Andes Energia plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

(Company No. 5083946)

Andes Energia plc

CONTENTS

Andes Energia plc

STRATEGIC REPORT

OVERVIEW

Andes Energia plc ("Andes" or the "Company" and with its subsidiaries the "Group") is a Latin American oil and gas group, with interests in Argentina, Colombia, Brazil and Paraguay.

Year ended 31 December	**2013**	**2012***
	US$m	**US$m**
Revenue	22.5	4.8
**Operating loss	(0.2)	(2.9)
**EBITDA	1.3	(2.5)

**Continuing operations*
*** Before exceptional items*

Our financial results incorporating the results of Andes together with its subsidiaries for the year ended 31 December 2013 are set out below.

The Group recorded an operating loss before exceptional items of US$0.2 million for the year compared to an operating loss on continuing operations of US$2.9 million in 2012.

BUSINESS REVIEW

Andes is an oil and gas company focussed on South America with interests in Argentina, Colombia, Brazil and Paraguay. The Company has interests in exploration, development and producing assets. The Company has 20 million bbls of conventional 2P reserves in Argentina and certified resources of 600 million boe. The Company's licences cover 7.5 million acres across South America with 2 million net acres in unconventional plays including 213,000 net acres in the Vaca Muerta formation, which is the second largest shale oil deposit in the world and the only producing shale oil deposit outside of the USA. Over 250 wells have already been drilled and fracked in the Vaca Muerta formation. The Company currently produces 1,400 bpd in Argentina from 7 conventional fields, with positive cash flow generated. Andes, with its partner YPF, has 25 wells planned over the next 12 months, which will be funded primarily by field production cash flow.

OPERATIONAL REVIEW

The 2013 highlights were the:

- Production rate of 1,400 bpd at the end of 2013 (2012: 200bpd)
- 2P reserves increased to 20million bbls at the end of 2013
- Non–cash equity settled acquisition of Kilwer S.A. ("Kilwer") and Ketsal S.A. ("Ketsal") incorporating exploration and development assets
- Non–cash equity settled acquisition of MGM International S.R.L. ("MGM") with 1,100 bpd production
- Mirador del Valle x-1 well, 15 million boe light oil discovery in the Neuquen Group, which flowed at 535bpd
- 29 development and appraisal wells drilled in the Chachahuen block, which is now producing 380 bpd net to Andes
- Workovers campaign in Puesto Pozo Cercado and Chañares Herrados
- JV agreement with Imetame Energia with interests in Brazil
- Award of a new exploration licence in Paraguay

Post year end highlights:

- Varillas x-1 drilled into the Vaca Muerta encountered 410 feet (125 metres) of pay; the well, the most northerly in the Vaca Muerta is to be fracked and tested mid year

Andes continued with its stated strategy to expand and diversify its oil and gas portfolio during 2013 and has been able to increase its production from 200 bpd to 1,400 bpd primarily through the acquisition of MGM.

On April 2013 the Group through the acquisitions of 100% of Kilwer S.A and Ketsal S.A. acquired the following oil and gas interest:

- a 6.75% working interest in 2 development blocks in Neuquen
- a 10% carried interest in 3 exploration blocks and a 5% carried interest in 4 exploration blocks in Mendoza
- a 40% working interest in 1 exploration block and a 15% working interest in 2 exploration blocks in Salta
- a 2% carried interest in 6 exploration blocks and a 20% working interest in 1 exploration block in Chubut
- a 2% working interest in 1 exploration block in Rio Negro

OPERATIONAL REVIEW (continued)

The Group through these acquisitions increased its net 2P reserves by 1.2 million bbls; its net contingent resources by 57 million bbls; and its net recoverable shale oil resources by 60 million bbls with a resultant increase of 2 million net acres in the area.

In June 2013 the Group acquired from Mercuria Energy Asset Management B.V. a 49.92% JV interest in two producing oilfields; Chañares Herrados and Puesto Pozo Cercado. These two oilfields are located in the Cuyana basin in the province of Mendoza, Argentina and have proved reserves (P1) of 7.1 million bbls (as at 30 November 2012) and gross production of 2,181 bpd with initial net production of 1,089 bpd with net proved reserves of 3.3 millions bbls attributable to Andes. The concession to exploit the oilfields runs until 2027.

Andes has significantly increased and improved its portfolio through the year, which now includes;

- 46 licences
- 7.5 million of net acres
- 20 million bbls of 2P net reserves
- 600 million boe of net contingent and prospective resources (management estimate)
- Production approximately 1400 bpd

Argentina

Chachahuen block

Licence status

The Argentine Province of Mendoza granted a 25 year right to develop the "Chachahuen Sur" ("ChuS") oil field located in the Chachahuen block, to a joint venture between Andes, the state-run energy company YPF and the local firm Energia Mendocina. This development block covers an area of 72 km² in the south of the Chachahuen block that borders the energy-rich Neuquén Province. The remaining area (approximately 3,063 km²) is still in the exploration phase.

Development and delineation drilling (ChuS)

The 2013 drilling program focussed on developing and delineating the ChuS field discovery by the well Chus x.-2. The well program targeted the clastic member, cycle 2 and 3 of the Rayoso formation. This unit was deposited during the early Cretaceous in a predominantly continental environment and is composed of a succession of fine sandstones, red mudstones, and minor evaporates. Two drilling rigs and two completion rigs were assigned to speed up the delineation and development plan and as a result a total of 26 development wells and 3 appraisal wells were drilled and completed successfully during the year.

Exploratory drilling

The exploration well Chus.xp-44, located 1.4 km south of the discovery well Chus x-1, encountered a significant net oil pay in the sands of the cycle 5 of the Rayoso formation presenting a new play to be appraised. The well came on stream in December 2013 producing at a rate of 70 bpd. A delineation well is planned to be drilled during 2014.

The JV is now planning to carry out a 3D seismic acquisition survey covering an area of 310 km² and 100 km of 2D seismic. Four new exploratory wells are also planned with two targeting the Rayoso formation and two targeting the Centenario formation.

Oil production (ChuS)

At the end of 2013 a total of 40 wells were on stream producing approximately 1,900 bpd (Andes has a 20% working interest or equivalent to 380 bpd). A progression cavity pump artificial lifting system has been installed in the wells, which in neighbouring oil fields has proven to be efficient and best suited to the conditions of the wells.

OPERATIONAL REVIEW (continued)

El Manzano West

In June 2013 the well EM x-4 was worked over successfully, increasing production 100% over the pre-intervention level. Encouraged by the results, a new 3D seismic reinterpretation and petro physical study in existing wells was carried out and as a result two new well placements were defined with the aim to develop the Agrio formation in which Andes holds a 100% working interest.

YPF as operator of the JV in "El Manzano West" (Andes 40% carried interest) drilled, cased and tested successfully the exploratory well "Mirador del Valle x-1" which discovered 15 million boe of light oil from the Neuquén Group formation. The well reached a depth of 1,789 meters and was drilled into a geological structure of approximately 6 km². Initial testing produced an average rate of 535 bpd of light oil by natural flow (214 bopd net to Andes). A delineation and development program is being planned. These reserves are not included in the Company's year end 20 million bbls 2P reserve figure.

After the year end, Andes announced the results of the multi-target unconventional and conventional exploration well, Las Varillas x-1. The well, the most northerly well to be drilled into the Vaca Muerta, was vertically drilled reaching a total depth of 7,851 feet (2,393 metres) and encountered 410 feet (125 metres) of gross pay in the unconventional Vaca Muerta formation, the primary target. The drilling was characterised by the persistent presence of oil and gas shows through most of the Vaca Muerta interval. Geochemical data were sampled at two metre intervals through the entire Vaca Muerta column. Oil was also found in the mud pits. Two 18 metres core samples from the Vaca Muerta formation have been recovered and a comprehensive suite of logs has been run. The analysis of this data is being used to design the completion, fracking and production testing of this well, which will commence mid year. The Las Varillas x-1 well was drilled by YPF with the assistance of the service company Schlumberger. Andes was fully carried during the drilling of this well, as part of the farm-in agreement with YPF under which Andes has a 100% working interest in all production from the Agrio formation, which overlays the Vaca Muerta formation and a 40% carried interest in the Vaca Muerta and other formations.

Puesto Pozo Cercado and Chañares Herrados blocks

In June 2013, following the acquisition of MGM, a well intervention program was undertaken with the main aim to stimulate producing layers and perforate new horizons. As a result five well interventions were completed successfully and after 1 month production increased by an average of 32 bpd.

Colombia

In six out of the eight areas where Andes holds interests in Colombia (VMM-8, LLA-79, LLA-12, LLA-2, LLA-49 and LLA-28), the country's regulatory authority, ANH, has approved the start of operational phase 1. This means that Andes can commence operations needed to realise the potential of these areas. These activities will include the recording of new seismic data, the reprocessing of existing data using new technologies and the evaluation of existing wells in the area. Data from recent discoveries in nearby areas will be incorporated into Andes's regional database to evaluate similar features within Andes's acreage.

Brazil

In May 2013, the company signed a JV agreement with Imetame Energia, a Brazilian E&P company with a proven track record as operator in different basins in the country. Imetame participated in the 2013 Brazil bidding round and was awarded 7 blocks in the Potiguar, the Sergipe-Alagoas and the Reconcavo basins. Our partner has recently formalised the seven blocks contracts with the ANP (the local authority that regulates the industry) and will request the assignment of 50% of the working interest to Andes. Andes has recently established a branch office in Brazil.

Paraguay

A new exploratory block "Capitan Mesa" was awarded to Andes by the government of Paraguay. This block is located in the Itapua Department in the southeast region of Paraguay covering 825,000 acres in which is present the "San Alberto" formation, a source rock of the Parana basin. Andes hold a 50% working interest.

TRADING PERFORMANCE

During the year, the acquisitions of Kilwer S.A., Ketsal S.A. and MGM International S.R.L. have significantly increased the Group's portfolio of assets, strengthened the balance sheet and underpinned the increase in revenue. Revenue from continuing operations increased from US$4.8 million in 2012 to US$22.5 million in 2013. Production has increased from 200 bpd at the end of 2012 to 1,400 bpd at the end of 2013. Exploration and development activity continues and we expect to see the benefit of these programs in future years.

FINANCIAL PERFORMANCE

Revenue has significantly increased to US$22.5 million compared to US$4.8 million in 2012, an increase of 369% primarily as a result of the acquisition of MGM. Loss before tax and before exceptional gains was US$6.3 million but after deducting one off fees of US$2.5 million associated with the acquisitions and an investment impairment charge of US$1.6 million on the Group's minority interest in the demerged utility operations, which was acquired as part of the Ketsal acquisition, the adjusted loss of US$2.2 million compares favourably with the US$4.4 million loss before tax in 2012. The Group's total assets have increased from US$180 million in 2012 to US$319 million at the end of the year mainly as a result of equity settled acquisitions. However, the devaluation of the Argentine Peso has resulted in US$68 million of exchange losses being recognised in the comprehensive loss of the year. Borrowings have increased from US$7 million in 2012 to US$56 million at the end of the year with net current liabilities falling from US$7.9 million at the end of 2012 to US$0.8 million at the end of 2013. At the year end, the Group had cash resources of US$8.2 million compared to US$0.2 million at the end of 2012, which management believes together with the free cash flow generated from existing activities will be sufficient to meet its ongoing working capital requirements. The directors will not be recommending the payment of a dividend.

EARNINGS PER SHARE

Basic and diluted loss per share fell from 2.34 cents in 2012 to 0.1 cents in 2013 (1.58 cents after adjusting for exceptional gains). During the year the number of shares in issue increased by 316 million to 515 million.

KEY PERFORMANCE INDICATORS

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

Sales:
Sales provide a measure of Group activity that is influenced by production levels and oil prices. Revenue increased by US$17.7 million to US$22.5 million in 2013.

Price:
The average price of oil sales in 2013 was US$74 per barrel compared to US$59 per barrel in 2012.

Production:
Production is measured in barrels of oil per day and increased from 200 bpd at the end of 2012 to 1,400 bpd at the end of 2013.

Resources and Reserves
As the end of 2013 the Group had 20 million bbls of net 2P reserves and certified resources of 600 million boe. The Group's licences cover 2 million of net acres.

Work programs:
During the year 31 wells were drilled and 6 workovers completed.

FUTURE DEVELOPMENT

Andes has made significant progress during the year strengthening our portfolio and increasing production. The focus in 2014 is to continue to expand our work programs, to move forward with the Chachahuen development with YPF, and move forward our work programs in our Vaca Muerta acreage, which will start with the fracking and testing of the Varillas x-1 well. The management team is focussed on developing and enhancing the value of our portfolio and on increasing production.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Exploration and drilling – the Group's exploration and drilling programs may be unsuccessful. The Group seeks to mitigate these risks by undertaking extensive geological analysis prior to significant expenditure being incurred.

Capital expenditure – the business relies on substantial investment in exploration programs and restrictions on the availability of funding would curtail the growth of the Group. A failure to fund licence commitments could result in the loss of upstream properties. The Group seeks to mitigate this risk through entering into joint operations in which the Group has a carried interest.

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

Production – the Group's production may be adversely affected by technical problems and production performance may not be in line with expectations. The Group seeks to mitigate these risks by managing its responsibilities as an operator and by working closely with our partners in the field.

Environment – the Group's activities could be affected by environmental issues. The Group ensures it understands and effectively manages the actual and potential environmental impact of its current and future activities.

Health and safety – the Group has rigorous health and safety processes and procedures but regulatory bodies could impose sanctions which could disrupt operations and ultimately levy penalties.

Oil price fluctuations – the Group's financial performance is related to oil and gas prices. The Group takes a conservative view when undertaking capital appraisal.

Other general industry and country risks - Legislation and business practices regarding local governmental regulation, foreign currency transactions and taxation are constantly evolving in some of the countries in which the Group operates. The risks inherent in conducting business in these economies include, but are not limited to, volatility in the financial markets and the general economy. As a result the Group's operations and financial position may be affected by these uncertainties. The Group monitors local and worldwide changes in government regulation and takes appropriate action where necessary.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

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

Alejandro Jotayan	**German Ranftl**
Director	**Director**
22 May 2014	**22 May 2014**

DIRECTORS' REPORT

The directors present their report for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

Andes Energia is an oil and gas company focussed on onshore blocks in South America. The Company has operations in Argentina, Colombia, Brazil and Paraguay, representing three of the largest economies and three of the four largest oil producing nations in South America.

NAMES, QUALIFICATIONS AND EXPERIENCE OF DIRECTORS

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

Nicolás Mallo Huergo (Chairman and CEO JV Operations in Argentina)

Nicolás Mallo Huergo joined the board on 2 October 2007. Nicolás has 20 years experience in the energy markets and has executed many M&A transactions. He has a Law Degree from the Universidad Católica Argentina and a Master in Law (LLM.) with honours at Northwestern University School of Law, Chicago, U.S.A.

Alejandro Jotayan (Chief Executive Officer) (appointed 16 April 2013)

Alejandro Jotayan joined the board on 16 April 2013. Alejandro is an Industrial Engineer with a Masters Degree in Business Administration. He has 18 years of experience in the oil and gas industry in the Americas and Europe. He was Head of Strategy and Business Development at YPF until leaving in 2012. Previously, Alejandro had held several managerial positions in the exploration and production departments of Repsol-YPF working on the commercial development of Vaca Muerta in the Neuquen basin. He also held managerial positions in commercial analysis, strategic planning and control and shareholder reporting in the Techint Group of Companies (Tenaris, Ternium, Tecpetrol).

German Ranftl (Chief Financial Officer)

German Ranftl joined the board on 17 July 2012. German is a Public Accountant from the University of Buenos Aires and has a Masters in Business Administration from CEMA. He graduated from the University of Buenos Aires in 2003 with a law degree and obtained a LLM in Business Law from the University of Palermo in 2003. He spent nearly 11 years in the banking sector, including eight years at ING Barings as a Vice President in Corporate Finance and Investment Banking. He was previously the Chief Financial Officer of EDEMSA.

Juan Carlos Esteban (VP E&P)

Juan Carlos Esteban joined the board on 24 June 2009. Juan Carlos joined the Company from YPF where he had been employed since 1985. At YPF he was responsible for production activities in Argentina and Bolivia and for the operations of YPF's fields in North Mendoza and Malargue in the Cuyana and Neuquén basins. He has significant knowledge and experience in the areas where the Group holds its licences.

Nigel Duxbury (Non-Executive Director)

Nigel Duxbury joined the board in July 2004. 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.

David Jackson (Non-Executive Director)

David Jackson joined the board on 17 July 2012. David has more than 30 years experience in international banking and finance having held senior positions in; Standard Chartered Bank (1990 - 2008), where he was a Managing Director in London and Hong Kong; Scandinavian Bank (1977 - 1990) in London, Bahrain, Singapore and Hong Kong where he was an Executive Director and a member of the Bank's General Management Committee; and Finance for Industry, where he was a Senior Legal Advisor (1973 - 1977). He retired from Standard Chartered Bank in 2008.

Carolina Landi (Non-Executive Director)

Carolina Landi joined the board on 17 July 2012. Carolina graduated from the University of Buenos Aires in 2003 with a law degree and obtained a LLM in Business Law from the University of Palermo in 2003. She previously practised as a lawyer at the firm Laporta-Lopez & Partners. Carolina is currently the legal representative for the Patagonia Petroleo UTE.

NAMES, QUALIFICATIONS AND EXPERIENCE OF DIRECTORS (continued)

Javier Alvarez (Non-Executive Director)

Javier Alvarez joined the board on 17 July 2012. Javier has a Masters in Environmental Politics and Globalisation from King's College, University of London. Javier is an executive director and member of the board of directors of the British Argentine Chambers of Commerce.

Matthieu Milandri (Non-Executive Director) (appointed 21 August 2013)

Matthieu Milandri joined the board on 21 August 2013 and has been Investment Director at Mercuria Energy Trading SA since December 2011, with a particular focus on upstream oil and gas assets. Prior to joining Mercuria, Matthieu was CFO of Candax Energy Inc, a TSX-listed upstream company and Business Development and Financing Manager at Geopetrol, a private upstream group. Matthieu spent nine years with BNP Paribas in Frankfurt, Paris, New York, Houston and Geneva working in the oil and gas and commodities groups, providing him with a detailed understanding of junior oil and gas companies across the world. He graduated from ESSEC Business School in 1998 with a degree equivalent to an MBA with a specialisation in finance.

Leandro Carbone resigned on 16 April 2013; Rudolph Berends resigned on 21 August 2013; and Alan Stark resigned on 18 March 2014.

The Company had in place during the year and has in place at the date of this report, a Directors and Officers Liability Insurance policy for the directors.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to US$0.4 million (2012: loss US$27 million).

The directors do not recommend the payment of a dividend (2012: US$nil).

FINANCIAL RISK MANAGEMENT

The Company's exposure to financial risk is set out in note 32 to the financial statements.

COUNTRY OF INCORPORATION

The Company was incorporated in England and Wales.

COUNTRIES OF OPERATION

The Group's activities are based in Argentina, Colombia, Brazil and Paraguay.

GOING CONCERN

The Directors have reviewed the cash position of the Company and Group for a period of 12 months from the date of this report against expected operational income, expenditure and specific contractual costs and consider that the Company and Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

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 auditors were unaware; and
- that director has taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

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

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

INDEPENDENT AUDITORS

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

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

Nigel Duxbury
Company secretary
22 May 2014

CORPORATE GOVERNANCE

THE UK CORPORATE GOVERNANCE CODE

The Company's shares are traded on AIM and as such the Company is not formally required to comply with the provisions of the UK Corporate Governance Code, nor is it required to disclose its specific policies in relation to corporate governance. As the Company grows the Board will review their compliance with the Code from time to time and will adopt such of the provisions as they consider to be appropriate to the size of the Company.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

The Board of directors

During the year the Board met at least monthly to consider aspects of the Group's activities. The Board consists of the Chairman, Chief Executive Officer, Chief Financial Officer and other executive directors and five non-executive directors. All directors have access to the advice and services of the Company's professional advisers.

Remuneration Committee, Audit Committee and Nominations Committee

Following recent Board changes the Board is in the process of reforming the committees and electing new members. Whilst there are no formal committees at present the Board appoints sub-committees with members of the board with relevant experience to review, inter alia, the relationship with auditors and review the interim and year end financial reports.

Relations with shareholders

Communications with shareholders are given a high priority by the Board, which takes responsibility for ensuring that a satisfactory dialogue takes place. The Group has a website containing investor information to improve communications with individual investors and other interested parties.

Internal control

The directors acknowledge their responsibility for the Group's systems of internal control and for reviewing its effectiveness.

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.

Independent auditors' report to the members of Andes Energia plc

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2013 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Andes Energia Plc, comprise:

- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated and company statements of financial position as at 31 December 2013;
- the consolidated and company statement of changes in equity for the year then ended; and
- the consolidated and company cash flow statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 May 2014

Andes Energia plc

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31-Dec-13	31-Dec-12
Continuing Operations		**US$'000**	**US$'000**
Revenue	3	22,456	4,829
Cost of sales		(14,224)	(3,047)
Gross profit		8,232	1,782
Other operating (expense)/income before exceptional items		(1,066)	1,226
Exceptional items	9 & 26	6,211	-
Total Other operating income		5,145	1,226
Distribution costs		(1,711)	(255)
Administrative expenses		(5,656)	(5,620)
Operating profit/(loss)	5	6,010	(2,867)
Finance income	7	2,369	222
Finance costs	8	(8,473)	(1,769)
Loss before taxation		(94)	(4,414)
Taxation	10	(334)	(253)
Loss for the year from continuing operations		(428)	(4,667)
Loss for the year from discontinued operations	31	-	(22,350)
Loss for the year		(428)	(27,017)
Loss attributable to:			
Owners of the parent			
- Continuing operations		(428)	(4,667)
- Discontinued operations		-	(22,933)
		(428)	(27,600)
Non-controlling interests		-	583
		(428)	(27,017)
Basic and diluted loss per ordinary share		**Cents**	**Cents**
From continuing operations	11	(0.10)	(2.34)
From discontinued operations	11	-	(11.48)
		(0.10)	(13.82)

The notes on pages 23 to 61 are an integral part of these financial statements.

Andes Energia plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	31-Dec-13 US$'000	31-Dec-12 US$'000
Loss for the year	(428)	(27,017)
Recycled foreign exchange on demerger	-	26,530
Translation differences	(68,058)	(15,479)
Total comprehensive loss for the year	(68,486)	(15,966)
Total comprehensive loss attributable to:		
Owners of the parent	(68,486)	(13,463)
Non-controlling interests	-	(2,503)
Total comprehensive loss for the year	(68,486)	(15,966)

The above items will not be subsequently reclassified to profit and loss.

The notes on pages 23 to 61 are an integral part of these financial statements.

Andes Energia plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2013

	Note	31-Dec-13 US$'000	31-Dec-12 US$'000
Non-current assets			
Intangible assets	13	279,617	166,315
Property, plant and equipment	14	1,025	1,154
Available for sale financial assets	15	1,634	-
Trade and other receivables	17	10,725	5,165
Deferred income tax assets	18	1,490	155
Total non-current assets		294,491	172,789
Current assets			
Inventories	19	540	349
Available for sale financial assets	15	3,680	585
Trade and other receivables	17	12,151	6,347
Restricted cash	20	3,561	-
Cash and cash equivalents (excluding bank overdrafts)	20	4,617	179
Total current assets		24,549	7,460
Current liabilities			
Trade and other payables	21	17,436	8,584
Financial liabilities	22	7,957	6,775
Current tax liabilities		-	49
Total current liabilities		25,393	15,408
Non-current liabilities			
Trade and other payables	21	8,854	9,027
Financial liabilities	22	48,018	166
Deferred income tax liabilities	18	66,405	33,724
Provisions	23	454	145
Total non-current liabilities		123,731	43,062
Net assets		169,916	121,779
Capital and reserves			
Called up share capital	24	84,216	34,814
Share premium account		58,281	1,111
Retained earnings		45,172	45,192
Other reserves		(17,753)	40,662
Total equity		169,916	121,779

The notes on pages 23 to 61 are an integral part of these financial statements.

The financial statements on pages 15 to 61 were approved by the Board of Directors and authorised for issue on 22 May 2014 and were signed on its behalf by:

German Ranftl, Director **Company No. 5083946**

Andes Energia plc

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2013

	Note	31-Dec-13 US$'000	31-Dec-12 US$'000
Non-current assets			
Property, plant and equipment	14	1	1
Investments in subsidiaries	16	296,811	147,035
Total non-current assets		296,812	147,036
Current assets			
Available for sale financial assets	15	612	568
Trade and other receivables	17	11,233	10,046
Restricted cash	20	3,561	-
Cash and cash equivalents (excluding bank overdrafts)	20	4,468	30
Total current assets		19,874	10,644
Current liabilities			
Trade and other payables	21	1,377	948
Financial liabilities	22	6,751	5,933
Current tax liability		-	49
Total current liabilities		8,128	6,930
Non-current liabilities			
Trade and other payables	21	20,766	21,766
Financial liabilities	22	37,923	115
Total non-current liabilities		58,689	21,881
Net assets		249,869	128,869
Capital and reserves			
Called up share capital	24	84,216	34,814
Share premium account		58,281	1,111
Retained earnings		53,364	56,955
Other reserves		54,008	35,989
Total equity		249,869	128,869

The notes on pages 23 to 61 are an integral part of these financial statements.

The financial statements on pages 15 to 61 were approved by the Board of Directors and authorised for issue on 22 May 2014 and were signed on its behalf by:

German Ranftl, Director **Company No. 5083946**

Andes Energia plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Capital and reserves	Share capital (Note 24) US$'000	Share premium US$'000	Retained earnings US$'000	Other reserves US$'000	Owners of the parent US$'000	Non controlling interests US$'000	Total US$'000
At 1 January 2012	32,771	43,910	(40,933)	77,462	113,210	63,400	176,610
(Loss)/profit for the year	-	-	(27,600)	-	(27,600)	583	(27,017)
Recycled foreign exchange on demerger	-	-	-	26,530	26,530	-	26,530
Translation differences	-	-	-	(12,393)	(12,393)	(3,086)	(15,479)
Total comprehensive (loss)/income for the year	-	-	(27,600)	14,137	(13,463)	(2,503)	(15,966)
Issue of ordinary shares	18,869	1,111	-	55,487	75,467	-	75,467
Fair value of share based payments	-	-	373	-	373	-	373
Dividends	-	-	-	-	-	(58)	(58)
Issue of warrants	-	-	-	1,817	1,817	-	1,817
Reduction of capital and demerger	(16,826)	(43,910)	113,352	(108,241)	(55,625)	(60,839)	(116,464)
At 31 December 2012	34,814	1,111	45,192	40,662	121,779	-	121,779
Loss for the year	-	-	(428)	-	(428)	-	(428)
Translation differences	-	-	-	(68,058)	(68,058)	-	(68,058)
Total comprehensive loss for the year	-	-	(428)	(68,058)	(68,486)	-	(68,486)
Issue of ordinary shares	49,402	57,170	-	-	106,572	-	106,572
Deferred contingent consideration shares (see note 26)	-	-	-	9,355	9,355	-	9,355
Fair value of share based payments (see note 25)	-	-	408	-	408	-	408
Issue of warrants	-	-	-	288	288	-	288
At 31 December 2013	84,216	58,281	45,172	(17,753)	169,916	-	169,916

Other reserves	Merger reserve US$'000	Warrant reserve US$'000	Reverse acquisition reserve US$'000	Translation reserve US$'000	Deferred Consideration US$'000	Total other reserves US$'000
At 1 January 2012	66,196	-	42,045	(30,779)	-	77,462
Recycled foreign exchange on demerger	-	-	-	26,530	-	26,530
Translation differences	-	-	-	(12,393)	-	(12,393)
Total comprehensive income for the year	-	-	-	14,137	-	14,137
Issue of ordinary shares	55,487	-	-	-	-	55,487
Issue of warrants	-	1,817	-	-		1,817
Reduction of capital and demerger	(66,196)	-	(42,045)	-	-	(108,241)
At 31 December 2012	55,487	1,817	-	(16,642)	-	40,662
Translation differences	-	-	-	(68,058)	-	(68,058)
Total comprehensive loss for the year	-	-	-	(68,058)	-	(68,058)
Deferred contingent consideration shares (see note 26)	-	-	-	204	9,151	9,355
Issue of warrants	-	288	-	-	-	288
At 31 December 2013	55,487	2,105	-	(84,496)	9,151	(17,753)

The notes on pages 23 to 61 are an integral part of these financial statements.

Andes Energia plc

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

Capital and reserves	Share capital (Note 24) US$'000	Share premium US$'000	Retained earnings US$'000	Other reserves US$'000	Total US$'000
At 1 January 2012	32,771	43,910	(11,787)	40,441	105,335
Loss for the year	-	-	(2,937)	-	(2,937)
Translation differences	-	-	-	4,440	4,440
Total comprehensive (loss)/income for the year	-	-	(2,937)	4,440	1,503
Issue of ordinary shares	18,869	1,111	-	55,487	75,467
Fair value of share based payments	-	-	373	-	373
Issue of warrants	-	-	-	1,817	1,817
Reduction of capital and demerger	(16,826)	(43,910)	71,306	(66,196)	(55,626)
At 31 December 2012	34,814	1,111	56,955	35,989	128,869
Loss for the year	-	-	(3,999)	-	(3,999)
Translation differences	-	-	-	8,376	8,376
Total comprehensive (loss)/income for the year	-	-	(3,999)	8,376	4,377
Issue of ordinary shares	49,402	57,170	-	-	106,572
Deferred contingent consideration shares (see note 26)	-	-	-	9,355	9,355
Fair value of share based payments (see note 25)	-	-	408	-	408
Issue of warrants	-	-	-	288	288
At 31 December 2013	84,216	58,281	53,364	54,008	249,869

Other reserves	Merger US$'000	Warrant US$'000	Deferred US$'000	Translation US$'000	Other reserves US$'000
At 1 January 2012	66,196	-	-	(25,755)	40,441
Translation differences	-	-	-	4,440	4,440
Total comprehensive (loss)/income for the year	-	-	-	4,440	4,440
Issue of ordinary shares	55,487	-	-	-	55,487
Issue of warrants	-	1,817	-	-	1,817
Reduction of capital and demerger	(66,196)	-	-	-	(66,196)
At 31 December 2012	55,487	1,817	-	(21,315)	35,989
Translation differences	-	-	-	8,376	8,376
Total comprehensive income for the year	-	-	-	8,376	8,376
Deferred contingent consideration shares (see note 26)	-	-	9,151	204	9,355
Issue of warrants	-	288	-	-	288
At 31 December 2013	55,487	2,105	9,151	(12,735)	54,008

The notes on pages 23 to 61 are an integral part of these financial statements.

Andes Energia plc

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31-Dec-13 US$'000	31-Dec-12 US$'000
Cash flow from continuing operations			
Cash generated from operations	**30**	3,431	612
Tax paid		(59)	(925)
Cash flows generated from/(used in) operating activities		3,372	(313)
Cash flows from investing activities			
Purchase of property, plant and equipment	**14**	(547)	(195)
Purchase of exploration assets	**13**	(2,906)	(398)
Purchase of financial assets		(2,525)	(19)
Acquisition of subsidiaries		23	9
Net cash used in investing activities		(5,955)	(603)
Cash flows from financing activities			
Funds from borrowing		10,386	110
Interest paid		-	(737)
Interest received		11	-
Proceeds from issue of shares		359	1,485
Net cash generated from/(used in) financing activities		10,756	858
Exchange (losses)/gains on cash and cash equivalents		(174)	72
Net increase in cash and cash equivalents from continuing operations		7,999	14
Cash generated from discontinued operations			
Operating activities		-	12,349
Investing activities		-	(3,131)
Financing activities		-	(13,599)
Cash and cash equivalents transferred on demerger		-	(4,291)
Effect of foreign exchange rate changes		-	(444)
Net decrease in cash and cash equivalents from discontinued operations		-	(9,116)
Net increase/(decrease) in cash and cash equivalents		7,999	(9,102)
Cash and cash equivalents at the beginning of the year		179	9,281
Cash and cash equivalents at the end of the year	**20**	8,178	179

Significant non-cash transactions

Significant non-cash transactions in 2013 were the acquisitions of Kilwer S.A., Ketsal S.A. and MGM International S.R.L. (see note 26).

In 2012, significant non-cash transactions were the demerger of the utility operations, which was undertaken by way of a capital reduction (see note 31) and the acquisition of AHI.

The notes on pages 23 to 61 are an integral part of these financial statements.

Andes Energia plc

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	31-Dec-13 US$'000	31-Dec-12 US$'000
Cash used in operating activities	**30**	(3,139)	(2,047)
Cash flows from investing activities			
Investments in subsidiaries		(28)	(1)
Net cash used in investing activities		(28)	(1)
Cash flows from financing activities			
Loans from subsidiaries		-	1,247
Funds from borrowings		10,386	110
Interest paid		-	(737)
Interest received		11	-
Proceeds from issue of shares		359	1,485
Net cash generated from financing activities		10,756	2,105
Net increase in cash and cash equivalents		7,589	57
Cash and cash equivalents at the beginning of the year		30	(27)
Exchange gains on cash and cash equivalents		410	-
Cash and cash equivalents at the end of the year	**20**	8,029	30

Significant non-cash transactions

Significant non-cash transactions in 2013 were the acquisitions of Kilwer S.A., Ketsal S.A. and MGM International S.R.L. (see note 26).

In 2012, significant non-cash transactions were the demerger of the utility operations, which was undertaken by way of a capital reduction (see note 31) and the acquisition of AHI.

The notes on pages 23 to 61 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is incorporated in England and Wales and domiciled in the United Kingdom and is listed on the AIM Market of the London Stock Exchange. 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 Going concern

The directors have reviewed the cash position of the Company and the Group as at the year end against expected operational income and expected expenditure for the 12 month period from the date of this report. Whist the Board recognises that the Company and Group has net current liabilities as at the year end, due to the Company/Group having access to existing cash balances and future cash generation from subsidiary operations the directors consider that the Company/Group has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The cash held in Group bank accounts at the balance sheet date was US$8.2 million (2012: US$0.2 million)

2.2 Basis of preparation

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

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

Where a change in the presentation format between the prior year and current year financial statements have been made during the period, comparative figures have been restated accordingly. In the 2012 comparatives US$10.3 million of investments in subsidiaries has been re-classified as US$7.4 million loans to subsidiaries and US$17.7 million loans from subsidiaries.

2.3 Accounting policies applied for the de merger

Following the demerger of the utility operations that was completed on 11 July 2012, the following accounting treatment has been applied:

(a) The assets and liabilities of the utility group, which include the companies Andes Electricidad S.A., Sodem S.A., Empresa Distribuidora de Electricidad de Mendoza S.A., Inversora Andina de Electricidad S.A., Mendinvert S.A, Hidroelectrica del Sur S.A. and Hidroelectrica Ameghino S.A. have been demerged from the Group.
(b) In the income statement and cash flow statement the results of the utility operations have been classified as discontinued operations in the comparative information.
(c) The equity structure that appears in the consolidated financial statements reflects the equity structure of the legal parent, the Company and the retained profits and other equity balances reflected the retained profits of the Company and its subsidiaries following the demerger.

2.4 De-merger of utility operations

The effective distribution of the de-merged net assets is measured at fair value with any difference between the fair value and carrying amount of the net assets derecognised on de-merger being recognised as part of the loss on discontinued operations within the consolidated income statement.

2.5 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operation that has been disposed of, has been abandoned or meets the criteria for classification as held for sale. Discontinued operations are presented in the income statement as a separate line entitled "Loss for the year from discontinued operations" and in a separate section in the statement of cash flows entitled "Cash generated from discontinued operations

2. ACCOUNTING POLICIES (continued)

2.6 Critical accounting estimates and judgements

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

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

Licence renewal

The Group holds interests in 6 exploration licences, in respect of which the first exploration phases completed in December 2013 and has to enter in the second exploration phase. The Group, along with its joint venture partner are currently seeking approval of an extension of these first phases and expect these extensions to be issued by the relevant Provincial Government during 2014. As a result the exploration assets associated with these licences totalling US$15 million are considered to remain recoverable and no impairment is deemed to have occurred.

In addition the Group holds interests in a number of other exploration and production licences, the first phases of which complete during 2015 and 2017. It is the current intention of the directors to seek and obtain renewal of these licences and therefore the associated intangible and tangible assets are deemed to be fully recoverable through the future exploitation of the licences.

Impairment of goodwill

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation includes estimates about the future financial performance of the cash-generating units, including management's estimates of crude oil reserves, long-term crude oil prices, operating costs and future capital expenditure. The carrying amount of goodwill attributed is disclosed in note 13.

Impairment of exploration and evaluation assets ("E&E") and property, plant and equipment ("PP&E")

E&E and PP&E are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to (i) the likely future commerciality of the asset and when such commerciality should be determined, and (ii) future revenues and costs pertaining to the asset in question, and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value. Note 13 discloses the carrying amounts of the Group's E&E and note 14 the PP&E.

Provision for future decommissioning and site restoration

The Group has decommissioning obligations in respect of its producing interests. The extent to which a provision is required in respect of these potential obligations depends, inter alia, on the legal requirements at the time of decommissioning, the cost and timing of any necessary decommissioning work, and the discount rate to be applied to such.

Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend upon when the fields start and then cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

Depreciation

Oil and gas assets held in property, plant and equipment are mainly depreciated on a unit of production basis at a rate calculated by reference to proved reserves and incorporating the estimated future capital expenditure to be incurred in relation to producing these assets. Future capital expenditure is estimated using assumptions as to the numbers of wells required to produce those reserves, the cost of the wells, future production facilities and operating costs, together with assumptions on oil and gas realisations.

2. ACCOUNTING POLICIES (continued)

2.6 Critical accounting estimates and judgements (continued)

Tax

The Group is subject to the taxation requirements in the jurisdictions in which the Group operates. Significant judgement is required in determining the position for income taxes across these jurisdictions owing to the complexity of tax laws, frequent changes in tax laws and regulations, and the manner of their implementation. Judgement must also be exercised whilst interpreting the interaction between different taxes and interaction between tax rules of different jurisdictions.

Tax provisions are recognised by the Group in accordance with tax laws enacted or substantively enacted by the taxing jurisdictions and in accordance with requirements of the applicable accounting standards.

Estimation of oil and gas reserves

Oil and gas reserves are the quantities of oil and gas estimated by management and verified from time to time by industry experts that are calculated to be recoverable from known reservoirs under existing economic and operating conditions. Estimations of reserves are inherently imprecise and subject to revision and in consequence financial and accounting measures that are based on reserves are also subject to future revision. The prospective value of reserves is not carried in the statement of financial position but revisions in reserves could impact the carrying value of intangible assets and tangible assets and the amortisation/depreciation of such assets. On acquisitions, the fair value of such assets may also be based on estimates of oil and gas reserves.

Fair values

Assets and liabilities acquired in a business combination are required to be measured at fair value on initial recognition. The estimated fair values of proven oil and gas assets are generally determined based on estimation techniques applied by independent valuations experts, having considered estimates of future production rates, recoverable reserves and oil and gas prices. Estimating the fair values of licences in the exploration and development phase involves significant judgements about the potential value of any discovery and the chance of exploration success. When assigning values to such assets, management uses appropriate discount rates and risk adjustments having regard to industry practices typically applied.

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.

2.7 Adoption of new and revised International Financial Reporting Standards

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- Amendment to IFRS 7, 'Financial instruments: Disclosures on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

- IFRS 13 *Fair Value Measurement* was adopted on 1 January 2013, with prospective effect. The standard affects nearly all instances where assets and liabilities are currently recognised or disclosed at fair value, primarily by refining the measurement concept to reflect an asset or liability's exit value. The standard also introduces certain additional considerations to the measurement process and additional disclosures.

2. ACCOUNTING POLICIES (continued)

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

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

The new standards and interpretations issued by the IASB that are relevant to the Group for first time application for the year ended 31 December 2013 were endorsed by the EU for application later than 1 January 2013 (refer to note 2.7(ii)). Consequently, the Group has not adopted any of these standards and interpretations for the year ended 31 December 2013.

(ii) **Standards and interpretations effective from 1 January 2014 or later**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9 'Financial Instruments', IASB effective date and EU endorsement date has yet to be determined. Based on the nature of the Group's financial assets, the adoption of the standard is not expected to have a material impact on the financial position or performance of the Group.

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

The standard has been endorsed by the EU and is effective for the accounting period beginning on 1 January 2014. The Group is currently assessing the impact of IFRS 10 on its financial position and performance.

- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group is currently assessing the impact of IFRS 11.

- IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard is not mandatory for the Group until 1 January 2014. The Group is currently assessing the impact of IFRS 12.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. While the impact on the financial performance of the Group will not be material, the Group is currently assessing the impact of IFRIC 21 on its financial position.

- Improvements to IFRSs. There are a number of amendments to certain standards following the 2012 annual improvements project, which have not yet been endorsed by the EU. The impact of any consequential changes to the consolidated financial statements is not likely to be significant.

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

2. ACCOUNTING POLICIES (continued)

2.8 Basis of consolidation

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

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

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

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

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

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

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

2.9 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for the control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date. Deferred consideration recognised as a liability at the acquisition date is subsequently measured at fair value with any changes recognised in the income statement. Deferred consideration recognised in shareholders' funds is not subsequently re-measured.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the fair value of the consideration of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Goodwill arising on acquisition is reviewed for impairment at least annually. Any impairment is immediately recognised in profit or loss and is not subsequently reversed.

Acquisition related costs are expensed as incurred.

2.10 Revenue recognition

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 arising from the provision of services is recognised when and to the extent that the Group obtains the right to consideration in exchange of the performance of its contractual obligations.

Oil and gas production

Revenue from the sale of crude oil and gas is recognised when the risks and rewards of products passes out of the ownership of the Group to external customers and the revenue can be reliably measured.

2. ACCOUNTING POLICIES (continued)

2.10 Revenue recognition (continued)

Other operating income

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

2.11 Finance income

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

2.12 Borrowing costs

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

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

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

2.13 Exceptional items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as exceptional items on the face of the income statement. The separate reporting of these items helps give an indication of the Group's underlying performance.

2.14 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, comparable with other oil and gas 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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet 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 profit and loss for the period. Gains and losses arising on the 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 balance sheet 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$1.5643 to £1 and AR$5.4579 to US$1 and the closing rate used was US$1.6488 to £1 and AR$6.494 to US$1 (2012: average rate US$1.58 to £1 and AR$4.54 to US$1 and closing rate US$1.62 to £1 and AR$4.9 to US$1).

2.15 Employee benefits

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation including provisions for salaries and holiday pay.

2. ACCOUNTING POLICIES (continued)

2.16 Taxation

Current and deferred tax

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

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

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

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

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

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

Minimum notional income tax

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

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

2.17 Share-based payments

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

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

2. ACCOUNTING POLICIES (continued)

2.17 Share-based payments (continued)

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

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

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

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

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

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

2.18 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.

If the goodwill is negative , the resultant gain is a bargain purchase recognised in the income statement.

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).

Exploration assets

The Group applies the successful efforts method of accounting for exploration and evaluation costs, having regard to the requirements of IFRS 6, "Exploration for and Evaluation of Mineral Resources". The successful efforts method means that only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised.

Pre-licence costs are expensed in the year in which they are incurred.

All licence acquisition, exploration and evaluation costs are initially capitalised by well, field or exploration area, as appropriate. Directly attributable expenditure is capitalised, insofar as it relates to specific exploration and evaluation activities. Exploration and evaluation costs are then written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment.

Exploration and evaluation expenditure is not amortised. When it is determined that such cost will be recouped through successful development the expenditure will be transferred to development and production assets.

2. ACCOUNTING POLICIES (continued)

2.18 Intangible assets (continued)

Development and production assets

When exploration and evaluation activities on a field are substantially complete and proved reserves are determined, the capitalised exploration and evaluation costs are amortised over the expected economic life of the field.

Exploration and development costs relating to producing activities are depreciated in accordance with the Group's depreciation accounting policy. The directors carry out regular reviews of development and production assets and assess the need for impairment.

Amortisation

Capitalised expenditure carried with each licence is amortised from the commencement of production on a unit of production basis, over the relevant proved and probable reserves. Changes in estimates of commercial reserves or future field development costs are dealt with prospectively.

Concession assets acquired are stated at fair value at the date of acquisition. Amortisation is charged on a straight-line basis over the term of the concession.

2.19 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.

2.20 Impairment of assets

Assets that are subject to amortisation or depreciation 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.

Oil and gas

Exploration, development and production assets are reviewed regularly for indications of impairment and costs are written off where circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment.

2. ACCOUNTING POLICIES (continued)

2.21 Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

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

2. ACCOUNTING POLICIES (continued)

2.21 Financial assets (continued)

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in notes 2.23 and 17.

Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available for sale

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

2.22 Inventories

The Group's stocks of crude oil resulting from drilling operations are carried at the lower of cost and net realisable value.

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.

2.23 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.

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

2.24 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.

2.25 Trade payables

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

2.26 Financial liabilities

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

2.27 Financial leases

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

2.28 Provisions

Provisions for environmental restoration and legal 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 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.

2.29 Jointly controlled operations

Most of the Group's exploration and production activity is conducted through jointly controlled operations. The Group accounts for its own share of the assets, liabilities and cash flows associated with these jointly controlled operations using the proportional consolidation method in the case that this information is material and if not they are recognised in one line. The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Company.

3. REVENUE

Revenues from continuing operations relate to the sale of oil produced and consultancy fees of US$ 2.2 million.

4. SEGMENT REPORTING

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 Andes, following the demerger, now comprise one class of business, oil and gas exploration, development and production and the sale of hydrocarbons and related activities. 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 Board considers and reviews operating segments by reference to geographic location. Whilst the Group now holds interests in licences in Argentina, Colombia and Paraguay, during the year under review the only reportable geographic segment was Argentina and the results and the assets of the other segments (including unallocated items) are immaterial.

5. OPERATING PROFIT/(LOSS)

Continuing operations	**31-Dec-13**	**31-Dec-12**
	US$'000	**US$'000**
This is stated after charging/(crediting):		
Amortisation	1,113	228
Depreciation	408	108
Loss/(gain) on foreign exchange	5,551	(606)

Discontinued operations	**31-Dec-13**	**31-Dec-11**
	US$'000	**US$'000**
This is stated after charging:		
Amortisation	-	114
Depreciation	-	3,299
Loss on foreign exchange	-	2,074

Analysis of auditors' remuneration is as follows:		
Audit of the consolidated accounts	88	107
Audit of the subsidiaries	105	-
-Total audit fees	193	107
Tax advisory services	3	30
Other services relating to reporting accountant's work	-	21
Total non-audit fees	3	51

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS

a) Staff costs

The average monthly number of persons including executive directors was:

Continuing operations	**31-Dec-13** **No.**	**31-Dec-12** **No.**
Selling	6	3
Technical	15	13
Administration	26	11
	47	27

Discontinued operations	**31-Dec-13** **No.**	**31-Dec-12** **No.**
Selling	-	160
Technical	-	386
Administration	-	157
	-	703

Staff costs for the above persons were:

Continuing operations	**31-Dec-13** **US$'000**	**31-Dec-12** **US$'000**
Wages and salaries	2,804	2,847
Social security costs	499	275
Share based payments	408	202
	3,711	3,324

Discontinued operations	**31-Dec-13** **US$'000**	**31-Dec-12** **US$'000**
Wages and salaries	-	12,532
Social security costs	-	2,513
Share based payments	-	54
	-	15,099

b) Directors' emoluments

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

	31-Dec-13 **US$'000**	**31-Dec-12** **US$'000**
Aggregate emoluments	1,148	1,937
	1,148	1,937
Emoluments of the highest paid director	458	469

6. STAFF COSTS AND DIRECTORS' EMOLUMENTS (continued)

b) Directors' emoluments (continued)

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. The information below provides this information. In compliance with the AIM rules it provides information relating solely to fees received and accrued for services provided to the Company during the year, as opposed to the Group:

	Fees 2013 US$'000	Bonuses 2013 US$'000	Emoluments 2013 US$'000	Emoluments 2012 US$'000
Nicolas Mallo Huergo	20	-	20	206
Alejandro Jotayan (appointed 16 April 2013)	-	271	271	-
German Ranftl	-	-	-	-
Juan Carlos Esteban	-	-	-	248
Alan Stark (appointed 16 April 2013)	-	-	-	-
Nigel Duxbury	141	-	141	218
David Jackson	8	-	8	4
Javier Alvarez	20	-	20	9
Carolina Landi	-	-	-	-
Matthieu Milandri (appointed 21 August 2013)	-	-	-	-
Rudolph Berends (resigned 21 August 2013)	115	-	115	82
Leandro Carbone (resigned 16 April 2013)	52	-	52	82
Total	356	271	627	849

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 25.

7. FINANCE INCOME

	31-Dec-13 US$'000	31-Dec-12 US$'000
Interest receivable and similar income	2,369	222
	2,369	222

8. FINANCE COSTS

	31-Dec-13 US$'000	31-Dec-12 US$'000
Interest costs	8,473	1,769
	8,473	1,769

9. EXCEPTIONAL ITEMS

In 2013, as a result of the acquisition of MGM International S.R.L. the Group recognised an exceptional gain of US$6.2 million arising from the difference between the consideration paid and the fair value of the net assets acquired.

More detail can be found in note 26.

10. TAXATION

Continuing operations	**31-Dec-13 US$'000**	**31-Dec-12 US$'000**
Current tax	(1,172)	(255)
Deferred taxation	838	2
Tax charge	(334)	(253)
Loss on ordinary activities before tax	(94)	(4,414)
Tax credit on loss at standard rate of 35%	33	1,545
Effects of:		
Expenses not deductible for tax purposes		
Impairment	-	(450)
Item not deductible for tax purposes	(1,132)	-
Effect of items not taxable	2,278	-
Recovery of deferred tax position	179	-
Tax losses for which no deferred tax asset is recognised	(1,692)	(1,348)
Current tax charge	(334)	(253)

Discontinued operations	**31-Dec-13 US$'000**	**31-Dec-12 US$'000**
Current tax	-	(799)
Deferred taxation	-	195
Tax charge	-	(604)
Profit on ordinary activities before tax	-	2,337
Tax charge on profit at standard rate of 35%	-	(818)
Effects of:		
Expenses not deductible for tax purposes	-	(51)
Effect of items not taxable	-	439
Tax losses for which no deferred tax asset is recognised	-	(174)
Current tax charge	-	(604)

The tax rate used for the 2013 and 2012 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.

10. TAXATION (continued)

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.

11. 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 earnings. Adjusted basic and diluted loss per share are presented after adjustment of exceptional items.

	31-Dec-13	31-Dec-12
	Cents	**Cents**
Continuing operations:		
Basic and diluted loss per share	(0.10)	(2.34)
Adjusted basic and diluted loss per share	(1.58)	(2.34)
Discontinued operations:		
Basic and diluted loss per share	-	(11.48)
Adjusted basic and diluted loss per share	-	(11.48)
Continuing and discontinued operations:		
Basic and diluted loss per share	(0.10)	(13.82)
Adjusted basic and diluted loss per share	(1.58)	(13.82)

Continuing operations:	**US$'000**	**US$'000**
Loss for the financial year attributable to equity holders	(428)	(4,667)
Exceptional items	(6,211)	-
Adjusted loss for the financial year attributable to equity holders	(6,639)	(4,667)
Discontinued operations:	**US$'000**	**US$'000**
Loss for the financial year attributable to equity holders	-	(22,933)
Exceptional items	-	-
Adjusted loss for the financial year attributable to equity holders	-	(22,933)
Continued and discontinued operations:	**US$'000**	**US$'000**
Loss for the financial year attributable to equity holders	(428)	(27,600)
Exceptional items	(6,211)	-
Adjusted loss for the financial year attributable to equity holders	(6,639)	(27,600)
	No.'000	**No.'000**
Weighted average number of shares	419,224	199,810
Effect of dilutive warrants	-	-
Diluted weighted average number of shares	419,224	199,810
	No.'000	**No.'000**
Potential number of dilutive warrants	34,728	30,428

11. LOSS PER SHARE (continued)

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

Subsequent to the reporting date 37,000 ordinary shares of 10 pence each were issued (see note 24).

12. 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 in these financial statements. The Company's loss for the year amounted to US$4.0 million (2012: US$2.9 million loss).

13. INTANGIBLE ASSETS

GROUP	Goodwill	Exploration	Development and production	Concession	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 1 January 2012	58,941	85,727	24,100	8,908	177,676
Additions	-	398	-	-	398
Acquisitions	25,444	46,485	28,819	-	100,748
Foreign exchange movements	(3,566)	(8,859)	(5,186)	(434)	(18,045)
Goodwill de-recognised on demerger	(18,305)	-	-	-	(18,305)
Transferred on demerger (note 31)	(34,669)	-	-	(8,474)	(43,143)
At 31 December 2012	27,845	123,751	47,733	-	199,329
Additions	-	1,625	1,281	-	2,906
Acquisitions (see note 26)	26,420	156,300	10,600	-	193,320
Foreign exchange movements	(12,445)	(60,267)	(17,380)		(90,092)
At 31 December 2013	41,820	221,409	42,234	-	305,463
Accumulated amortisation and impairment					
At 1 January 2012	(12,527)	(37,380)	-	(1,021)	(50,928)
Charge for the year	-	-	(228)	(114)	(342)
Foreign exchange movements	(566)	4,577	17	50	4,078
Goodwill de-recognised on demerger	13,093	-		-	13,093
Transferred on demerger (note 31)	-	-	-	1,085	1,085
At 31 December 2012	-	(32,803)	(211)	-	(33,014)
Charge for the year	-	(55)	(1,058)	-	(1,113)
Foreign exchange movements	-	8,060	221	-	8,281
At 31 December 2013	-	(24,798)	(1,048)	-	(25,846)
Net Book Value					
At 31 December 2013	41,820	196,611	41,186	-	279,617
At 31 December 2012	27,845	90,948	47,522	-	166,315

13. INTANGIBLE ASSET (continued)

Goodwill

Goodwill of US$6.7 million arose on the acquisition of Kilwer S.A. and US$19.8 million on the acquisition of Ketsal S.A.. More detail is provided in note 26.

Exploration, production and development assets

During the year the Company, through the acquisitions of Kilwer S.A., Ketsal S.A. and MGM International S.R.L., acquired interests in 13 new licences in Argentina and additional interests in 10 licences in which the Group already had an interest. 2 of the licences are in production.

At the year end the Company holds interests in 46 licences at different stages of development. It holds 29 licences in Argentina, 8 licences in Colombia, 7 licences in Brazil and 2 licences in Paraguay. Five of the 46 licences are currently in production.

The Group holds interests in 6 exploration licences, in respect of which the first exploration phases completed in December 2013 and has to enter in the second exploration phase. The Group, along with its joint venture partner are currently seeking approval of an extension of these first phases and expect these extensions to be issued by the relevant Provincial Government during 2014. As a result the exploration assets associated with these licences totalling US$15 million are considered to remain recoverable and no impairment is deemed to have occurred.

14. PROPERTY, PLANT AND EQUIPMENT

GROUP	Network and transformer stations and other works US$'000	Buildings and land US$'000	Machinery and equipment US$'000	Transformers US$'000	Development and production US$'000	Work in progress and other assets US$'000	Total US$'000
Cost							
At 1 January 2012	202,126	16,265	14,065	22,529	482	23,011	278,478
Transfers	3,528	(239)	487	1,014	-	(4,790)	-
Grants	-	-	-	-	-	(353)	(353)
Additions	-	5	258	-	-	5,480	5,743
Foreign exchange movements	(9,838)	(847)	(719)	(1,097)	(59)	(1,135)	(13,695)
Transferred on demerger (note 31)	(195,816)	(14,521)	(13,653)	(22,446)	-	(22,016)	(268,452)
At 31 December 2012	-	663	438	-	423	197	1,721
Acquisitions (see note 26)	-	-	49	-	-	-	49
Additions	-	200	223	-	-	124	547
Disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	(194)	(226)	-	(104)	(66)	(590)
At 31 December 2013	-	669	484	-	319	255	1,727
Accumulated depreciation							
At 1 January 2012	(110,304)	(3,144)	(8,572)	(9,174)	(287)	(11,517)	(142,998)
Charge for the year	(2,094)	(196)	(405)	(308)	(4)	(400)	(3,407)
Foreign exchange movements	5,369	157	433	447	35	563	7,004
Transferred on demerger (note 31)	107,029	3,130	8,328	9,035	-	11,312	138,834
At 31 December 2012	-	(53)	(216)	-	(256)	(42)	(567)
Charge for the year	-	(228)	(101)	-	(64)	(15)	(408)
Foreign exchange movements	-	49	140		73	11	273
At 31 December 2013	-	(232)	(177)	-	(247)	(46)	(702)
Net Book Value							
At 31 December 2013	-	437	307	-	72	209	1,025
At 31 December 2012	-	610	222	-	167	155	1,154

14. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY	Machinery and equipment	Work in progress and others	Total
Cost	**US$'000**	**US$'000**	**US$'000**
At 1 January 2012	8	7	15
Additions	1	-	1
Disposals	1	-	1
At 31 December 2012	10	7	17
Foreign exchange movements	-	-	-
At 31 December 2013	10	7	17
Accumulated depreciation			
At 1 January 2012	(8)	(7)	(15)
Foreign exchange movements	(1)	-	(1)
At 31 December 2012	(9)	(7)	(16)
Foreign exchange movements	-	-	-
At 31 December 2013	(9)	(7)	(16)
Net Book Value			
At 31 December 2013	1	-	1
At 31 December 2012	1	-	1

15. AVAILABLE FOR SALE FINANCIAL ASSETS

	The Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$'000	US$'000	US$'000
Non-current assets				
Time deposits	1,634	-	-	-
	1,634	-	-	-
Current assets				
Unlisted equity securities	3,667	568	612	568
Other investments	13	17	-	-
	3,680	585	612	568

Time deposit

Time deposits represent a non current fixed term deposit, in US$ currency with a carried interest of 1.9%.

Unlisted equity securities

Unlisted equity securities represent investments in equity securities that are not quoted on a recognised stock exchange and are stated at management's best estimate of fair value. During the year the Group recognised an impairment of US$1.6 million in the carrying value an acquired interest in its demerged utility operation that was acquired as part of the Ketsal acquisition.

Other investments

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

16. INVESTMENTS IN SUBSIDIARIES

	31-Dec-13	31-Dec-12
	US$'000	US$'000
Non-current assets		
As at 1 January	147,035	118,583
Additions	135,132	74,841
Transferred from subsidiary	-	63,379
Capital reduction of subsidiary	-	(53,056)
Demerger	-	(62,540)
Foreign exchange movements	14,644	5,828
As at 31 December	296,811	147,035

16. INVESTMENTS IN SUBSIDIARIES (continued)

At 31 December 2013 the Company had the following principal subsidiary undertakings. They have the same year-end date as the Company and have been included in the consolidated financial statements. The Company's principal subsidiary undertakings all have share capital consisting solely of ordinary shares. All the interests are held partly directly and partly indirectly though intermediate subsidiaries, which are wholly owned.

	Country of incorporation	Area of operation	Ownership Interest %	Activity
Andes Energia Argentina S.A.	Argentina	Argentina/ Colombia/Brazil	100	Holding
MSO Andes Energia Argentina S.A.	Argentina	Argentina	100	Services
Andes Oil S.A.	Argentina	Argentina	100	Oil and gas
Andes Oil and Gas S.A.	Argentina	Argentina	100	Oil and gas
Grecoil y Cia. S.A.*	Argentina	Argentina	100	Oil and gas
AEN Netherlands Cooperatief U.A.	Netherlands	Netherlands	100	Holding
AEN Energy Mendoza S.A.	Argentina	Argentina	100	Holding
AEN Energy Argentina S.A.	Argentina	Argentina	100	Holding
Patagonia Oil & Gas S.A.	Argentina	Argentina	100	Oil and gas
Andes Hidrocarburos Investments S.A.	Argentina	Argentina and Paraguay	100	Oil and gas
Kilwer S.A.	Argentina	Argentina and Paraguay	100	Oil and Gas
Ketsal S.A.	Argentina	Argentina	100	Oil and Gas
MGM International S.R.L.	Argentina	Argentina	100	Oil and Gas

* 118 ordinary shares and 73 preferred shares of Grecoil y Cia S.A. are pledged as security for a loan. The nominal value of each share is US$1,539.

17. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	31-Dec-13 US$'000	31-Dec-12 US$'000	31-Dec-13 US$'000	31-Dec-12 US$'000
Non-current				
Other taxes and social security	1,827	680	-	-
Other receivables	8,898	4,485	-	-
	10,725	5,165	-	-
Current				
Trade receivables	4,132	1,285	1,586	1,155
Less: provision for impairment	(9)	-	-	-
	4,123	1,285	1,586	1,155
Prepayments and accrued income	41	33	41	33
Loans to subsidiaries	-	-	8,337	7,441
Other taxes and social security	3,610	922	-	-
Other receivables	4,377	4,107	1,269	1,417
	12,151	6,347	11,233	10,046

17. 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 Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$'000	US$'000	US$'000
Provision for impairment of trade receivables				
As at 1 January	-	4,139	-	
Impairment losses recognised on receivables	10	1,283	-	-
Amounts written off as uncollectible	-	(4)	-	-
Foreign exchange movements	(1)	(201)	-	-
Transferred on demerger	-	(5,217)	-	-
As at 31 December	9	-	-	-

As at 31 December 2013, US$8,739 receivables were impaired (2012: US$nil). As at 31 December 2013 trade receivables of US$1,586,077 were past due but not impaired (2012: US$1,285,451). The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$	US$'000	US$'000
Ageing of past due but not impaired				
Up to 3 months past due	-	1,285	-	-
3 to 6 months past due	-	-	-	-
Over 6 months past due	1,586	-	1,586	-
	1,586	1,285	1,586	-

18. DEFERRED TAX

GROUP Deferred tax asset	Provision for bad debts US$'000	Notional income tax US$'000	Provision charges US$'000	Employee benefits US$'000	Other US$'000	Carry forward losses US$'000	Total US$'000
At 1 January 2012	2,238	11,740	2,650	2,011	1,861	105	20,605
Credited/(charged) to the income statement	102	(781)	567	158	100	-	146
Foreign exchange movement	(115)	(580)	(129)	(98)	(87)	(6)	(1,015)
Transferred on demerger (note 31)	(2,225)	(10,273)	(3,083)	(2,071)	(1,843)	(86)	(19,581)
At 31 December 2012	-	106	5	-	31	13	155
Adjustment in respect of prior periods	-	(76)	-	-	-	(11)	(87)
Arising on acquisition	-	-	-	-	-	938	938
Credited to the income statement	-	1	60	-	23	754	838
Foreign exchange movement	-	(14)	(11)	-	(11)	(318)	(354)
At 31 December 2013	-	17	54	-	43	1,376	1,490

Deferred tax liability	Fair value of property, plant and equipment US$'000	Write off from intangibles US$'000	Acquisitions US$'000	Borrowings US$'000	Total US$'000
At 1 January 2012	12,668	4,498	11,362	945	29,473
Arising on acquisition	-	-	25,750	-	25,750
(Credited)/charged to the income statements	(255)	237	-	(33)	(51)
Foreign exchange movement	(617)	(219)	(3,388)	(46)	(4,270)
Transferred on demerger (note 31)	(11,796)	(4,516)	-	(866)	(17,178)
At 31 December 2012	-	-	33,724	-	33,724
Arising on acquisition	-	-	51,987	-	51,987
Foreign exchange movement	-	-	(19,306)	-	(19,306)
At 31 December 2013	-	-	66,405	-	66,405

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The group did not recognise deferred income tax assets of US$3.5 million (2012: US$2.8 million) in respect of losses amounting to US$9.9 million (2012: US$8.2 million) that can be carried forward against future taxable income. Losses amounting to US$1.7 million will expire between 2018 and 2019.

The Company did not recognise deferred income tax assets of US$2.9 million (2012: US$2.6 million) in respect of tax losses amounting to US$8.2 million (2012: US$7.7 million) as there is insufficient evidence that the potential asset will be recovered.

NOTES TO THE FINANCIAL STATEMENTS

19. INVENTORIES

	31-Dec-13 US$'000	31-Dec-12 US$'000
Crude oil	540	349
	540	349

No inventory was written off in the period.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	31-Dec-13 US$'000	31-Dec-12 US$'000	31-Dec-13 US$'000	31-Dec-12 US$'000
Cash at bank and in hand	4,617	179	4,468	30
	4,617	179	4,468	30
Restricted cash at bank and in hand	3,561	-	3,561	-
	3,561	-	3,561	-

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

US$3.6 million of cash at bank is charged as security for stand by letter of credit and overdraft facilities provided by the Company's bank.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	31-Dec-13 US$'000	31-Dec-12 US$'000	31-Dec-13 US$'000	31-Dec-12 US$'000
Current				
Trade payables	10,164	2,283	649	589
Social security and other taxes	4,581	2,510	-	-
Royalties payable	-	1,224	-	-
Accrued expenses	-	361	-	359
Other payables	2,691	2,206	728	-
	17,436	8,584	1,377	948

	The Group		The Company	
	31-Dec-13 US$'000	31-Dec-12 US$'000	31-Dec-13 US$'000	31-Dec-12 US$'000
Non-current				
Royalties payable	-	364	-	-
Social security and other taxes	3,632	1,462	49	18
Other payables	5,222	7,201	-	-
Loans from subsidiaries	-	-	20,717	21,748
	8,854	9,027	20,766	21,766

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

22. FINANCIAL LIABILITIES

	The Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$'000	US$'000	US$'000
Current				
Other borrowings	7,916	6,407	6,751	5,633
Financial leasing	20	68	-	-
Accrued financial interest	21	300	-	300
	7,957	6,775	6,751	5,933

	The Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$'000	US$'000	US$'000
Non-current				
Other borrowings	45,510	115	37,923	115
Financial leasing	-	51	-	-
Accrued financial interest	2,508	-	-	-
	48,018	166	37,923	115

Other borrowings include a US$10.6 million unsecured convertible loan that carries interest at a rate of 11% repayable in June 2018; a US$27.3 million unsecured convertible loan that carries interest at a rate of 11% repayable in March 2023; a US$6.5 million unsecured loan that carries interest at a rate of 9.75% with no fixed repayment date; a US$0.2 million unsecured loan that carries interest at a rate of 10% repayable within 5 years from the date of draw down; a US$0.06 million loan with no interest and no fixed repayment terms; a US$ 1.1 million Argentine Pesos denominated loan that carries interest at a rate of between 18% to 22% with no fixed repayment terms; a US$2.6 million Argentine Pesos denominated loan that carries interest at a rate between 18% to 22% repayable within 3 years; and a US$7.6 million loan that carries interest at a rate of 10% with no fixed repayment terms.

In 2012 Other borrowings include a US$5.9 million unsecured loan that carries interest at a rate of 9.75% per annum; a US$0.1 million unsecured loan that carries interest at a rate of 10.00% per annum, which is repayable 5 years from the date of draw down; and a US$0.8 million unsecured loan that carries interest at a rate of 18% per annum.

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

	The Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$'000	US$'000	US$'000
Maturity profile				
Within 1 year	8,639	7,086	7,433	6,245
Between 1 and 5 years	19,990	165	17,374	115
After 5 years	76,794	-	71,794	-
	105,423	7,251	96,601	6,360
Interest payments	(49,448)	(310)	(51,927)	(312)
	55,975	6,941	44,674	6,048

23. PROVISIONS

PROVISIONS

	Restoration US$'000	Legal Claims US$'000	Total US$'000
At 31 December 2011	178	10,275	10,453
Additional provisions	-	2,576	2,576
Used during the year	(12)	(208)	(220)
Foreign exchange movements	(21)	(500)	(521)
Transferred on demerger	-	(12,143)	(12,143)
At 31 December 2012	145	-	145
Additional provisions	410	-	410
Foreign exchange movements	(101)	-	(101)
At 31 December 2013	454	-	454

The Group makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted present value basis. The decommissioning provision represents the estimated present value of the costs of abandonment at the end of the relevant licence periods. These provisions are based on current economic factors and current environmental requirements, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

24. CALLED UP SHARE CAPITAL

	2013 Number of shares '000	2013 US$'000	2012 Number of shares '000	2012 US$'000
Allotted, called up and fully paid				
Ordinary shares of 10 pence	514,770	84,216	198,959	34,814

The issued share capital is reconciled as follows:

	2013 No.	2012 No.
Balance at beginning of year	198,958,991	175,690,180
Vendor consideration	172,991,456	117,062,222
Placing to directors and other parties	8,628,441	2,362,703
Debt conversion	134,191,580	-
Capital reduction	-	(96,156,114)
Balance at end of year	514,770,468	198,958,991

On 14 March 2014 the Company issued 37,000 on the exercise of warrants to subscribe for ordinary shares.

All shares carry the same rights.

25. WARRANTS

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

Exercise period	At start of year 2013 No.	Granted during year 2013 No.	Lapsed during year 2013 No.	At end of year 2013 No.	Exercise price
July 2005 to July 2014	1,179,500	-	-	1,179,500	54 pence
October 2008 to October 2014	2,392,700	-	-	2,392,700	54 pence
June 2012 to September 2017	1,011,000	-	-	1,011,000	45 pence
June 2012 to September 2017	1,011,000	-	-	1,011,000	54 pence
June 2012 to September 2017	2,696,000	-	-	2,696,000	70 pence
June 2012 to June 2019	4,461,880	-	-	4,461,880	54 pence
July 2012 to July 2017	1,500,000	-	-	1,500,000	54 pence
January 2013 to January 2018	16,175,998	-	-	16,175,998	54 pence
November 2013 to November 2020	-	2,000,000	-	2,000,000	40 pence
August 2013 to August 2020	-	2,300,000	-	2,300,000	40 pence
	30,428,078	4,300,000	-	34,728,078	

The weighted average remaining contractual life of the warrants is 4.1 years. All warrants, apart from the 10,354,580 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.

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at 1 January	22,073,498	55.5 pence	25,750,000	54.0 pence
Granted during the year	2,300,000	40.0 pence	23,175,998	56.2 pence
Reduction of capital adjustment	-	-	(10,676,502)	55.5 pence
Lapsed during the year	-	-	(16,175,998)	54.0 pence
Outstanding at 31 December	24,373,498		22,073,498	
Exercisable at 31 December	22,073,498		5,897,500	

25. 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.

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
Outstanding at 1 January	8,354,580	54.0 pence	3,550,000	54.0 pence
Granted during the year	2,000,000	40.0 pence	8,120,000	54.0 pence
Reduction of capital adjustment	-	-	(3,315,420)	54.0 pence
Outstanding at 31 December	10,354,580		8,354,580	
Exercisable at 31 December	8,354,580		2,392,700	

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 on date of grant	Exercise price	Expected volatility percentage	Expected life years	Risk free rate percentage	Expected dividends percentage
September 2007	2,392,700	21 pence	54.00 pence	54 pence	35%	7.00	5.10%	0%
June 2012	4,461,880	23 pence	45.25 pence	54 pence	53%	7.00	1.80%	0%
July 2012	1,500,000	14 pence	38.25 pence	54 pence	53%	5.25	1.80%	0%
November 2013	2,000,000	10 pence	22.50 pence	40 pence	53%	7.00	2.70%	0%

The Group recognised an expense of US$407,944 related to equity settled share-based payment transactions during the year (2012: US$373,286 – US$262,412 continuing operations and US$110,874 discontinued operations). Warrants granted to and held by directors during the year are detailed below:

	01-Jan-13 No.	Granted in the year No.	Reduction of capital adjustment No.	31-Dec-13 No.	Exercise price	Exercise dates
Nicolas Mallo Huergo	235,900	-	-	235,900	54 pence	2014
Nicolas Mallo Huergo	606,600	-	-	606,600	54 pence	2019
German Ranftl (appointed 17 July 2012)	235,900	-	-	235,900	54 pence	2014
German Ranftl (appointed 17 July 2012)	606,600	-	-	606,600	54 pence	2019
Juan Carlos Esteban	674,000	-	-	674,000	54 pence	2019
Nigel Duxbury	404,400	-	-	404,400	54 pence	2014
Nigel Duxbury	269,600	-	-	269,600	54 pence	2019
David Jackson (appointed 17 July 2012)	1,500,000	-	-	1,500,000	54 pence	2017
Carolina Landi (appointed 17 July 2012)	80,880	-	-	80,880	54 pence	2014
Carolina Landi (appointed 17 July 2012)	134,800	-	-	134,800	54 pence	2019
Senior Management	1,058,180	-	-	1,058,180	54 pence	2014
Senior Management	552,680	-	-	552,680	54 pence	2019
Alejandro Jotayan (appointed 16 April 2013)	-	2,000,000	-	2,000,000	40 pence	2020
	6,359,540	2,000,000	-	8,359,540		

26. ACQUISTIONS

Kilwer S.A. ("Kilwer")

On 11 March 2013 the Group acquired 100% of Kilwer. Kilwer is a private oil and gas company with exploration and development assets in Argentina. The combination of Kilwer's and Andes's assets is strategically very valuable; providing a participation in 10 new licences; increasing the Group's participation interest in an additional 10 licences; giving Andes operator status in other licences; and bringing additional production.

The consideration for the acquisition of Kilwer was satisfied by the issue of 60,676,666 ordinary shares (the "Issued Shares"), the issue of a US$10,000,000 convertible bonds (the "Convertible Bond") with a five year term and 11% coupon (principal and coupon bullet) and a US$25,000,000 bond with a ten year term and 11% coupon (principal and coupon bullet). If the Company sells its interest in the Kilwer´s shares the bond should has priority over other debt.

Acquisition costs for the acquisitions of both Kilwer and Ketsal totalled US$2.5 million and this has been recognised as an expense in the income statement.

A loss of US$0.04 million in relation to the acquired activities has been recognised in the income statement for the year. Revenue for the Group for the year does not include any revenue from Kilwer's operations. Had Kilwer been acquired on 1 January 2013 a loss for the year of US$0.05 million would have been recognized in the income statement.

Kilwer S.A.	**Book Value US$'000**	**Fair value adjustments US$'000**	**Fair value US$'000**
Net assets acquired			
Intangible assets	765	70,435	71,200
Property plant and equipment	5	-	5
Trade and other receivables	7,748	-	7,748
Trade and other payables	(178)	-	(178)
Borrowings	(7,236)	-	(7,236)
Social security and other taxes	(390)	-	(390)
Deferred tax	28	(24,652)	(24,624)
	742	45,783	46,525
Positive goodwill arising on acquisition			6,674
Total purchase consideration			53,199

Net cash inflow on acquisition	
Total purchase consideration	53,199
Less: Shares issued for non cash consideration	(21,472)
	31,727
Less: Convertible bonds issued for non cash consideration and bond	(31,727)
	-
Less: Cash and cash equivalents	-
	-

The assets and liabilities acquired have been measured at fair value at the date of acquisition. The Board expects the trade receivables acquired of US$7.8 million to be collectable.

The goodwill arose after the application of IAS 12 "Income taxes" and is attributable principally to expanding growth opportunities in Argentina.

26. ACQUISTIONS (continued)

Ketsal S.A. ("Ketsal")

On 11 April 2013 the Group acquired 100% of Ketsal. Ketsal is a private oil and gas company with exploration and development assets in Argentina. The combination of Ketsal's and Andes's assets is strategically very valuable further strengthening and increasing our position in 12 licences and bringing additional production.

Acquisition costs for the acquisitions of both Kilwer and Ketsal totalled US$2.5 million and this has been recognised as an expense in the income statement.

The consideration for the acquisition of Ketsal was satisfied by the issue of 82,781,457 ordinary shares (the "Issued Shares") and the issue of a US$56,000,000 convertible bond (the "Convertible Bond") with a ten year term and 8% coupon (principal and coupon bullet).

A loss of US$2.1 million in relation to the acquired activities has been recognised in the income statement for the year. Revenue for the Group for the year does not include any revenue from Ketsal's operations. Had Ketsal been acquired on 1 January 2013 a loss of US$3.9 million would have been recognized in the income statement.

Ketsal S.A.	**Book Value US$'000**	**Fair value adjustments US$'000**	**Fair value US$'000**
Net assets acquired			
Intangible assets	3,054	63,446	66,500
Property plant and equipment	44	-	44
Investments	5,269	-	5,269
Cash and cash equivalents	26	-	26
Trade and other receivables	7,169	-	7,169
Trade and other payables	(644)	-	(644)
Borrowings	(10,961)	-	(10,961)
Social security and other taxes	(2,196)	-	(2,196)
Deferred tax	860	(22,207)	(21,347)
	2,621	41,239	43,860
Positive goodwill arising on acquisition			19,746
Total purchase consideration			63,606

Net cash inflow on acquisition	
Total purchase consideration	63,606
Less: Shares issued for non cash consideration	(26,598)
	37,008
Less: Convertible bonds issued for non cash consideration	(37,008)
	-
Add: Cash and cash equivalents	26
	26

The assets and liabilities acquired have been measured at fair value at the date of acquisition. The Board expects the trade receivables acquired of US$7.2 million to be collectable.

The goodwill arose after the application of IAS 12 "Income taxes" and is attributable principally to expanding growth opportunities in Argentina

26. ACQUISTIONS (continued)

MGM International S.R.L ("MGM")

On 4 June 2013 the Group acquired 100% of MGM. MGM has an interest in two producing fields in the province of Mendoza. MGM was acquired from Mecuria Energy Asset Management B.V.. The acquisition of MGM increased the Group's reserves and significantly increased production.

The consideration for the acquisition was satisfied by the issue of 29,533,333 ordinary shares (the "Issued Shares") and contingent deferred consideration totalled of a further 29.5 million shares, subject to certain production targets being met.

There were no material acquisition costs.

A profit of US$2.4 million in relation to the acquired activities has been recognised in the income statement for the year. Revenue for the Group for the year includes US$15 million of revenue from MGM's operations. Had MGM been acquired on 1 January 2013 a profit of US$2.4 million would have been recognized in the income statement.

MGM international SRL	Book Value US$'000	Fair value adjustments US$'000	Fair value US$'000
Net assets acquired			
Intangible assets	29,304	(104)	29,200
Trade and other receivables	390	-	390
Deferred tax	50	(5,128)	(5,078)
	29,744	(5,232)	24,512
Excess of interest in the net fair value of identifiable assets and liabilities over cost			(6,211)
Total purchase consideration			18,301
Net cash inflow on acquisition			
Total purchase consideration			18,301
Less: Shares issued for non cash consideration			(9,150)
Shares issued as contingent			9,151
Less: Deferred contingent consideration shares*			(9,151)
			-
Add: Cash and cash equivalents			-
			-

* At rates of exchange prevailing at the date of acquisition but recognised as a movement on equity at the average rate for the year.

The assets and liabilities acquired have been measured at fair value at the date of acquisition. The Board expects the trade receivables acquired of US$0.4 million to be collectable.

The acquisition resulted in an excess in Andes's interest in the net fair value of MGM's identifiable assets and liabilities over cost of US$6,211,108, which has been recognised as a separately identifiable item in other operating income in the income statement.

27. NON-CONTROLLING INTERESTS

	31-Dec-13 US$'000	31-Dec-12 US$'000
At 1 January	-	63,400
Profit attributable to non-controlling interests	-	583
Dividends	-	(58)
Translation differences	-	(3,086)
Transferred on demerger	-	(60,839)
At 31 December	-	-

28. RESERVES

Merger reserve

The merger reserve is a non-distributable capital reserve arising from the issue and allotment of shares at a price higher than the nominal value of the shares and issued to satisfy purchase considerations. US$66,195,556 of the merger reserve was cancelled on 11 July 2012 as part of the capital reduction approved by the Court.

Reverse acquisition reserve

The reverse acquisition reserve was a non-distributable capital reserve arising on consolidation as a result of the business combination with Sodem S.A. and was eliminated on completion of the demerger on 11 July 2012.

Translation reserve

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

Warrant reserve

The warrant reserve results from the valuation attributed to warrants granted.

Deferred consideration reserve

This reserve results from the deferred contingent considerations shares to be issued in relation to the acquisition of MGM International S.R.L.

29. CAPITAL COMMITMENTS

	31-Dec-13 US$	31-Dec-12 US$
Commitments for the acquisition of property, plant and equipment	-	-

Over the next 3 to 6 years, the Group has licence commitments to fulfil seismic acquisition programs and the drilling of exploration wells. The Group has farm-in agreements with third parties to fund these commitments on the majority of its licences and will look to secure further farm-in agreements or fund directly the commitments under the other licences from its operational cash flow.

30. CASH GENERATED FROM OPERATIONS

	Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$'000	US$'000	US$'000
Continuing operations				
Loss for the year before taxation	(94)	(4,414)	(3,999)	(2,937)
Exceptional items	(6,211)	-	-	-
Loss for the year before taxation and exceptional items	(6,305)	(4,414)	(3,999)	(2,937)
Adjustments from operating activities				
Depreciation and amortization	1,521	336	-	-
Exchange movement on debt	(3,832)	(2,234)	(3,541)	(722)
Revaluation of investments	1,866	11	(33)	11
Increase in inventories	(300)	(233)	-	-
(Increase)/decrease in trade and other receivables	(8,336)	(2,680)	(221)	39
Increase in creditors and other payables	10,410	7,860	541	103
Decrease in intergroup loans	-	-	(1,793)	-
Finance costs	8,473	1,769	3,453	1,086
Finance income	(2,369)	(222)	(464)	-
Movement in provisions	(615)	157	-	-
Acquisition fees	2,510	-	2,510	-
Share based payments	408	262	408	373
Net cash generated from operating activities	3,431	612	(3,139)	(2,047)

31. DISCONTINUED OPERATIONS

On 11 July 2012 the Company completed the demerger of its utility operations into a new company called Andina plc with the Company remaining the ultimate holding company for the E&P businesses.

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 and a reduction of the share capital of Andes Energia Argentina S.A..

The net assets transferred totalled US$108,803,645 compared to the IFRIC 17 transfer value of US$116,463,959 resulting in a gain of US$7,660,314.

As a result of the demerger the results of the utility operations have been classified as discontinued operations in these financial statements.

The difference between the fair values of the operations transferred and the carrying amount of the Company's investment in it former subsidiaries is recognised in the Company's income statement for 2012 as a separate lime item.

32. FINANCIAL RISK MANAGEMENT

The directors have reviewed the consolidated financial statements and have concluded that there are no significant differences between the book values and the fair values of the assets and liabilities of the Group and Company as at 31 December 2013.

Capital risk management

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

32. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management (continued)

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

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

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

	The Group	
	31-Dec-13	**31-Dec-12**
	US$'000	**US$'000**
Borrowings, excluding finance lease liabilities	55,955	6,823
Less: Cash and cash equivalents	(8,178)	(179)
Net debt	47,777	6,644
Equity	169,916	121,779
Net debt ratio	28%	5%

The directors consider a net debt ratio of 28% to be within the acceptable range.

Financial risk management

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

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

Derivatives, financial instruments and risk management

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

Market risk

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

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

32. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk management

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

The Group is mainly exposed to currency risks on certain bank deposits, debtors and creditors denominated in GBP and Peso.

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

	The Group	
	£'000	**AR$'000**
Trade and other receivables	347	104,878
Cash and cash equivalents	293	803
Trade and other payables	(1,696)	(158,823)
Net exposure	(1,056)	(53,142)

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

	The Group
	31-Dec-13
	US$'000
AR$ strengthening by 25%	(86,280)
AR$ weakening by 25%	86,280

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk is nil since the Group does not have variable interest liabilities. The Group is exposed to fair value interest rate risk through its fixed rate borrowings.

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

Market operational risks

The Group operates in predominantly in Argentina. The nature of the Group's operations requires the commitment of significant funding through its investment in oil and gas operations and exploration and evaluation. It is the nature of oil and gas operations that each project is long-term. It may be many years before the exploration and oil and gas development properties held by the Group are proven to be viable and for progress to reach commercial production. To control these risks the Group has entered into a number of joint operations in which they hold a carried interest.

Market price risk

As an "unhedged oil producer" through its production, the Group is exposed to only market price risk. Given the restrictions imposed in Argentina, crude oil volumes can only be sold on the domestic market without any right to export at world market prices.

The Group manages this risk with reference to annual budgets and periodic forecasts including sensitivity analyses of projected production rates and crude oil domestic prices, which are quoted in Argentine Peso. This risk will continue to be closely monitored by the Group in future periods.

32. FINANCIAL RISK MANAGEMENT (continued)

Other price risk

The Group does not have any financial instruments which have a significant risk that their fair value or future cash flows will fluctuate materially because of changes in market prices other than those set out in this note.

Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk may arise as a result of the Group's sales of products on credit terms and other transactions with counterparties giving rise to financial assets currently. The Group has adopted a policy of only dealing with creditworthy counterparties to mitigate the risk of financial loss from default. It is the Group's policy to assess the credit risk of all new customers before entering into contracts and also, where possible, to trade only with established entities.

The credit risk on cash and cash equivalent balances is limited as the counterparties are banks with high credit ratings assigned by international ratings agencies.

The Group and Company's maximum exposure to credit risk by class of assets is as follows:

	The Group		The Company	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
	US$'000	US$'000	US$'000	US$'000
Financial assets within trade and other receivables	17,439	9,910	11,233	10,046
Cash and cash equivalents	8,178	179	8,029	30
	25,617	10,089	19,262	10,076

Liquidity risk

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

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

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

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

The table below shows the Group and Company's financial liabilities at 31 December 2013 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the balance sheet because the balance sheet amount is based on discounted cash flows.

32. FINANCIAL RISK MANAGEMENT (continued)

Group	Less than 1 year	From 1 to 5 years	More than 5 years	Total future payments
	US$'000	US$'000	US$'000	US$'000
Borrowings	7,916	19,323	28,736	55,975
Other provisions	-	45	409	454
Creditors	12,855	5,222	-	18,077
	20,771	24,590	29,145	74,506

Company	Less than 1 year	From 1 to 5 years	More than 5 years	Total future payments
	US$'000	US$'000	US$'000	US$'000
Borrowings	6,751	16,707	21,216	44,674
Creditors	728	-	20,717	21,445
	7,479	16,707	41,933	66,119

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

33. RELATED PARTY TRANSACTIONS

Company

Amounts owed by and to its subsidiaries are disclosed in notes 17 and 21 respectively.

Group

Prior to the demerger, Andes Electricidad SA and its subsidiaries were all subsidiaries of Andes Energia plc. The transactions and balances with Andes Electricidad SA and its subsidiaries were as follows:

	31-Dec-13	31-Dec-12
	US$'000	US$'000
Management charge	-	2,283
Due to demerged utility companies	-	(6,203)

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

33. RELATED PARTY TRANSACTIONS (continued)

Key Management Compensation

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

	The Group		The Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Short term employee benefits	1,306	2,308	644	1,377
Share based payments	261	216	261	64
	1,567	2,524	905	1,441
Emoluments of the highest paid director	458	469		

The directors do not receive any short term or long term benefits.

34. EVENTS AFTER THE BALANCE SHEET

Whilst there were no significant events after the balance sheet date, since the beginning of 2014, the Argentine Peso has weakened by approximately 25% against the US Dollar. The Company does not anticipate that this devaluation will impact significantly the business of the Group and the results of its operations.

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Germand Ranftl (CFO)
Juan Carlos Esteban (VP E&P)
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