Andina plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Company No. 8095058)

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 2017 are set out below.

Year ended 31 December	**2017**	**2016**
	US$m	**US$m**
Revenue	245.1	165.9
Operating loss	(8.5)	(4.5)

BUSINESS REVIEW

The Group's focus is on the energy sector including electricity generation and distribution on the 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 ("EDEMSA") and an indirect controlling 47% interest in Hidroeléctrica Ameghino Sociedad Anónima, a 60MW hydroelectric power plant in the Province of Chubut ("HASA").

TRADING AND FINANCIAL PERFORMANCE

Revenue for the Group for the year increased from US$165.9 million in 2016 to US$245.1 million in 2017. Revenues from operating activities in local currency increased by 73% year on year but the devaluation of the AR$ against the US$ resulted in Group revenues in the reporting currency US$ only increasing by 48% (see note 2.10 for details of changes in exchange rates). (The increase in operating revenues primarily resulted from a 73% increase in tariff in the distribution business and a 57% increase in tariff in the generation business). The distribution business represents 97.5% of Group revenue and the generating business, the remaining 2.5%.

The Group's total assets have increased from US$247.0 million in 2016 to US$305.3 million at the end of the year mainly as a consequence of trade and other receivables and the revaluation of the property, plant and equipment in EDEMSA, which resulted in increases of US$66.6 million and US$20.9 million respectively.

Net current liabilities increased from US$111.9 million at the end of 2016 to US$142.9 million at the end of 2017, 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 8 for further details). At the year-end, the Group had cash resources of US$5.1 million compared to US$11.3 million at the end of 2016.

Borrowings have increased from US$14.6 million in 2016 to US$16.3 million 2017. Current borrowings decreased from US$11.1 million in 2016 to US$7.2 million in 2017 and non current borrowings increased from US$3.5 million in 2016 to US$9.1 million in 2017.

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$.

EDEMSA

Financial

EDEMSA reported a post-tax loss of AR$364.2 million (US$21.1 million) compared with a post-tax loss of AR$121.9 million (US$10.0 million) in 2016.

EDEMSA (continued)

Financial (continued)

Sales for the year increased by 73% in 2017 to AR$4,124.9 million (US$239.0 million). This increase resulted primarily from the increase in the cost of supply and from the increase in tariff.

After several years of difficult conditions, the tariff increases in 2017 helped to mitigate the situation, although it will take time before the position stabilises. The full impact of the tariff impact will be verified during the year 2018.

The tariff increases arise from Decree No. 2573/15, pursuant to which the new tariffs were implemented quarterly with effect from 1 March 2016 until 1 June 2017. In addition, Decree 1163/17 approved an adjustment to tariffs as a result of inflation since the tariff review which took place in 2015. This adjustment was put into effect partially in July 2017 and the remainder in November 2017 and was backdated to February 2017, with the backdated portion to be collected in 9 monthly instalments from November 2017 to July 2018. Finally in December 2017 the Provincial parliament approved law 9034 which included a further tariff increase to be used to fund an additional capex programme for execution prior to 31 July 2018. This increase was also backdated to February 2017, with the backdated portion to be collected in monthly instalments up to 31 July 2018.

The Federal Government continued to put into effect its decision to reduce subsidies in the cost of electricity sold on the national grid (MEM), as well as to increase the price paid to generators and to transmission companies. This strategy led to a significant increase in the cost of electricity purchased, which are passed directly on to consumers according to EDEMSA's concession agreement. This also leads to an increase in those costs which are related to the level of billing, such as direct sales taxes, collection costs and unpaid bills. The regulatory decisions that implemented this strategy were:

1. Resolution MEyM N ° 20/17, of February 2017, that approved the seasonal electricity prices charged by the MEM for the quarter February to April 2017.

2. ENRE Resolutions Nos. 66/17 and 68/17, also of February 2017, defined increases in the cost of transmission.

3. Resolution MEyM N ° 1091-E of December 2017, that approved the seasonal electricity prices charged by the MEM for the quarter November 2017 to January 2018.

As of the year end of these financial statements EDEMSA was late in the payment of the wholesale electricity purchase bills issued by CAMMESA for the months of October, November and December 2017, but as of the approval date of these financial statements, the situation had been regularized. After year end, but prior to the approval date of the financial statements, EDEMSA also signed an agreement to refinance the amounts due to CAMMESA relating to periods prior to February 2016, which had been ring-fenced under Res MEyM 06/16 of February 2016. This debt is now payable in increasing monthly instalments from April 2018 to August 2025 at an interest rate of 10% p.a.

On the other hand, in the current year EDEMSA performed a new Technical Revaluation of the high voltage networks and the power transformers within Property, Plant and Equipment. The result of the revaluation reflects more adequately the carrying value of these assets.

Gross profit for the year increased from AR$458.4 million (US$31.1 million) in 2016 to AR$559.1 million (US$32.4 million) in 2017.

Administrative expenses and marketing costs in local currency increased by 41% year on year, largely as a result of 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, third party expenses & fees, and tax.

The financial costs are primarily accounted for by the outstanding debt with CAMMESA.

Total liabilities have increased by AR$1,728.3 million (US$10.1 million) during the year. Funds generated from operations and the increase in trade liabilities have helped finance the increase in assets of AR$1,706.6 million (US$98.9 million).

EDEMSA (continued)

Operational and commercial

During 2017, progress was made in consolidating the improvements made in 2016 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 2017, with the Company maximising operational efficiencies within the framework of planned expenditure.

Energy losses: During 2017, the level of energy losses had increased to 12.66%. The trend of energy losses is: December 2012: 10.90%; December 2013: 10.68%; December 2014: 10.51%; December 2015: 10.94%; December 2016: 12.35%; and December 2017: 12.66%. This increase in losses is primarily due to a decrease in the demand from large industries (which historically have lower energy losses) and by the increases in tariffs following from the removal of subsidies during the economic recession. This affected the more vulnerable population to a greater extent and increased the level of energy lost.

HASA

Financial

The Company recorded a post-tax profit for the year of AR$10.2 million (US$0.6 million) compared to the 2016 profit of AR$9.0 million (US$0.6 million). Sales increased to AR$104.6 million (US$5.6 million) compared to AR$66.7 million (US$4.5 million) in 2016. The power generated in the year was 196 GWh, an increase of 50.1% compared to the 131 GWh generated in 2016.

The current tariff structure was established under Resolution 019/2017 S.E., a modification of Resolution 022/2016 S.E.

Operational

Accumulated water used during the year was 1,450 hm^3 compared to 930 hm^3 in 2016.

The annual power generation was 196 GWh.

The total energy produced during the year was sold in the spot market. Payment arrears on billings to CAMMESA remained constant at 60 days, the same level as 2016.

EARNINGS PER SHARE

Basic and diluted loss per share was 0.18 cents in 2017 compared to a loss per share of 0.08 cents in 2016.

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, the amount of electricity generated and energy prices. Revenue increased from AR$2,448 million (US$165.9 million) in 2016 to AR$4,225 million (US$245.1 million) in 2017.

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 decreased to 14% in 2017 from 20% in 2016.

Energy losses
This measures the efficiency of the energy distributed and includes the technical and commercial loss. Energy losses increased from 12.35% at the end of 2016 to 12.66% at the end of 2017.

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 2017 was 157.4 metres compared to 153.4 metres at the end of 2016.

FUTURE DEVELOPMENT

Management is working with the regulatory authorities in order to instrument the Article 15 of law 27.341. The implementation of the referred article is expected to allow EDEMSA to cancel the existing debt with CAMMESA against the credit generated from the income not received during the convergence programme in 2014 and 2015, when electricity tariffs were frozen.

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 financial difficulties.

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.

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

Neil Bleasdale
Chairman
6 June 2018

DIRECTORS' REPORT

The directors present their report and the audited consolidated financial statements of Andina for the year ended 31 December 2017.

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 directors of the Company who were in office during the year and up to the date of signing the financial statements 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, Chief Financial Officer and Company Secretary)

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 Tecnologica 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.

Carlos Bastos (Non-Executive Director)

Carlos Manuel Bastos recently joined the board on May 2018. Carlos graduated as a engineer speciaized in energy. He was Secretary of State for Energy, Public Works and Communications from 1991 to 1996. During that period he established the regulatory framework approved by law for the operation of private electric power companies. In later years, he has been working for several private companies as well in public institutions.

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$25.2 million (2016: US$11.6 million loss).

The directors do not recommend the payment of a dividend by the ultimate Parent Company (2016: 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.

COUNTRY OF OPERATION

The Group's activities are based in Argentina.

GOING CONCERN

The directors have reviewed the cash position of the Company and the Group as at the year end and gains expected from operational income and expenditure for the 12 months period from the date of this report.

Group

In light of the status of the EDEMSA tariff review, settlement of CAMMESA payable and loan balance as detailed below, the Directors consider that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 haves caused EDEMSA to fall behind in the payment for power purchased from CAMMESA.

Agreement

During recent years, and particularly since the enactment of Resolution of MEyM N° 6/2016, EDEMSA has been negotiating a feasible payment plan with CAMMESA. On October 11, 2017 EDEMSA received from CAMMESA a proposal to settle the outstanding debt for transactions due up to January 31, 2016.

On March 7, 2018, EDEMSA presented CAMMESA with an irrevocable offer to pay the debt owed to the MEM for outstanding balances of invoices due between May 9, 2012 and January 31, 2016. This offer is framed under the guidelines established by the Secretariat of Electric Energy to CAMMESA, in which it is instructed to accept payment proposals that comply with such conditions.

This payment plan was formally accepted by CAMMESA on March 8, 2018. The payment plan includes a reduction in the amount of late interest payables, a grace period from February 1, 2016 to April 2018, a term of 90 months with increasing monthly instalments between April 2018 and September 2025 and a fixed annual interest rate of 10%.

As of December 31, 2017, EDEMSA had paid the energy purchase invoices to CAMMESA dated between February 2016 to September 2017 and had arrears in the payments of the invoices for October, November and December 2017. However, this situation is being resolved through a short term payment plan as at the date of issuance of this report.

Compensation of debt

On 21 December 2016, Law 27,341 was published (the 2017 National Budget Law), article 15 of which established that the Ministry of Energy in consultation with the Provincial jurisdictions, will determine the differences in income received by the distributors during the validity of the Tariff Convergence Programme in 2014 and 2015 (during which time electricity tariffs were frozen), compared with the income that would have corresponded to them if the concession contract had been applied ("Foregone Income").

GOING CONCERN (continued)

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

Compensation of debt (continued)

Due to this article, the National Government should have instructed CAMMESA to apply the Foregone Income credit determined by the methodology indicated in the previous paragraph, to the cancellation of debts that the distributors maintained with CAMMESA, subject to their withdrawing any legal or administrative claims related to the Tariff Convergence Programme. It should be noted that the income foregone by EDEMSA during the existence of the Tariff Convergence Program is greater than the debt with CAMMESA subject to compensation as detailed in the previous section.

The Ministry of Energy did not put into effect the debt compensation mandated by the 2017 National Budget Law and this instruction was not repeated in the 2018 National Budget Law. On October 27, 2017, EDEMSA submitted a formal administrative claim to request the application of Article 15 of Law 27,341. Is important to mention that the Provincial Regulator (EPRE) has determined the income foregone by EDEMSA during Tariff Convergence Program 2014 - 2015. This claim is pending response as of the date of approval of these financial statements.

Company

During 2017 the Company refinanced a secured loan of US$8.5 million to a US$ 7.2 million loan, classified at 31 December 2017 as US$ 1.5 million current and US$ 5.7 million non current. Based on the facts detailed in note 21, the Directors do not consider this debt to be in default, and so has included the liability as current and non-current based on the last agreed terms. Further, the Company has net current liabilities of US$1.5 million as at 31 December 2017. Having raised a facility from a non-financial institution subsequent to the year end, the directors consider that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Luis Alvarez Poli
Company Secretary
6 June 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the Group and Company 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Independent auditors' report to the members of Andina plc

Report on the audit of the financial statements

Opinion

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 2017 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2017; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated and Company cash flow statements, and the Consolidated and Company statements of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of Andina plc continued

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting
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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Peter Acloque (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 June 2018

Andina plc

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31-Dec-17	31-Dec-16
		US$'000	US$'000
Revenue	4	245,070	165,860
Cost of sales		(210,284)	(133,272)
Gross profit		34,786	32,588
Distribution costs		(23,123)	(17,808)
Administrative expenses		(22,287)	(21,504)
Other operating income		2,085	2,252
Operating loss	5	(8,539)	(4,472)
Finance income	7	4,773	9,414
Finance costs	8	(24,541)	(20,613)
Loss before taxation		(28,307)	(15,671)
Taxation credit	9	3,112	4,098
Loss for the year		(25,195)	(11,573)
Loss attributable to:			
Owners of the parent		(16,970)	(7,795)
Non-controlling interests		(8,225)	(3,778)
		(25,195)	(11,573)
		Cents	Cents
Loss per ordinary share	10	(0.18)	(0.08)

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

The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account.

Andina plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31-Dec-17	31-Dec-16
		US$'000	**US$'000**
Loss for the year		(25,195)	(11,573)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Gain on revaluation of networks and power transformers	**12**	20,973	66,580
Other comprehensive results		(596)	-
Income tax relating to these items	**9**	(532)	(23,303)
Translation differences		(7,731)	(3,466)
Total comprehensive (expense)/income for the year		(13,081)	28,238
Total comprehensive (expense)/income attributable to:			
Owners of the parent		(6,592)	14,230
Non-controlling interests		(6,489)	14,008
Total comprehensive (expense)/income for the year		(13,081)	28,238

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

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

Andina plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Note	31-Dec-17	31-Dec-16
		US$'000	US$'000
Non-current assets			
Property, plant and equipment	**12**	179,729	154,395
Intangible assets	**13**	6,698	8,052
Deferred tax assets	**14**	790	-
Inventories	**16**	3,863	4,782
Trade and other receivables	**15**	2,623	4,891
Total non-current assets		193,703	172,120
Current assets			
Inventories	**16**	4,586	5,634
Trade and other receivables	**15**	72,819	41,427
Available for sale financial assets	**17**	29,104	16,543
Cash and cash equivalents	**19**	5,106	11,306
Total current assets		111,615	74,910
Total assets		305,318	247,030
Current liabilities			
Trade and other payables	**20**	224,328	163,644
Financial liabilities	**21**	7,209	11,071
Provisions	**22**	22,983	12,144
Total current liabilities		254,520	186,859
Non-current liabilities			
Trade and other payables	**20**	14,418	13,412
Financial liabilities	**21**	9,072	3,511
Provisions	**22**	689	776
Deferred tax liabilities	**14**	4,557	7,420
Total non-current liabilities		28,736	25,119
Total liabilities		283,256	211,978
Net assets		22,062	35,052
Capital and reserves			
Called up share capital	**23**	14,904	14,904
Accumulated losses		(59,895)	(43,542)
Revaluation reserve	**26**	31,666	22,071
Merger reserve	**26**	40,432	40,432
Translation reserve	**26**	(24,924)	(25,181)
Equity attributable to owners of the parent		2,183	8,684
Non-controlling interests	**25**	19,879	26,368
Total equity		22,062	35,052

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

The financial statements on pages 13 to 54 were approved by the Board of Directors and authorised for issue on 6 June 2018 and were signed on its behalf by:

Luis Alvarez Poli, Director **Company No. 8095058**

Andina plc

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Note	31-Dec-17 US$'000	31-Dec-16 US$'000
Non-current assets			
Investments in subsidiaries	**18**	34,437	31,377
Total non-current assets		34,437	31,377
Current assets			
Trade and other receivables	**15**	2,805	2,565
Cash and cash equivalents	**19**	19	15
Total current assets		2,824	2,580
Total assets		37,261	33,957
Current liabilities			
Trade and other payables	**20**	1,256	1,386
Financial liabilities	**21**	3,097	9,252
Total current liabilities		4,353	10,638
Non-current liabilities			
Financial liabilities	**21**	5,652	-
Deferred income tax liabilities		2,324	-
Total non-current liabilities		7,976	-
Total liabilities		12,329	10,638
Net assets		24,932	23,319
Capital and reserves			
Called up share capital	**23**	14,904	14,904
Loss for the year		(827)	(1,796)
Retained losses		(26,950)	(25,245)
Merger reserve	**26**	40,432	40,432
Translation reserve	**26**	(2,627)	(4,976)
Total equity		24,932	23,319

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

The financial statements on pages 13 to 54 were approved by the Board of Directors and authorised for issue on 6 June 2018 and were signed on its behalf by:

Luis Alvarez Poli, Director **Company No. 8095058**

Andina plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Accumulated losses	Revaluation reserve	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$'000	US$'000
At 31 December 2015	14,904	(35,843)	-	40,432	(25,135)	(5,642)	12,360	6,718
Loss for the year	-	(7,795)	-	-	-	(7,795)	(3,778)	(11,573)
Revaluation of high voltage networks and power transformers			22,071	-	-	22,071	21,206	43,277
Translation differences	-	-	-	-	(46)	(46)	(3,420)	(3,466)
Total comprehensive income/(expenses) for the year	-	(7,795)	22,071	-	(46)	14,230	14,008	28,238
Fair value of share based payments	-	96	-	-	-	96	-	96
At 31 December 2016	14,904	(43,542)	22,071	40,432	(25,181)	8,684	26,368	35,052
Loss for the year	-	(16,970)	-	-	-	(16,970)	(8,225)	(25,195)
Revaluation of high voltage networks and power transformers	-	977	9,595	-	-	10,572	10,157	20,729
Other comprehensive results	-	(451)	-	-	-	(451)	(433)	(884)
Translation differences	-	-	-	-	257	257	(7,988)	(7,731)
Total comprehensive income/(expenses) for the year	-	(16,444)	9,595	-	257	(6,592)	(6,489)	(13,081)
Fair value of share based payments	-	91	-	-	-	91	-	91
At 31 December 2017	14,904	(59,895)	31,666	40,432	(24,924)	2,183	19,879	22,062

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital US$'000	Accumulated losses US$'000	Merger Reserve US$'000	Translation reserve US$'000	Total equity US$'000
At 31 December 2015	14,904	(25,341)	40,432	(86)	29,909
Loss for the year	-	(1,796)	-	-	(1,796)
Translation differences	-	-	-	(4,890)	(4,890)
Total comprehensive expense for the year	-	(1,796)	-	(4,890)	(6,686)
Fair value of share based payments	-	96	-	-	96
At 31 December 2016	14,904	(27,041)	40,432	(4,976)	23,319
Loss for the year	-	(827)	-	-	(827)
Translation differences	-	-	-	2,349	2,349
Total comprehensive expense for the year	-	(827)	-	2,349	1,522
Fair value of share based payments	-	91	-	-	91
At 31 December 2017	14,904	(27,777)	40,432	(2,627)	24,932

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

Andina plc

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31-Dec-17 US$'000	31-Dec-16 US$'000
Loss for the year before taxation		(28,307)	(15,671)
Adjustments for:			
Depreciation and amortisation		6,912	3,356
Exchange movement on debt		(86)	18
Increase in inventories		(6,477)	(7,599)
(Increase)/decrease in trade and other receivables		(36,443)	646
Increase in creditors and other payables		75,418	22,829
Increase in provisions for liabilities and charges		13,766	5,241
Finance costs		24,541	20,613
Finance income		(4,773)	(9,414)
Share based payments		91	96
Cash generated from operations		44,642	20,115
Taxation paid		(1,961)	(1,478)
Net cash generated from operating activities		42,681	18,637
Cash flows from investing activities			
Purchase of property, plant and equipment		(29,331)	(21,572)
Purchase of available for sale financial assets		(16,509)	(4,159)
Proceeds from sale of available for sale financial assets		(642)	2,243
Net cash used in investing activities		(46,482)	(23,488)
Cash flows from financing activities			
Repayments of borrowings and interest paid		(2,165)	(1,410)
Proceeds from borrowing		2,893	3,786
Interest paid		(6,059)	(1,729)
Interest received		4,351	5,125
Dividends paid to		(132)	-
Net cash (used in)/generated from financing activities		(1,112)	5,772
Net (decrease)/increase in cash and cash equivalents		(4,913)	921
Cash and cash equivalents at the beginning of the year		11,306	12,686
Effect of foreign exchange rate changes		(1,287)	(2,301)
Cash and cash equivalents at the end of the year	**19**	5,106	11,306

Significant non-cash transactions

There were no significant non-cash transactions in 2017 or 2016 apart from the transactions detailed below:

	31-Dec-17 US$'000	31-Dec-16 US$'000
Transfer of inventory to property, plant and equipment	6,455	4,818
Revaluation of networks and power transformers net of taxation	19,443	40,174

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

Andina plc

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31-Dec-17 US$'000	31-Dec-16 US$'000
Profit/(loss) for the year before taxation		1,497	(1,796)
Adjustments for:			
Decrease/(increase) in trade and other receivables		8	(20)
(Decrease)/increase in trade creditors and other payables		(206)	133
Finance costs		(1,385)	2,222
Finance income		-	(704)
Share based payments		91	96
Cash generated/(used) in operations		5	(69)
Net cash generated/(used) in operating activities		5	(69)
Cash flows from financing activities			
Loans from subsidiaries		(5)	66
Net cash (used)/generated from financing activities		(5)	66
Net decrease in cash and cash equivalents		-	(3)
Cash and cash equivalents at the beginning of the year		15	23
Effect of foreign exchange rate changes		4	(5)
Cash and cash equivalents at the end of the year	**19**	19	15

Significant non-cash transactions

There were no significant non-cash transactions in 2017 or 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is incorporated in England and Wales and domiciled in the United Kingdom with its registered office at 1 South Quay, Victoria Quays, Sheffield, S2 5SY. The principal activities of the Company and its subsidiaries (together "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 (now "Phoenix Global Resources") 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 fell outside the scope of IFRS 3 "Business Combinations".

2.2 Going concern

The directors have reviewed the cash position of the Company and the Group as at the year end and gains expected from operational income and expenditure for the 12 months period from the date of this report.

Group

In light of the status of the EDEMSA tariff review, settlement of CAMMESA payable and loan balance as detailed below, the Directors consider that the Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The factors considered in reaching this conclusion include:

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. As a result, during 2013 – 2016, EDEMSA did not receive the appropriate electricity tariff and was unable to fund its operating costs and capital expenditure requirements for some time. The company managed this situation from late 2012 by not paying its principal supplier, CAMMESA, the state owned electricity wholesaler.

In December 2015 the province of Mendoza approved decree No. 2573/15. This put into effect a new tariff schedule, effective from March 1, 2016. From that date the Company has received the tariff as agreed.

On February 8, 2017, Ente Provincial Regulador Eléctrico ("EPRE") put forward Resolution No. 5/17. This resolution started off the tariff review process corresponding to the 5th Rate Period, which will begin on August 1, 2018 and end on July 31, 2023.

Following the new tariff being agreed on February 22, 2016 (and effective from March 1, 2016), EDEMSA has recommenced paying CAMMESA for all new electricity invoices.

At year end, EDEMSA had payables due to CAMMESA of US$ 109.9 million excluding penalties (2016: US$ 93.8 million excluding penalties). In AR$ 2,046 million (2016: AR$ 1,384 million).

<u>Payment plan agreed post year end</u>

During recent years, and particularly since the enactment of Resolution of Ministerio de Energía y Minería ("MEyM") N ° 6/2016, EDEMSA has been negotiating a feasible payment plan with CAMMESA.

On October 11, 2017 EDEMSA received from CAMMESA a proposal for the outstanding debt for transactions due on January 31, 2016.

2. ACCOUNTING POLICIES (continued)

2.2 Going concern (continued)

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

Payment plan agreed post year end (continued)

On March 7, 2018, EDEMSA presented CAMMESA with an irrevocable offer to pay the debt owed for outstanding balances of invoices due between May 9, 2012 and January 31, 2016. It is important to note that this offer is framed under the guidelines established by the MEyM to CAMMESA, where it is instructed to accept payment proposals that comply with such considerations.

This payment plan was formally accepted by CAMMESA on March 8, 2018. The payment plan includes a reduction in the amount of late interest payables, a grace period from February 1, 2016, a term of 90 monthly instalments with maturities between April 2018 and September 2025 and a fixed annual interest rate of 10%.

As of December 31, 2017, EDEMSA has paid the energy purchase invoices to CAMMESA dated from February 2016 to September 2017, and has arrears in the payments of the invoices for October, November and December 2017. This situation is now in a short term payment plan and has no impact on the larger payment plan covering the 2013 – 2016 period.

It is the firm intention of EDEMSA to be up-to-date in its payment obligations with CAMMESA within the framework of Resolution MEyM 6/2016. However this was without prejudice to its right to apply Article 15 of Law 27,341, in which it has made the pertinent administrative claim before the Secretaría de Energía de la Nación.

Settlement of CAMMESA payable under Article 15

On December 21, 2016, law 27,341 was published (National Budget 2017). Article 15 of this law established the compensation terms for the debt which distributors have with CAMMESA in relation to the purchase of energy. Under this law, a company is able to net off the income not received during the 2013 – 2016 period up to the amount payable to CAMMESA. If the 'receivable' owed to the company is higher than the liability owed to CAMMESA, the company will not receive an additional amount. As the income not received by EDEMSA is higher than the debt with CAMMESA, the impact will be to fully discharge the CAMMESA liability.

EDEMSA and the Public Services Secretary of Mendoza had a meeting on March 27, 2017 at which they committed to jointly work with the appropriate intervention of the EPRE so that the Energy Secretariat of the Nation and / or the corresponding national authorities could proceed with the implementation of Article 15. On October 27, 2017, EDEMSA filed a formal complaint to the Energy Secretariat of the Nation to request the application of the aforementioned article. No response has been received regarding this claim.

Based on: (i) the recent tariff increases, (ii) the payment plan arranged with CAMMESA and its achievable payment conditions, and (iii) the ability to offset the historic CAMMESA debt with the historic revenues not received, the Directors have concluded that there is a reasonable expectation that EDEMSA will have the necessary resources to continue in the normal course of its operations in the foreseeable future.

Company

During 2017 the Company refinanced a secured loan of US$8.5 million to a US$ 7.2 million loan, classified at 31 December 2017 as US$ 1.5 million current and US$ 5.7 million non current. Based on the facts detailed in note 21, the Directors do not consider this debt to be in default, and so has included the liability as current and non-current based on the last agreed terms. Further, the Company has net current liabilities of US$1.5 million as at 31 December 2017. Having raised a facility from a non-financial institution subsequent to the year end, the directors consider that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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") and 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.

2. ACCOUNTING POLICIES (continued)

2.3 Basis of preparation (continued)

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 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the groups accounting policies.

Management estimates and assumptions 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.

Critical judgement
- Parent deferred tax (Note 9)

Key estimates
- Impairment of property, plant and equipment, intangible assets and investments
- Share based payments
- Bad debt provisions
- Provision for legal and other claims
- Impairment of trade receivables

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are shared below:

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

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

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

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 15.

2. ACCOUNTING POLICIES (continued)

2.4 Critical accounting estimates and judgements (continued)

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.

New and amended standards adopted by the Group

There have been a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that have become effective for the first time during the year ended 31 December 2017. However, whilst the Group has assessed each of them, none of the following standards have had a material impact on the Group's results or financial position.

- Amendments to IAS 12 "Income Tax": these modifications in the recognition of deferred tax assets for unrealized losses clarify how to account for such assets when they relate to debt instruments measured at fair value.

- Amendments to IAS 7, "Statement of cash flows": these amendments to IAS 7 introduce additional disclosures that allow users to evaluate changes in financial liabilities.

New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2017 and not adopted early

At the date of authorisation of these financial statements, a number of new and revised IFRSs have been issued by the IASB but are not yet effective, as listed below. The directors have performed an initial review of each of the new and revised standards, and based on the Group's current operations and accounting policies, are of the view that their adoption will not lead to any material change in the Group's financial reporting.

- IFRS 9 Financial Instruments (effective from 1 January 2018, for the year ending 31 December 2018) addresses the classification, measurement and derecognition of financial instruments, introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces IAS 39 Financial Instruments guidance and comprehensive updates have been made to IFRS 7 Financial Instrument: Disclosure and IAS 32 Financial Instruments: Presentation. The Group will apply IFRS 9 and the updated IFRS 7 disclosure requirements from their effective date, except for the classification already in place. The group reviewed the classification and measurement of each of its financial instruments. Although, the classification of instruments is altered under IFRS 9, this does not result in any changes to the measurement approach apart from the impairment of trade receivables which is addressed below. The new impairment model for financial assets requires the recognition of impairment provisions based on expected credit losses

2. ACCOUNTING POLICIES (continued)

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

New standards, amendments and interpretations issued but not effective for the year beginning 1 January 2017 and not adopted early (continued)

(“ECL”) rather than only incurred credit losses as is the case under IAS 39. The Group will apply the simplified approach to its trade receivables as per the scope exception in IFRS 9 in which all loss allowances for trade receivables will be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. This is consistent with the nature of the group’s trade receivables as they do not include a significant financing component. Based on the assessments undertaken to date, the group does not expect a material movement in the loss allowance for trade debtors. Based on our assessment of the adoption of IFRS 9, the Group does not believe there will be a material impact on its Group Financial Statements. From 1 January 2018 onwards, the Group will amend its financial instruments and hedging accounting policies to reflect IFRS 9 terminology and prepare the appropriate disclosures regarding the classification and measurement of financial instruments and impairment of financial assets.

- IFRS 15 Revenue from Contracts with Customers (effective after 1 January 2018, for the year ending 31 December 2018) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The Group will apply IFRS 15 from its effective date. The impact assessment performed by the Group included a review of revenue streams and customer contracts to identify distinct performance obligations and the appropriate method for allocating the transaction price. Based on our assessment of the adoption of IFRS 15, the Group does not believe there will be a material impact on its Group Financial Statements. During 2018, the Group will revise the revenue recognition policy to reflect IFRS 15 terminology and prepare the additional disclosures for the Group Financial Statements.

- IFRS 16 Leases (effective after 1 January 2019, for the year ending 31 December 2019) replaces the existing guidance in IAS 17 Leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The present value of the Group’s operating lease payments as defined under the new standard will be shown as lease liabilities on the balance sheet and included in net debt. There are a number of differences between the two definitions; for example, where there is an option to extend the lease, payments for the extension period will be included in the IFRS 16 liability if the Group is reasonably certain that it will exercise the option, but are not included as commitments under IAS 17. The Group is currently assessing the potential impact on its Group Financial Statements resulting from the application of IFRS 16.

- IFRIC 22 "Foreign currency transactions and advance consideration": this standard deals with transactions in foreign currency or parts of transactions where there is a consideration that is denominated or quoted in a foreign currency. The interpretation provides a guide for when a single payment / receipt is made, as well as for situations in which multiple payments / receipts are made. It aims to reduce diversity in practice. Effective from January 1, 2018. This standard should have no material impact for the Group.

- IFRIC 23 Uncertainty over Income Tax Treatments IFRIC 23 (effective from 1 January 2019, for the year ending 2019, not yet endorsed) clarifies how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatment under IAS 12. The Group is currently assessing the potential impact on its Group Financial Statements resulting from the application of IFRIC 23.

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.

2. ACCOUNTING POLICIES (continued)

2.6 Basis of consolidation (continued)

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.

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 sales related taxes.

Revenues relate to electricity generation and distribution services. 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. Any unbilled revenue is treated as accrued income. 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.

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

Functional and presentation 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.

The financial statements are presented in US$ and the average rate used was US$1.29 to £1 and AR$17.26 to US$1 and the closing rate used was US$1.35 to £1 and AR$18.6 to US$1 (2016: average rate US$1.36 to £1 and AR$ 14.76 to US$1 and closing rate US$1.23 to £1 and AR$15.90 to US$1).

2. ACCOUNTING POLICIES (continued)

2.10 Foreign currency (continued)

Transactions and balances

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.

IAS 29 "Financial reporting in hyperinflationary economies" requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy be expressed in terms of the current unit of measurement at the closing date of the reporting period, regardless of whether they are based on the historical cost method or the current cost method. In order to conclude on the existence of a hyperinflationary economy, the policy details a series of factors to be considered, including an accumulated inflation rate in three years that approaches or exceeds 100%. Taking into account the inconsistency of the published inflation data in Argentina, the decreasing trend of inflation and that the rest of the indicators do not lead to a definitive conclusion, Management understands that there is not enough evidence to conclude Argentina as a hyperinflationary economy as of December 2017. Therefore, the restatement criteria of the financial information established in IAS 29 in the current period have not been applied.

However, in recent years certain macroeconomic variables that affect the Company's in Argentina, such as the wage cost and the prices of inputs, have had significant annual variations. These circumstances should be considered in the evaluation and interpretation of the financial situation and the results presented by the Company in these financial statements.

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.

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

The Group operates a defined benefit plan. 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. ACCOUNTING POLICIES (continued)

2.12 Employee benefits (continued)

The composition as of December 31, 2017 is as follows:

Benefit	Total US$'000	Current US$'000	Non current US$'000
Benefits for retirement or disability	7,331	1,685	5,645
Benefits for years of service	1,189	97	1,092
At 31 December 2017	8,520	1,782	6,737
At 31 December 2016	8,108	1,648	6,460

The movement of obligations for employee benefits during the year 2017 has been as follows:

	Benefits for retirement or disability US$'000	Benefits for years of service US$'000	Total US$'000
At 31 December 2016	7,028	1,080	8,108
Cost for current services	841	190	1,031
Interest cost	930	143	1,073
Actuarial losses for employee benefits	479	73	552
Benefits paid	(922)	(139)	(1,061)
At 31 December 2017	8,356	1,347	9,703

The main assumptions used in the calculation are the discount rate and the expected salary increase.

The actual rate used to discount the obligations of these benefits was determined using as reference the market yield (at the end of the reporting period) of the bonds issued by the National Government. The salary increase rate responds to the historical evolution of it.

The sensitivity of the liability for defined benefit plans to changes in the main actuarial assumptions is as follows:

	Change in actuarial assumption	Change in liabilities (US$'000)
Real discount rate	Increase / decrease of 1%	Decrease of 0,50 / Increase of 0,58
Rate of salary increase	Increase / decrease of 1%	Increase of 0,60 / Decrease of 0,52

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.

2. ACCOUNTING POLICIES (continued)

2.13 Taxation (continued)

Current and deferred tax (continued)

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.

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.

2. ACCOUNTING POLICIES (continued)

2.14 Share-based payments (continued)

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 Property, plant and equipment

Property, plant and equipment (except of high voltage networks and power transformers included in "High voltage networks and power transformers") are shown at cost less subsequent depreciation. Costs include expenditures that are directly attributable to the acquisition of the items.

In the prior year, the Group modified its accounting valuation policy for property, plant and equipment for the assets categorized as "high voltage networks and power transformers", which has been applied to all elements belonging to the same class of assets (previously valued these assets according to the historical cost model). In accordance with IAS 8, this change in accounting policy is exempt from retrospective application.

The Group valued the high voltage networks and power transformers and accounted for this class by using the revaluation model, since it considers that this model more reliably reflects the value of these assets. The revaluation model measures the asset at its fair value less accumulated depreciation and the accumulated amount of impairment losses, if any. For the application of this model, the Group used the services of independent experts. Their report has been approved by the Board of Directors of EDEMSA.

Increases in the carrying amounts arising on revaluation of high voltage networks and power transformers are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders’ equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the depreciation of the revaluation amount of the asset charged to profit or loss, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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:

High voltage network and power transformers	30 to 50 years
Medium and low voltage networks and transformer stations	30 to 50 years
Buildings and land*	30 to 50 years
Machinery and equipment	up to 25 years
Transformers	30 to 40 years
Work in progress and other assets*	4 to 9 years

*Land and work-in-progress are 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.

2.16 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.

2. ACCOUNTING POLICIES (continued)

2.16 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 (EDEMSA) and 50 year (HASA) terms of the concession and is recognised within administrative expenses.

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 13.

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.

(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.

2. ACCOUNTING POLICIES (continued)

2.18 Financial assets (continued)

Recognition and measurement (continued)

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.

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 15.

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.

2. ACCOUNTING POLICIES (continued)

2.18 Financial assets (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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.

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 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.

2.22 Trade payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

2.23 Financial liabilities

Bank loans and other borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost.

2. ACCOUNTING POLICIES (continued)

2.24 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.

2.25 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.

2.26 Share Capital

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. See note 26.

2.27 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$16.7 million (2016: US$6.6 million), and US$5.7 million (2016: US$5.2 million) to cover the risks associated with possible fines.

2.28 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.

2.29 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. CONTINGENT LIABILITIES

Fiscal

EDEMSA 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 EDEMSA'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 EDEMSA filed appeals with the National Tax Court. The Group does not believe an estimate of its financial effect is practicable and could be misleading. The matter remains outstanding as at year end, and the Company's positions remains the same based on recent tax advice.

3. CONTINGENT LIABILITIES (continued)

Other

At the year end, EDEMSA had payables due to CAMMESA of AR$2,046 million (US$109.9 million) excluding penalties. CAMMESA is claiming penalty interest of AR$151 million (US$8.2 million) plus VAT related 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. Furthermore, post year end, EDEMSA has reached a payment plan with CAMMESA for all principal, interest and penalty amounts. See also Note 2.2.

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.

2017 **Analysis of revenue and profit:**	**Electricity Distribution** **US$'000**	**Electricity Generation** **US$'000**	**Other Corporate** **US$'000**	**Total** **US$'000**
Revenue	239,008	6,062	-	245,070
Operating (loss)/profit	(10,314)	1,804	(29)	(8,539)
Finance income	4,788	498	(513)	4,773
Finance costs	(23,862)	(588)	(91)	(24,541)
(Loss)/profit before income tax	(29,388)	1,714	(633)	(28,307)
Income tax benefit/(expense)	8,277	(608)	(4,557)	3,112
(Loss)/profit for the year	(21,111)	1,106	(5,190)	(25,195)

Other corporate costs are monitored on an on-going basis and largely relate to finance costs on financial liabilities.

2016 **Analysis of revenue and profit:**	**Electricity Distribution** **US$'000**	**Electricity Generation** **US$'000**	**Unallocated Corporate** **US$'000**	**Total** **US$'000**
Revenue	161,338	4,522	-	165,860
Operating profit/(loss)	(5,202)	874	(144)	(4,472)
Finance income	8,562	747	105	9,414
Finance costs	(17,909)	(794)	(1,910)	(20,613)
(Loss)/profit before income tax	(14,549)	827	(1,949)	(15,671)
Income tax benefit/(expense)	4,562	(464)	-	4,098
(Loss)/profit for the year	(9,987)	363	(1,949)	(11,573)

Analysis of total assets:	**2017** **US$'000**	**2016** **US$'000**
Electricity distribution	297,895	239,725
Electricity generation	7,083	6,835
Total segment assets	304,978	246,560
Unallocated assets	340	470
Consolidated total assets	305,318	247,030

4. OPERATIONAL SEGMENTS (continued)

	2017	2016
Analysis of total liabilities:	**US$'000**	**US$'000**
Electricity distribution	257,540	191,100
Electricity generation	3,439	2,599
Total segment liabilities	260,979	193,699
Unallocated liabilities	22,276	18,279
Consolidated total liabilities	283,255	211,978

	2017	2016
Analysis of total capital expenditure:	**US$'000**	**US$'000**
Electricity distribution capital expenditure	58,098	31,920
Electricity generation capital expenditure	-	-
Consolidated total capital expenditure	58,098	31,920

	2017	2016
Analysis of total depreciation:	**US$'000**	**US$'000**
Electricity distribution depreciation	6,704	3,111
Electricity generation depreciation	16	20
Consolidated total depreciation	6,720	3,131

	2017	2016
Analysis of total amortisation:	**US$'000**	**US$'000**
Electricity distribution amortisation	127	149
Electricity generation amortisation	66	76
Consolidated total amortisation	193	225

5. OPERATING LOSS

	31-Dec-17	31-Dec-16
	US$'000	**US$'000**
This is stated after charging:		
Amortisation	193	225
Depreciation	6,720	3,131
Loss on foreign exchange	596	714
Royalties	7,332	8,573
An analysis of auditors' remuneration is as follows:		
Audit of the Company's individual and consolidated financial statements	185	157
Audit of the Company's subsidiaries	100	100
Total audit fees	285	257
Audit-related assurance services	24	8
Tax and legal compliance services	21	12
Total non-audit fees	45	20

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

a) Staff numbers and costs

The average monthly number of persons including executive directors was:

	31-Dec-17 No.	31-Dec-16 No.
Selling	164	164
Technical	423	400
Administration	168	166
	755	730

	31-Dec-17 US$'000	31-Dec-16 US$'000
Wages and salaries	35,350	30,638
Social security costs	9,105	5,748
Share based payments	53	56
	44,508	36,442

b) Directors' emoluments

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

	31-Dec-17 US$'000	31-Dec-16 US$'000
Aggregate emoluments	962	966
	962	966
Emoluments of the highest paid director	380	280

c) Employee benefits

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

As at 31 December 2017 the following provision has been made:

Provision for employee benefits	**Current US$'000**	**Non-current US$'000**	**Total US$'000**
Benefits for retirement/disability	1,685	5,645	7,330
Long term benefits for years of service	97	1,092	1,189
Total 31 December 2017	1,782	6,737	8,519
Benefits for retirement/disability	1,504	5,524	7,028
Long term benefits for years of service	144	936	1,080
Total 31 December 2016	1,648	6,460	8,108

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

Charge to the income statement	**31-Dec-17 US$'000**	**31-Dec-16 US$'000**
Benefits for retirement/disability	2,427	3,960
Long term benefits for years of service	438	546
Total	2,865	4,506

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS (continued)

The movements in provisions made are detailed below:

Movement in provisions	US$'000
Balance as at 1 January 2017	8,108
Service costs	1,111
Interest payments	1,158
Actuarial losses	596
Benefits paid	(1,145)
Foreign exchange movement	(1,309)
Balance as at 31 December 2017	8,519

7. FINANCE INCOME

	31-Dec-17 US$'000	31-Dec-16 US$'000
Interest receivable and similar income	4,773	9,414
	4,773	9,414

8. FINANCE COSTS

	31-Dec-17 US$'000	31-Dec-16 US$'000
Interest costs	24,541	20,613
	24,541	20,613

9. TAXATION

	31-Dec-17 US$'000	31-Dec-16 US$'000
Income tax relating to loss for the year		
Current tax:	(541)	(2,047)
Tax rate difference	(1,682)	-
Other	29	-
Deferred taxation	5,306	6,145
Income tax benefit	3,112	4,098

The tax on the groups loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows.

Loss before income tax	(28,307)	(15,671)
Income tax credit on loss at standard rate of 35% (2016: 35%)	9,907	5,485
Effects of:		
Temporary timing differences	(6,596)	(16)
Tax losses for which no deferred tax asset was recognised	(199)	(1,371)
Income tax benefit	3,112	4,098

9. TAXATION (continued)

Income tax relating to comprehensive loss for the year		
Deferred taxation - Revaluation of networks and power transformers	(7,341)	(23,303)
Deferred taxation – Tax rate difference	6,600	-
Deferred taxation - Employee benefits	209	-
Income tax benefit	(532)	(23,303)
Loss on comprehensive income before tax	20,973	66,580
Income tax credit on profit at standard rate of 35% (2016: 35%)	(7,132)	(23,303)
Effects of:		
Deferred taxation – Tax rate difference	6,600	-
Income tax benefit	(532)	(23,303)

The tax rate used for the 2017 and 2016 for current tax is the corporate tax rate of 35% payable by corporate entities in Argentina on taxable profits under tax law in that jurisdiction.
On December 29, Law 27,430 was enacted. This law made some modifications to previous income tax law:

- Tax Rate: the modification states new tax rate parameters. For 2018 and 2019 the tax rate will be 30%, and from 2020 it will be 25% instead of the actual 35%.
- Effect on deferred tax: for the accounting calculation of the deferred tax, the rate expected to be in force at the time of the reversal of the original asset or liability should be used. Therefore, when measuring assets and liabilities for deferred taxes, the 30% rate should be used for those temporary differences whose reversal is expected to occur in the years beginning before January 1, 2020, and the 25% for the remaining temporary differences.
- Additional tax on distributed earnings: this modification increases the aggregated tax rate to approximately 35% (2017: 0%, 2018/19: 7%, 2020: 13%) for the shareholders. It must be paid at the time profits are distributed and paid as a higher current tax on behalf of the shareholders.

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. EARNINGS / LOSS PER SHARE

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

	31-Dec-17	**31-Dec-16**
	Cents	**Cents**
Basic and diluted loss per share	(0.18)	(0.08)
	US$'000	**US$'000**
Loss for the financial year attributable to owners of the parent	(16,970)	(7,795)
	No.	**No.**
	'000	**'000**
Weighted average number of shares	96,156	96,156
Diluted weighted average number of shares	96,156	96,156
	No.	**No.**
	'000	**'000**
Potential number of dilutive warrants	9,982	12,264

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

11. PROFIT OR 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$0.8 million (2016 loss: US$1.8 million).

12. PROPERTY, PLANT AND EQUIPMENT

GROUP	**High voltage networks and power transformers**	**Medium and low voltage networks and transformer stations**	**Buildings and land**	**Machinery and equipment**	**Transformers**	**Work in progress and other assets**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Cost							
At 1 January 2016	10,375	59,095	7,131	7,598	11,595	37,887	133,681
Acquisitions	-		-	-	-	222	222
Transfers	2,639	10,552	8,585	110	1,460	(23,346)	-
Additions	-		-	154	-	26,992	27,146
Revaluation*	66,580		-	-	-	-	66,580
Foreign exchange movements	(6,790)	(11,163)	(1,871)	(1,357)	(2,147)	(6,949)	(30,277)
At 31 December 2016	72,804	58,484	13,845	6,505	10,908	34,806	197,352
Acquisitions	-		-	-	-	281	281
Transfers	7,293	14,495	5,584	934	1,615	(29,921)	-
Additions	(21)	147	-	63	-	36,910	37,099
Revaluation*	20,973		-	-	-	-	20,973
Foreign exchange movements	(12,686)	(9,604)	(2,428)	(1,022)	(1,710)	(5,606)	(33,056)
At 31 December 2017	88,363	63,522	17,001	6,480	10,813	36,470	222,649
Depreciation							
At 1 January 2016	(5,265)	(27,875)	(1,656)	(4,866)	(4,074)	(4,875)	(48,611)
Charge for the year	(205)	(1,501)	(422)	(217)	(357)	(429)	(3,131)
Foreign exchange movements	943	5,016	322	873	743	888	8,785
At 31 December 2016	(4,527)	(24,360)	(1,756)	(4,210)	(3,688)	(4,416)	(42,957)
Charge for the year	(3,302)	(1,502)	(744)	(247)	(350)	(574)	(6,719)
Foreign exchange movements	902	3,665	311	632	564	682	6,756
At 31 December 2017	(6,927)	(22,197)	(2,189)	(3,825)	(3,474)	(4,308)	(42,920)
Net Book Value							
At 31 December 2017	81,436	41,325	14,812	2,655	7,339	32,162	179,729
At 31 December 2016	68,277	34,124	12,089	2,295	7,220	30,390	154,395

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.

13. INTANGIBLE ASSETS

GROUP	Goodwill US$'000	Concession US$'000	Total US$'000
Cost			
At 1 January 2016	5,423	9,357	14,780
Foreign exchange movements	(955)	(1,648)	(2,603)
At 31 December 2016	4,468	7,709	12,177
Foreign exchange movements	(652)	(1,125)	(1,777)
At 31 December 2017	3,816	6,584	10,400
Accumulated Amortisation			
At 1 January 2016	-	(4,752)	(4,752)
Charge for the year	-	(225)	(225)
Foreign exchange movements		852	852
At 31 December 2016	-	(4,125)	(4,125)
Charge for the year	-	(193)	(193)
Foreign exchange movements	-	616	616
At 31 December 2017	-	(3,702)	(3,702)
Net Book Value			
At 31 December 2017	3,816	2,882	6,698
At 31 December 2016	4,468	3,584	8,052

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 (2017 11.44%; 2016 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.

13. INTANGIBLE ASSETS (continued)

Concession assets (continued)

2017	Distribution	Generation	Total
	US$'000	US$'000	US$'000
Net book value	1,250	1,632	2,882
	Years	Years	
Remaining life	11	27	

2016	Distribution	Generation	Total
	US$'000	US$'000	US$'000
Net book value	1,601	1,983	3,584
	Years	Years	
Remaining life	12	28	

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.

14. DEFERRED TAX

GROUP	Provision for bad debts	Notional income tax	Provision charges	Employee benefits	Other	Carry forward losses	Total
Deferred tax asset	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
At 1 January 2016	686	4,990	4,409	2,169	562	5,043	17,859
Credited to the profit and loss account	178	675	6,064	1,131	153	(1,749)	6,452
Foreign exchange movement	(134)	(927)	(1,213)	(463)	(110)	(765)	(3,612)
At 31 December 2016	730	4,738	9,260	2,837	605	2,529	20,699
Tax rate difference	(245)	-	(2,019)	(768)	(56)	(724)	(3,812)
Credited to the profit and loss account	256	(330)	4,572	394	(154)	5,065	9,803
Credited to the employee benefits	-	-	-	209	-	-	209
Foreign exchange movement	(107)	(630)	(1,539)	(402)	(73)	(688)	(3,439)
At 31 December 2017	634	3,778	10,274	2,270	322	6,182	23,460

	Fair value of property plant and equipment	Write off from intangibles	Borrowings	Total
Deferred tax liability	**US$'000**	**US$'000**	**US$'000**	**US$'000**
At 1 January 2016	5,935	581	1,017	7,533
Charged to the profit and loss account	325	93	(112)	306
Charged to the revaluation of networks and power transformers	23,303	-	-	23,303
Foreign exchange movement	(2,922)	(109)	8	(3,023)
At 31 December 2016	26,641	565	913	28,119
Tax rate difference	(8,652)	(165)	88	(8,729)
Charged to the profit and loss account	159	80	(299)	(60)
Charged to the revaluation of networks and power transformers	7,341	-	-	7,341
Foreign exchange movement	(3,955)	(76)	30	(4,001)
At 31 December 2017	21,534	404	732	22,670
Net deferred income tax asset as at 31 December 2017				790
Net deferred income tax liability as at 31 December 2016				(7,420)

In addition to the net deferred income tax asset of US$ 0.8m, the Group has recognised a deferred income tax liability of US$ 4.6m in relation to distributed earnings.

14. DEFERRED TAX (continued)

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 2018 and 2022.

The Company did not recognise deferred income tax assets of US$0.7 million (2016: US$1.3 million) in respect of tax losses amounting to US$4.3 million (2016: US$3.5 million) as there is insufficient evidence that the potential asset will be recovered.

15. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31-Dec-17 US$'000	31-Dec-16 US$'000	31-Dec-17 US$'000	31-Dec-16 US$'000
Non-current				
Trade receivables	1,950	3,573	-	-
Other debtors	673	1,318	-	-
	2,623	4,891	-	-
Current				
Trade receivables	17,591	10,991	100	100
Less: provision for impairment	(2,589)	(2,031)	-	-
	15,002	8,960	100	100
Prepayments and accrued income	32,580	13,973		-
Advance to suppliers	14,355	9,657	-	-
Loans to subsidiaries	-	-	2,705	2,465
Other taxes and social security	3,421	1,930	-	-
Grants	88	151	-	-
Other receivables	7,373	6,756	-	-
	72,819	41,427	2,805	2,565

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

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.

As mentioned in note 21, the Group and Phoenix Resource Group (ex -Andes Energía Plc Group) began a process of renegotiating the terms and conditions of mutual balances and agreements (including its subsidiaries).

MSO Andes Energía Argentina S.A. (“MSO”), an AEplc subsidiary, holds a technical operator contract with EDEMSA signed in 2010 (with an on addendum 2016). This advisory service involves the different areas of the organization, being the remuneration equal to 1.25% of the gross sales of EDEMSA. Additionally EDEMSA signed with MSO an agreement which granted the collection rights over FONINVEMEM (MSO had received this rights from HASA) to cancel past loans.

15. TRADE AND OTHER RECEIVABLES (continued)

Due to the renegotiation mentioned above, EDMESA has not received in the last quarter of 2017 the mentioned funds, consequently the parties are reviewing the destination of these flows. The Group, based on the analysis of the initial contract and the opinion of its legal advisors, understands that if MSO retains the flows timely ceded, the original credit is reborn and EDEMSA could negotiate the compensation with the debt that maintain as operator (fees). The amount at year end of this credit amounts to US$ 1.4m, while the liabilities held as technical operator are US$1.5m, disclosed in note 20 as part of accrued expenses.

Regarding HASA, during the last quarter of 2017 it has been receiving and retaining FONINVEMEM payments since MSO has stopped paying the debt acquired during FONINVEMEM cession.

	The Group		The Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Provision for impairment of trade receivables				
As at 1 January	2,031	1,846	-	-
Impairment losses recognised on receivables	922	550	-	-
Foreign exchange movements	(364)	(365)	-	-
As at 31 December	2,589	2,031	-	-

As at 31 December 2017, US$2.6 million trade receivables were impaired (2016: US$2.0 million). As at 31 December 2017 trade receivables of US$7.5 million were past due but not impaired (2016: US$4.1 million). The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Ageing of past due but not impaired				
Up to 3 months past due	6,283	3,396	100	100
3 to 6 months past due	244	158	-	-
Over 6 months past due	952	572	-	-
	7,479	4,126	100	100

16. INVENTORIES

	31-Dec-17	**31-Dec-16**
	US$'000	**US$'000**
Non-current		
Raw materials and consumables	3,863	4,782
	3,863	4,782
Current		
Raw materials and consumables	4,586	5,634
	4,586	5,634

As at 31 December 2017, US$6.5 million were transferred to property, plant and equipment (2016: US$4.8 million); US$0.4 million were transferred to expenses (2016: U$S5.7 million). In the current year, inventory has been classified as current and non-current to more accurately reflect the period of consumption. The prior year comparative has also been updated to reflect this change.

No inventory was written off in the year.

17. AVAILABLE FOR SALE FINANCIAL ASSETS

	The Group		The Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	US$'000	US$'000	US$'000	US$'000
Current assets				
Loans to other entities	66	864	-	-
Other investments	6,786	2,252	-	-
Listed government bonds	22,252	13,427	-	-
	29,104	16,543	-	-

Other investments

Other investments are carried at amortised cost, which is management's best estimate of their fair value (Level 2).

Listed government bonds

Listed government bonds were valued based on quoted prices at the year end. (Level 1).

18. INVESTMENTS IN SUBSIDIARIES

	31-Dec-17	31-Dec-16
	US$'000	US$'000
Non-current assets		
As at 1 January	31,377	37,754
Foreign exchange movements	3,060	(6,377)
As at 31 December	34,437	31,377

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

At 31 December 2017 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 subsidiary undertakings all have share capital consisting solely of ordinary shares. All the interests are held partly directly and partly indirectly though intermediate subsidiaries, which are wholly owned.

	Registered office	Country of incorporation	Area of Operation	Activity	Control	Ownership Interest %
Andina Electricidad Limited	1 South Quay, Victoria Quays, Sheffield, S2 5SY	UK	UK	Holding	Direct	100
Andes Electricidad S.A.	Maipú 1252, 2nd Floor, Ciudad Autónoma de Buenos Aires	Argentina	Argentina	Holding	Direct	100
Inversora Andina de Electricidad S.A. ("IADESA")	Belgrano 815 - Mendoza	Argentina	Argentina	Holding	Indirect	100
Mendinvert S.A.	Belgrano 815 - Mendoza	Argentina	Argentina	Holding	Indirect	100
SODEMSA	Belgrano 815 - Mendoza	Argentina	Argentina	Holding	Indirect	100
Empresa Distribuidora de Electricidad de Mendoza S.A. ("EDEMSA")	Belgrano 815 - Mendoza	Argentina	Argentina	Electricity distribution	Indirect	51
Hidroeléctrica del Sur S.A. ("HDS")	Juez Tedín Nº 2728 - Ciudad Autónoma de Buenos Aires	Argentina	Argentina	Holding	Indirect	80
Hidroelectrica Ameghino S.A. ("HASA")	Sarmiento 698- Trelew- Chubut	Argentina	Argentina	Electricity generation	Indirect	47

See operational segment note 4, which provides a summary of the financial information for electricity distribution (EDEMSA) and electricity generation (HASA).

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	US$'000	US$'000	US$'000	US$'000
Cash at bank and in hand	5,106	11,306	19	15
	5,106	11,306	19	15

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-17	31-Dec-16	31-Dec-17	31-Dec-16
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables	127,839	89,273	135	109
Social security and other taxes	25,852	18,392	-	-
Accrued expenses	67,064	52,540	644	499
Government payables related to compensation funds	2,151	1,360	-	-
Other payables	1,422	2,079	114	442
Other payables from subsidiaries	-	-	363	336
	224,328	163,644	1,256	1,386

	The Group		The Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	US$'000	US$'000	US$'000	US$'000
Non-current				
Social security and other taxes	8,815	8,715	-	-
Other payables	5,603	4,697	-	-
	14,418	13,412	-	-

Company
Current other payables include US$0.3 million (Non Current 2016: US$ 0.4 million) due to a shareholder of the Company including interest of 8% per annum. After year end the Company received a waiver for this debt to be repayable in one instalment in December 2019.

Group
Non Current other payables include an amount of US$5.6 million (Non Current 2016: US$4.7 million) due to a shareholder of the Company, a party connected to a shareholder of the Company and Companies to which these parties are related. This amount includes interest of 8% per annum. The Company received a waiver for US$1.3 million to be repayable in one instalment in December 2019 and a commitment to defer repayment of the US$4.3 million until June 2019. Based on these documents the Company has disclose this debt as non current.

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-17	31-Dec-16	31-Dec-17	31-Dec-16
	US$'000	US$'000	US$'000	US$'000
Current				
Bank borrowings	3,518	1,353	-	-
Other borrowings	3,431	9,643	3,097	9,252
Finance leases	260	75	-	-
	7,209	11,071	3,097	9,252

21. FINANCIAL LIABILITIES (continued)

	The Group		The Company	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current				
Bank borrowings	1,285	1,943	-	-
Other borrowings	6,929	1,286	5,652	-
Finance leases	858	282	-	-
	9,072	3,511	5,652	-

At 31 December 2017 the Group and Company had bank borrowings and other borrowings of US$16.3 million comprised of:

Group
(a) a commitment to defer repayment of AR$24 million (US$1.3 million) until Dec 2019 with a rate of BADLAR plus 5% per annum; (b) a AR$6.2 million (US$0.3 million) loan carrying interest at a rate of 5% per annum is overdue for repayment; (c) a AR$1 million (US$0.01 million) loan carrying interest at a rate of 23.9% per annum repayable in monthly instalments by October 2015; (d) a AR$4.5 million (US$0.2 million) loan carrying interest at a rate of BADLAR plus 2% (min 26.95%) per annum repayable in monthly instalments by June 2016; (e) a AR$39.1 million (US$2.1 million) loan carrying interest at a rate of 25% per annum repayable in monthly instalments by December 2016; (f) a AR$0.4 (US$0.02 million) loan carrying interest at a rate of 25% per annum repayable in monthly instalments by July 2017; (g) a AR$48.9 million (US$2.7 million) loan carrying interest at a rate of 25% repayable in monthly instalments by October 2017, (h) a AR$ 16.3 million (US$0.9 million) finance leases carrying interest at a rate of 18% repayable in monthly instalments between July 2021 and December 2021

Company
(i) a US$7.2 million loan carrying interest at a rate of 11% per annum repayable in March 2017, November 2017 and then in monthly instalments beginning March 2018; and (j) other borrowing include a US$1.5 million loan with no coupon and no fixed repayment date.

South American Energy Development LLC ("SAED")

At the end of 2016, Andina Plc had an amount payable to SAED of US$ 8.3m. In March 2017, an agreement was signed to refinance this debt as a US$7 million loan repayable over 5 years with a set repayment plan and a coupon of 11% per annum. As a result, Andina has recognised a gain of US$1.3m.
If the company had missed two consecutive instalments this will entitle SAED to notify the Company´s registered office to cancel the unpaid instalments within 15 days. If Andina then failed to meet this notice, SAED would be able to recall the full loan amount (principal and interest).

As of the date of issuance of these financial statements, the Company has three instalments due (November 2018, March and April 2019).

The Company has the ability to cancel all due instalments, including the ones for 12 months from signing date if they were reliably required by SAED. The Company and SAED are currently renegotiating new terms on this loan. As of the date of issuance of these financial statements, the Company has not received a reliable notification at its address for the unpaid instalments. Based on these facts: renegotiating in process, ability to pay and lack of formal notification the Company has not considered this debt in default and has been included in current and non current liability with the last agreed terms.

Phoenix Global Resource (ex - *Andes Energía Plc)*

The Group and Phoenix Global Resource (ex - Andes Energía Plc), including its subsidiaries, began a process of renegotiating the terms and conditions of mutual balances and agreements. As of the date of the issuance of these financial statements the renegotiation process is ongoing.

21. FINANCIAL LIABILITIES (continued)

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

	The Group		The Company	
	31-Dec-17 US$'000	31-Dec-16 US$'000	31-Dec-17 US$'000	31-Dec-16 US$'000
Maturity profile				
Within 1 year	8,443	11,071	3,097	9,252
Between 1 and 5 years	7,838	3,511	5,652	-
	16,281	14,582	8,749	9,252

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

22. PROVISIONS

	Fines* US$'000	Legal claims US$'000	Total US$'000
At 1 January 2016	9,244	1,111	10,355
Additional provisions	4,587	346	4,933
Used during the year	(53)	(153)	(206)
Foreign exchange movements	(1,952)	(210)	(2,162)
At 31 December 2016	11,826	1,094	12,920
Additional provisions	15,110	541	15,651
Used during the year	(1,751)	(269)	(2,020)
Foreign exchange movements	(2,701)	(178)	(2,879)
At 31 December 2017	22,484	1,188	23,672

	2017 US$'000	2016 US$'000
Current	22,900	12,120
Non current	772	800
	23,672	12,920

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 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.

The balance includes US$22.9 million as current and US$0.7 million as non-current. All fines are current. Of the provision for legal claims as at 31 December 2017 US$0.4 million is current and US$0.7 million is non-current. Of the provision for legal claims as at 31 December 2016 US$0.3 million is current and US$0.8 million is non-current.

*For further detail see note 2.27

23. CALLED UP SHARE CAPITAL

	2017 No.	2017 US$'000	2016 No.	2016 US$'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).

23. CALLED UP SHARE CAPITAL (continued)

The issued share capital is reconciled as follows:

	2017 No.	2016 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

	2017 No.	2016 No.
Redeemable preference shares of £1 each		
Balance at beginning of year	50,000	50,000
Issued during the year	-	-
Balance at end of year	50,000	50,000

24. WARRANTS

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

Exercise period	At 1 January 2017 No.	Granted during year 2017 No.	Lapsed during year 2017 No.	At end of year 2017 No.	Exercise Price
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
	9,982,120	-	-	9,982,120	

(*) These warrants were not exercised.

During 2017, 2,282,000 warrants were not exercised.

All warrants, granted to management and advisers, are 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.

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
Outstanding at 1 January	2,158,120	54.0 pence	2,158,120	54.0 pence
Granted during the year	-		-	
Lapsed during the year	-		-	
Outstanding at 31 December	2,158,120		2,158,120	
Exercisable at 31 December	2,158,120		2,158,120	

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:

24. WARRANTS (continued)

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 (2016: US$0.1 million).

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

	01-Jan-17 No.	Granted in the year No.	Lapsed during Year No.	31-Dec-17 No.	Exercise Price	Exercise Dates
Neil 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-17 US$'000	31-Dec-16 US$'000
At 1 January	26,368	12,360
Losses attributable to non-controlling interests	1,498	17,428
Translation differences	(7,987)	(3,420)
At 31 December	19,879	26,368

26. RESERVES

Revaluation reserve

The revaluation of property plant and equipment increases are recognized in the statement of comprehensive income and accumulated in the revaluation reserve, except to the extent that this increase reverses a revaluation decrease of same asset previously recognized in the results for the year. In this case the increase is recognized in the results for the year.

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.

27. CAPITAL COMMITMENTS

	31-Dec-17 US$´000	31-Dec-16 US$´000
Commitments for the acquisition of property, plant and equipment	20,650	7,237

All amounts are categorised as less than one year.

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 2017.

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-17	**31-Dec-16**
	US$'000	**US$'000**
Borrowings, excluding finance lease liabilities	15,163	14,225
Less: Cash and cash equivalents	(5,106)	(11,306)
Net debt	10,057	2,919
Equity	22,063	35,052
Net debt ratio	46%	8%

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

Financial risk management

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

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

Derivatives, financial instruments and risk management

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

Market risk

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

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

28. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management (continued)

Foreign currency risk management

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

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

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

	The Group	
	£'000	**AR$'000**
Trade and other receivables (Note 15)	77	989,161
Cash and cash equivalents	15	87,794
Trade and other payables (Note 20)	(973)	(3,411,679)
Net exposure	(881)	(2,334,724)

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-17
	US$'000
AR$ strengthening by 25%	156,393
AR$ weakening by 25%	(156,393)

Interest rate risk

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

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

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

Price risk

Whilst the Group is not subject to price risk due to the service nature of the services it provides, the Group's business is based on a regulated tariff structure. If future tariff reviews are not forthcoming this will adversely affect cash flows and the ability of the Group to invest in the business and could impair Group asset values (see note 13). 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.

28. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management (continued)

Credit risk (continued)

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

	The Group		The Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	US$'000	US$'000	US$'000	US$'000
Financial assets within trade and other receivables	72,021	44,387	2,805	2,565
Cash and cash equivalents	5,106	11,306	19	15
	77,127	55,693	2,824	2,580

Liquidity risk

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

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

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

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

The table below shows the Group and Company's financial liabilities at 31 December 2017 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	7,209	9,072	-	16,281
Creditors	198,475	-	5,603	204,078
	205,684	9,072	5,603	220,359

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	3,097	5,652	-	8,749
Creditors	1,256	-	-	1,256
	4,353	5,652	-	10,005

29. FINANCIAL INSTRUMENTS

All of the Group's financial assets (other than cash and other liquid resources) are classified as loans and receivables. All of the Group's financial liabilities are measured at amortised cost. In the opinion of the directors, there was no significant difference between the carrying values and estimated fair values of the Group's primary financial assets and liabilities at either the current, or preceding, financial year end.

29. FINANCIAL INSTRUMENTS (continued)

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

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

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

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

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

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

	The Group		**The Company**	
	31-Dec-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Financial assets				
Available for sale financial assets*	29,104	16,543	-	-
	29,104	16,453	-	-

*The listed government securities are Level 1

30. RELATED PARTY TRANSACTIONS

Company

Amounts owed by and to its subsidiaries are disclosed in notes 15 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-17	**31-Dec-16**	**31-Dec-17**	**31-Dec-16**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Salaries and other short term benefits	1,318	1,064	98	98
Share based payments	25	27	25	27
	1,343	1,091	123	125

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

31. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year end, the group has secured a credit line facility from a non-financial institution in the amount of US$6 million. The group has also reached a payment plan with CAMMESA for all historic principal, interest and penalty amounts relating to the period 2013-2016.

Andina plc

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Luis Alvarez Poli (CEO/CFO)
Jorge Depresbiteris (COO)
Marcelo Comba (Non-Executive)
Carlos Bastos (Non-Executive)

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