministry of Energy, HASA recovered the whole energy sold. Since the new regulation, a portion of the recognized value by CAMMESA is instrumented with a sales report named "settlements". These "settlements" collections, depends on certain not well defined situations. Under this last consideration, this portion of the recognized value has not been recognized as income until the collection is reasonably secured.

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Provision for impairment of trade receivables</b>				
As at 1 January	2,841	5,130	-	-
Impairment losses recognised on receivables	498	448	-	-
Amounts written off as uncollectible	-	(1,673)	-	-
Foreign exchange movements	(706)	(1,064)	-	-
As at 31 December	2,633	2,841	-	-

As at 31 December 2014, US\$2.6 million trade receivables were impaired (2013: US\$2.8 million). As at 31 December 2014 trade receivables of US\$4.2 million were past due but not impaired (2013: US\$3.3 million). The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Ageing of past due but not impaired</b>				
Up to 3 months past due	3,157	2,839	100	100
3 to 6 months past due	227	58	-	-
Over 6 months past due	819	368	-	-
	4,203	3,265	100	100

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. DEFERRED TAX

GROUP	Provision for bad debts	Notional income tax	Provision charges	Employee benefits	Other	Carry forward losses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax asset							
At 1 January 2013	2,156	11,024	2,324	2,854	495	2,775	21,628
Credited to the income statement	(507)	(324)	325	383	(26)	(1,049)	(1,198)
Foreign exchange movement	(449)	(2,654)	(622)	(762)	(117)	(514)	(5,118)
At 31 December 2013	1,200	8,046	2,027	2,475	352	1,212	15,312
(Charged)/credited to the income statement	136	(470)	274	712	240	6,060	6,952
Foreign exchange movement	(295)	(1,903)	(502)	(630)	(96)	(606)	(4,032)
At 31 December 2014	1,041	5,673	1,799	2,557	496	6,666	18,232

Deferred tax liability	Fair value of property plant and equipment	Tax depreciation of intangibles	Borrowings	Total
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2013	15,483	712	921	17,116
(Credited)/charged to the income statement	(975)	251	622	(102)
Foreign exchange movement	(3,645)	(215)	(325)	(4,185)
At 31 December 2013	10,863	748	1,218	12,829
(Credited)/charged to the income statement	840	170	(168)	842
Foreign exchange movement	(2,894)	(188)	(40)	(3,122)
At 31 December 2014	8,809	730	1,010	10,549

Minimum notional income tax is payable in Argentina and is supplementary to income tax. At the year end the Group determines the amount of minimum notional income tax due at the applicable tax rate and its tax liability is the higher of the minimum notional tax and the income tax due. However, if the minimum notional income tax for a given year exceeds the amount of income tax, such excess may be carried forward against future income tax liabilities for a maximum of ten years.

The minimum notional income tax is included as a deferred tax asset to the extent that it is probable that taxable profits will be available against which the minimum notional income tax can be utilised.

In the Group, losses in respect of which deferred tax assets have been recognised will expire between 2017 and 2044.

The Company did not recognise deferred income tax assets of US\$1 million (2013: US\$0.4 million) in respect of tax losses amounting to US\$3 million (2013: US\$1 million) as there is insufficient evidence that the potential asset will be recovered.

### 18. INVENTORIES

	31-Dec-14	31-Dec-13
	US\$'000	US\$'000
Raw materials and consumables	8,540	5,035
	8,540	5,035

No inventory was written off in the year.

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Cash at bank and in hand	12,246	14,355	30	71
	12,246	14,355	30	71

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

### 20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Current</b>				
Trade payables	85,644	58,414	66	149
Social security and other taxes	14,081	14,649	-	-
Accrued expenses	35,032	20,601	150	668
Government payables related to compensation funds	930	1,213	-	-
Other payables	9,060	8,071	529	62
Loans from subsidiaries	-	-	457	459
	144,747	102,948	1,202	1,338

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Non-current</b>				
Trade payables	34	-	-	-
Royalties payable	425	-	-	-
Social security and other taxes	8,693	10,099	-	-
Other payables	137	1,084	-	-
	9,289	11,183	-	-

Other payables include a US\$5.8 million earn-out payment due under the EDEMSA acquisition agreement as detailed in note 2.2.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

### 21. FINANCIAL LIABILITIES

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Current</b>				
Bank borrowings	512	6,225	-	-
Other borrowings	9,282	12,264	8,950	7,668
Finance leases	19	111	-	-
	9,813	18,600	8,950	7,668

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. FINANCIAL LIABILITIES (continued)

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Non-current</b>				
Bank borrowings	286	3,206	-	-
Other borrowings	1,586	108	-	-
Finance leases	1	23	-	-
	<u>1,873</u>	<u>3,337</u>	<u>-</u>	<u>-</u>

#### *Bank borrowings and other borrowings:*

##### Group

##### *Syndicated loan*

During 2011, EDEMSA entered into a syndicated loan in the amount of AR\$144 million (US\$22.2 million). The loan term was 36 months. Interest was payable quarterly at a fixed annual nominal rate of 19% during the first year and at a variable rate during the second and third years linked to Argentine deposit rates. The principal was repayable in ten equal quarterly instalments of AR\$14.4 million beginning on 16 May 2012 and ending on 18 August 2014. Following the covenants of this loan being in breach as at 31 December 2012, on 23 May 2013 an amendment to the syndicated loan agreement was agreed with the following main revised terms:

- loan maturity date 16 August 2015
- monthly repayments of principal and interest of AR\$2.9 million until the maturity date
- a number of covenants were modified.

On 17 November 2014 the company exercised its right to prepay the loan in full.

##### *Other borrowings*

A AR\$12.9 million (US\$1.5 million) loan carrying interest at a rate of BADLAR plus 5% per annum repayable in 2015; a AR\$3.5 million (US\$0.4 million) loan carrying interest at a rate of 15% per annum and overdue for repayment; a AR\$5.9 million (US\$0.7 million) loan carrying interest at a rate of 20.84% per annum repayable in monthly instalments by January 2016; and a AR\$1.0 million (US\$0.1 million) loan carrying interest at a rate of 15% per annum repayable in monthly instalments by November 2015.

##### Company

A US\$5 million secured loan to the Company carrying interest at a rate of 12.75% per annum and was repayable by March 2013. As at the date of approval of these financial statements, this loan had not been repaid and the Company had not paid thirteen quarterly interest instalments; and a US\$1.2 million loan with no coupon and no fixed repayment date and a £0.05 million (US\$0.1 million) redeemable preference shares repayable within 5 years (see note 23).

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## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 21. FINANCIAL LIABILITIES (continued)

The maturity profile of financial liabilities based on gross undiscounted cash flows is summarized below:

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Maturity profile</b>				
Within 1 year	9,813	18,681	8,950	7,668
Between 1 and 5 years	1,873	3,256	-	-
	11,686	21,937	8,950	7,668

The directors consider that the carrying amount of financial liabilities approximates to their fair value.

### 22. PROVISIONS

	Fines US\$'000	Legal claims US\$'000	Total US\$'000
<b>At 1 January 2013</b>	10,986	1,885	12,871
Additional provisions	3,940	156	4,096
Used during the year	(79)	(103)	(182)
Foreign exchange movements	(3,313)	(471)	(3,784)
<b>At 31 December 2013</b>	11,534	1,467	13,001
Additional provisions	2,844	590	3,434
Used during the year	(54)	(208)	(262)
Foreign exchange movements	(2,907)	(371)	(3,278)
<b>At 31 December 2014</b>	11,417	1,478	12,895

The provisions represent provisions for certain claims relating to penalties in connection with service quality, which are expected to crystallise within four years after the reporting date. The provisions charge is recognised in the income statement within cost of sales. In the management's opinion, after taking appropriate legal advice, the outcome of these claims is unlikely to give rise to any significant loss in excess of the amounts provided.

### 23. CALLED UP SHARE CAPITAL

	2014 No.	2014 US\$'000	2013 No.	2013 US\$'000
Allotted, called up and fully paid				
Ordinary shares of 10 pence each	96,156,114	14,904	96,156,114	14,904
Redeemable preference shares of £1	50,000	78	50,000	82

The redeemable preference shares are classified as non-current liabilities (see note 21).

## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 23. CALLED UP SHARE CAPITAL (continued)

The issued share capital is reconciled as follows:

	2014 No.	2013 No.
Ordinary shares of 10 pence each		
Balance at beginning of year	96,156,114	96,156,114
Issued during the year	-	-
Balance at end of year	96,156,114	96,156,114
	2014 No.	2013 No.
Redeemable preference shares of £1 each		
Balance at beginning of year	50,000	50,000
Issued during the year	-	-
Balance at end of year	50,000	50,000

#### 24. WARRANTS

The Group has constituted warrant instruments to create and issue warrants to subscribe for ordinary shares. Details of warrants granted are as follows:

Exercise period	At 1 January 2014 No.	Granted during year 2014 No.	Lapsed during year 2014 No.	At end of year 2014 No.	Exercise price
July 2005 to July 2014	570,500	-	(570,500)	-	54 pence
October 2008 to October 2014	1,157,300	-	(1,157,300)	-	54 pence
June 2012 to September 2017	489,000	-	-	489,000	45 pence
June 2012 to September 2017	489,000	-	-	489,000	54 pence
June 2012 to September 2017	1,304,000	-	-	1,304,000	70 pence
June 2012 to June 2019	2,158,120	-	-	2,158,120	54 pence
January 2013 to January 2018	7,824,000	-	-	7,824,000	54 pence
	13,991,920	-	(1,727,800)	12,264,120	

The warrants were granted following the demerger of the utility operations from Andes Energia plc ("Andes") and the terms and conditions are consistent with the term and conditions applicable to the underlying Andes warrants. The weighted average remaining contractual life of the warrants is 3.76 years. All warrants, apart from the 2,158,120 granted to management and advisers, are outside the scope of IFRS 2 "Share-Based Payments". For those warrants outside the scope of IFRS 2 "Share-Based Payments" the table below summarises the number of warrants and the associated weighted average exercise price (WAEP) outstanding during the year.

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at 1 January	10,676,500	55.0 pence	10,676,500	55.0 pence
Granted during the year	-		-	
Lapsed during the year	(570,500)		-	
Outstanding at 31 December	10,106,000		10,676,500	
Exercisable at 31 December	10,106,000		10,676,500	



## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 24. WARRANTS (continued)

For those warrants within the scope of IFRS 2 "Share Based Payments" the table below summarises the number of warrants and the associated weighted average exercise price (WAEP) outstanding during the year.

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Outstanding at 1 January	3,315,420	54.0 pence	3,315,420	54.0 pence
Granted during the year	-		-	
Lapsed during the year	(1,157,300)		-	
Outstanding at 31 December	<u>2,158,120</u>		<u>3,315,420</u>	
Exercisable at 31 December	<u>2,158,120</u>		<u>3,315,420</u>	

The fair values of warrants not yet lapsed, which fall under the scope of IFRS 2, were calculated using the Black-Scholes model. The estimated fair values of options, which fall under IFRS 2 and the inputs used in the model to calculate those fair values are as follows:

Date of grant	Number	Estimated Fair value	Share price at date of grant	Exercise price	Expected volatility percentage	Expected life Years	Risk free rate percentage	Expected dividends percentage
June 2012	2,158,120	23 pence	45.25 pence*	54 pence	53%	4.5	1.80%	0%

\*The share price is the pre-demerger share price of Andes and the volatility was derived from the pre-demerger Andes share activity.

The Group recognised an expense of US\$0.1 million related to equity settled share-based payment transactions during the year (2013: US\$0.1 million).

Warrants granted to and held by directors during the year are detailed below:

	01-Jan-14 No.	Granted in the year No.	Lapsed during Year No.	31-Dec-14 No.	Exercise price	Exercise Dates
Neil Bleasdale	52,160	-	(52,160)	-	54 pence	
Neil Bleasdale	423,800	-	-	423,800	54 pence	2019
Luis Alvarez Poli	130,400	-	(130,400)	-	54 pence	
Luis Alvarez Poli	293,400	-	-	293,400	54 pence	2019
Marcelo Comba	81,500	-	(81,500)	-	54 pence	
Marcelo Comba	65,200	-	-	65,200	54 pence	2019
Nigel Duxbury	195,600	-	(195,600)	-	54 pence	
Nigel Duxbury	130,400	-	-	130,400	54 pence	2019
Senior Management	779,140	-	(779,140)	-	54 pence	
Senior Management	1,245,320	-	-	1,245,320	54 pence	2019
	<u>3,396,920</u>	<u>-</u>	<u>(1,238,800)</u>	<u>2,158,120</u>		

## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 25. NON-CONTROLLING INTERESTS

	31-Dec-14	31-Dec-13
	US\$'000	US\$'000
<b>At 1 January</b>	40,536	52,817
(Losses)/profits attributable to non-controlling interests	(6,727)	813
Translation differences	(9,365)	(13,094)
<b>At 31 December</b>	24,444	40,536

#### 26. RESERVES

##### *Merger reserve*

The merger reserve arose following the completion of the demerger on 11 July 2012.

##### *Translation reserve*

The translation reserve results from exchange differences arising from the translation of the assets and liabilities of the Group's operations into the presentation currency at exchange rates prevailing on the reporting date, and income and expense items at the average exchange rates for the period.

#### 27. CAPITAL COMMITMENTS

	31-Dec-14	31-Dec-13
	US\$'000	US\$'000
Commitments for the acquisition of property, plant and equipment	10,677	3,435

#### 28. FINANCIAL RISK MANAGEMENT

The directors have reviewed the consolidated financial statements and have concluded that there are no significant differences between the book values and the fair values of the assets and liabilities of the Group and Company as at 31 December 2014.

##### **Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to maintain sufficient financial flexibility in order to undertake its investment plans, and to optimise the weighted average cost of capital and tax efficiency.

To maintain or adjust the optimum capital structure, the Group may put in place new debt facilities, issue new capital for cash, repay or restructure existing debt, amend its dividend policy, or undertake other such restructuring activities as appropriate.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## Andina plc

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 28. FINANCIAL RISK MANAGEMENT (continued)

##### Capital risk management (continued)

The Group monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to net debt plus equity. Net debt is calculated as gross debt, as shown in the balance sheet, less cash and cash equivalents and excludes finance lease liabilities.

	<b>The Group</b>	
	<b>31-Dec-14</b>	<b>31-Dec-13</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Borrowings, excluding finance lease liabilities	11,666	21,803
Less: Cash and cash equivalents	(12,246)	(14,355)
Net debt	(580)	7,448
Equity	31,628	64,551
Net debt ratio	-2%	12%

The directors consider the net debt ratio to be within the acceptable range. The primary reason for this improvement results from the delay in making payments to CAMMESA.

##### Financial risk management

The Group's financial instruments comprise cash and cash equivalents, trade receivables, other receivables, trade and other financial payables and borrowings. The Group does not speculate in financial instruments. The numerical disclosures in this note deal with financial assets and liabilities as defined in IFRS 7 "Financial Instruments: Disclosure".

The Group is exposed through its operations to a number of financial risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policy for managing these risks is set by the key management of the Company and the respective subsidiary and all such risks are managed at the Company and subsidiary level within the organisation. The policies for these risks are described further below:

##### *Derivatives, financial instruments and risk management*

The Group does not use derivative instruments or financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. The Group does not enter into hedging positions in respect of its exposure to foreign currency risk.

##### *Market risk*

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing liabilities and commodity risks, all of which are exposed to general and specific market movements. Management does not set limits on the value of risk that may be accepted. However, management is on alert for significant market movements and takes these movements into account in their future dealings.

Sensitivities to market risks included below are based on a change in a factor while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated, for example, changes in interest rate and changes in foreign currency rates.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 28. FINANCIAL RISK MANAGEMENT (continued)

#### *Foreign currency risk management*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is mainly exposed to currency risks on certain bank deposits, debtors and creditors denominated in £ and AR\$.

The Group's exposure to foreign currency risk was as follows, based on carrying amounts at the reporting date:

	<b>The Group</b>	
	<b>£'000</b>	<b>ARS'000</b>
Trade and other receivables	65	344,890
Cash and cash equivalents	21	104,338
Trade and other payables	(775)	(1,119,771)
Net exposure	(689)	(670,543)

The following table presents sensitivities of profit and loss (after tax) and equity to changes in exchange rates applied at the end of the year relative to the functional currency of the Group, with all other variables held constant:

	<b>31-Dec-14</b>
	<b>US\$'000</b>
AR\$ strengthening by 25%	88,297
AR\$ weakening by 25%	(88,297)

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If variable interest rates increased by 1% compared to the current rate this would result in a US\$0.1 million higher income/charge.

The Group's exposure to cash flow interest rate risk comes from variable interest liabilities and its fair value interest rate risk through its fixed rate borrowings.

The Group does not have formal policies and procedures in place for management of interest rate risks as management considers this risk as insignificant to the Group's business.

#### *Price risk*

Whilst the Group is not subject to price risk due to the service nature of the services it provides, the Group's business is based on a regulated tariff structure. If future tariff reviews are not forthcoming this will adversely affect cash flows and the ability of the Group to invest in the business and could impair group asset values. The Group has not entered into any derivative arrangements in this respect. In connection with electricity sales, the Group is not exposed to risk in relation to fluctuations in the prices paid to purchase the electricity in the market since any price fluctuations are passed on to the customers.

The Group is exposed to commodity price risk in relation to the purchase of copper wires used in the distribution networks. The Group does not use derivatives to hedge this risk. The Group is also exposed to price risk due to inflationary increases in the price of the goods and services it purchases and equity securities price risk on quoted equity investments.

#### *Credit risk*

The Group's business is exposed to credit risks due to the possibility that customers may fail to meet their financial obligations. In accordance with the local legislation, the Group is not able to subject its customer portfolio to a regular credit risk assessment. The Group has the right to disconnect services if customers fail to meet their financial obligations. The Group is also subject to counterparty credit risk attributable to its deposits of cash and cash equivalents. The risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 28. FINANCIAL RISK MANAGEMENT (continued)

#### *Credit risk (continued)*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	The Group		The Company	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets within trade and other receivables	42,408	40,499	3,207	3,092
Cash and cash equivalents	12,246	14,355	30	71
	54,654	54,854	3,237	3,163

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is monitored by the Group to ensure that it has sufficient resources to meet its financial obligations as they fall due.

The liquidity risk of the Group is managed by the Board. New borrowings are taken on where additional funds are required. The Group intends to maintain a balance of funding designed to reduce liquidity risks whilst also seeking to minimise the costs of borrowing. Where appropriate the board will seek additional funds from the issue of share capital, private or public placements.

The Group monitors its liquidity requirements through monthly management accounts and periodic cash flow forecasts.

The table below shows the Group and Company's financial liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

Group	Less than	From	More than	Total future payments
	1 year	1 to 5 years	5 years	
	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	9,813	1,873	-	11,686
Creditors	130,666	-	596	131,262
	140,479	1,873	596	142,948
Company	Less than	From	More than	Total Future Payments
	1 year	1 to 5 years	5 years	
	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	8,950	-	-	8,950
Creditors	696	-	-	696
	9,646	-	-	9,646

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 29. FINANCIAL INSTRUMENTS

All financial instruments, except derivatives, are defined as any contract that gives rise to both the recognition of a financial asset in one entity and a financial liability or equity instrument in another entity.

The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in the market. For the purpose of estimating the fair value of financial assets maturing in less than one year, the Group uses the market value. For other investments, the Group uses quoted prices in the market. In relation to financial liabilities, since most loans are taken at variable rates or fixed rates that approximate to market rates, the fair value of loans approximates their carrying value.

Set out below is a comparison of the carrying amount and fair values of the Group's financial instruments. The different levels have been defined as follows:

Level 1: valued using trading prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: valued using inputs that are observable for the asset or liability, either directly (that is as prices), or indirectly (that are derived from prices); and

Level 3: valued using inputs that are not observable for the asset or liability.

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
<b>Financial assets</b>				
Cash and bank balances (Level 1)	12,246	14,355	30	71
Loans and receivables	42,408	40,499	3,207	3,092
Available for sale financial assets*	14,903	7,797	-	-
	<u>69,557</u>	<u>62,651</u>	<u>3,237</u>	<u>3,163</u>
<b>Financial liabilities</b>				
Amortised costs	131,261	89,383	1,202	1,338
	<u>131,261</u>	<u>89,383</u>	<u>1,202</u>	<u>1,338</u>

\*The listed government securities are Level 1 and the other assets Level 3

The directors consider that the carrying amounts of financial assets and financial liabilities which are recorded at amortised cost in the financial statements approximate their fair values for current and non-current loans.

### 30. CONTINGENT LIABILITIES

EDEMESA has received a claim from the Argentine fiscal bureau in respect of a different interpretation of tax assessed in certain years. On 25 June 2007 the company received notice from the authorities of its intention to pursue the claim plus interest and penalties. In the opinion of EDEMESA's tax advisors, the criterion used by the Argentine fiscal bureau is not in line with tax regulation. For this reason the company has not made a provision for this claim. On 19 July 2007 EDEMESA filed appeals with the National Tax Court. The Group does not believe an estimate of its financial effect is practicable and could be misleading.

The delays in the implementation of new tariffs has resulted in EDEMESA falling behind in its payments for energy purchased from CAMMESA (see note 2.2). CAMMESA is claiming penalties and late payment interest of AR\$206 million (US\$24.1) (excluding VAT) for the non-payment for energy purchased. However, after taking legal advice and in light of the Energy Secretariat of the Ministry of Federal Planning issued Resolution 530, the company is of the opinion that it has a high chance of success in defending this claim and has therefore, as at the year-end, only provided AR\$97.7 (US\$11.4) million for late payment interest.

# Andina plc

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 31. RELATED PARTY TRANSACTIONS

#### Company

Amounts owed by and to its subsidiaries are disclosed in notes 16 and 20 respectively.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

#### Key Management Compensation

Compensation for key management of the Company who have authority for planning, directing and controlling the Group;

	The Group		The Company	
	31-Dec-14 US\$'000	31-Dec-13 US\$'000	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Salaries and other short term benefits	891	739	106	79
Share based payments	28	45	28	45
	<u>919</u>	<u>784</u>	<u>134</u>	<u>124</u>
Emoluments of the highest paid director	<u>321</u>	<u>345</u>	-	-
Transactions with minority shareholders	<u>1,125</u>	-	-	-

The ultimate parent undertaking and controlling party is Andina plc, a company incorporated in England and Wales.

### 32. EVENTS AFTER THE REPORTING PERIOD

On 12 March 2015 decree N° 390/15 was issued, which ratified the Framework Agreement of the Convergence Program of Electricity Tariffs and Reaffirmation of Electrical Federalism in Argentina for the year 2015, agreed on 12 January 2015 between the Nation and the Province of Mendoza.

Under this agreement the current tariff schemes effective at 31 December 2013 will not change until 31 December 2015 but the fourth tariff period beginning on 1 January 2016 and ending on 31 July 2018 will recognise lost earnings for the period from the 1 August 2013 to 31 December 2015.

# Andina plc

## OFFICERS AND ADVISERS

### DIRECTORS

Neil Bleasdale (Chairman)  
Luis Alvarez Poli (Chief Executive)  
Jorge Depresbiteris (COO)  
Nigel Duxbury (CFO)  
Marcelo Comba (Non-Executive)

### SECRETARY

Nigel Duxbury, ACA

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