


Andina plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

(Company No. 8095058)

TUESDAY



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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.

Our financial results incorporating the results of Andina together with its subsidiaries for the year ended 31 December 2015 are set out below.

Year ended 31 December	2015	2014
	US\$m	US\$m
Revenue	143.7	133.6
Operating loss	(1.0)	(1.0)

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 (“HASA”), a 60MW hydroelectric power plant in the Province of Chubut (“HASA”).

TRADING AND FINANCIAL PERFORMANCE

Revenue for the Group for the year increased from US\$133.6 million in 2014 to US\$143.7 million in 2015. Revenues from operating activities in local currency increased by 23% year on year but the devaluation of the AR\$ against the US\$ resulted in Group revenues in the reporting currency US\$ only increasing by 8% (see note 2.10 for details of changes in exchange rates). The increase in operating revenues primarily resulted from a 3% increase in energy demand in the distribution business, a 45% increase in energy generated in the generation business and the recognition of AR\$ 168.8 million (US\$18.3 million) in revenue in respect of the Tariff Convergence Program (see EDEMISA financial review below). The distribution business represents 97.6% of Group revenue and the generating business 2.4%.

The Group’s total assets have decreased from US\$210 million in 2014 to US\$194 million at the end of the year mainly as a consequence of the devaluation of the AR\$ against the US\$, which resulted in US\$10 million of exchange losses being recognised in the statement of comprehensive income for the year.

Net current liabilities increased from US\$91 million at the end of 2014 to US\$98 million at the end of 2015, which is compounded by the delays in the payment for energy purchased from Compañía Administradora del Mercado Mayorista S.A. (“CAMMESA”) (refer to the directors report on page 7 for further details). At the year-end, the Group had cash resources of US\$12.7 million compared to US\$12.2 million at the end of 2014.

Borrowings have remained constant at US\$12 million in 2015 and 2014, 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\$104.8 million (US\$11.3 million) compared with a post-tax loss of AR\$110.8 million (US\$13.7 million) in 2014.

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STRATEGIC REPORT (continued)

EDEMSA (continued)

Financial (continued)

Sales for the year increased by 23% over 2015 to AR\$1,296.4 million (US\$140.3 million). This increase resulted primarily from a 3% increase in energy demand to 3,729.2 GWh for the year and the recognition of AR\$168.8 (US\$18.3 million) in revenue in respect of the Tariff Convergence Program (see below).

On 12 March 2015 decree N° 390/15 was issued, which ratified the Framework Agreement of the Tariff Convergence Program of Electricity Tariffs and Reaffirmation of Electrical Federalism in Argentina for the year 2015 (“Convergence 2015”), agreed on 12 January 2015 between the Federal Government and the Province of Mendoza. Under this agreement the tariff schemes effective at 31 December 2013 remain in place 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.

On 30 September 2015 a public hearing was held to review the fourth tariff period proposed under Resolution No. 073/15, which was subsequently followed on 9 December 2015 by the issue of Decree No. 2573/15, published on 16 December 2015. This Decree approved the implementation of the new tariffs outlined in the fourth period tariff schedule with effect from 1 March 2016 on a quarterly basis until 1 June 2017. This Decree also approved an advance billing of energy from 1 December 2015 to 31 March 2016 to finance the maintenance, repair, expansion and improvement of the distribution network. In addition, the Decree approved a procedure to adjust the VAD periodically in line with inflation from January 2017.

On 30 November 2015, the Ministry of Energy of the Nation, the Province of Mendoza, the Ente Provincial Regulador Eléctrico (“EPRE”) and EDEMSA signed a supplementary addendum establishing an investment program within the Convergence 2015 framework, pursuant to which EDEMSA would receive non-repayable subsidies, subject to fulfilling certain conditions. The subsidies would retrospectively compensate the company for revenue lost as a result of the delays in the implementation of new tariffs. An amount of AR\$168.8 million (US\$18.3 million) has been recognised in 2015 revenue and AR\$139.8 (US\$15.1 million) in trade and other receivables corresponding to the benefits accrued under this program in respect of relevant projects completed by EDEMSA as at 31 December 2015.

Gross profit for the year increased from AR\$277.6 million (US\$34.3 million) in 2014 to AR\$383.6 million (US\$ 41.5 million) in 2015.

Administrative expenses and marketing costs in local currency increased by 33.5% year on year in line with inflation, despite efforts to manage price increases for services and other major operational expenses. The biggest increases were seen in salaries and social security costs and third party fees and expenses.

The increase in financial costs primarily results from the increase in the outstanding debt with CMMESA. The delays in the implementation of new tariffs, have resulted in delays in the payment for energy purchased from CMMESA. CMMESA has issued debit notes for interest on these overdue amounts that EDEMSA has challenged in the light of the tariff delays, and has only recognised as interest expense those costs, which in the opinion of its lawyers, are not excessive and are consistent with current market conditions.

Total liabilities have increased by AR\$857.9 million (US\$10.7 million) during the year (64% in AR\$, 7% in US\$). Funds generated from operations and the increase in trade liabilities have helped finance the increase in assets of AR\$753.1 million.

The delays in the implementation of new tariffs and low cash generation has led to a concentration of liabilities in the short term, reducing working capital and increasing liquidity risk.

Operational and commercial

During 2015, progress was made in consolidating the improvements made in 2014 in relation to productivity and process efficiency. In that regard the company has worked extensively with large customers to introduce new economic technical solutions to meet their needs. All key trading indicators improved in 2015, with the company maximising operational efficiencies within the framework of planned expenditure.

Meter readings: Further efficiencies have been achieved in the process for recording meter readings, enhanced by the introduction of a new digital distribution billing system, which now has 16,000 supplies connected to the system.

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STRATEGIC REPORT (continued)

EDEMSA (continued)

Operational and commercial (continued)

Energy losses: During 2015, the level of energy losses has increased to 10.9%. The trend of energy losses is; December 2010 10.8%; December 2011 10.7%; December 2012 10.9%; December 2013 10.7%; December 2014 10.5%; and December 2015 10.9%. The energy losses remain relatively stable due to the continuing analysis of all customers and on site field visits.

HASA

Financial

The company recorded an increase in post-tax profit for the year to AR\$9.1 million (US\$1.0 million) compared to the 2014 profit of AR\$0.4 million (US\$0.1 million). Sales increased to AR\$31 million (US\$3.5 million) compared to AR\$27 million (US\$3.3 million) in 2014. The power generated in the year was 184 GWh, an increase of 44.9% compared to the 127 GWh generated in 2014.

The current tariff structure was established in Resolution 482/2015 S.E., a modification of Resolution 529/2014 S.E. These two resolutions apply retroactively to February of the year to which they refer. Pursuant to these resolutions tariffs increased by 30.1% with effect from 1 February 2014 and 20.3% with effect from 1 February 2015.

A further Resolution 22/2016, was published in March 2016, which modified Resolution 482/2015 and approved a tariff increase of approximately 40% with effect from 1 February 2016.

Operational

Accumulated water used during the year was 1,779 hm³ compared to 1,212 hm³ in 2014.

The annual generation was 184 GWh, which was 5% above historic average of 175 GWh and 45% higher than 2014.

The maximum monthly generation in 2015 was recorded in the month of December with 25.2 GWh and the minimum in the month of June with 8.5 GWh. The monthly average value for 2015 was 15.4 GWh (2014: 10.6 GWh).

The total energy produced during the year was sold in the spot market. Collection arrears from CAMESA remained constant at 60 days (2014: 60 days).

EARNINGS PER SHARE

Basic and diluted loss per share decreased from 10.54 cents in 2014 to 10.39 cents in 2015. 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\$1,083 million in 2014 to AR\$1,328 million in 2015.

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 increased to 29% in 2015 from 25% in 2014.

Energy losses

This measures the efficiency of the energy distributed and includes the technical and commercial loss. Energy losses increased from 10.5% at the end of 2014 to 10.9% at the end of 2015.

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STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS (continued)

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 2014 was 159.6 metres compared to 160.3 metres at the end of 2015.

FUTURE DEVELOPMENT

The immediate focus of management is to formalise a revised payment plan with CAMMESA to enable accumulated payables and loan balances to be settled in an orderly fashion and continue to make the necessary investments in the infrastructure of the businesses to meet demand and improve the service.

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 6 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.

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

Resolution 6/2016 MEyM, issued on 25 January 2016, approved the new wholesale energy supply cost from February 2016. This Resolution removed the Federal Government Grants and created a Stimulus Plan with differential pricing for customers who make certain savings in consumption and a social tariff for residential customers under certain socioeconomic conditions. This cost increase is passed on to customers increasing energy sales with a consequential increase in direct sale costs.

One of our main objectives is to resolve the CAMMESA debt situation and since the year end EDEMSA has presented proposals to CAMMESA to regulate the situation. The current proposal provides for a 1 year grace period followed by 96 monthly instalments carrying a 10% per annum coupon. This proposal is under negotiation at the current time.

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

**Neil Bleasdale
Director
20 May 2016**

Andina plc

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of Andina for the year ended 31 December 2015.

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 also 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 20 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 Companc) and has also worked for Banco Macro in Buenos Aires. In 2014 he became president of HDS.

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 also the 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. He was also the former President of HASA.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US\$15.1 million (2014: US\$16.9 million loss).

The directors do not recommend the payment of a dividend by the ultimate parent company (2014: 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.

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DIRECTORS' REPORT (continued)

COUNTRY OF OPERATION

The Group's activities are based in Argentina.

GOING CONCERN

At 31 December 2015, the Group had net current liabilities of US\$98 million and debt of US\$12 million and the Company US\$8 million and US\$10 million respectively. The directors recognise that further delays in reaching agreement with CAMMESA and/or in the recognition of tariffs increases and/or the inability to reach agreement with the lender of a parent company loan, 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. However, after making enquiries and careful consideration of the tariff increases, the proposed payment plan to CAMMESA and the likelihood of reaching agreement with the lender of the parent company loan, 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, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future.

Status of EDEMSA 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, EDEMSA, 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. The tariff review for the fourth tariff period scheduled for 2013 was not implemented at that time and the delays in implementing new tariffs has caused EDEMSA to fall behind in the payment for power purchased from CAMMESA.

On 12 March 2015 decree N° 390/15 was issued, which ratified the Framework Agreement of the Tariff Convergence Program of Electricity Tariffs and Reaffirmation of Electrical Federalism in Argentina for the year 2015, agreed on 12 January 2015 between the Federal Government and the Province of Mendoza. Under this agreement the tariff schemes effective at 31 December 2013 remain in place 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.

On 30 September 2015 a public hearing was held to review the fourth tariff period proposed under Resolution No. 073/15, which was subsequently followed on 9 December 2015 by the issue of Decree No. 2573/15, published on 16 December 2015. This Decree approved the implementation of the new tariffs outlined in the fourth period tariff schedule with effect from 1 March 2016 on a quarterly basis until 1 June 2017. This Decree also approved an advance billing of energy from 1 December 2015 to 31 March 2016 to finance the maintenance, repair, expansion and improvement of the distribution network. In addition, the Decree approved a procedure to adjust the VAD periodically in line with inflation from January 2017.

On 30 November 2015, the Ministry of Energy of the Nation, the Province of Mendoza, EPRE and EDEMSA signed a supplementary addendum establishing an investment program within the Convergence 2015 framework, pursuant to which EDEMSA would receive non-repayable subsidies, subject to fulfilling certain conditions. The subsidies would retrospectively compensate the company for revenue lost as a result of the delays in the implementation of new tariffs. An amount of AR\$168.8 million (US\$18.3 million) has been recognised in 2015 revenue and AR\$139.8 (US\$15.1 million) in trade and other receivables corresponding to the benefits accrued under this program in respect of relevant projects completed by EDEMSA as at 31 December 2015.

Following the agreement of the new tariffs, EDEMSA has presented proposals to CAMMESA to regulate the debt situation. The current proposal provides for a 1 year grace period followed by 96 monthly instalments carrying a 10% per annum coupon. This proposal is under negotiation at the current time. At the year end, EDEMSA had payables due to CAMMESA of AR\$1,278.4 million excluding penalties (US\$97.6 million). CAMMESA is claiming penalties and interest of AR\$351 million plus VAT (of which AR\$145 million relates to the current year and AR\$206 million to previous years). EDEMSA is disputing the amount of interest claimed on the basis the claim is not consistent with the critical situation facing the electricity sector. CAMMESA has issued debit notes for interest on these overdue amounts that EDEMSA has challenged in the light of the tariff delays. The company has only recognised as interest expense those costs, which in the opinion of its lawyers, are not excessive and are consistent with the current market conditions. After taking legal advice, EDEMSA is of the opinion that it has a strong case and a high chance of successfully challenging the claim.

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DIRECTORS' REPORT (continued)

GOING CONCERN (continued)

Status of Parent Company Loan

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 thirteen 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. 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.

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 2016**

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 Company financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as regards the 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.

In our opinion:

- Andina plc's Group financial statements, and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2015 and of the Group's loss and the Group's and the 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 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.

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 Company's ability to continue as a going concern which indicated that there are material uncertainties regarding:

- the mechanism in which the payable of US\$97.6 million (excluding penalties) due to CAMMESA at the year end will be settled;
- the ability of the Company to renegotiate the terms of a US\$5 million secured loan that is in default.

Should the outstanding balances due to CAMMESA and other lenders not be renegotiated, both the Group and Company may no longer be viable. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

Andina plc financial statements comprise:

- the Consolidated statement of financial position as at 31 December 2015 and Company statement of financial position as at 31 December 2015;
- 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 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.

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

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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.

Responsibilities for the financial statements and the audit

As explained more fully in the Directors' responsibilities statement set out on page 9, 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 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.

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 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 2016

Andina plc

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Revenue	3	143,710	133,636
Cost of sales		(102,128)	(99,702)
Gross profit		<u>41,582</u>	<u>33,934</u>
Other operating income		2,737	4,511
Distribution costs		(20,812)	(17,415)
Administrative expenses		(24,487)	(21,994)
Operating loss	5	(980)	(964)
Finance income	7	12,402	4,837
Finance costs	8	(32,147)	(25,125)
Loss before income tax		<u>(20,725)</u>	<u>(21,252)</u>
Taxation credit	9	5,665	4,386
Loss for the year		<u>(15,060)</u>	<u>(16,866)</u>
Loss attributable to:			
Owners of the parent		(9,992)	(10,139)
Non-controlling interests		(5,068)	(6,727)
		<u>(15,060)</u>	<u>(16,866)</u>
		Cents	Cents
Basic and diluted loss per ordinary share	10	(10.39)	(10.54)

The notes on pages 20 to 52 are an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Loss for the year	(15,060)	(16,866)
Translation differences	(9,958)	(16,158)
Total comprehensive expense for the year	<u>(25,018)</u>	<u>(33,024)</u>
Total comprehensive expense attributable to:		
Owners of the parent	(12,934)	(16,932)
Non-controlling interests	(12,084)	(16,092)
Total comprehensive expense for the year	<u>(25,018)</u>	<u>(33,024)</u>

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

The notes on pages 20 to 52 are an integral part of these financial statements.

Andina plc

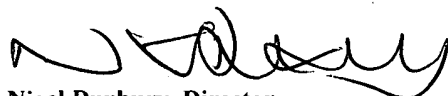
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2015

	Note	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Non-current assets			
Intangible assets	12	10,028	15,773
Property, plant and equipment	13	85,070	103,001
Trade and other receivables	16	5,891	7,295
Deferred income tax assets	17	10,326	7,683
Total non-current assets		<u>111,315</u>	<u>133,752</u>
Current assets			
Inventories	18	9,924	8,540
Available for sale financial assets	14	11,215	14,899
Trade and other receivables	16	48,960	40,808
Cash and cash equivalents	19	12,686	12,246
Total current assets		<u>82,785</u>	<u>76,493</u>
Current liabilities			
Trade and other payables	20	158,411	144,747
Financial liabilities	21	12,086	9,813
Provisions	22	10,355	12,895
Total current liabilities		<u>180,852</u>	<u>167,455</u>
Non-current liabilities			
Trade and other payables	20	6,347	9,289
Financial liabilities	21	183	1,873
Total non-current liabilities		<u>6,530</u>	<u>11,162</u>
Net assets		<u>6,718</u>	<u>31,628</u>
Capital and reserves			
Called up share capital	23	14,904	14,904
Accumulated losses		(35,843)	(25,959)
Merger reserve	26	40,432	40,432
Translation reserve	26	(25,135)	(22,193)
Equity attributable to owners of the parent		<u>(5,642)</u>	<u>7,184</u>
Non-controlling interests	25	12,360	24,444
Total equity		<u>6,718</u>	<u>31,628</u>

The notes on pages 20 to 52 are an integral part of these financial statements.

The financial statements on pages 12 to 52 were approved by the Board of Directors and authorised for issue on 20 May 2016 and were signed on its behalf by:



Nigel Duxbury, Director

Company No. 8095058

Andina plc

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2015

	Note	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Non-current assets			
Investments in subsidiaries	15	37,754	39,540
Total non-current assets		<u>37,754</u>	<u>39,540</u>
Current assets			
Trade and other receivables	16	3,065	3,207
Cash and cash equivalents	19	23	30
Total current assets		<u>3,088</u>	<u>3,237</u>
Current liabilities			
Trade and other payables	20	1,404	1,202
Financial liabilities	21	9,529	8,950
Total current liabilities		<u>10,933</u>	<u>10,152</u>
Net assets		<u>29,909</u>	<u>32,625</u>
Capital and reserves			
Called up share capital	23	14,904	14,904
Accumulates losses		(25,341)	(24,056)
Merger reserve	26	40,432	40,432
Translation reserve	26	(86)	1,345
Total equity		<u>29,909</u>	<u>32,625</u>

The notes on pages 20 to 52 are an integral part of these financial statements.

The financial statements on pages 12 to 52 were approved by the Board of Directors and authorised for issue on 20 May 2016 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 2015

	Called up share capital	Accumulated losses	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
At 1 January 2014	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
At 31 December 2014	14,904	(25,959)	40,432	(22,193)	7,184	24,444	31,628
Loss for the year	-	(9,992)	-	-	(9,992)	(5,068)	(15,060)
Translation differences	-	-	-	(2,942)	(2,942)	(7,016)	(9,958)
Total comprehensive expense for the year	-	(9,992)	-	(2,942)	(12,934)	(12,084)	(25,018)
Fair value of share based payments	-	108	-	-	108	-	108
At 31 December 2015	14,904	(35,843)	40,432	(25,135)	(5,642)	12,360	6,718

The notes on pages 20 to 52 are an integral part of these financial statements.

Andina plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital US\$'000	Accumulated losses US\$'000	Merger reserve US\$'000	Translation reserve US\$'000	Total equity US\$'000
At 1 January 2014	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
At 31 December 2014	14,904	(24,056)	40,432	1,345	32,625
Loss for the year	-	(1,393)	-	-	(1,393)
Translation differences	-	-	-	(1,431)	(1,431)
Total comprehensive expense for the year	-	(1,393)	-	(1,431)	(2,824)
Fair value of share based payments	-	108	-	-	108
At 31 December 2015	14,904	(25,341)	40,432	(86)	29,909

The notes on pages 20 to 52 are an integral part of these financial statements.

Andina plc

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31-Dec-15	31-Dec-14
		US\$'000	US\$'000
Loss for the year before taxation		(20,725)	(21,252)
Adjustments for:			
Depreciation and amortisation		4,611	5,115
Exchange movement on debt		(4)	400
Increase in inventories		(12,930)	(8,310)
Increase in trade and other receivables		(29,933)	(9,784)
Increase in creditors and other payables		63,304	44,774
Increase in provisions for liabilities and charges		3,800	4,959
Finance costs		32,147	25,125
Finance income		(12,402)	(4,837)
Share based payments		108	101
Profit on disposal of fixed assets		-	75
Cash generated from operations		<u>27,976</u>	<u>36,366</u>
Interest paid		(3,798)	-
Interest received		5,225	-
Taxation paid		(1,952)	(1,413)
Cash flows from operating activities		<u>27,451</u>	<u>34,953</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,906)	(15,577)
Purchase of investments		55	(10,339)
Proceeds sale of available for sale financial assets		1,285	919
Net cash used in investing activities		<u>(21,566)</u>	<u>(24,997)</u>
Cash flows from financing activities			
Repayments of borrowings and interest paid		(703)	(10,160)
Funds from borrowing		1,363	1,591
Net cash generated from/(used in) financing activities		<u>660</u>	<u>(8,569)</u>
Net increase in cash and cash equivalents		6,545	1,387
Cash and cash equivalents at the beginning of the year		12,246	14,355
Effect of foreign exchange rate changes		(6,105)	(3,496)
Cash and cash equivalents at the end of the year	19	<u>12,686</u>	<u>12,246</u>

Significant non-cash transactions

There were no significant non-cash transactions in 2015 or 2014 apart from the transactions detailed below:

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Transfer of inventory to property, plant and equipment	<u>4,763</u>	<u>2,973</u>

The notes on pages 20 to 52 are an integral part of these financial statements.

Andina plc

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Loss for the year before taxation		(1,393)	(1,639)
Adjustments for:			
Exchange movement on debt		-	400
(Increase)/decrease in trade and other receivables		(3)	19
Increase/(decrease) in trade creditors and other payables		395	(48)
Finance costs		856	1,415
Finance income		-	(313)
Share based payments		108	101
Cash used in operations		(37)	(65)
Cash flows from operating activities		(37)	(65)
Cash flows from financing activities			
Loans from subsidiaries		31	27
Net cash generated from financing activities		31	27
Net decrease in cash and cash equivalents		(6)	(38)
Cash and cash equivalents at the beginning of the year		30	71
Effect of foreign exchange rate changes		(1)	(3)
Cash and cash equivalents at the end of the year	19	23	30

Significant non-cash transactions

There were no significant non-cash transactions in 2015 or 2014.

The notes on pages 20 to 52 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 Plc. 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 2015, the Group had net current liabilities of US\$98 million and debt of US\$12 million and the Company US\$8 million and US\$10 million respectively. The directors recognise that further delays in reaching agreement with CAMMESA and/or in the recognition of tariffs increases and/or the inability to reach agreement with the lender of a parent company loan, 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. However, after making enquiries and careful consideration of the tariff increases, the proposed payment plan to CAMMESA and the likelihood of reaching agreement with the lender of the parent company loan, 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, which assumes the realisation of assets and discharge of liabilities in the normal course of business within the foreseeable future.

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. The tariff review for the fourth tariff period scheduled for 2013 was not implemented at that time and the delays in implementing new tariffs has caused EDEMESA to fall behind in the payment for power purchased from CAMMESA.

On 12 March 2015 decree N° 390/15 was issued, which ratified the Framework Agreement of the Tariff Convergence Program of Electricity Tariffs and Reaffirmation of Electrical Federalism in Argentina for the year 2015, agreed on 12 January 2015 between the Federal Government and the Province of Mendoza. Under this agreement the tariff schemes effective at 31 December 2013 remain in place 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.

On 30 September 2015 a public hearing was held to review the fourth tariff period proposed under Resolution No. 073/15, which was subsequently followed on 9 December 2015 by the issue of Decree No. 2573/15, published on 16 December 2015. This Decree approved the implementation of the new tariffs outlined in the fourth period tariff schedule with effect from 1 March 2016 on a quarterly basis until 1 June 2017. This Decree also approved an advance billing of energy from 1 December 2015 to 31 March 2016 to finance the maintenance, repair, expansion and improvement of the distribution network. In addition, the Decree approved a procedure to adjust the VAD periodically in line with inflation from January 2017.

On 30 November 2015, the Ministry of Energy of the Nation, the Province of Mendoza, EPRE and EDEMESA signed a supplementary addendum establishing an investment program within the Convergence 2015 framework, pursuant to which EDEMESA would receive non-repayable subsidies, subject to fulfilling certain conditions. The subsidies would retrospectively compensate the company for revenue lost as a result of the delays in the implementation of new tariffs. An amount of AR\$168.8 million (US\$18.3 million) has been recognised in 2015 revenue and AR\$139.8 (US\$15.1 million) in trade and other receivables corresponding to the benefits accrued under this program in respect of relevant projects completed by EDEMESA as at 31 December 2015.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.2 Going concern (continued)

Status of EDEMSEA tariff review and settlement of CAMMESA payable and loan balances (continued)

Following the agreement of the new tariffs, EDEMSEA has presented proposals to CAMMESA to regulate the debt situation. The current proposal provides for a 1 year grace period followed by 96 monthly instalments carrying a 10% per annum coupon. This proposal is under negotiation at the current time. At the year end, EDEMSEA had payables due to CAMMESA of AR\$1,278.4 million excluding penalties (US\$97.6 million). CAMMESA is claiming penalties and interest of AR\$351 million plus VAT (of which AR\$145 million relates to the current year and AR\$206 million to previous years). EDEMSEA is disputing the amount of interest claimed on the basis the claim is not consistent with the critical situation facing the electricity sector. CAMMESA has issued debit notes for interest on these overdue amounts that EDEMSEA has challenged in the light of the tariff delays. The company has only recognised as interest expense those costs, which in the opinion of its lawyers, are not excessive and are consistent with the current market conditions. After taking legal advice, EDEMSEA is of the opinion that it has a strong case and a high chance of successfully challenging the claim.

Status of 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 thirteen 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. 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.

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.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.4 Critical accounting estimates and judgements (continued)

Impairment of property, plant and equipment, intangible assets and investments (continued)

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.

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

Other than as set out below, the accounting policies have been applied consistently to all years presented.

(i) New and amended standards adopted by the Group

The following accounting standards, amendments and interpretations became effective in the current reporting period:

- Annual improvements 2011–2013 Cycle – improvements to four IFRSs
- IFRIC 21 Levies

Andina plc

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 application of these standards and interpretations, effective for the first time in the current year, has had no significant impact on the amounts reported in these financial statements.

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

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- *IFRS 9 Financial Instruments*
- *IFRS 14 Regulatory Deferral Accounts*
- *IFRS 15 Revenue from Contracts with Customers*
- *IAS 19 Defined Benefit Plans, Employee Contributions (Amendments to IAS 19)*
- Annual improvements 2010–2012 Cycle – improvements to six IFRSs
- Accounting for Acquisitions of Interests in Joint Operations (Amendments to *IFRS 11*)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to *IAS 16* and *IAS 38*)
- Agriculture: Bearer Plants (Amendments to *IAS 16* and *IAS 41*)
- Equity Method in Separate Financial Statements (Amendments to *IAS 27*)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to *IFRS 10* and *IAS 28*)
- Investment Entities: Applying the Consolidation Exception (Amendments to *IFRS 10*, *IFRS 12* and *IAS 28*)
- Disclosure Initiative (Amendments to *IAS 1*)
- Annual improvements 2012–2014 Cycle – improvements to four IFRSs

None of these are expected to have a significant effect on the consolidated financial statements of 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.

Andina plc

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\$ 1.53 to £1 and AR\$9.24 to US\$1 and the closing rate used was US\$1.48 to £1 and AR\$13.10 to US\$1 (2014: average rate US\$1.65 to £1 and AR\$ 8.10 to US\$1 and closing rate US\$1.55 to £1 and AR\$8.54 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

Long term benefits 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.

Long term benefits for retirement or disability

This represents accrued benefits to 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.

Andina plc

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.

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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.

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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.

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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

EDEMSA'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. EDEMSA 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\$ 6.8 million (2014: US\$8.2 million), which also included US\$ 2.4 million (2014: US\$ 3.3 million) to cover the risks associated with possible fines.

2.29 Restrictions arising from the concession contract of EDEMSA

EDEMSA'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.

2015	Electricity Distribution	Electricity Generation	Unallocated Corporate	Total
Analysis of revenue and profit:	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	140,307	3,403	-	143,710
Operating profit/(loss)	(933)	(145)	98	(980)
Finance income	10,923	1,846	(367)	12,402
Finance costs	(27,534)	(399)	(4,214)	(32,147)
(Loss)/profit before income tax	(17,544)	1,302	(4,483)	(20,725)
Income tax benefit/(expense)	6,190	(525)	-	5,665
(Loss)/profit for the year	(11,354)	777	(4,483)	(15,060)

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. OPERATIONAL SEGMENTS (continued)

2014	Electricity Distribution US\$'000	Electricity Generation US\$'000	Unallocated Corporate US\$'000	Total US\$'000
Analysis of revenue and profit:				
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)
			2015	2014
			US\$'000	US\$'000
Analysis of total assets:				
Electricity distribution			186,619	198,807
Electricity generation			6,696	8,899
Total segment assets			193,315	207,706
Unallocated assets			785	2,539
Consolidated total assets			194,100	210,245
			2015	2014
			US\$'000	US\$'000
Analysis of total liabilities:				
Electricity distribution			168,009	156,508
Electricity generation			2,644	3,404
Total segment liabilities			170,653	159,912
Unallocated liabilities			16,729	18,705
Consolidated total liabilities			187,382	178,617
			2015	2014
			US\$'000	US\$'000
Analysis of total capital expenditure:				
Electricity distribution capital expenditure			29,658	18,919
Electricity generation capital expenditure			-	-
Consolidated total capital expenditure			29,658	18,919
			2015	2014
			US\$'000	US\$'000
Analysis of total depreciation:				
Electricity distribution depreciation			4,218	4,667
Electricity generation depreciation			32	37
Consolidated total depreciation			4,250	4,704
			2015	2014
			US\$'000	US\$'000
Analysis of total amortisation:				
Electricity distribution amortisation			238	271
Electricity generation amortisation			123	140
Consolidated total amortisation			361	411

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OPERATING LOSS

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
This is stated after charging:		
Amortisation	361	411
Depreciation	4,250	4,704
Loss on foreign exchange	3,167	553
Royalties	8,577	9,494

An analysis of auditors' remuneration is as follows:

Audit of the company's individual and consolidated financial statements	103	67
Audit of the company's subsidiaries	163	211
Total audit fees	266	278
Audit-related assurance services	2	-
Tax compliance services	17	11
Total non-audit fees	19	11

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

a) Staff numbers and costs

The average monthly number of persons including executive directors was:

	31-Dec-15	31-Dec-14
	No.	No.
Selling	163	163
Technical	398	387
Administration	162	170
	723	720

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Wages and salaries	35,093	28,475
Social security costs	7,549	5,793
Share based payments	63	72
	42,705	34,340

b) Directors' emoluments

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

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Aggregate emoluments	1,483	605
	1,483	605
Emoluments of the highest paid director	309	321

Andina plc

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 2015 the following provision has been made:

Provision for employee benefits	Current	Non-current	Total
	US\$'000	US\$'000	US\$'000
Benefits for retirement/disability	2,057	3,295	5,352
Long term benefits for years of service	157	692	849
Total 31 December 2015	2,214	3,987	6,201
Total 31 December 2014	1,484	5,824	7,308

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

Charge to the income statement	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Benefits for retirement/disability	2,823	2,283
Long term benefits for years of service	394	388
Total	3,217	2,671

The movements in provisions made are detailed below:

Movement in provisions	US\$'000
Balance as at 1 January 2015	7,308
Service costs	1,372
Interest payments	1,121
Actuarial losses	724
Benefits paid	(1,180)
Foreign exchange movement	(3,144)
Balance as at 31 December 2015	6,201

7. FINANCE INCOME

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Interest receivable and similar income	12,402	4,837
	<u>12,402</u>	<u>4,837</u>

8. FINANCE COSTS

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Interest costs	32,147	25,125
	<u>32,147</u>	<u>25,125</u>

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TAXATION

	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Current tax	(1,809)	(167)
Deferred taxation	7,474	4,553
Income tax benefit	5,665	4,386
Loss on ordinary activities before income tax	(20,725)	(21,252)
Income tax credit on loss at standard rate of 35% (2014: 35%)	7,254	7,438
Effects of:		
Expenses not deductible for tax purposes	-	(184)
Effect of items not taxable	-	(359)
Temporary timing differences	239	15
Recovery of minimum notional tax	-	(1,789)
Tax losses for which no deferred tax asset is recognised	(1,828)	(735)
Income tax benefit	5,665	4,386

The tax rate used for the 2015 and 2014 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-15 Cents	31-Dec-14 Cents
Basic and diluted loss per share	(10.39)	(10.54)
	US\$'000	US\$'000
Loss for the financial year attributable to owners of the parent	(9,992)	(10,139)
	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	12,264

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

Andina plc

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\$1.3 million (2014: US\$1.6 million).

12. INTANGIBLE ASSETS

GROUP	Goodwill US\$'000	Concession US\$'000	Total US\$'000
Cost			
At 1 January 2014	10,940	18,877	29,817
Foreign exchange movements	(2,621)	(4,523)	(7,144)
At 31 December 2014	8,319	14,354	22,673
Foreign exchange movements	(2,896)	(4,997)	(7,893)
At 31 December 2015	5,423	9,357	14,780
Accumulated Amortisation			
At 1 January 2014	-	(8,562)	(8,562)
Charge for the year	-	(411)	(411)
Foreign exchange movements	-	2,073	2,073
At 31 December 2014	-	(6,900)	(6,900)
Charge for the year	-	(361)	(361)
Foreign exchange movements	-	2,509	2,509
At 31 December 2015	-	(4,752)	(4,752)
Net Book Value			
At 31 December 2015	5,423	4,605	10,028
At 31 December 2014	8,319	7,454	15,773

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 (2015 11.73%; 2014 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)

2015	Distribution US\$'000	Generation US\$'000	Total US\$'000
Net book value	2,112	2,493	4,605
	Years	Years	
Remaining life	13	29	
2014	Distribution US\$'000	Generation US\$'000	Total US\$'000
Net book value	3,497	3,957	7,454
	Years	Years	
Remaining life	14	30	

Under a 1998 concession agreement SODEMSA 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
Cost						
At 1 January 2014	131,574	11,619	13,360	19,799	27,971	204,323
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)
At 31 December 2014	103,440	10,616	10,885	16,239	31,790	172,970
Transfers	2,826	-	443	1,431	(4,700)	-
Additions	61	299	268	-	29,030	29,658
Foreign exchange movements	(36,857)	(3,784)	(3,998)	(6,075)	(18,233)	(68,947)
At 31 December 2015	69,470	7,131	7,598	11,595	37,887	133,681
Depreciation						
At 1 January 2014	(59,571)	(2,666)	(9,001)	(6,793)	(8,475)	(86,506)
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
At 31 December 2014	(47,978)	(2,264)	(7,133)	(5,690)	(6,904)	(69,969)
Charge for the year	(2,641)	(256)	(306)	(517)	(530)	(4,250)
Foreign exchange movements	17,479	864	2,573	2,133	2,559	25,608
At 31 December 2015	(33,140)	(1,656)	(4,866)	(4,074)	(4,875)	(48,611)
Net Book Value						
At 31 December 2015	36,330	5,475	2,732	7,521	33,012	85,070
At 31 December 2014	55,462	8,352	3,752	10,549	24,886	103,001

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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-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Current assets				
Loans to other entities	175	1,077	-	-
Investment trusts	-	354	-	-
Other investments	488	1,201	-	-
Listed government bonds	10,552	12,267	-	-
	11,215	14,899	-	-

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-15 US\$'000	31-Dec-14 US\$'000
Non-current assets		
As at 1 January	39,540	42,060
Foreign exchange movements	(1,786)	(2,520)
As at 31 December	37,754	39,540

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

15. INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2015 the Company had the following 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 Limited	UK	UK	100	Holding
Andes Electricidad S.A.	Argentina	Argentina	100	Holding
Inversora Andina de Electricidad S.A. ("IADESA")	Argentina	Argentina	100	Holding
Mendinvert S.A.	Argentina	Argentina	100	Holding
SODEMSA	Argentina	Argentina	100	Holding
Empresa Distribuidora de Electricidad de Mendoza S.A.	Argentina	Argentina	51	Electricity distribution
Hidroeléctrica Ameghino S.A.	Argentina	Argentina	47	Electricity generation
Hidroeléctrica del Sur S.A. ("HDS")	Argentina	Argentina	80	Holding

16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31-Dec-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Non-current				
Other receivables	4,068	4,903	-	-
Other debtors	1,823	2,392	-	-
	<u>5,891</u>	<u>7,295</u>	-	-
Current				
Trade receivables	6,819	9,745	99	100
Less: provision for impairment	(1,846)	(2,633)	-	-
	<u>4,973</u>	<u>7,112</u>	99	100
Prepayments and accrued income	9,049	10,884	-	-
Advance to suppliers	8,262	7,402	-	-
Loans to subsidiaries	-	-	2,966	3,107
Other taxes and social security	20,677	5,690	-	-
Grants	169	274	-	-
Other receivables	5,830	9,446	-	-
	<u>48,960</u>	<u>40,808</u>	3,065	3,207

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 administered by CAMMESA. The directors consider that the carrying amount of other receivables approximates to their fair value.

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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"). In previous years CAMMESA stipulated how these debts should be cancelled.

Further to regulation 95/2005 HASA is able to recover and recognise as income the full value of all energy sold. Following the introduction of regulation 95/2013, CAMMESA introduced the principle of "settlement collections". Since there are different interpretations under what conditions this new regulation applies, HASA only recognises as income any income relating to settlement collections when collection is reasonably secure.

	The Group		The Company	
	31-Dec-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Provision for impairment of trade receivables				
As at 1 January	2,633	2,841	-	-
Impairment losses recognised on receivables	184	498	-	-
Amounts written off as uncollectable	-	-	-	-
Foreign exchange movements	(971)	(706)	-	-
As at 31 December	1,846	2,633	-	-

As at 31 December 2015, US\$1.8 million trade receivables were impaired (2014: US\$2.6 million). As at 31 December 2015 trade receivables of US\$3.7 million were past due but not impaired (2014: US\$4.2 million). The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	31-Dec-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Ageing of past due but not impaired				
Up to 3 months past due	2,638	3,157	99	100
3 to 6 months past due	167	227	-	-
Over 6 months past due	861	819	-	-
	3,666	4,203	99	100

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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 2014	1,200	8,046	2,027	2,475	352	1,212	15,312
Charged to the profit and loss account	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
Credited to the profit and loss account	11	1,831	4,592	712	337	997	8,480
Foreign exchange movement	(366)	(2,514)	(1,982)	(1,100)	(271)	(2,620)	(8,853)
At 31 December 2015	686	4,990	4,409	2,169	562	5,043	17,859
				Fair value of property plant and equipment	Write off from intangibles	Borrowings	Total
				US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax liability							
At 1 January 2014				10,863	748	1,218	12,829
Credited to the profit and loss account				840	170	(168)	842
Foreign exchange movement				(2,894)	(188)	(40)	(3,122)
At 31 December 2014				8,809	730	1,010	10,549
Charged to the profit and loss account				784	149	8	941
Foreign exchange movement				(3,658)	(298)	(1)	(3,957)
At 31 December 2015				5,935	581	1,017	7,533
Net deferred income tax asset as at 31 December 2015							<u>10,326</u>
Net deferred income tax asset as at 31 December 2014							<u>7,683</u>

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\$1.2 million (2014: US\$0.8 million) in respect of tax losses amounting to US\$3.5 million (2014: US\$2.4 million) as there is insufficient evidence that the potential asset will be recovered.

18. INVENTORIES

	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Raw materials and consumables	9,924	8,540
	<u>9,924</u>	<u>8,540</u>

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-15	31-Dec-14	31-Dec-15	31-Dec-14
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and in hand	12,686	12,246	23	30
	12,686	12,246	23	30

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-15	31-Dec-14	31-Dec-15	31-Dec-14
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Trade payables	93,276	85,644	59	66
Social security and other taxes	13,566	14,081	-	-
Accrued expenses	44,127	35,032	508	150
Government payables related to compensation funds	1,123	930	-	-
Other payables	6,319	9,060	504	529
Loans from subsidiaries	-	-	333	457
	158,411	144,747	1,404	1,202

	The Group		The Company	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current				
Trade payables	-	34	-	-
Royalties payable	227	425	-	-
Social security and other taxes	6,119	8,693	-	-
Other payables	1	137	-	-
	6,347	9,289	-	-

Current other payables include an amount of US\$4.9 million due to a shareholder of the Company, a party connected to a shareholder of the Company and a company to which these parties are related.

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-15	31-Dec-14	31-Dec-15	31-Dec-14
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Bank borrowings	1,015	512	-	-
Other borrowings	11,070	9,282	9,529	8,950
Finance leases	1	19	-	-
	12,086	9,813	9,529	8,950

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NOTES TO THE FINANCIAL STATEMENTS (continued)

21. FINANCIAL LIABILITIES (continued)

	The Group		The Company	
	31-Dec-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Non-current				
Bank borrowings	183	286	-	-
Other borrowings	-	1,586	-	-
Finance leases	-	1	-	-
	183	1,873	-	-

Bank borrowings and other borrowings:

Group

A AR\$15.9 million (US\$1.2 million) loan carrying interest at a rate of BADLAR plus 5% per annum is overdue for repayment; a AR\$4.3 million (US\$0.3 million) loan carrying interest at a rate of 5% per annum is overdue for repayment; various loans totalling AR\$4.7 million (US\$0.4 million) carrying interest at rates between 31.35% and 44.00% per annum repayable in monthly instalments by June 2016; a AR\$3.3 million (US\$0.3 million) loan carrying interest at a rate of BADLAR plus 5.00% per annum repayable in monthly instalments by November 2016; a AR\$2.4 million (US\$0.2 million) loan carrying interest at a rate of 23.9% per annum repayable in monthly instalments by October 2018; and overdraft facilities of AR\$5.3 million (US\$0.4 million) carrying interest at rates between 24.5% and 43%, which were repaid after the year end.

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).

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

	The Group		The Company	
	31-Dec-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Maturity profile				
Within 1 year	12,086	9,813	9,529	8,950
Between 1 and 5 years	183	1,873	-	-
	12,269	11,686	9,529	8,950

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

22. PROVISIONS

	Fines US\$'000	Legal claims US\$'000	Total US\$'000
At 1 January 2014	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)
At 31 December 2014	11,417	1,478	12,895
Additional provisions	2,609	428	3,037
Used during the year	(55)	(221)	(276)
Foreign exchange movements	(4,727)	(574)	(5,301)
At 31 December 2015	9,244	1,111	10,355

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

	2015 No.	2015 US\$'000	2014 No.	2014 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	78

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

The issued share capital is reconciled as follows:

	2015 No.	2014 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
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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

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	Granted during year	Lapsed during year	At end of year	Exercise price
	2015 No.	2015 No.	2015 No.	2015 No.	
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
	<u>12,264,120</u>	-	-	<u>12,264,120</u>	

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.

	2015 No.	2015 WAEP	2014 No.	2014 WAEP
Outstanding at 1 January	10,106,000	55.0 pence	10,676,000	55.0 pence
Granted during the year	-		-	
Lapsed during the year	-		<u>(570,000)</u>	
Outstanding at 31 December	<u>10,106,000</u>		<u>10,106,000</u>	
Exercisable at 31 December	<u>10,106,000</u>		<u>10,106,000</u>	

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.

	2015 No.	2015 WAEP	2014 No.	2014 WAEP
Outstanding at 1 January	2,158,120	54.0 pence	3,315,420	54.0 pence
Granted during the year	-		-	
Lapsed during the year	-		<u>(1,157,300)</u>	
Outstanding at 31 December	<u>2,158,120</u>		<u>2,158,120</u>	
Exercisable at 31 December	<u>2,158,120</u>		<u>2,158,120</u>	

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NOTES TO THE FINANCIAL STATEMENTS (continued)

24. WARRANTS (continued)

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%	7	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 (2014: US\$0.1 million).

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

	01-Jan-15 No.	Granted in the year No.	Lapsed during Year No.	31-Dec-15 No.	Exercise price	Exercise Dates
Nejl Bleasdale	423,800	-	-	423,800	54 pence	2019
Luis Alvarez Poli	293,400	-	-	293,400	54 pence	2019
Marcelo Comba	65,200	-	-	65,200	54 pence	2019
Nigel Duxbury	130,400	-	-	130,400	54 pence	2019
Senior Management	1,245,320	-	-	1,245,320	54 pence	2019
	2,158,120	-	-	2,158,120		

25. NON-CONTROLLING INTERESTS

	31-Dec-15 US\$'000	31-Dec-14 US\$'000
At 1 January	24,444	40,536
Losses attributable to non-controlling interests	(5,068)	(6,727)
Translation differences	(7,016)	(9,365)
At 31 December	12,360	24,444

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 year.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

27. CAPITAL COMMITMENTS

	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Commitments for the acquisition of property, plant and equipment	3,789	10,677

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 2015.

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.

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.

	The Group	
	31-Dec-15	31-Dec-14
	US\$'000	US\$'000
Borrowings, excluding finance lease liabilities	12,268	11,666
Less: Cash and cash equivalents	(12,686)	(12,246)
Net debt	(418)	(580)
Equity	6,718	31,628
Net debt ratio	-6%	-2%

The directors consider the net debt ratio to be within the acceptable range. The primary reason for this increase 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:

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NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management (continued)

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.

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:

	The Group	
	£'000	ARS'000
Trade and other receivables	64	400,235
Cash and cash equivalents	16	117,008
Trade and other payables	(918)	(1,340,137)
Net exposure	(838)	(822,894)

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:

	31-Dec-15
	US\$'000
AR\$ strengthening by 25%	39,852
AR\$ weakening by 25%	(39,852)

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

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 (see note 12). 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.

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-15	31-Dec-14	31-Dec-15	31-Dec-14
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets within trade and other receivables	34,174	42,408	3,065	3,207
Cash and cash equivalents	12,686	12,246	23	30
	46,860	54,654	3,088	3,237

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

28. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below shows the Group and Company's financial liabilities at 31 December 2015 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 1 year	From 1 to 5 years	More than 5 years	Total future payments
	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	12,086	183	-	12,269
Créditors	144,845	-	228	145,073
	156,931	183	228	157,342

Company	Less than 1 year	From 1 to 5 years	More than 5 years	Total Future Payments
	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	9,529	-	-	9,529
Creditors	1,404	-	-	1,404
	10,933	-	-	10,933

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL INSTRUMENTS (continued)

	The Group		The Company	
	31-Dec-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Financial assets				
Cash and bank balances (Level 1)	12,686	12,246	22	30
Loans and receivables (Level 3)	34,174	42,408	3,065	3,207
Available for sale financial assets*	11,215	14,903	-	-
	58,075	69,557	3,087	3,237
Financial liabilities				
Amortised costs	145,074	131,261	1,404	1,202
	145,074	131,261	1,404	1,202

*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.

At the year end, EDEMESA had payables due to CAMMESA of AR\$1,278.4 million excluding penalties (US\$97.6 million). CAMMESA is claiming penalty interest of AR\$351 million plus VAT (of which AR\$145 million relates to the current year and AR\$206 million to previous years). EDEMESA is disputing the amount of interest claimed on the basis the claim is not consistent with the critical situation facing the electricity sector. CAMMESA has issued debit notes for interest on these overdue amounts that EDEMESA has challenged in the light of the tariff delays. The company has only recognised as interest expense those costs, which in the opinion of its lawyers, are not excessive and are consistent with the current market conditions. After taking legal advice, EDEMESA is of the opinion that it has a strong case and a high chance of successfully challenging the claim.

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-15 US\$'000	31-Dec-14 US\$'000	31-Dec-15 US\$'000	31-Dec-14 US\$'000
Salaries and other short term benefits	1,769	891	98	106
Share based payments	30	28	30	28
	1,799	919	128	134

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)

32. EVENTS AFTER THE REPORTING PERIOD

Resolution 6/2016 MEyM, issued on 25 January 2016, approved the new wholesale energy supply cost from February 2016. This Resolution removed the Federal Government Grants and created a Stimulus Plan with differential pricing for customers who make certain savings in consumption and a Social Tariff for residential customers under certain socioeconomic conditions. This cost increase is passed on to customers increasing energy sales with a consequential increase in direct sale costs.

One of our main objectives is to resolve the CAMMESA debt situation and since the year end EDEMSA has presented proposals to CAMMESA to regulate the situation. The current proposal provides for a 1 year grace period followed by 96 monthly instalments carrying a 10% per annum coupon. This proposal is under negotiation at the current time.

Andina plc

OFFICERS AND ADVISERS

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Luis Alvarez Poli (Chief Executive)
Jorge Depresbiteris (COO)
Nigel Duxbury (CFO)
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