

Andina plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

(Company No. 8095058)

Andina plc

CONTENTS

	Page
Overview	2
Chairman's statement	3
Chief Executive's review	4
The board	5
Directors' report	6
Directors' responsibilities statement	8
Independent auditor's report	9
Consolidated income statement	11
Consolidated statement of comprehensive income	12
Consolidated statement of financial position	13
Company statement of financial position	14
Consolidated statement of changes in equity	15
Company statement of changes in equity	16
Consolidated cash flow statement	17
Company cash flow statement	18
Notes to the financial statements	19
Officers and advisers	46

Andina plc

OVERVIEW

HIGHLIGHTS

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

The Group’s focus is on the energy sector including electricity generation and distribution and other regulated public sectors in South America, which it believes offers premium assets at undervalued prices. Its principal assets are a 51% indirect controlling interest in Empresa Distribuidora de Electricidad de Mendoza S.A., the main electricity distribution company in the Province of Mendoza (“EDEMESA”) and an indirect controlling 47% interest in Hidroelectrica Ameghino S.A., a 60MW hydroelectric power plant in the Province of Chubut (“HASA”).

Financial

Year ended 31 December	2012	2011
	US\$’m	US\$’m
Revenue	185	176
EBITDA	8	18

Operational highlights

- Successful completion of the demerger from Andes Energia plc

Post year end highlights

- Successful renegotiation of syndicated loan
- Board expanded
- New tariffs for EDEMESA

Andina plc

CHAIRMAN'S STATEMENT

Overview

Our financial results incorporating the results of Andina together with its subsidiaries for the year ended 31 December 2012 are set out below.

These are Andina's first annual results as a stand-alone company since its demerger from Andes Energia plc in July 2012. The Board believes that following the demerger the potential of the electricity businesses will become more transparent to investors with the Group clearly focused on one activity. Although the demerger was not completed until 11 July 2012, these financial statements are presented as if the Group structure has always been in place.

The Group recorded a loss before tax of US\$17.3 million for the year compared to a loss before tax of US\$2.1 million in 2011. The Group recorded EBITDA of US\$8 million in 2012 on revenues of US\$185 million compared to EBITDA of US\$18 million in 2011 on revenues of US\$176 million.

The results of EDEMSA were adversely affected by delays in the approval of the implementation of new tariffs and whilst the repurchase and cancellation of the bonds in 2011 eliminated the Group's exposure to foreign exchange risk, the delay in the implementation of new tariffs has increased the Group's liabilities and liquidity risk.

The results of HASA were impacted by the fact the price paid for electricity generated has not been adjusted in line with cost increases and by reduced rain-fall resulting in low water levels, which is not unusual over the short to medium term cycle.

Outlook

The successful demerger of the utility operations has resulted in a focused electricity Group, which we hope to build and develop in the short to medium term. However, the delay in the implementation of new tariffs at EDEMSA has resulted in increased financial costs, which has had a direct impact on profitability and the ability to develop new businesses.

After the year end we successfully completed the renegotiation of the terms of the EDEMSA syndicated loan, which was important in the context of the tariff delays.

On 15 January 2013 a decree was published announcing for EDEMSA a tariff increase of an average of 5.5%, and on 25 June 2013 a decree was published announcing a tariff increase of an average of 9% with effect from 25 June 2013 and an average increase of a further 7% with effect from 1 November 2013.

However, it is important that new tariff levels continue to be approved to maintain economic and financial sustainability. In this regard, a full tariff review for the fourth review period is underway currently and is due to come into effect in February 2014.

Neil Bleasdale
Chairman
15 July 2013

Andina plc

CHIEF EXECUTIVE'S REVIEW

Introduction

The highlight for 2012 is the:

- Successful completion of the demerger from Andes Energia plc

EDEMSA

EDEMSA reported a post tax loss for the year of AR\$50.5 million (2011: AR\$4.5 million profit).

Sales for the year increased by 17% over 2011, to AR\$827 million. This increase resulted primarily from the pass through of increases of 27% in the cost of energy purchased and to a lesser extent a 3.7% increase in the demand for energy and the 5.5% increase in tariffs implemented in September 2012.

Gross profits were AR\$204 million compared to AR\$188 million in 2011. Inflationary pressure and delays in the implementation of new tariffs resulted in operating profit dropping from AR\$34 million to AR\$7 million. The main increases in costs arose in salaries and other employee related costs and the costs of third party services. The company recorded EBITDA of AR\$44 million in 2012 (2011: AR\$72 million).

Borrowing costs increased to AR\$90 million compared to AR\$40 million in the previous year. The main cause of this increase is due to late payment charges imposed by Compañía Administradora del Mercado Mayorista Eléctrico S.A. ("CAMMESA"), which resulted in further interest costs of AR\$36.3 million and higher interest rates on bank lending. EDEMSA is looking to challenge CAMMESA's right to charge late payment financial penalties and will be pursuing avenues to mitigate these charges. CAMMESA acts as the manager of the activities in the Argentine wholesale electricity market.

In 2012 energy losses of 10.9% (2011: 10.7%) have been maintained at a level consistent with the prior year. This has been achieved through regular inspections, improvements in the management of customer connections and the review of consumption anomalies, which has allowed us to be more effective in detecting irregularities.

After the year end, new tariffs were approved and the company successfully renegotiated the terms of the syndicated loan agreement. The repayment schedule has been revised and certain covenant financial ratios re-aligned, which as a result of the tariff increases recently announced should allow the company to meet its on-going obligations under the amended syndicated loan agreement.

HASA

The company recorded a post tax profit for the year of AR\$3.1 million compared to the 2011 profit of AR\$1.3 million. The result for the year includes finance income of AR\$9.0 million (2011: AR\$1.2 million), of which AR\$7.6 million arose from the valuation of the FONINVEMEM receivable at the original nominal value net of payments received. Sales decreased to AR\$12.7 million from AR\$14.4 million in 2011 as a result of reduced water inflows into the basin from rainfalls, which were lower than the historical average. The power generated in the year was 91.9GWh compared to 112GWh in 2011.

The Board is focused on developing renewable energy generation and regulated services projects and whilst Argentina is an attractive market, projects in Uruguay, Colombia and Peru are being considered.

Luis Alvarez Poli
Chief Executive Officer
15 July 2013

Andina plc

THE BOARD

Neil Bleasdale (Chairman)

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

Luis Alvarez Poli (Chief Executive Officer)

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

Jorge Depresbiteris (Chief Operating Officer)

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

Nigel Duxbury (Chief Financial Officer)

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

Marcelo Comba (Non-Executive Director)

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

Andina plc

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Andina plc (the "Company" and collectively with its subsidiaries the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is a Latin American energy group, with electricity generation and distribution interests in Argentina. The Company is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2012 and of the position of the Group at the end of the year. The information that fulfils this requirement can be found in the Chairman's Statement and Chief Executive's Review, which are incorporated into this report by reference. These sections also include details of expected future developments.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US\$13,252,673 (2011: US\$450,884).

The directors do not recommend the payment of a dividend by the ultimate parent company (2011: US\$ nil).

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 these performance indicators are commented on in the Chief Executive's Review on page 4.

The Group's key performance indicators ("KPIs") are set annually.

Sales

Sales provide a measure of Group activity that is influenced by energy demand and prices.

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.

Energy Losses

This measures the efficiency of the energy distributed. It includes the technical and commercial loss.

Gross capacity

Gross capacity is the total generation capacity owned by Group companies and is affected by acquisitions, expansion programs and disposals.

EBITDA

This provides a measure of the cash generated by operations.

FINANCIAL RISK MANAGEMENT

The Company's exposure to financial risk is set out in note 29 to the financial statements.

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; however new tariffs approved after the year end mean that for the foreseeable future the Group is financially viable. In the medium to long term, this remains a key risk as any delay or shortfalls in tariff increases could result in the Group becoming unviable.

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.

Andina plc

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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.

SUPPLIER PAYMENT POLICY

It is the Group's policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms based upon the timely receipt of an accurate invoice. Trade creditor days for the Group have been calculated at 99 days (2011: 76 days). This represents the ratio expressed in days between the amounts invoiced to the Group in the year by its suppliers and the amounts due at the year end to trade creditors falling due for payment within one year.

COUNTRY OF INCORPORATION

The Company was incorporated in England and Wales.

COUNTRIES OF OPERATION

The Group's activities are based in Argentina.

THE DIRECTORS

The current directors are as follows:

Neil Bleasdale (appointed 17 May 2013)
Luis Alvarez Poli (appointed 6 June 2012)
Jorge Depresbiteris (appointed 17 May 2013)
Nigel Duxbury (appointed 6 June 2012)
Marcelo Comba (appointed 17 May 2013)

EVENTS AFTER THE REPORTING PERIOD

After the year end, the Group successfully renegotiated the terms of EDEMESA's syndicated loan agreement and the Province of Mendoza announced the approval of new tariffs. For more detail see note 32.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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 auditor was 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 auditor was 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.

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

**Nigel Duxbury
Company Secretary
15 July 2013**

Andina plc

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

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

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

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ANDINA PLC

We have audited the financial statements of Andina plc for the year ended 31 December 2012, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the ability of EDEMSA and the parent company to continue as going concerns.

As set out in note 2.2:

- (1) delays in the approval of tariff increases and / or inadequate tariff increases in EDEMSA could result in EDEMSA breaching its obligations under its syndicated loan agreement, which would give the lenders the right to call the loans into default. These conditions indicate the existence of a material uncertainty, which, if it crystallised, would cast significant doubt about EDEMSA's ability to continue as a going concern. The carrying value of the assets of EDEMSA and its contribution to the results of the Group are shown in note 4 as electricity distribution. The carrying value of the parent company's investment in EDEMSA is US\$65,826,361. The financial statements do not include the adjustments that would result if EDEMSA is unable to continue as a going concern.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

ANDINA PLC (continued)

- (2) at the reporting date a US\$5,000,000 secured loan to the parent company repayable by June 2013 has not been repaid and four quarterly interest instalments are overdue. The parent company is currently in negotiations with the lender to refinance this loan. There is no guarantee that the loan will be renegotiated. These conditions indicate the existence of a material uncertainty, which, if it crystallised, would cast significant doubt on the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the parent company is unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Sancho Simmonds
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
16 July 2013

25 Moorgate
London
EC2R 6AY

Andina plc

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	31-Dec-12 US\$	31-Dec-11 US\$
Revenue	3	184,868,078	175,527,294
Cost of sales		<u>(140,359,530)</u>	<u>(129,458,499)</u>
Gross profit		44,508,548	46,068,795
Other operating income		1,584,488	2,885,444
Distribution costs		(17,423,851)	(17,199,376)
Administrative expenses		<u>(29,243,287)</u>	<u>(24,086,335)</u>
Operating (loss)/profit	5	(574,102)	7,668,528
Finance income	7	4,478,906	999,310
Finance costs	8	<u>(21,221,400)</u>	<u>(10,725,501)</u>
Loss before taxation		(17,316,596)	(2,057,663)
Taxation	9	<u>4,063,923</u>	<u>1,606,779</u>
Loss for the year		<u>(13,252,673)</u>	<u>(450,884)</u>
Total loss attributable to:			
Equity holders of the parent		(8,141,594)	(1,132,938)
Non-controlling interests		<u>(5,111,079)</u>	<u>682,054</u>
		<u>(13,252,673)</u>	<u>(450,884)</u>
		Cents	Cents
Basic and diluted loss per ordinary share	10	(8.47)	(1.18)

Andina plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	31-Dec-12	31-Dec-11
	US\$	US\$
Loss for the year	(13,252,673)	(450,884)
Translation differences	<u>(14,698,955)</u>	<u>(4,061,074)</u>
Total comprehensive loss for the year	<u>(27,951,628)</u>	<u>(4,511,958)</u>
Total comprehensive (loss)/profit attributable to:		
Equity holders of the parent	(15,182,251)	1,515,822
Non-controlling interests	<u>(12,769,377)</u>	<u>(6,027,780)</u>
Total comprehensive loss for the year	<u>(27,951,628)</u>	<u>(4,511,958)</u>

Andina Plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2012

	Note	31-Dec-12 US\$	31-Dec-11 US\$
Non-current assets			
Intangible assets	12	28,848,324	33,648,387
Property, plant and equipment	13	139,278,875	152,380,599
Available for sale financial assets	14	157,204	207,983
Trade and other receivables	16	11,514,415	6,229,315
Deferred income tax assets	17	21,628,514	18,929,154
Total non-current assets		<u>201,427,332</u>	<u>211,395,438</u>
Current assets			
Inventories	18	8,133,194	6,962,666
Available for sale financial assets	14	3,932,911	3,722,866
Trade and other receivables	16	38,357,081	38,677,398
Cash and cash equivalents	19	6,514,512	9,116,222
Total current assets		<u>56,937,698</u>	<u>58,479,152</u>
Current liabilities			
Trade and other payables	20	81,736,595	58,302,568
Financial liabilities	21	31,193,963	30,078,104
Total current liabilities		<u>112,930,558</u>	<u>88,380,672</u>
Non-current liabilities			
Trade and other payables	20	16,848,627	11,580,990
Financial liabilities	21	7,904,719	21,151,077
Provisions	22	12,871,589	10,275,241
Deferred income tax liabilities	17	17,115,249	19,893,772
Total non-current liabilities		<u>54,740,184</u>	<u>62,901,080</u>
Net assets		<u>90,694,288</u>	<u>118,592,838</u>
Capital and reserves			
Called up share capital	23	14,904,197	14,904,197
Profit and loss account		(13,067,393)	(5,036,674)
Merger reserve	26	40,432,464	40,432,464
Translation reserve	26	(4,391,897)	2,648,760
Equity attributable to equity holders of the parent		<u>37,877,371</u>	<u>52,948,747</u>
Non-controlling interests	25	52,816,917	65,644,091
Total equity		<u>90,694,288</u>	<u>118,592,838</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 July 2013 and were signed on its behalf by:

Nigel Duxbury, Director

Company No. 8095058

Andina Plc

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2012

	Note	31-Dec-12 US\$	31-Dec-11 US\$
Non-current assets			
Investments in subsidiaries	15	62,023,786	-
Total non-current assets		<u>62,023,786</u>	-
Current assets			
Trade and other receivables	16	1,362,893	-
Cash and cash equivalents	19	21,036	-
Total current assets		<u>1,383,929</u>	-
Current liabilities			
Trade and other payables	20	2,847,364	-
Financial liabilities	21	5,718,499	-
Total current liabilities		<u>8,565,863</u>	-
Net assets		<u>54,841,852</u>	-
Capital and reserves			
Called up share capital	23	14,904,197	-
Profit and loss account		(2,992,109)	-
Merger reserve	26	40,432,464	-
Translation reserve	26	2,497,300	-
Total equity		<u>54,841,852</u>	-

The financial statements were approved by the Board of Directors and authorised for issue on 15 July 2013 and were signed on its behalf by:

Nigel Duxbury, Director

Company No. 8095058

Andina plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital	Profit and loss	Merger reserve	Translation reserve	Owners of the parent	Non controlling interests	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2011	14,904,197	(3,903,736)	40,432,464	-	51,432,925	72,593,716	124,026,641
Loss for the year	-	(1,132,938)	-	-	(1,132,938)	682,054	(450,884)
Translation differences	-	-	-	2,648,760	2,648,760	(6,709,834)	(4,061,074)
Total comprehensive loss for the year	-	(1,132,938)	-	2,648,760	1,515,822	(6,027,780)	(4,511,958)
Dividends	-	-	-	-	-	(921,845)	(921,845)
At 31 December 2011	14,904,197	(5,036,674)	40,432,464	2,648,760	52,948,747	65,644,091	118,592,838
Loss for the year	-	(8,141,594)	-	-	(8,141,594)	(5,111,079)	(13,252,673)
Translation differences	-	-	-	(7,040,657)	(7,040,657)	(7,658,298)	(14,698,955)
Total comprehensive loss for the year	-	(8,141,594)	-	(7,040,657)	(15,182,251)	(12,769,377)	(27,951,628)
Fair value of share based payments	-	110,875	-	-	110,875	-	110,875
Dividends	-	-	-	-	-	(57,797)	(57,797)
At 31 December 2012	14,904,197	(13,067,393)	40,432,464	(4,391,897)	37,877,371	52,816,917	90,694,288

Andina plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2012

	Share capital US\$	Profit and loss US\$	Merger reserve US\$	Translation reserve US\$	Total US\$
On incorporation	-	-	-	-	-
Demerger (see note 28)	14,904,197	-	40,432,464	-	55,336,661
At 11 July 2012	14,904,197	-	40,432,464	-	55,336,661
Loss for the period	-	(3,102,984)	-	-	(3,102,984)
Translation differences	-	-	-	2,497,300	2,497,300
Total comprehensive loss for the period	-	(3,102,984)	-	2,497,300	(605,684)
Fair value of share based payments	-	110,875	-	-	110,875
At 31 December 2012	14,904,197	(2,992,109)	40,432,464	2,497,300	(54,841,852)

Andina plc

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	31-Dec-12 US\$	31-Dec-11 US\$
Loss for the year before taxation		(17,316,596)	(2,057,663)
Adjustments for:			
Depreciation and amortisation		9,032,914	10,016,551
Increase in inventories		(2,183,521)	(3,045,774)
Increase in trade and other receivables		(3,805,770)	(10,870,175)
Increase in creditors and other payables		17,856,404	1,853,902
Increase in provisions for liabilities and charges		4,648,118	4,856,821
Finance costs		21,221,400	10,725,501
Finance income		(4,478,906)	(999,310)
Share based payments		110,875	-
Profit on disposal of fixed assets		-	36,995
Cash generated from operations		25,084,918	10,516,848
Interest paid		(8,080,739)	(7,390,658)
Interest received		862,769	528,547
Taxation paid		(839,531)	(1,926,118)
Cash flows from operating activities		17,027,417	1,728,619
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,891,588)	(11,415,155)
Purchase of investments		(718,709)	(3,931,325)
Proceeds from available for sale financial assets		27,319	-
Proceeds from grants		635,940	680,358
Net cash used in investing activities		(9,947,038)	(14,666,122)
Cash flows from financing activities			
Repayments of borrowings		(22,045,513)	(39,807,502)
Funds from borrowing		13,417,514	56,850,079
Dividends		(57,797)	(921,845)
Net cash (used in)/generated from financing activities		(8,685,796)	16,120,732
Net (decrease)/increase in cash and cash equivalents		(1,605,417)	3,183,229
Cash and cash equivalents at the beginning of the year		9,116,222	6,688,423
Effect of foreign exchange rate changes		(996,293)	(755,430)
Cash and cash equivalents at the end of the year	19	6,514,512	9,116,222

Significant non-cash transactions

There were no significant non-cash transactions in 2012 or 2011.

Andina plc

COMPANY CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2012

	Note	31-Dec-12 US\$	31-Dec-11 US\$
Loss for the period before taxation		(3,102,984)	-
Impairment loss		2,921,990	-
Loss for the period before taxation and impairment loss		(180,994)	-
Adjustments for:			
Increase in trade and other receivables		(562)	-
Decrease in creditors and other payables		(301,699)	-
Finance costs		318,750	-
Share based payments		110,875	-
Cash flows from operating activities		(53,630)	-
Cash flows from financing activities			
Repayments of borrowings		21,719	-
Funds from borrowing		111,363	-
Loans from subsidiaries		(58,934)	-
Net cash generated from financing activities		74,148	-
Net increase in cash and cash equivalents		20,518	-
Effect of foreign exchange rate changes		518	-
Cash and cash equivalents at the end of the period	19	21,036	-

Significant non-cash transactions

There were no significant non-cash transactions in 2012 apart from the demerger of the Group's assets from Andes Energia plc in July 2012.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. ACCOUNTING POLICIES

2.1 Introduction

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

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

The transaction falls outside the scope of IFRS 3 “Business Combinations”. Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided in IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, the transaction has been accounted for in these financial statements using the principles of merger accounting with reference to UK Generally Accepted Accounting Practice (UK GAAP). Therefore, although the group reconstruction did not complete until 11 July 2012, these financial statements are presented as if the Group structure has always been in place. For further details see note 28. Whilst no comparatives are disclosed for the Company financial information, as it was only incorporated in 2012, the Group financial statements are presented as if the equity structure has always been in place.

2.2 Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

As set out in the Chairman’s statement, the approval of tariff reviews in EDEMSA is important to maintain economic and financial sustainability. After the year end tariff increases were approved as detailed in note 32. The approval of regular tariff reviews is important to ensure EDEMSA can continue to fulfil its ongoing obligations. Delays in tariff reviews could result in EDEMSA breaching its obligations under its syndicated loan agreement (see note 21), which would give the lenders the right to call the loan into default. Although the EDEMSA concession agreement specifies the timing and basis for tariff increases, based on recent past experience, there is no certainty that future tariff increases will be given on a timely basis nor that they will be sufficient to ensure the continuing commercial and financial viability of EDEMSA. As a consequence, there is a material uncertainty that may cast significant doubt on EDEMSA’s ability to continue as a going concern. However, at the time of approving the financial statements the Directors have a reasonable expectation that tariff increases will be continue to be approved and for this reason consider that the going concern basis of preparation for EDEMSA to be appropriate. If EDEMSA was unable to continue as a going concern, it is unlikely that it would be able to realise the assets and discharge its assets in the normal course of business. The carrying value of the assets of EDEMSA and its contribution to the results of the Group are shown in note 4 as electricity distribution. The carrying value of the Company’s investment in EDEMSA is US\$65,826,361. The financial statements do not include the adjustments that may result from an impairment of these assets if EDEMSA is unable to continue as a going concern.

At the reporting date a US\$5,000,000 secured loan to the Company, as detailed in note 21, repayable by June 2013 has not been repaid and four quarterly interest instalments are overdue but no notice of default has been received from the lender. The Company is in negotiations with the lender to refinance this loan and the Directors have reasonable expectations that they will be able to successfully renegotiate the loan terms and for this reason the Directors consider the going concern basis of preparation for the Company to be appropriate. However, there can be no guarantee that the loan will be renegotiated and therefore there is a material uncertainty that may cast doubt on the company’s ability to continue as a going concern. If the company was unable to continue as a going concern, it is unlikely that it would be able to realise the assets and discharge its assets in the normal course of business. The financial statements do not include the adjustments that may result if the company were unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.3 Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (including International Accounting Standards (“IAS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations) as adopted by the European Union. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

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

2.4 Critical accounting estimates and judgements

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

Impairment of intangibles

Determining whether intangibles are impaired requires an estimation of their value in use, which requires the Group to estimate future cash flows expected to arise and a suitable discount rate to calculate the present value. The calculation of estimated future cash flows is based on management’s reasonable estimates and is therefore subjective. The key sources of estimation in undertaking this assessment are described in note 12.

Property, plant and equipment

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 that may have resulted in impairment, by assessing the present value of estimated future cash flows and net realisable value compared with net book value. The calculation of estimated future cash flows and residual values is based on management’s reasonable estimates and is therefore subjective. The key sources of estimation in undertaking this assessment consistent with that described in note 12

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 and inventory 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 uncollectable and the inventory is not sold at its carrying amount. Details of the provisions made and the movements in the provisions are shown in note 16.

Provision for legal and other claims

Provision for legal and other claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. There remains a risk that the provisions do not match the level of claims, which ultimately prove to be made. Details of the provisions and the movements on the provisions are given in note 22

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.4 Critical accounting estimates and judgements (continued)

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.

Investment in subsidiaries

Where investments in subsidiaries are measured at deemed cost, the deemed cost is equal to the fair value of the subsidiaries, measured using value-in-use calculations. These calculation used cash flow projections that use best management's of certain variables. There remains the risk that these estimates do not ultimately match actuality. The key sources of estimation in undertaking this assessment are described in note 12.

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 New standards and interpretations

In the current year no new or revised Standards and Interpretations became effective that had a material impact on the Group.

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but are not yet effective:

- IFRS 9 - Financial Instruments (2009) and amendment (effective 1 January 2015)*
- IFRS 10 - Consolidated Financial Statements – (effective 1 January 2014)
- IFRS 11 - Joint Arrangements (effective 1 January 2013)
- IFRS 12 - Disclosure of Interests in Other Entities (effective 1 January 2013)
- IFRS 13 - Fair Value Measurement (effective 1 January 2013)
- IAS 1 – Presentation of Financial statements amendment (effective 1 January 2013)
- IAS 27 - Separate Financial Statements (effective 1 January 2014)
- IAS 28 - Investments in Associates and Joint Ventures (effective 1 January 2014)
- IFRS 7 - Disclosures – Offsetting financial assets and financial liabilities (effective 1 January 2013)

* Not yet adopted by the EU

The directors do not anticipate the adoption of these standards and interpretations to have a significant impact on the Group. The Group does not intend to adopt these standards early.

2.6 Basis of consolidation

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

Subsidiaries are entities controlled by the group. Control is achieved where the acquirer has the power to govern the financial and operating policies of an investee entity so to obtain benefits from its activities.

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.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

2.7 Revenue recognition

Revenue

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

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

Other operating income

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

2.8 Finance Income

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

2.9 Finance Costs

Finance costs of debt are allocated to periods over the term of the related debt at the effective rate on the carrying amount.

2.10 Foreign Currency

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

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

The financial statements are presented in US\$ and the average rate used was US\$1.58 to £1 and AR\$4.54 to US\$1 and the closing rate used was US\$1.62 to £1 and AR\$4.9 to US\$1 (2011: average rate US\$1.60 to £1 and AR\$4.12 to US\$1 and closing rate US\$1.55 to £1 and AR\$4.3 to US\$1).

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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 fixed 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

The Group recognises a provision for end of service benefits where contractually obliged or where there is a past practice that has created a constructive obligation. In calculating this provision, management has to make certain assumptions relating, inter-alia, to inflation rates, employee turnover and length of service and a discount rate to reflect the time value of money. The difference between estimates made in previous years and actual behaviour as well as changes in estimates, are recognised in the income statement.

2.13 Taxation

Current tax

Current tax is calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate.

Deferred tax

The Group has recorded the income tax charge based on the liability method, thus acknowledging the temporary differences between accounting and taxable assets and liabilities.

For the purpose of determining the amount of deferred assets and liabilities, a tax rate has been applied to temporary differences, which is expected to be in force at the time of their reversion or use, taking into account the legal provisions in force as of the date of these financial statements.

Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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 computed as a partial payment of income tax for any of the ten following fiscal years. Notional income tax assets are recorded as deferred tax assets.

2.14 Share-based payments

Warrants which are issued to employees, are measured at their fair value at the date of grant. The fair value determined is expensed on a straight-line basis over the vesting period. The fair value is calculated using a binomial option pricing model.

2.15 Intangible assets

Goodwill

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

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.15 Intangible assets (continued)

Goodwill (continued)

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

Concession assets

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

Amortisation is charged on a straight-line basis over the 50 year term of the concession and is recognised within administrative expenses.

2.16 Property, plant and equipment

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

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

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

Network and transformer stations and other works	30 to 50 years
Buildings	30 to 50 years
Machinery and equipment	up to 25 years
Transformers	30 to 40 years
Other assets - Vehicles, furniture and fixtures	2 to 9 years

Land is not depreciated.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

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.

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 Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category on recognition or do not fall within any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Available for sale financial assets are initially recognised at cost and then at either their fair value (where fair values can be reliably measured using for example market values) or at their amortised cost.

Purchases and sales of available for sale financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

2.19 Investments in subsidiaries

The investments in subsidiaries are measured at amortised cost. Cost is determined either by reference to the fair value of the initial purchase consideration or, where the fair value of the purchase consideration cannot be determined, cost is deemed to be the fair value of the subsidiaries, measured using value-in-use calculations.

2.20 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.

2.21 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.

2.22 Loans and other receivables

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

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ACCOUNTING POLICIES (continued)

2.23 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.

2.24 Trade Payables

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

2.25 Financial Liabilities

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

2.26 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.

2.27 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.

2.28 Equity

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

3. REVENUE

Revenues relate to electricity generation and distribution services.

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 predominantly in Argentina.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS

4. OPERATIONAL SEGMENTS (continued)

2012	Electricity distribution	Electricity generation and corporate	Unallocated	Total
Analysis of revenue and profits	US\$	US\$	US\$	US\$
Revenue	182,079,900	2,788,178	-	184,868,078
Operating profit/(loss)	1,469,786	(770,587)	(1,273,301)	(574,102)
Finance income	2,492,178	1,986,728	-	4,478,906
Finance costs	(19,713,486)	(100,880)	(1,407,034)	(21,221,400)
Loss before taxation	(15,751,522)	1,115,261	(2,680,335)	(17,316,596)
Taxation	4,629,627	(565,704)	-	4,063,923
Loss for the year	(11,121,895)	549,557	(2,680,335)	(13,252,673)
2011	Electricity distribution	Electricity generation and corporate	Unallocated	Total
Analysis of revenue and profits	US\$	US\$	US\$	US\$
Revenue	172,037,684	3,489,610	-	175,527,294
Operating profit/(loss)	8,302,938	155,272	(789,682)	7,668,528
Finance income	704,729	294,581	-	999,310
Finance costs	(9,715,845)	(25,412)	(984,244)	(10,725,501)
Loss before taxation	(708,178)	424,441	(1,773,926)	(2,057,663)
Taxation	1,791,616	(184,837)	-	1,606,779
Loss for the year	1,083,438	239,604	(1,773,926)	(450,884)
		31-Dec-12	31-Dec-11	
Analysis of finance income		US\$	US\$	
Electricity distribution		2,492,178	704,729	
Electricity generation		1,986,728	294,581	
Consolidated finance income		4,478,906	999,310	
		31-Dec-12	31-Dec-11	
Analysis of finance costs		US\$	US\$	
Electricity distribution		19,713,486	9,715,845	
Electricity generation		100,880	25,412	
Total segment finance costs		19,814,366	9,741,257	
Other finance costs		1,407,034	984,244	
Consolidated finance costs		21,221,400	10,725,501	
		31-Dec-12	31-Dec-11	
Analysis of total assets:		US\$	US\$	
Electricity distribution		243,412,217	253,124,429	
Electricity generation		14,734,847	16,527,184	
Total segment assets		258,147,064	269,651,613	
Unallocated assets		217,966	222,977	
Consolidated total assets		258,365,030	269,874,590	

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. OPERATIONAL SEGMENTS (continued)

	31-Dec-12	31-Dec-11
	US\$	US\$
Analysis of total liabilities:		
Electricity distribution	148,879,751	133,658,733
Electricity generation	4,192,964	4,715,088
Total segment liabilities	153,072,715	138,373,821
Unallocated liabilities	14,598,027	12,907,931
Consolidated total liabilities	<u>167,670,742</u>	<u>151,281,752</u>

	31-Dec-12	31-Dec-11
	US\$	US\$
Analysis of total capital expenditure:		
Electricity distribution capital expenditure	14,598,481	16,501,667
Electricity generation capital expenditure	3,921	4,142
Consolidated total capital expenditure	<u>14,602,402</u>	<u>16,505,809</u>

	31-Dec-12	31-Dec-11
	US\$	US\$
Analysis of total depreciation:		
Electricity distribution depreciation	8,224,791	9,125,694
Electricity generation depreciation	74,361	82,286
Consolidated total depreciation	<u>8,299,152</u>	<u>9,207,980</u>

	31-Dec-12	31-Dec-11
	US\$	US\$
Analysis of total amortisation:		
Electricity distribution depreciation	484,199	533,567
Electricity generation amortisation	249,563	275,004
Consolidated total amortisation	<u>733,762</u>	<u>808,571</u>

5. OPERATING (LOSS)/PROFIT

	31-Dec-12	31-Dec-11
	US\$	US\$
This is stated after charging:		
Amortisation	733,762	808,571
Depreciation	8,299,152	9,207,980
Loss on foreign exchange	872,478	2,228,522
Royalties	9,815,183	9,810,589

An analysis of auditor's remuneration is as follows:

Audit services	75,366	-
Total audit fees	<u>75,366</u>	<u>-</u>

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

a) Staff numbers and costs

	31-Dec-12	31-Dec-11
	No.	No.
Selling	156	161
Technical	386	386
Administration	167	161
	<u>709</u>	<u>708</u>

	31-Dec-12	31-Dec-11
	US\$	US\$
Wages and salaries	27,795,991	26,201,255
Social security costs	5,367,090	5,973,516
Share based payments	69,256	-
	<u>33,232,337</u>	<u>32,174,771</u>

b) Directors' emoluments

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

	31-Dec-12	31-Dec-11
	US\$	US\$
Aggregate emoluments	<u>57,260</u>	-
	<u>57,260</u>	-
Emoluments of the highest paid director	<u>28,630</u>	-

The AIM rules require the disclosure of details of directors' remuneration earned in respect of the financial year by each director of the AIM company acting in such capacity during the financial year. Although the company is not listed on AIM, the information below provides this information. This information relates solely to fees received for services provided to the Company during the year, as opposed to the Group:

	Fees	Bonuses	Emoluments	Emoluments
	2012	2012	2012	2011
	US\$	US\$	US\$	US\$
Luis Alvarez Poli (appointed 6 June 2012)	28,630	-	28,630	-
Nigel Duxbury (appointed 6 June 2012)	28,630	-	28,630	-
Total	<u>57,260</u>	-	<u>57,260</u>	-

All directors' service contracts are terminable on 3 months notice. Details of warrants granted to and held by directors during the year are detailed in note 24.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. FINANCE INCOME

	31-Dec-12 US\$	31-Dec-11 US\$
Interest receivable and similar income	4,478,906	999,310
	<u>4,478,906</u>	<u>999,310</u>

8. FINANCE COSTS

	31-Dec-12 US\$	31-Dec-11 US\$
Interest costs	21,221,400	10,725,501
	<u>21,221,400</u>	<u>10,725,501</u>

9. TAXATION

	31-Dec-12 US\$	31-Dec-11 US\$
Current tax	(1,720,848)	(2,383,023)
Deferred taxation - origination and reversal of temporary timing differences	5,784,771	3,989,802
Tax credit	<u>4,063,923</u>	<u>1,606,779</u>
Loss on ordinary activities before tax	(17,316,596)	(2,057,663)
Tax credit on loss at standard rate of 35%	6,060,808	720,182
Effects of:		
Expenses not deductible for tax purposes	(544,871)	(590,264)
Recovery of minimum notional tax	(552,704)	2,097,734
Tax losses for which no deferred tax asset is recognised	<u>(899,310)</u>	<u>(620,873)</u>
Tax credit	<u>4,063,923</u>	<u>1,606,779</u>

The tax rate used for the 2012 and 2011 reconciliations above is the corporate tax rate of 35% payable by corporate entities in Argentina on taxable profits under tax law in that jurisdiction. There is no tax arising on any items within the consolidated statement of comprehensive income.

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

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. LOSS PER SHARE

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

	31-Dec-12	31-Dec-11
	Cents	Cents
Basic and diluted loss per share	(8.47)	(1.18)
	US\$	US\$
Loss for the financial year attributable to equity holders	<u>(8,141,594)</u>	<u>(1,132,938)</u>
	No.	No.
Weighted average number of shares	96,156,114	96,156,114
Effect of dilutive warrants	-	-
Diluted weighted average number of shares	<u>96,156,114</u>	<u>96,156,114</u>
	No.	No.
Potential number of dilutive warrants	<u>13,991,920</u>	<u>-</u>

The warrants are deemed to be non-dilutive for the purposes of this calculation as the exercise price was more than the average market price for the year, which is based on the pre-demerger market price of Andes Energia plc and a post demerger theoretical price, which is deemed to be unchanged.

11. LOSS FOR THE YEAR

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not included its own income statement and statement of comprehensive income in these financial statements. The Company's loss for the year amounted to US\$3,102,984 (2011: US\$ nil).

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INTANGIBLE ASSETS

GROUP	Goodwill	Concession	Total
	US\$	US\$	US\$
Cost			
At 1 January 2011	18,216,149	31,432,670	49,648,819
Foreign exchange movements	(1,694,525)	(2,923,969)	(4,618,494)
At 31 December 2011	16,521,624	28,508,701	45,030,325
Foreign exchange movements	(2,023,056)	(3,490,861)	(5,513,917)
At 31 December 2012	14,498,568	25,017,840	39,516,408
Amortisation			
At 1 January 2011	-	(11,695,133)	(11,695,133)
Charge for the year	-	(808,571)	(808,571)
Foreign exchange movements	-	1,121,766	1,121,766
At 31 December 2011	-	(11,381,938)	(11,381,938)
Charge for the year	-	(733,762)	(733,762)
Foreign exchange movements	-	1,447,616	1,447,616
At 31 December 2012	-	(10,668,084)	(10,668,084)
Net Book Value			
At 31 December 2012	14,498,568	14,349,756	28,848,324
At 31 December 2011	16,521,624	17,126,763	33,648,387
At 31 December 2010	18,216,149	19,737,537	37,953,686

Goodwill

Goodwill arose on the acquisition of the electricity distribution business in the Province of Mendoza in 1998. 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 rates 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 (2012 – 11.73%; 2011 – 10.85%) are real interest rates, pre-tax and reflect specific risks relating to the industry and the country of operation.

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. The remaining life of the concession assets are as follows:

2012	Distribution	Generation	Total
	US\$	US\$	US\$
Net book value	6,991,057	7,358,699	14,349,756
Remaining life	Years	Years	
	16	32	
2011	Distribution	Generation	Total
	US\$	US\$	US\$
Net book value	8,477,777	8,648,986	17,126,763
Remaining life	Years	Years	
	17	33	

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INTANGIBLE ASSETS (continued)

Concession assets (continued)

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

13. PROPERTY, PLANT AND EQUIPMENT

GROUP	Network and transformer stations and other works US\$	Buildings and land US\$	Machinery and equipment US\$	Transformers US\$	Work in progress and other assets US\$	Total US\$
Cost						
At 1 January 2011	191,148,341	15,663,897	19,661,504	24,927,925	24,847,517	276,249,184
Transfers	9,271,228	1,320,033	581,381	1,862,980	(13,035,622)	-
Grants	-	-	-	-	(367,192)	(367,192)
Additions	167,929	64,454	230,750	6,269	16,036,407	16,505,809
Disposals	-	-	(260,421)	-	(1,567)	(261,988)
Foreign exchange movements	(18,176,369)	(1,515,062)	(1,852,072)	(2,397,124)	(2,421,575)	(26,362,202)
At 31 December 2011	182,411,129	15,533,322	18,361,142	24,400,050	25,057,968	265,763,611
Transfers	6,346,815	1,578,967	534,937	1,822,792	(10,283,511)	-
Grants	-	-	-	-	(305,471)	(305,471)
Additions	390,669	105,022	111,318	-	13,995,393	14,602,402
Disposals	-	-	-	-	(2,773)	(2,773)
Foreign exchange movements	(22,831,056)	(2,025,761)	(2,295,783)	(3,121,681)	(3,318,386)	(33,592,667)
At 31 December 2012	166,317,557	15,191,550	16,711,614	23,101,161	25,143,220	246,465,102
Depreciation						
At 1 January 2011	(80,735,505)	(3,006,269)	(12,019,087)	(8,401,540)	(11,359,918)	(115,522,319)
Charge for the year	(5,729,439)	(394,363)	(1,135,290)	(858,839)	(1,090,049)	(9,207,980)
Disposals	-	-	223,426	-	1,567	224,993
Foreign exchange movements	7,750,116	296,161	1,156,226	817,490	1,102,301	11,122,294
At 31 December 2011	(78,714,828)	(3,104,471)	(11,774,725)	(8,442,889)	(11,346,099)	(113,383,012)
Charge for the year	(5,273,925)	(429,347)	(1,025,508)	(833,404)	(736,968)	(8,299,152)
Disposals	-	-	-	-	2,773	2,773
Foreign exchange movements	10,026,022	411,683	1,517,147	1,095,053	1,443,259	14,493,164
At 31 December 2012	(73,962,731)	(3,122,135)	(11,283,086)	(8,181,240)	(10,637,035)	(107,186,227)
Net Book Value						
At 31 December 2012	92,354,826	12,069,415	5,428,528	14,919,921	14,506,185	139,278,875
At 31 December 2011	103,696,301	12,428,851	6,586,417	15,957,161	13,711,869	152,380,599
At 31 December 2010	110,412,836	12,657,628	7,642,417	16,526,385	13,487,599	160,726,865

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.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. AVAILABLE FOR SALE FINANCIAL ASSETS

	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Non-current assets				
Other investments	1,824	2,079	-	-
Listed government bonds	155,380	205,904	-	-
	<u>157,204</u>	<u>207,983</u>	-	-
Current assets				
Unlisted equity securities	5,959	6,790	-	-
Other investments	837,206	156,311	-	-
Listed government bonds	3,089,746	3,559,765	-	-
	<u>3,932,911</u>	<u>3,722,866</u>	-	-

Unlisted equity securities

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

Other investments

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

Listed government bonds

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

15. INVESTMENTS IN SUBSIDIARIES

	31-Dec-12 US\$	31-Dec-11 US\$
Non-current assets		
Additions - see note 28	62,139,477	-
Impairment loss	(2,921,990)	-
Foreign exchange movements	2,806,299	-
As at 31 December	<u>62,023,786</u>	-

The impairment loss arose as a result of changes in rates of exchange.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2012 the Company had the following subsidiary undertakings. They have the same year-end date as the Company and have been included in the consolidated financial statements. The Company's principal subsidiary undertakings all have share capital consisting solely of ordinary shares. Interests are held either directly or indirectly.

	Country of incorporation	Area of operation	Ownership Interest %	Activity
Andes Energy Limited	UK	UK	100	Holding
Andes Electricidad S.A.	Argentina	Argentina	100	Holding
Inversora Andina de Electricidad S.A.	Argentina	Argentina	100	Holding
Mendinvert S.A.	Argentina	Argentina	100	Holding
Sodem S.A.	Argentina	Argentina	100	Holding
Empresa Distribuidora de Electricidad de Mendoza S.A.	Argentina	Argentina	51	Electricity distribution
Hidroelectrica del Sur S.A.	Argentina	Argentina	80	Holding
Hidroelectrica Ameghino S.A.	Argentina	Argentina	47	Electricity generation

16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Non-current				
Trade receivables	-	1,291,451	-	-
Other debtors	11,514,415	4,937,864	-	-
	11,514,415	6,229,315	-	-
Current				
Trade receivables	10,506,563	11,873,846	-	-
Less: provision for impairment	(5,129,650)	(5,107,599)	-	-
	5,376,913	6,766,247	-	-
Prepayments and accrued income	13,558,607	15,259,170	-	-
Advance to suppliers	4,526,647	2,852,653	-	-
Loans to subsidiaries	-	-	1,303,585	-
Other taxes and social security	5,250,527	2,480,385	577	-
Grants	924,342	1,402,233	-	-
Other debtors	8,720,045	9,916,710	58,731	-
	38,357,081	38,677,398	1,362,893	-

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables are non-interest bearing and generally have a 40 to 60 day term. Due to their short maturities, the fair value of trade receivables approximates to their impaired 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 directors consider that the carrying amount of other receivables approximates to their fair value. The energy and capacity that HASA does not sell in the Argentine term market 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"). Participating creditor agents were required to invest in such fund the amounts owed to them. Furthermore, participating agents are entitled to share in the benefits of the construction of two new electricity generating companies. Non-current other debtors include US\$3,651,217 (2011:US\$3,587,492) and current other debtors includes US\$480,423 (2011:US\$401,417) that represent the amounts due under this fund and are carried at amortised cost.

	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Provision for impairment of trade receivables				
As at 1 January	5,107,599	6,185,852	0	0
Impairment losses recognised on receivables	699,790	652,319	0	0
Amounts written off as uncollectible	(978)	(1,177,112)	0	0
Foreign exchange movements	(676,761)	(553,460)	0	0
As at 31 December	5,129,650	5,107,599	0	0

As at 31 December 2012, US\$5,129,650 trade receivables were impaired (2011: US\$5,107,599). As at 31 December 2012 trade receivables of US\$2,848,819 were past due but not impaired (2011: US\$3,685,030). The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Ageing of past due but not impaired				
Up to 3 months past due	1,688,709	1,856,825	-	-
3 to 6 months past due	106,766	249,686	-	-
Over 6 months past due	1,053,344	1,578,519	-	-
	2,848,819	3,685,030	-	-

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. DEFERRED TAX

GROUP	Provision for bad debts	Notional income tax	Provision charges	Employee benefits	Other	Carry forward losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Deferred tax asset							
At 1 January 2011	2,283,410	13,237,892	2,888,604	1,826,045	889,945	3,032,917	24,158,813
Credited/(charged) to the profit and loss account	167,310	(394,205)	25,369	370,612	(410,744)	(2,870,966)	(3,112,624)
Foreign exchange movement	(219,414)	(1,214,930)	(269,769)	(185,379)	(65,592)	(161,951)	(2,117,035)
At 31 December 2011	2,231,306	11,628,757	2,644,204	2,011,278	413,609	-	18,929,154
Credited to the profit and loss account	214,364	883,954	3,711	1,176,143	141,867	2,995,018	5,415,057
Foreign exchange movement	(288,970)	(1,488,873)	(324,053)	(332,690)	(61,069)	(220,042)	(2,715,697)
At 31 December 2012	2,156,700	11,023,838	2,323,862	2,854,731	494,407	2,774,976	21,628,514

	Fair value of property, plant and equipment	Write off from intangibles	Borrowings	Total
	US\$	US\$	US\$	US\$
Deferred tax liability				
At 1 January 2011	21,291,617	190,537	7,592,484	29,074,638
Adjustments in respect of prior periods	-	343,234	-	343,234
Credited to the profit and loss account	(891,805)	(9,629)	(6,200,992)	(7,102,426)
Foreign exchange movement	(1,943,284)	(31,689)	(446,701)	(2,421,674)
At 31 December 2011	18,456,528	492,453	944,791	19,893,772
(Credited)/charged to the profit and loss account	(771,203)	302,745	98,744	(369,714)
Foreign exchange movement	(2,203,323)	(82,543)	(122,943)	(2,408,809)
At 31 December 2012	15,482,002	712,655	920,592	17,115,249

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.

No deferred tax asset has been recognised for the Company in respect of timing differences relating to tax losses, as there is insufficient evidence that the potential asset will be recovered. The amount of the losses carried forward as at 31 December 2012 is approximately US\$70,119.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. INVENTORIES

	31-Dec-12	31-Dec-11
	US\$	US\$
Raw materials and consumables	8,133,194	6,962,666
	8,133,194	6,962,666

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
	US\$	US\$	US\$	US\$
Cash at bank and in hand	6,514,512	9,116,222	21,036	-
	6,514,512	9,116,222	21,036	-

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-12	31-Dec-11	31-Dec-12	31-Dec-11
	US\$	US\$	US\$	US\$
Current				
Trade payables	42,667,595	31,244,658	3,480	-
Social security and other taxes	15,650,476	12,939,721	-	-
Accrued expenses	17,760,029	8,445,890	135,984	-
Government payables related to compensation funds	2,064,300	2,369,182	-	-
Other creditors	3,594,195	3,303,117	1,303,585	-
Loans from subsidiaries	-	-	1,404,315	-
	81,736,595	58,302,568	2,847,364	-

	The Group		The Company	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
	US\$	US\$	US\$	US\$
Non-current				
Social security and other taxes	10,894,182	6,300,710	-	-
Other creditors	5,954,445	5,280,280	-	-
	16,848,627	11,580,990	-	-

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

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. FINANCIAL LIABILITIES

	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Current				
Bank borrowings	16,058,318	21,824,317	-	-
Other borrowings	14,996,685	8,131,775	5,718,499	-
Finance leases	138,960	122,012	-	-
	<u>31,193,963</u>	<u>30,078,104</u>	<u>5,718,499</u>	<u>-</u>
	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Non-current				
Bank borrowings	2,045,382	17,676,231	-	-
Other borrowings	5,718,499	3,199,050	-	-
Finance leases	140,838	275,796	-	-
	<u>7,904,719</u>	<u>21,151,077</u>	<u>-</u>	<u>-</u>

Bank borrowings - EDEMESA AR\$144,000,000 syndicated loan

The syndicated loan term is 36 months. Interest is payable quarterly at a fixed annual nominal rate of 19% during the first year and at a variable rate during the second and third years linked to Argentine deposit rates. The principal is repayable in ten equal quarterly instalments of AR\$14,400,000 beginning on 16 May 2012 and ending on 18 August 2014. Under the agreement a collateral trust has been established, which must hold at all times an amount equivalent to the following quarterly payment due. At the end of the year AR\$21,274,972 was held in the trust and the borrowings above are stated net of this sum. Under the agreement EDEMESA is entitled to prepay the loan in full at any time in whole or in part (in amounts of AR\$1,000,000 or multiples thereof) at one or more interest payment dates. The agreement also provides for certain restrictions on the operations of EDEMESA, relating to sale and rental operations, increased borrowing, investment and compliance with certain indices including indebtedness, debt/EBTIDA and current ratios. 100% of the shares issued by Sodem S.A., that holds a 51% interest in EDEMESA, have been pledged as security. At 31 December 2012 certain covenants has not been met but no formal notice of default has been received from the lenders. Notwithstanding, the Group has classified amounts outstanding as current liabilities. Following the year-end, on 13 February 2013 the participating banks granted EDEMESA a waiver and on 23 May 2013 the participating banks entered into an addendum with EDEMESA as detailed in note 32.

Other borrowings

A US\$5,000,000 secured loan to the Company carries interest at a rate of 9.75% per annum and was repayable by June 2013; as at the date of approval of the financial statements, this loan had not been repaid as noted in note 2.2. As at the period end the Company had not paid four quarterly interest instalments but no notice of default has been received from the lender.

Other Group borrowings comprise: a AR\$25,000,000 loan carries interest at a rate of 18.85% per annum and is repayable in monthly instalments by June 2013; a AR\$25,000,000 loan carries interest at a rate of 18.00% per annum and is repayable in monthly instalments by February 2014; a AR\$10,000,000 secured loan carries interest at a rate of 20.84% per annum and is repayable in monthly instalments by November 2016; a AR\$500,000 loan carries interest at a rate of 19.10% per annum and is repayable in monthly instalments by January 2013; a AR\$2,000,000 loan carries interest at a rate of 20.00% per annum and is repayable in monthly instalments by February 2013; a AR\$500,000 loan carries interest at a rate of 22.00% per annum and is repayable in monthly instalments by June 2013; a AR\$1,854,000 loan carries interest at a rate of 15.00% per annum and is repayable in monthly instalments by November 2015 with the first monthly payment due in October 2013; a AR\$7,000,000 loan carries interest at a rate of 13% per annum and is repayable in two monthly instalments by August 2013; a AR\$3,300,000 loan carries interest at a rate of 36% per annum and is repayable in three monthly instalments by March 2013; a 30 day AR\$3,249,012 overdraft facility carrying interest at a variable rate ; and a £50,000 redeemable preference shares repayable within 5 years. As at the reporting date the Group is in compliance with its obligations under the loans above.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. FINANCIAL LIABILITIES (continued)

Other borrowings (continued)

A AR\$10,000,000 loan carries interest at a rate of 12% per annum and repayment was due in July 2012 and a AR\$13,393,380 loan carries interest at a rate of 12% per annum and repayment was due in June 2013. Whilst these loans have not been repaid at the reporting date they could be repaid out of available cash resources.

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

	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Maturity profile				
Within 1 year	31,193,963	30,078,104	5,718,499	-
Between 1 and 5 years	7,904,719	21,151,077	0	-
After 5 years	0	0	0	-
	<u>39,098,682</u>	<u>51,229,181</u>	<u>5,718,499</u>	<u>-</u>

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

22. PROVISIONS

	Fines US\$	Legal claims US\$	Total US\$
At 31 December 2010	6,209,252	2,262,267	8,471,519
Additional provisions	4,241,752	615,068	4,856,820
Used during the year	(1,844,036)	(307,781)	(2,151,817)
Foreign exchange movements	<u>(677,974)</u>	<u>(223,307)</u>	<u>(901,281)</u>
At 31 December 2011	7,928,994	2,346,247	10,275,241
Additional provisions	4,466,400	181,718	4,648,118
Used during the year	(119,381)	(368,550)	(487,931)
Foreign exchange movements	<u>(1,290,270)</u>	<u>(273,569)</u>	<u>(1,563,839)</u>
At 31 December 2012	<u>10,985,743</u>	<u>1,885,846</u>	<u>12,871,589</u>

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

23. CALLED UP SHARE CAPITAL

	2012 No.	2012 US\$	2011 No.	2011 US\$
Allotted, called up and fully paid				
Ordinary shares of 10 pence each	96,156,114	14,904,197	-	-
Redeemable preference shares of £1	<u>50,000</u>	<u>77,500</u>	<u>-</u>	<u>-</u>

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

On 11 July 2012 Andes Energia plc ("Andes") completed a capital reorganisation, a capitalisation and reduction of capital and the demerger of its utility operations. For more detail see note 28.

The consolidated balance sheet includes the share capital issued on the demerger as though it were issued on the original constitution of the group.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. CALLED UP SHARE CAPITAL

The issued share capital is reconciled as follows:

	2012 No.	2011 No.
Ordinary shares of 10 pence each		
On incorporation	2	-
Demerger (see note 28)	96,156,112	-
Balance at end of year	<u>96,156,114</u>	<u>-</u>
	2012 No.	2011 No.
Redeemable preference shares of £1 each		
On incorporation	-	-
Issued during the year	50,000	-
Balance at end of year	<u>50,000</u>	<u>-</u>

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:

At 11 July 2012 No.	Granted during year 2012 No.	Lapsed during year 2012 No.	At end of year 2012 No.	Exercise price	Exercise date from	Exercise date to
570,500	-	-	570,500	54 pence	July 2005	July 2014
7,824,002	-	(7,824,002)	-	54 pence	October 2008	October 2012
1,157,300	-	-	1,157,300	54 pence	October 2008	October 2014
-	489,000	-	489,000	45 pence	June 2012	September 2017
-	489,000	-	489,000	54 pence	June 2012	September 2017
-	1,304,000	-	1,304,000	70 pence	June 2012	September 2017
-	2,158,120	-	2,158,120	54 pence	June 2012	June 2019
-	7,824,000	-	7,824,000	54 pence	January 2013	January 2018
<u>9,551,802</u>	<u>12,264,120</u>	<u>(7,824,002)</u>	<u>13,991,920</u>			

The warrants were constituted following the demerger of the utility operations from Andes and the terms and conditions are consistent with the term and conditions applicable to the underlying Andes warrants and therefore, no change in the theoretical fair value of the warrants. For more detail see note 28. The weighted average remaining contractual life of the warrants is 4.76 years. All warrants, apart from the 3,315,420 granted to management and advisers, are outside the scope of IFRS 2 "Share-Based Payments". For those warrants outside the scope of IFRS 2 "Share-Based Payments" the table below summarises the number of warrants and the associated weighted average exercise price (WAEP) outstanding during the year.

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at 11 July	8,394,502	54.0 pence	-	
Granted during the year	10,106,000	55.6 pence	-	
Lapsed during the year	(7,824,002)	54.0 pence	-	
Exercised during the period	-	54.0 pence	-	
Outstanding at 31 December	<u>10,676,500</u>		<u>-</u>	
Exercisable at 31 December	<u>2,852,500</u>		<u>-</u>	

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. WARRANTS (continued)

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

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at 11 July 2012	1,157,300	54.0 pence	-	
Granted during the year	<u>2,158,120</u>	54.0 pence	<u>-</u>	
Outstanding at 31 December	<u>3,315,420</u>		<u>-</u>	
Exercisable at 31 December	<u>1,157,300</u>		<u>-</u>	

The fair values of warrants, which fall under the scope of IFRS 2, were calculated using the Black-Scholes model. The estimated fair values of options, which fall under IFRS 2 and the inputs used in the model to calculate those fair values are as follows:

Date of grant	Number	Estimated Fair value	Share price	Exercise price	Expected volatility percentage	Expected life years	Risk free rate percentage	Expected dividends percentage
September 2007	1,157,300	21 pence	54.00 pence	54 pence	35%	7.00	5.10%	0%
June 2012	2,158,120	23 pence	45.25 pence	54 pence	53%	7.00	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\$110,875 related to equity settled share-based payment transactions during the year (2011: US\$nil).

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

	*11-Jul-12 No.	Granted in the year No.	31-Dec-12 No.	Exercise price	Exercise Dates
Neil Bleasdale (appointed 17 May 2013)	52,160	-	52,160	54 pence	2014
Neil Bleasdale (appointed 17 May 2013)	-	423,800	423,800	54 pence	2019
Luis Alvarez Poli (appointed 6 June 2012)	130,400	-	130,400	54 pence	2014
Luis Alvarez Poli (appointed 6 June 2012)	-	293,400	293,400	54 pence	2019
Marcelo Comba (appointed 17 May 2013)	81,500	-	81,500	54 pence	2014
Marcelo Comba (appointed 17 May 2013)	-	65,200	65,200	54 pence	2019
Nigel Duxbury (appointed 6 June 2012)	195,600	-	195,600	54 pence	2014
Nigel Duxbury (appointed 6 June 2012)	-	130,400	130,400	54 pence	2019
Senior Management	779,140	-	779,140	54 pence	2014
Senior Management	-	1,245,320	1,245,320	54 pence	2019
	<u>1,238,800</u>	<u>2,158,120</u>	<u>3,396,920</u>		

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. NON-CONTROLLING INTERESTS

	31-Dec-12 US\$	31-Dec-11 US\$
At 1 January	65,644,091	72,593,716
Losses attributable to non-controlling interests	(5,111,079)	682,054
Dividends	(57,797)	(921,845)
Translation differences	(7,658,298)	(6,709,834)
At 31 December	<u>52,816,917</u>	<u>65,644,091</u>

26. RESERVES

Merger reserve

The merger reserve arose following the completion of the demerger on 11 July 2012 as detailed in note 28.

Translation reserve

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

27. CAPITAL COMMITMENTS

	31-Dec-12 US\$	31-Dec-11 US\$
Commitments for the acquisition of property, plant and equipment	<u>1,664,598</u>	<u>788,948</u>

28. DEMERGER

On 9 June 2012 Andes Energia plc ("Andes"), the previous ultimate parent company of the utility businesses, announced its intention to separate into two businesses. The separation was effected by a way of a demerger of the utility operations into Andina plc. The demerger was completed on 11 July 2012.

The demerger was effected through a capital reorganisation, capitalisation, and reduction of capital. This involved a consolidation and sub-division of Andes's share capital, a capitalisation of Andes's reserves and a reduction of Andes's capital and share premium. As part of the demerger, Andina plc issued shares to Andes shareholders as consideration for the acquisition of the utility group. The Andes's warrants in issue at that time were also split on the basis as the ordinary shares and new Andina plc warrant instruments issued.

Although the demerger was not completed until 11 July 2012 the financial statements of the Group are presented as if the Group structure has always been in place.

29. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, foreign exchange risk, liquidity risk and cash flow and fair value interest rate risk. At 31 December 2012 the Group had not entered into any derivative transactions nor does it trade financial instruments as a matter of policy.

Price risk

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

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

29. FINANCIAL RISK MANAGEMENT (continued)

Price risk (continued)

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

Credit risk

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

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

	The Group		The Company	
	31-Dec-12 US\$	31-Dec-11 US\$	31-Dec-12 US\$	31-Dec-11 US\$
Available for sale financial investments	4,090,115	3,930,849	-	-
Trade and other receivables	36,312,888	29,647,543	1,362,892	-
Cash and cash equivalents	6,514,512	9,116,222	21,036	-
	46,917,515	42,694,614	1,383,928	-

Foreign exchange risk

As the Group's operations are based in Argentina, operating cash flows are primarily denominated in AR\$ and as a result the group has limited exposure to foreign currency risk at the operating level. The Group is exposed to foreign exchange risk at the Group level. The Company's functional currency is £ and the Group's results are reported in US\$ and any movements in the £/AR\$/US\$ exchange rates would impact the carrying value of the Group's net assets. A 5% devaluation in the AR\$ against the US\$ would reduce the Group's net assets by approximately US\$9 million.

Capital and liquidity risk

The Group manages its capital to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. The Group's funding needs are met through a combination of debt and equity. The Group monitors its net debt position on an ongoing basis. The Group includes within net debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes share capital, share premium and other reserves and accumulated losses. Current foreign currency legislation in Argentina, restricts the flow of capital out of Argentina. There is a risk that the Group may have delays in meeting financial obligations it may have outside Argentina. Furthermore, delays in the implementation of new tariffs could impact the Group's liquidity position.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises primarily from the syndicated loan and other corporate debt. The corporate debt only accrues interest at fixed rates. Borrowings at fixed rates expose the Group to fair value interest rate risk. The syndicated loan accrues interest at fixed and variable rates (subsequent to the period end, the loan was amended so that it bears interest at a variable rate only). The Group does not use derivative instruments to hedge this risk. Borrowings are classified as current if the Group is not in full compliance with loan terms, even if no formal default notice has been received (see note 21). A 1% increase in interest rates would increase annual interest costs by approximately US\$0.5 million.

Andina plc

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group		The Company	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
	US\$	US\$	US\$	US\$
Financial assets				
Cash and bank balances	6,514,512	9,116,222	21,036	-
Loans and receivables	49,871,496	44,906,714	1,362,892	-
Available for sale financial assets	4,090,115	3,930,849	-	-
	<u>60,476,123</u>	<u>57,953,785</u>	<u>1,383,928</u>	<u>-</u>
Financial liabilities				
Amortised costs	109,029,691	106,366,138	7,025,564	-
	<u>109,029,691</u>	<u>106,366,138</u>	<u>7,025,564</u>	<u>-</u>

Of the financial liabilities US\$100,808,029 is due to be paid within 12 months (2011: US\$79,934,781) and US\$8,221,662 is due to be paid within 1 to 5 years (2011: US\$26,431,357).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

31. RELATED PARTY TRANSACTIONS

Company

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

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

Key Management Compensation

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

	The Group		The Company	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
	US\$	US\$	US\$	US\$
Salaries and other short term benefits	1,251,896	1,657,302	61,211	-
Share based payments	69,256	-	69,256	-
	<u>1,321,152</u>	<u>1,657,302</u>	<u>130,467</u>	<u>-</u>

32. EVENTS AFTER THE REPORTING PERIOD

On 23 May 2013 the syndicated loan participating banks entered into an addendum with EDEMSA. This amendment to the syndicated loan agreement provides for an initial repayment in May 2013 followed by equal monthly repayments until August 2015 and carries a variable interest rate. In addition, the financial covenants were also modified and eased.

On 15 January 2013 a decree was published announcing for EDEMSA a tariff increase of an average of 5.5%, and on 25 June 2013 the a decree was published approving an average tariff increase of 9% with effect from 1 July 2013 and an average tariff increase of 7% with effect from 1 November 2013 and confirmed that the tariff review for the fourth tariff period will be effective from 1 February 2014.

Andina plc

OFFICERS AND ADVISERS

DIRECTORS

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

SECRETARY

Nigel Duxbury, ACA

REGISTERED OFFICE

3rd Floor
16 Dover Street
London W1S 4LR

NOMINATED ADVISERS AND BROKERS

Westhouse Securities Limited
One Angel Court
London EC2R 7HJ

AUDITOR

Statutory Auditor
Chartered Accountants
Nexia Smith & Williamson
25 Moorgate
London EC2R 6AY

SOLICITORS

Nabarro
Lacon House
Theobald's Road
London WC1X 8RW

PRINCIPAL BANKERS

Lloyds TSB Bank plc
39 Piccadilly
London W1V 0AA

REGISTRARS

Share Registrars
Suite E
First Floor
9 Lion and Lamb Yard
Farnham
Surrey GU9 7LL

