Company Registration No. 8095058 (England and Wales)

ANDINA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ANDINA PLC

COMPANY INFORMATION

Directors	Mr Jorge Rosenblut	(Appointed 31 October 2019)
	Mr Luis Alvarez Poli	(Resigned 29 January 2021)
	Mr Neil Bleasdale	
	Mr Julian Collins	(Appointed 12 June 2020)
	Mr Marcelo Comba	
	Mr Carlos Bastos	(Resigned 29 January 2021)
	Mr Jorge Depresbiteris	(Resigned 31 October 2019)
	Mrs Valeria Inés de Oliveira Cézar	(Appointed 29 January 2021)
	Mrs Maria Fernanda Martinez	(Appointed 29 January 2021)
Secretary	María Inés Anchelerguez	(Appointed 29 January 2021)
Company number	8095058	
Registered office	1 South Quay Victoria Quays Sheffield United Kingdom S2 5SY	
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London United Kingdom WC2N 6RH	
Solicitors	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London United Kingdom EC4N 6AF	
Registrars	Share Registrars The Courtyard 17 West Street Farnham Surrey United Kingdom GU9 7DR	

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ANDINA PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

Highlights
Andina Plc ("Andina" or the "Company" and with its subsidiaries the "Group") is a Latin American energy group.

Our financial results incorporating the results of Andina together with its subsidiaries for the year ended 31 December 2019 are set out below:

- Revenue US$246.3 million (2018: US$248.2 million)
- Operating loss US$2.7 million (2018: US$13.5 million)
- Net assets US$69.1 million (2018: US$94.8 million)

Business review
The Group's principal activity is electricity generation and distribution to the regulated public sector in South America. Its principal assets are a 51% indirect controlling interest in Empresa Distribuidora de Electricidad de Mendoza S. A. ("EDEMSA"), the main electricity distribution company in the Province of Mendoza, and a 47% indirect controlling interest in Hidroeléctrica Ameghino S. A. ("HASA"), a 60MW hydroelectric power plant in the Province of Chubut.

Revenue for the Group for the year decreased from US$248.2 million in 2018 to US$246.3 million in 2019. Revenue from operating activities in local currency increased by 61% year on year but the devaluation of the Argentine peso ("AR$") against the US dollar ("US$") resulted in a decrease in the Group revenue in the reporting currency of US$. The distribution business represents 97.5% of the Group's revenue and the electricity generating business represents the remaining 2.5%.

The Group's total assets have decreased from US$337.5 million at the end of 2018 to US$329.1 million at the end of 2019.

Total current liabilities increased from US$164.5 million at the end of 2018 to US$183.4 million at the end of 2019. At the year-end, the Group had cash resources of US$7.9 million compared to US$22.3 million at the end of 2018.

Borrowings, excluding leases, have increased from US$10.7 million at the end of 2018 to US$16.7 million at the end of 2019. Current borrowings, excluding leases, decreased from US$9.7 million at the end of 2018 to US$7.9 million at the end of 2019 and non-current borrowings, excluding leases, increased from US$1.0 million at the end of 2018 to US$8.9 million at the end of 2019.

Operating and financial review
Due to the continuous significant devaluation of the AR$, the financial review has been prepared in both AR$ and US$ to facilitate a better understanding of the underlying business performance.

EDEMSA

Financial review
In 2019 EDEMSA reported a post-tax loss of US$20.4 million (AR$1,218 million - loss) compared with US$20.8 million profit in 2018 (AR$757 million - profit).

Sales for the year have shown positive growth of 3.3% in real terms following tariff increase in July 2019. However, inflation continued to erode EDEMSA's margins. Although EDEMSA managed to keep its operating cost increases in AR$ below inflation, gross margin in real terms has declined from US$39.7 million in 2018 (AR $1,491 million) to US$30.4 million in 2019 (AR$1,815 million).

This situation put pressure on its working capital position forcing delays of certain payments to its main electricity provider CAMMESA.

Tariff update
The 5th tariff review commenced on 8 February 2017 by the Ente Provincial Regulador Electrico ("EPRE") covering a period from 1 August 2018 to 31 July 2023. Following a public hearing on 3 July 2018 new tariffs were enforced on 1 August 2018. The new tariff tables were the same as those previously in force and did not reflect the significant cost increases of the electricity providers. Consequently, EDEMSA appealed this new tariff and is currently awaiting the resolution of this appeal.

On 19 October 2018, EDEMSA submitted a request to EPRE for a review of the Distribution Value Added ("VAD") portion of the existing tariff. The EPRE called for a public hearing in order to consider EDEMSA's request. Following the public hearing, a new tariff scheme has been enforced from 4 July 2019 reflecting the favorable results of the public hearing.

On 8 January 2020, EDEMSA submitted a request to EPRE for a recurring six-monthly review of the electricity distribution companies' VAD according to the procedures established under a previously published Decree 48/17.

On 26 February 2020, a public hearing was held by EPRE to consider the electricity distribution companies' VAD which allowed various stakeholders to contribute. Although the tariff increase was just approved by Decree 08/21 on 6 January 2021.

Settlement of CAMMESA's historic debt
At 31 December 2019 EDEMSA owed CAMMESA US$17.2 million (AR$ 1 billion) for historic energy purchases incurred prior to 2019.

During 2018, EDEMSA and CAMMESA agreed a payment plan for CAMMESA's historical debt of US$ 69.4 million which included a reduction in late charges, a grace period from 1 February 2016 to April 2018, a financing term of 90 months from April 2018 until September 2025 and a fixed annual interest rate of 10%. The agreement is being fulfilled and there were no unpaid instalments at the reporting date. No formal additional payment request has been received as of the date of this report considering the overdue current debt with CAMMESA mentioned below.

Settlement of CAMMESA's historic debt under Article 15
On 21 December 2016, Law 27.341 was published (National Budget 2017). Article 15 of this law established the compensation terms for the historic debt which Argentine electricity distributors have with CAMMESA in relation to the purchase of energy between 2013 and 2016 (time during which electricity tariffs were frozen). Under this law, a ompany should be able to net off the foregone income with the amount payable to CAMMESA. On the basis that EDEMSA's foregone income was higher than the liability owed to CAMMESA, the application of the law should result in a full discharge of the outstanding liability.

Although EDEMSA has agreed a payment plan with CAMMESA in respect of the 2013-2016 period, EDEMSA did not relinquish its right to claim the Article 15 credit. Subsequently, the company has filed a claim with the Energy Secretariat of the Nation to request the application of Article 15. No response has been received regarding this claim as of the date of issuance of these financial statements.

Settlement of CAMMESA's current debt
At 31 December 2019 EDEMSA owed CAMMESA US$105.6 million (AR$ 6.3 billion) for energy purchases, of which US$88.4 million (AR$ 5.3 billion) relates to 2019 and are due immediately.

EDEMSA is currently in the process of negotiating a payment plan with CAMMESA to ensure it is reflective of the tough economic landscape in which EDEMSA operates. While the negotiations are ongoing, the outstanding debt continues to be payable on demand. After a formal payment request made from CAMMESA on January 2020, EDEMSA and CAMMESA agreed the suspension of procedural deadlines while negotiations are ongoing under Law 27591, Article 87.

Settlement of CAMMESA's current debt ***(Continued)***
On 14 December 2020, Law 27591 was published (National Budget 2021) Article 87 of this law instructs the Energy Secretariat of the Nation to regularize the debts and credits with the distributors. The measures contemplate different alternatives, which include, the negotiation of a payment plan for up to 60 months with a grace period and reduction of the interest rate. Likewise, the Ministry of Energy is empowered to dictate the applicable regulations and determine, apply and recognize in the fiscal year 2021 the credit recognized by article 15 (Law No. 27,341). These measures were regulated by the Ministry of Energy under Resolution 40/2021 on 21 January 2021. EDEMSA has made the presentations of the information requested by the authorities in this regard.

Operating review
During 2019, ongoing focus on productivity and process efficiency continued. Despite the hyperinflationary environment, the company has maintained all the key commercial indicators at their 2018 level through strict cost control and maximizing operating efficiency.

The more important key commercial indications are:

- Management of business process
- Quality of services
- Energy loss ratio

New regulatory requirements in relation to subsidies and residential billing has required additional resources for the correct and effective implementation, which inevitably increased the cost base.

In 2019, EDEMSA continued migrating from paper billing to a fiscal electronic billing system, resulting in a 25% increase in its customer base.

During 2019, the level of energy losses increased to 14.75% and the overall electricity demand has decreased by 2.27% compared to 2018.

The historic trend in energy losses suffered by EDEMSA is as follows:
- December 2016: 12.35%;
- December 2017: 12.66%;
- December 2018: 14.09%.

HASA

Financial review
The company recorded a profit after tax for the year of US$1.9 million (AR$111 million) compared to the 2018 profit after tax of US$1.5 million (AR$57 million). Sales in real terms remained stable amounting to US$6.3 million in 2019 (AR$373 million) compared to US$6.3 million in 2018 (AR$ 238 million). The power generated in 2019 was 99 GWh, a 19% decrease compared to the 122 GWh generated in 2018.

The current tariff structure was established under Resolution 019/2017 S.E., a modification of Resolution 022/2016 S.E. In February 2020 the Secretary of Energy passed a Resolution N° 31/2020 with a new remuneration system for power generation companies resulting in a change in currency moving from a tariff determined in US$ to AR$. The new resolution is expected to have a 30% negative impact on the future revenues of the company.

Operating review
Water supply during the year was 973.1 hm^3 compared to 929.5 hm^3 in 2018.

The total energy produced during the year was sold on the spot market. Collections on billings to CAMMESA remained constant at 60 days, the same level as 2018.

During 2019 the replacement of the generation unit "AMEGHI01" was successfully completed with a total investment of around US$1 million. The turbine started its fully functional operation on 10 April 2019.

ANDINA GROUP

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 relevant in assessing performance.

Revenue
Sales provide a measure of the Group's activity that is influenced by the demand for electricity, the amount of electricity generated and energy prices. Revenue decreased from US$248.2 million (AR$9,332 million) in 2018 to US$246.3 million (AR$15,024 million) in 2019.

Gross margin
This represents the margin generated by the core business and excludes all non-operating costs, such as financing and tax expenses as well as any one-off items. Gross margin in US$ decreased to 13.5% in 2019 from 17.6% in 2018.

Energy losses
This measures the efficiency of the energy distributed and includes the technical and commercial loss. Energy losses increased from 14.09% at the end of 2018 to 14.75% at the end of 2019.

Water level
The reservoir water level is an indication of the amount of power that can be generated. The water level at the end of 2019 was 153.58 meters compared to 154.34 meters at the end of 2018.

Covid-19
At the date of this report, the Company's and the Group's operations have seen limited impact from the Covid-19 pandemic. Management have carried out multiple scenario analyses of potential downsides including decreases in the demand for electricity, as well as workforce and supply chain disruptions. Whilst the future of the pandemic remains unknown, based on the scenario analyses performed, the Company and the Group have sufficient resources to adapt to the current and potential challenges it may face. The directors are therefore confident that the Covid-19 effects will not undermine the Company's and the Group's ability to continue as a going concern.

Future developments
The immediate focus of management is on securing tariff reviews that will ensure the long-term sustainability of the business and continual investments in the infrastructure.

Negotiating a combination of debt waivers and a revised payment plan with CAMMESA is another primary focus for the forthcoming year. This will enable an orderly settlement of the accumulating payables and loan balances as well as restructuring of other debts within the Group.

Subsequent events
Information about subsequent events is presented in note 33.

Principal risks and uncertainties
Information about the Group's and the Company's principal risks and uncertainties is presented on pages 5 - 6.

S172 Statement
S172 Statement is presented on pages 7 - 8.

By order of the board

María Inés Anchelergue
Secretary
15 March 2020

PRINCIPAL RISKS AND UNCERTAINTIES

Set out below are the key operating risks and uncertainties affecting the Group.

Margin risk
The revenues of the Group's principal trading subsidiary EDEMSA, are subject to a regulated electricity tariff regime set by the provincial Government, which is revised on a specified periodic basis. This directly impacts the Group's profitability and its ability to fund its operating costs and capital expenditure requirements. Tariffs applicable for the year under review were insufficient to maintain economic and financial sustainability and the delay in the implementation of tariffs for the fifth review period means the Group is financially exposed. This remains a key risk as continuing delays or shortfalls in tariff increases could put the Group into financial difficulties.

Mitigation
The Group seeks to mitigate these risks by monitoring price fluctuations of its key operating costs and by taking actions to minimize the impact on financial performance through various hedging strategies detailed in note 26. The Group engages in regular presentations and negotiations with the regulator to support the need for inflation and tariff adjustments.

Economic vulnerability and hyperinflation
The Argentine economy has experienced significant volatility in recent decades, characterized by periods of low or negative growth, high levels of inflation and the significant depreciation of the Argentine Peso, which is the functional currency of the Group's Argentine operations. In the last 4 years, the Argentine Peso experienced a rapid depreciation against the U.S. dollar and other major foreign currencies and as of 1 July 2018 it qualifies as a currency of a hyperinflationary economy. Rising costs and frozen tariffs are having serious adverse effects on the Group's profitability, production spend, infrastructure investment and ability to service its foreign currency debts.

Through 2019, the Peso's depreciation continued, and in September 2019, the Argentine Government adopted a series of measures reinstating foreign exchange controls, which limit the Group's ability to access the foreign exchange market and external financing. These factors pose significant risks to the Group's liquidity and ability to access credit and the capital markets.

Mitigation
The Group seeks to mitigate this risk through comprehensive procurement strategies and advance currency acquisitions for US dollar purchases. The acquisition of dollar related materials in advance in order to fix the price is the only palliative to this front.

Political and regulatory interventions
The Group's operations are based in Argentina and are subject to Argentine laws and regulations. The Argentine Government has historically exercised significant influence over the economy promulgating numerous, far- reaching regulations and reforms affecting the economy and electricity companies in particular. Amendments to laws and regulations governing the Group's operating activities or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on the Group.

Mitigation
The Group utilizes reputable legal representatives in Argentina to continuously monitor the legal and regulatory regime. Periodic meetings are held with Argentine tax advisers to review fiscal changes and regulatory requirements. The updates are typically undertaken on a monthly basis. In addition, the Group is a member of ADEERA (Asociación de Distribuidores de Energía Eléctrica de la República Argentina) which consistently works with the Argentine authorities to assist in the understanding of regulatory constraints and assists in the modification of legislation designed to clarify inconsistencies in legislation and interpretation of the law.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Plant operating risks
Failure of an essential component in any of the Group's operating assets will impact the Group's ability to distribute and generate electricity through plant outage or restriction to operations. The Group's assets have been in service for a substantial amount of time and aging is a significant factor in many areas. Significant plant component failure or failure of a critical non-replaceable plant item may affect the operating lifetime of the station.

Mitigation
The Group seeks to mitigate these risks by having a risk-based plant maintenance and replacement program.

Business disruption due to Covid-19
The current situation surrounding the Covid-19 global pandemic represents significant uncertainty for the Group, the industry it operates in and the local and global economy. Although at the date of this report the Group has experienced limited operational disruptions caused by the Covid-19 pandemic, the future of the pandemic remains unknown and the Group continues to face challenges emerging from Government restrictions, staff absences and supply chain delays as well as disruptions to key partners and capital markets.

Mitigation
The Group seeks to mitigate these risks by implementing effective measures to ensure the safety of employees and contractors, which include, amongst other things: following Government guidelines, communicating precautionary measures to all staff to prevent the spread of the virus, enabling remote working, exploring available liquidity options and implementing business continuity strategy.

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S172 STATEMENT

The directors are required to explain how they consider the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company and the Group under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company and the Group.

This S172 statement explains who the Company's and the Group's stakeholder groups are, their material issues and how the Directors of Andina engage with them, and the effect of their expectations, including on the principal decisions taken by the Company and the Group during the financial year. The S172 statement focuses on matters of strategic importance to Andina, and the level of information disclosed is consistent with the size and the complexity of the business.

When making decisions, each Director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's and the Group's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

S172(1) (A) The likely consequences of any decision in the long term
The Directors understand Andina's business and the evolving environment in which it operates, including the challenges of navigating through the political decisions taken by the Argentine Government resulting in continuous changes to business rules. The Directors recognize how Andina's operations, in particularly in Argentina, are viewed by different parts of society and that some decisions they take today may not align with all stakeholders' interests.

During the second half of 2019, the Government's actions directly impacted the margins and cash flows of electricity distributors in Argentina. As a consequence, the financial debts assumed by the Group in Argentina have become a burden too big to build a reliable payment plan for the short term, so full debt renegotiations took place. This resulted in the extension of payment plans to preserve the Group's operating cash flows for the next 20 months.

172(1) (B) The interests of Andina's employees
Andina's employees are core to the business and fundamental to its operational success. Significant efforts are made to ensure that Andina remains a responsible employer from pay and benefits to health, safety and positive working environment. The Group invests in its employees through:

- strict health and safety monitoring;
- technical and soft skills training;
- scholarship plans;
- communication apps;
- pulse surveys.

S172(1) (C) The need to foster Andina's business relationships with suppliers, customers and others
Strong and mutually beneficial relationships with suppliers, customers and governments are fundamental pillars for Andina's operational success. The Group seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. In particular:

Customers
- Regular monitoring of customer satisfaction indices.
- Faster turnaround of customer call-ins despite significant increase in volumes.

Partners and suppliers
- Tendering to ensure equal opportunities for suppliers and the best commercial outcome for the business.
- Health and Safety control plans to improve safety across the value chain.

Governments and regulators
- Maintaining regular dialogue with governments and engaging in policy debates that are of concern to Andina and the communities in which it operates.
- Holding regular stakeholder groups.

S172 STATEMENT (CONTINUED)

S172(1) (C) The need to foster Andina's business relationships with suppliers, customers and others (Continued)

Society

- Continuous monitoring of environmental management through annual audits.
- Engaging with local communities through social media, community workshops and training.
- Sponsoring of social and charitable plans such as:
  a) Hands to the Pot (Manos a la olla): employees volunteer program to collect rice and vegetables for Food Banks;
  b) Annual Blood Donation Campaign in cooperation with the Regional Blood Treatment Centre.

S172(1) (D) The impact of Andina's operations on the community and the environment
Andina engages in regular consultations with local people and NGOs to gain valuable perspectives on the ways in which the Group's activities could impact the local community or environment. The Group actively participates in numerous community projects in particular:

- PAS (Solidarity Help Program): to support teaching and assistance to +3,000 children in low income / impoverished areas;
- PLEC (Light at Home Program): since 2005 this program has helped +60,000 people (12,500 families) to access electricity in a safe and economically affordable way;
- Alliances with organizations like Junior Achievement and FONBEC to support the education of young people from poor backgrounds.

The Group utilizes the Integrated Management System to ensure continuous monitoring of environmental management and ongoing compliance with ISO 9001 Quality Management and ISO 14001 Environmental Management. The Group is subject to annual external environmental audits certified by IRAM (National Institute of Standardization and Certifications).

S172(1) (E) The desirability of Andina maintaining a reputation for high standards of business conduct
The desirability of Andina to maintain its reputation for high standards of business conduct, translates to the Board of Directors' intention to behave responsibly and ensure that the business operates in a responsible manner within the high standards of business conduct and good governance.

Regular communication amongst the Board and employees and effective, formally recorded Board Meetings, ensures such standards are maintained. Where appropriate, independent legal advice is obtained to support the decision-making process.

S172(1) (F) The need to act fairly as between members of the Company and the Group
The Directors are responsible for choosing the course of actions which enable Andina to achieve its long-term strategy, taking into consideration the impact on stakeholders. In doing so, the Directors act fairly as between the Company's and the Group's members but are not required to balance the business interest with those of other stakeholders, and this can sometimes mean that certain stakeholder interests may not be fully aligned.

BOARD OF DIRECTORS

Executive

Jorge Rosenblut (Chairman)
Jorge Rosenblut joined the board on 31 October 2019. Jorge qualified as a certified Civil Industrial Engineer at the University of Chile and a master's degree in Public Administration from the Harvard Kennedy School. He is Chairman of Smart Utilities LLC and Chairman of the Board of the Institute of the Americas From 2000 to 2015. Mr. Rosenblut acted as Chairman of the Board of the Latin-American Energy arms of the Enel Group (previously Endesa Spain). Prior to joining the ranks of corporate executives, Mr. Rosenblut held leadership roles in the Chilean government from 1990 to 1996. In 1994 he was the Undersecretary of Telecommunications and the Undersecretary of the Presidency from 1995 to 1996.

Valeria Inés de Oliveira Cézar (Chief Executive Officer)
Valeria de Oliveira Cézar graduated as an Economist from the Universidad Nacional de Rosario. Later she obtained a Masters degree in Finance from the Tocuato Di Tella University in Buenos Aires and a diploma in renewable energy from the Champagnat University of Mendoza. Since 2010, she has worked as financial analyst and M&A consultant at Ernst & Young, Banco Meridian and Integra Capital. In 2016 she joined EDEMSA.

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

Non-executive

Julian Collins (Executive Director)
Julian Collins joined the board on 12 June 2020. He brings with him an extensive experience of working with a number of multi-national organizations and corporate entities. He is also a director of a number of UK property companies.

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

Maria Fernanda Martinez (Non-Executive Director)

Fernanda Martinez is an Industrial Engineer who graduated from Universidad Nacional de Cuyo, where she completed an Exchange program at the Center Arts et Métiers ParisTech Bordeaux-Talece, obtaining expertise in Environmental Process and Materials Engineering for Sustainable Development. She has a Postgraduate Degree in Project Management and Administration.

With more than five years of experience in the Renewable Energy sector, she currently serves as an EDEMSA's Senior Analyst in the area of Development and Evaluation of Energy Projects.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2019.

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

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Jorge Rosenblut	(Appointed 31 October 2019)
Mr Luis Alvarez Poli	(Resigned 29 January 2021)
Mr Neil Bleasdale	
Mr Julian Collins	(Appointed 12 June 2020)
Mr Marcelo Comba	
Mr Carlos Bastos	(Resigned 29 January 2021)
Mr Jorge Depresbiteris	(Resigned 31 October 2019)
Mrs Valeria Inés de Oliveira Cézar	(Appointed 29 January 2021)
Mrs Maria Fernanda Martinez	(Appointed 29 January 2021)

Results and dividends
The results for the year are set out on page 17.

No ordinary dividends were paid or proposed during the year (2018: US$nil). The directors do not recommend payment of a dividend.

Qualifying third party indemnity provisions
The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Financial Instruments
Information about the Group's and the Company's financial instruments and financial risks management is included in note 26.

Disabled persons
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement
The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Future developments
Information about the Group's and Company's future developments is presented in the Strategic Report on pages 1 - 3.

Auditors
The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue as auditors and a resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group's and Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group and Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Directors' confirmations
In the case of each director in office at the date the directors' report is approved:

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

Going concern
At 31 December 2019, the Group had net current liabilities of US$68.3 million and debt of US$16.7 million and the Company had net current liabilities of US$10.0 million and debt of US$8.8 million.

The directors have reviewed the cash flow forecasts for the Company and the Group for the period 30 June 2022, taking account of changes in tariffs, currency fluctuations, scheduled borrowings repayments and the impact from the Covid-19 pandemic, and note that the Company's and the Group's ability to continue in operational existence is dependent on its ability to settle its payable balances with CAMMESA.

In 2019 the Company's subsidiary EDEMSA, whose principal activity is electricity distribution in Argentina, reported a loss for the year of US$20.4 million and had a net current liabilities position of US$60.3 million.

As detailed in note 18, the delays and uncertainties arising from the implementation of the local tariff regime resulted in EDEMSA deferring payments to its principal supplier CAMMESA, the state owned electricity wholesaler, with the total outstanding debt amounting to US$105.6 million at the reporting date, of which US$88.4 million is due immediately. At present, the Group does not have sufficient liquid resources to settle its obligations with CAMMESA. The board of EDEMSA is working closely with CAMMESA to define an action plan to address the current situation and agree a settlement schedule. Whilst in the past both parties have come to an agreement regarding a payment plan for previous overdue balances and progress is being made on a number of potential options for the current overdue debt, in particular under Law 27591, Article 87, currently there is no binding agreement in place. The directors are confident that an agreement and repayment plan will be reached with CAMMESA as it has been previously.

Directors' confirmations **(continued)**

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Based on the current progress of the negotiations with CAMMESA and the specific amendments to payment terms expected to be agreed, the Group will be able to meet its obligations as they fall due. Thus, the directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

By order of the board

Maria Ines Anchelerguez
Secretary
15 March 2021

Independent auditors' report to the members of Andina Plc
Report on the audit of the financial statements

Opinion
In our opinion, Andina Plc 's Group financial statements and parent Company ('the Company') financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2019; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

Material uncertainty related to going concern – Group
In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.4 to the financial statements concerning the Group's ability to continue as a going concern.

The Group experienced delays and uncertainties arising from the implementation of a local tariff regime which resulted in its subsidiary, EDEMSA, deferring payments to its principal supplier CAMMESA. As at 31 December 2019, the Group made a loss in the year of $20.6m and has net current liabilities of $68.3 million. Included in its total liabilities is an amount of $105.5m owed to its principal supplier CAMMESA, of which $88.4m is due immediately and at present the Group does not have sufficient liquid resources to settle this obligation.

The board of EDEMSA is working closely with CAMMESA to define an action plan to address the current situation and agree a settlement schedule. Whilst the directors have indicated that they have reasonable expectations that a satisfactory outcome to the negotiations will be achieved, at the date of signing the financial statements there is no binding agreement in place and the outcome of these actions is uncertain. These conditions, along with the other matters explained in note 1.4 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Independent auditors' report to the members of Andina Plc (continued)

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

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

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

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

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Independent auditors' report to the members of Andina Plc (continued)

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
15 March 2021

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$'000	2018 US$'000
Revenue	4	246,346	248,213
Cost of sales		(212,978)	(204,424)
Gross profit		33,368	43,789
Distribution costs		(19,537)	(20,154)
Administrative expenses		(19,286)	(20,515)
Impairment of property, plant and equipment		-	(17,246)
Other operating income		2,706	619
Operating loss	5	(2,749)	(13,507)
Finance income	9	13,544	48,117
Finance costs	10	(58,499)	(31,212)
Hyperinflation impact	1.21	34,830	24,863
(Loss)/profit before taxation		(12,874)	28,261
Tax on (loss)	11	(7,701)	(9,679)
(Loss)/profit for the financial year		(20,575)	18,582
(Loss)/profit for the financial year is attributable to:			
- Owners of the parent company		(11,615)	7,918
- *Non-controlling interests*		(8,960)	10,664
		(20,575)	18,582

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$'000	2018 US$'000
(Loss)/profit for the financial year		(20,575)	18,582
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
Translation differences	1.21	(4,457)	106,080
Actuarial loss on defined benefit pension schemes		(673)	(798)
Tax relating to other comprehensive loss		5	200
Other comprehensive (expense)/income for the year		(5,125)	105,482
Total comprehensive (expense)/income for the year		(25,700)	124,064
Total comprehensive (expense)/income for the year is attributable to:			
- Owners of the parent company		(13,613)	64,799
- Non-controlling interests		(12,087)	59,265
		(25,700)	124,064

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 US$'000	US$'000	2018 (1) US$'000	US$'000
Non-current assets					
Intangible assets	12		8,233		8,771
Property, plant and equipment	13		201,551		203,530
Right of use assets	20		1,224		-
Deferred tax	22		-		42
Inventories	16		2,742		3,095
Trade and other receivables	17		309		145
			214,059		215,583
Current assets					
Inventories	16	3,279		3,696	
Trade and other receivables	17	61,606		57,441	
Investments	14	42,336		38,465	
Cash and cash equivalents	1.12	7,851		22,341	
		115,072		121,943	
Total assets			329,131		337,526
Current liabilities					
Trade and other payables	18	(167,895)		(141,370)	
Borrowings	19	(7,875)		(9,739)	
Leases	20	(367)		(213)	
Provisions	21	(6,318)		(11,995)	
Defined benefit pension liability	23	(886)		(1,218)	
		(183,341)		(164,535)	
Non-current liabilities					
Trade and other payables	18		(27,561)		(43,267)
Borrowings	19		(8,860)		(997)
Leases	20		(1,051)		(614)
Provisions	21		(402)		(507)
Deferred tax liability	22		(35,055)		(28,034)
Defined benefit pension liability	23		(3,726)		(4,737)
			(76,655)		(78,156)
Total liabilities			(259,996)		(242,691)
Net assets			69,135		94,835

(1) Certain prior period balances have been reclassified in order to improve presentation. See note 1.2

ANDINA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

Equity

	Notes	2019 US$'000	2019 US$'000	2018 US$'000	2018 US$'000
Share capital	25		14,904		14,904
Translation reserve	25		29,635		31,292
Merger reserve	25		40,432		40,432
Retained deficit	25		(59,949)		(47,993)
Equity attributable to owners of the parent company			25,022		38,635
Non-controlling interests			44,113		56,2
Total equity			69,135		94,835

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

The financial statements on pages 17 to 74 were approved by the board of directors and authorized for issue on 15 March 2021 and are signed on its behalf by:

Jorge Rosenblut
Director

ANDINA PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 US$'000	2019 US$'000	2018 US$'000	2018 US$'000
Non-current assets					
Investments	14		33,829		32,398
Current assets					
Trade and other receivables	17	124		100	
Cash and cash equivalents	1.12	19		20	
		143		120	
Total assets			33,972		32,518
Current liabilities					
Trade and other payables	18	(2,326)		(908)	
Borrowings	19	(7,766)		(7,454)	
		(10,092)		(8,362)	
Non-current liabilities					
Trade and other payables	18		(2,501)		(2,589)
Borrowings	19		(1,014)		(913)
			(3,515)		(3,502)
Total liabilities			(13,607)		(11,864)
Net assets			20,365		20,654
Equity					
Share capital	25		14,904		14,904
Translation reserve	25		(3,714)		(5,251)
Merger reserve	25		40,432		40,432
Retained deficit	25		(31,257)		(29,431)
Total equity			20,365		20,654

As permitted by s408 Companies Act 2006, the Company has not presented its own income statement and related notes. The Company's loss for the year was US$1,826,000 (2018 - US$1,051,000 profit).

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorized for issue on 15 March 2021 and are signed on its behalf by:

Jorge Rosenblut
Director
Company Registration No. 8095058

ANDINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Balance at 1 January 2018	**Share capital**	**Translation reserve**	**Merger reserve**	**Retained deficit**	**Total controlling interest**	**Non-controlling interest**	**Total equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Year ended 31 December 2018:	14,904	(25,894)	40,432	(55,606)	(26,164)	(3,065)	(29,229)
Profit for the year	-	-	-	7,918	7,918	10,664	18,582
Other comprehensive income:	-	57,186	-	-	57,186	48,894	106,080
Translation differences *							
Actuarial loss on defined benefit plans	-	-	-	(305)	(305)	(293)	(598)
Total comprehensive income for the year	-	57,186	-	7,613	64,799	59,265	124,064
Balance at 31 December 2018	14,904	31,292	40,432	(47,993)	38,635	56,200	94,835
Year ended 31 December 2019:							
Loss for the year	-	-	-	(11,615)	(11,615)	(8,960)	(20,575)
Other comprehensive income:	-	(1,657)	-	-	(1,657)	(2,800)	(4,457)
Translation differences **							
Actuarial loss on defined benefit plans	-	-	-	(341)	(341)	(327)	(668)
Total comprehensive expense for the year	-	(1,657)	-	(11,956)	(13,613)	(12,087)	(25,700)
Balance at 31 December 2019	14,904	29,635	40,432	(59,949)	25,022	44,113	69,135

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

(*) Includes initial hyperinflation impact of US$137 million, net of US$31 million translation impact on opening balances at the yearend exchange rate.
(**) Includes hyperinflation impact of US$57 million, net of US$61 million translation impact on opening balances at the yearend exchange rate.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital US$'000	Translation reserve US$'000	Merger reserve US$'000	Retained deficit US$'000	Total equity US$'000
Balance at 1 January 2018	14,904	(2,627)	40,432	(30,482)	22,227
Year ended 31 December 2018:					
Profit for the year					
Other comprehensive income:	-	-	-	1,051	1,051
Translation differences	-	(2,624)	-	-	(2,624)
Total comprehensive expense for the year	-	(2,624)	-	1,051	(1,573)
Balance at 31 December 2018	14,904	(5,251)	40,432	(29,431)	20,654
Year ended 31 December 2019					
Loss for the year					
Other comprehensive expense:	-	-	-	(1,826)	(1,826)
Translation differences	-	1,537	-	-	1,537
Total comprehensive expense for the year	-	1,537	-	(1,826)	(289)
Balance at 31 December 2019	14,904	(3,714)	40,432	(31,257)	20,365

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

ANDINA PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$'000	US$'000	2018 US$'000	US$'000
Cash flows from operating activities					
Cash generated from operations	30		16,520		28,050
Income taxes paid			(192)		-
Net cash generated from operating activities			16,328		28,050
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(11,795)		(14,487)	
Purchase of current investments	14	(17,309)		(2,843)	
Proceeds from sale of current investments		-		235	
Interest received		4,426		14,181	
Net cash used in investing activities			(24,678)		(2,914)
Cash flows from financing activities					
Proceeds from borrowings		408		464	
Repayment of borrowings and interest paid		(1,651)		(5,953)	
Dividends paid by 47% owned subsidiary		(1,063)		(280)	
Net cash used in financing activities			(2,306)		(5,769)
Net (decrease)/increase in cash and cash equivalents			(10,656)		19,367
Cash and cash equivalents at beginning of year	1.12		22,341		5,106
Effect of foreign exchange rates	1.12		(3,834)		(2,132)
Cash and cash equivalents at end of year			7,851		22,341

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

Significant non-cash transactions

There were no significant non-cash transactions in 2019 or 2018 apart from the transactions detailed below:

	31-Dec-19 US$'000	31-Dec-18 US$'000
Transfer of inventory to property, plant and equipment	3,753	3,434

ANDINA PLC

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 US$'000	2019 US$'000	2018 US$'000	2018 US$'000
Cash flows from operating activities					
Cash generated from operations	**31**		393		-
Cash flows from financing activities					
Proceeds from borrowings		105		-	
Repayment of borrowings		(500)		-	
Net cash used in financing activities			(395)		-
Net (decrease)/increase in cash and cash Equivalents			(2)		-
Cash and cash equivalents at beginning of year			20		19
Effect of foreign exchange rates			1		1
Cash and cash equivalents at end of year			19		20

The accompanying notes on pages 26 - 74 form an integral part of these financial statements.

1 Accounting policies

The consolidated financial statements have been prepared in accordance in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in conformity with the accounting framework mentioned above requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

1.1 General information

Andina Plc ("the Company") is a public limited company domiciled and incorporated in England and Wales. The registered office is 1 South Quay, Victoria Quays, Sheffield, United Kingdom, S2 5SY.

The Group consists of Andina Plc and all of its subsidiaries.

1.2 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared under the historic cost convention, except for the financial assets and financial liabilities measured at fair value through profit or loss and the net assets and results of the Group's operations in Argentina, an economy that is considered hyperinflationary, which are expressed in terms of the measuring unit current at the closing date of the reporting period.

The consolidated financial statements are prepared in US dollars ($), rounded to the nearest thousand.

The preparation of financial statements in conformity with the applicable framework detailed above requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 3.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

1 Accounting policies **(Continued)**

Changes in presentation
During the year the format and presentation of the financial statements has been amended to improve the quality and the clarity of the information presented. As a result certain information has been reclassified as follows:

- The defined benefit liability is now presented on the face of the consolidated statement of financial position. Previously, the defined benefit liability was included within non-current other payables.
- Following the adoption of IFRS 16, the lease liability is now presented on the face of the consolidated statement of financial position. Previously, the lease liability was included within borrowings.

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

Subsidiaries are entities (including special purpose entities) which are controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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 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 acquire is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

1.4 Going concern
Covid-19
At the date of this report, the Company's and the Group's operations have seen limited impact from the Covid-19 pandemic. Management have carried out multiple scenario analysis of potential downsides including decreases in demand for electricity, as well as workforce and supply chain disruptions. Whilst the future of the pandemic remains unknown, based on the scenario analysis performed, the Company and the Group have sufficient resources to adapt to the current and potential challenges it may face. The directors are therefore confident that the effects of Covid-19 will not undermine the Company's and the Group's ability to continue as a going concern.

Material uncertainty

However, at 31 December 2019, the Group had net current liabilities of US$68.3 million and debt of US$16.7 million and the Company had net current liabilities of US$10.0 million and debt of US$8.8 million.

The directors have reviewed the cash flow forecasts for the Company and the Group for the period 30 June 2022, taking account of changes in tariffs, currency fluctuations, scheduled borrowings repayments and the impact from the Covid-19 pandemic, and note that the Company's and the Group's ability to continue in operational existence is dependent on its ability to settle its payable balances with CAMMESA.

In 2019 the Company's subsidiary EDEMSA, whose principal activity is electricity distribution in Argentina, reported a loss for the year of US$20.4 million and had a net current liabilities position of US$60.3 million.

1 Accounting policies **(Continued)**

As detailed in note 18, the delays and uncertainties arising from the implementation of the local tariff regime resulted in EDEMSA deferring payments to its principal supplier CAMMESA, the state owned electricity wholesaler, with the total outstanding debt amounting to US$105.6 million at the reporting date, of which US$88.4 million is due immediately. At present, the Group does not have sufficient liquid resources to settle its obligations with CAMMESA. The board of EDEMSA is working closely with CAMMESA to define an action plan to address the current situation and agree a settlement schedule. Whilst in the past both parties have come to an agreement regarding a payment plan for previous overdue balances and progress is being made on a number of potential options for the current overdue debt, in particular under Law 27591, Article 87, currently there is no binding agreement in place. The directors are confident that an agreement and repayment plan will be reached with CAMMESA as it has been previously.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Based on the current progress of the negotiations with CAMMESA and the specific amendments to payment terms expected to be agreed, the Group will be able to meet its obligations as they fall due. Thus, the directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

1.5 Revenue

Revenue relates mainly to electricity generation and distribution services.

Energy supply to business and residential customers

The Group supplies electricity to residential and business customers in Mendoza, Argentina. The vast majority of contractual energy supply arrangements have no fixed duration, require no minimum consumption by the customer and can be terminated by either party at any time. The Group has determined that no enforceable rights and obligations exist at inception of the contract and arise only once the Group is the legal supplier of energy to the customer. The performance obligation is the supply of energy over the contractual term. The performance obligation is considered to be satisfied as the customer consumes the units of energy delivered. This is the point at which revenue is recognized.

In respect of energy supply contracts, the Group considers that it has the right to consideration from the customer for an amount that corresponds directly with the value delivered to the customer through their consumption. It is the judgement of the Group that the customer consumes energy as the Group supplies and, as a result, the Group recognizes revenue for the amount which the entity has a right to invoice. The Group's assessment of the amount that it has a right to invoice includes an assessment of energy supplied to customers between the date of the last meter reading and the year end (known as unread revenue).

Unread electricity comprises unbilled revenue and is estimated through the billing systems, using historical consumption patterns, on a customer-by-customer basis, taking into account weather patterns, load forecasts and the differences between actual meter readings being returned and system estimates. Actual meter readings continue to be compared to system estimates between the balance sheet date and the finalization of the accounts.

The Group holds a number of energy supply power contracts that specify a minimum consumption volume over a specified contractual term. The transaction price for these contracts is the minimum supply volume multiplied by the price determined by EPRE per unit of energy. Revenue from the sale of additional volumes is considered to be variable and not included in the transaction price. Revenue for these contracts continues to be recognized as invoiced.

Energy generated

The Group generates electricity to be sold through the national Wholesale Electricity Market (MEM), administrated by CAMMESA and regulated by the Secretary of Energy of the Nation (SEN).

1 Accounting policies **(Continued)**

The amount of energy generated is determined by the hourly demand that CAMMESA has and the price is established by SEN. There is a single performance obligation. The Company recognizes its income based on the amounts expected to be received, once the performance obligation has been satisfied.

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

1.6 Intangible assets
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is not amortized. It is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount.

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

Concession assets
Concession assets acquired are stated at fair value at the date of acquisition. Amortization is charged on a straight-line basis as follows:

Concession	30 years (EDEMSA) and 50 years (HASA)

1.7 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 recognized 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:

Land and buildings	30 to 50 years
Machinery and equipment	up to 25 years
Networks and power transformers	30 to 50 years
Transformers	30 to 40 years
Work in progress and other assets	4 to 9 years

Land and work-in-progress included within 'Work in progress and other assets' are not depreciated. Other assets include IT and communication equipment, furniture and other goods.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognized in the income statement.

1.8 Non-current investments
In its separate financial statements, the Company recognizes investments in subsidiary companies measured at cost less any provision for impairment.

1 Accounting policies (Continued)

1.9 Borrowing costs related to non-current assets

General and specific 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 the assets are substantially ready for their intended use or sale.

The commencement date for capitalization 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 recognized in profit or loss in the period in which they are incurred.

1.10 Impairment of non-current assets

The carrying amount of the Group's non-current assets is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Value in use is estimated by reference to the net present value of expected future cash flows of the relevant cash generating unit.

If the recoverable amount is less than the carrying amount of an asset, an impairment loss is recognized. The revised carrying amounts are amortized in line with the Group's accounting policy.

A previously recognized impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. The reversal is recognized in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in the prior reporting periods.

1.11 Inventories

Raw materials and consumables are measured at the lower of cost and net realizable value. Cost is determined using the weighted average cost formula method. Classification is performed based on average consumption of these assets in recent years. The Group has no history of obsolete or slow-moving inventory.

1.12 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.

	The Group		The Company	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
	US$'000	US$'000	US$'000	US$'000
Cash at bank and in hand	6,670	5,943	19	20
Short term deposits	1,181	16,398	-	-
	7,851	22,341	19	20

1.13 Financial instruments

Financial assets and financial liabilities are recognized in the Group statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position and statement of comprehensive income when there is a currently enforceable legal right to offset the recognized amounts and the Group intends to settle on a net basis or realize the asset and liability simultaneously.

1.13 Financial instruments **(Continued)**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Financial assets that meet the following conditions are measured subsequently at amortized cost using the effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified and measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortized cost or fair value through other comprehensive income. Such assets are carried at fair value with gains or losses recognized in the income statement.

The Group does not hold any financial assets that meet conditions for subsequent recognition at fair value through other comprehensive income ("FVTOCI").

Impairment of financial assets
The Group recognizes a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortized cost which comprise mainly trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognizes lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets
The Group derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities
The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values. The Group's financial liabilities consist only of financial liabilities measured at amortized cost.

1 Accounting policies **(Continued)**

Financial liabilities measured subsequently at amortized cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method. The Group's financial liabilities measured at amortized cost comprise trade and other payables, and loans and borrowings. The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

Derecognition of financial liabilities
A financial liability (in whole or in part) is derecognized when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

Fair value measurement hierarchy
The Group classifies its financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (note 26). The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within the financial asset or financial liability is determined on the basis of the lowest level input that is significant to the fair value measurement.

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

1.15 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

1 Accounting policies **(Continued)**

Deferred tax
Deferred income tax is recognized, 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 recognized 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 realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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 Group determines the tax on notional presumed income by applying the current rate of 1% on the Group's taxable assets at year-end. The tax on notional presumed income and the income tax complement each other. The Group'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 financial 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 financial years. The Group recognized the tax on notional presumed income earned in previous years as a credit, considering that it will offset future taxable income.

In 2019 the application of the minimum notional income tax was repealed for the years beginning on or after 1 January 2019.

1.16 Provisions
Provisions for legal and other claims are recognized 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 recognized for future operating losses.

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

1.17 Employee benefits
The costs of short-term employee benefits are recognized as a liability and an expense, unless those costs are required to be recognized as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognized in the period in which the employee's services are received.

Termination benefits are recognized immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies **(Continued)**

Long term benefits for years of service
The Group operates a long-term benefits for years of service plan which represents the accrued benefits to be paid to employees covered by the collective bargaining agreement for the industry labour union, that have completed twenty, twenty-five, thirty, and thirty-five years of service. This is paid in the form of a special remuneration equivalent to the monthly salary in the month that the year of service conditions are met. This amount doubles when the employee reaches forty years of service.

The cost of providing this benefit is recognized as a liability and an expense over the period in which the employee's services are received.

Long term benefits for retirement or disability
The Group operates a defined benefit plan. This represents accrued benefits to be paid to employees covered by the collective bargaining agreement for light and power, for staff reaching retiring age or retiring as a result of disability prior to this.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognized as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognized as an expense in measuring profit or loss in the period in which they arise.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognized in profit or loss as other finance revenue or cost.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognized immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

1 Accounting policies **(Continued)**

1.18 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 of the Company.

The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instrument granted.

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognized by the company as a capital contribution and presented as an increase in the company's investment in that subsidiary.

1.19 Leases

IFRS 16 was adopted 1 January 2019 without restatement of comparative figures. The following policy applies subsequent to the date of initial application, 1 January 2019. See more details in Note 32.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favor of the Group if it is reasonably certain to assess that option; and,
- any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and,
- the amount of any provision recognized where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term.

1 Accounting policies **(Continued)**

Rentals payable under short-term low value leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The following policy applied prior to the date of initial application of IFRS 16, 1 January 2019.

Determining whether an arrangement is, or contains, a lease was based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement was dependent on the use of a specific asset or assets and whether the arrangement conveyed a right to use the asset.

Leases of plant and equipment where the Group assumed a significant portion of risks and rewards of ownership were classified as a finance lease. Finance leases were capitalized at the estimated present value of the underlying lease payments. Each lease payment was allocated between the liability and the finance charges to achieve a constant rate on the balance outstanding. The plant and equipment acquired under the finance lease were depreciated over the useful lives of the assets, or over the lease term if shorter.

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases were charged to the statement of comprehensive income on a straight-line basis over the period of the lease on a straight line basis over the term of the relevant lease except where another more systematic basis was more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.20 Government grants

Government grants are recognized at their fair value when there is reasonable certainty that those grants will be collected and that the Group will meet all the conditions established.

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

1.21 Foreign exchange

Functional and presentation currency

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

The financial statements are presented in US$ and the average rate used was US$1.277 to £1 and AR $48.25 to US$1 and the closing rate used was US$1.33 to £1 and AR$59.79 to US$1 (2018: average rate US$1.31 to £1 and AR$28.11 to US$1 and closing rate US$1.37 to £1 and AR$37.6 to US$1).

1 Accounting policies **(Continued)**

Functional currency of a hyperinflationary economy
IAS 29 requires that the financial statements of an entity with the functional currency of a hyper inflationary economy must be expressed in the measuring unit current at the closing date of the financial year being informed, regardless of whether they are based on the historical cost method or the current cost method. To this effect, in general terms, the inflation produced since the acquisition or the revaluation date, accordingly, must be calculated within the non-monetary section. Said requirements also include the comparative information of the financial statements.

In order to determine whether an economy is considered as hyperinflationary according to IAS 29, the Standard details a series of elements to be considered which include an accumulated inflation rate in three years that approximates or exceeds 100%. Hence, according to IAS 29, the Argentine economy must be considered as hyperinflationary since 1 July 2018.

According to IAS 29, the financial statements of an entity that reports in the currency of a hyperinflationary economy must be reported in terms of the measuring unit current at the date of the financial statements. All amounts from the statement of financial position that are not presented in the measuring unit current at the time of presentation must be updated applying a general prices index. The components of the income statement must be presented in the updated measuring unit to the date of presentation of the financial statements, applying a general prices index from the date the incomes and expenses were accounted.

The inflation adjustment of initial prices was computed taking into consideration the indexes established by the FACPCE (Argentine Federation of Professional Councils in Economic Sciences) basing on the prices index published by the National Statistics Institute (INDEC).

The price indexes used for restatement of the financial statements were:

- 2017 = 124.7956
- 2018 = 184.2552
- 2019 = 283.4442

The main procedures to determine the inflation adjustment are the following:

- All monetary assets and liabilities in the statement of financial position are not adjusted, since the financial statements are already re-expressed at the year-end exchange rate.
- Non-monetary assets and liabilities that were computed at cost prices at the date of the statement of financial position and the capital assets are adjusted based on the corresponding adjustment coefficients.
- All the elements in the income statement are updated applying the relevant conversion factors;
- Gains and losses in purchasing power arising from the net monetary position are recognized in the consolidated statement of income as a separate line under hyperinflation impact and amounted to US$34.8 million (2018: US$ 24.9 million).

On the initial adjustment for inflation, the capital asset accounts were adjusted as follows:

- The capital was adjusted since the date of the last adjustment for inflation accounted.

Transactions and balances
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising are included in the income statement for the period.

1 Accounting policies **(Continued)**

Foreign subsidiaries conversion
The results and financial positions of the company's subsidiaries that have a functional currency different from the company's currency are converted to the reporting currency as follows, depending on whether the functional currency is in a hyperinflationary environment or not.

Entities with non-hyperinflationary functional currency
- Assets and liabilities from each statement of financial position presented are converted at the exchange rate of the closing date of the statement of financial position.
- The accounting capital of each statement of financial position presented is converted at the historical exchange rate.
- Profits and losses from each income statement are converted at the yearly average exchange rate (when the average exchange rate does not represent a reasonable approximation to the accumulated effect from the transaction rates, the exchange rate at the date of the transaction or the monthly average are used.)
- All exchange rate differences arising from this are accounted for in other comprehensive income.
- Gains and losses arising on the re-translation of the opening net assets of the Company at prevailing exchange rates are transferred to the translation reserve.

Subsidiaries with hyperinflationary functional currency
- Assets, liabilities, and the capital from the statements of financial position, as well as profit and loss from the statement of income, are converted at the exchange rate at the closing date of the statement of financial position, after being adjusted into functional currency.
- Assets, liabilities, capital, profits and losses from the comparative period are maintained in accordance with the amounts obtained at the conversion of the previous financial year. Said amounts are not adjusted to the following exchange rates because the Company presents its financial information in US dollars, a non-hyperinflationary currency.

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

2 Change in accounting policy

New standards, amendments and interpretations effective in 2019
A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 January 2019 and have been applied by the Company in these financial statements. With the exception of IFRS 16 "Leases", none of these new and amended standards and interpretations had a significant effect on the Company because they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

Details of the impact of the adoption of IFRS 16 has had on these financial statements are given in note 32.

New standards, amendments and interpretations that are not yet effective and have not been early adopted
There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Company, in particular:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Material)
- IFRS 3 Business Combinations (Amendment - Definition of Business)
- IFRS 9, IAS 37 and IFRS 7: Interest rate benchmark reform
- Revised Conceptual Framework for Financial Reporting

3 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
Control over subsidiaries
Management has evaluated the level of influence and control exercised by the Company over its investments and has determined that it exercises control over them. Consequently, it has presented consolidated financial figures.

Andina Plc owns 80% of HDS shares, which holds 54% of HASA (47% indirect holding). Andina Plc is able to control the returns of the entity through the approval of the entity financial statements, entering into significant contracts, and the ability to make significant decisions without other shareholder approval.

3 Judgements and key sources of estimation uncertainty **(Continued)**

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of tangible and intangible assets
Estimated useful lives and residual values are reviewed annually, taking into account prices prevailing at each reporting date. The carrying values of tangible and intangible assets are also reviewed for impairment where there has been an event or change in circumstance that would indicate that the carrying amount might not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction.

The value in use is determined using the present value of the future cash flow expected to be derived from an asset or cash generating unit. The calculation of estimated future cash flows and residual values is based on management's reasonable estimates and is therefore subjective. Operating and economic assumptions which could affect the valuation of assets using discounted cash flow models are regularly reviewed and updated as part of the Group's monitoring of operational and financial performance and forecasting processes. Judgement is required in determining if operating and economic changes are significant and impact the performance potential of an asset or cash generating unit, and therefore an indication of an impairment or an impairment reversal.

The directors carried out impairment tests of assets at the cash generating unit level, refer to note 13.

End of service benefits
The Group recognizes a provision for employee end of service benefits that include management's best estimate of certain variables which may not ultimately match the amounts actually paid at the end of service. The key assumptions are wage increases, employee turnover, the mortality rate and the discount rate. Past experience and actuarial tables of mortality are used in making the estimate. For further details refer to note 23.

4 Revenue

	2019 US$'000	2018 US$'000
Revenue analyzed by class of business		
Electricity distribution	240,114	240,282
Electricity generation	6,232	6,326
Other	-	1,605
	246,346	248,213

The Group's revenue arises entirely within Argentina.

5 Operating loss

	2019 US$'000	2018 US$'000
Operating loss for the year is stated after charging:		
Depreciation of owned property, plant and equipment	9,669	2,128
Impairment of owned property, plant and equipment	-	17,246
Amortization of intangible assets*	252	126

(*) The amortization charge for the year is included in the cost of sales line in the consolidated income statement as it relates to the concession assets.

6 Employees

The average monthly number of persons (including directors) employed by the Group and Company during the year was:

	Group		Company	
	2019 Number	**2018 Number**	**2019 Number**	**2018 Number**
Selling	156	165	-	-
Technical	404	426	-	-
Administration	196	170	5	5
Total	756	761	5	5

Their aggregate remuneration comprised:

	Group		Company	
	2019 US$'000	**2018 US$'000**	**2019 US$'000**	**2018 US$'000**
Wages and salaries	26,355	31,105	362	473
Social security costs	6,593	4,415	55	-
	32,948	35,520	417	473

7 Auditors' remuneration

Fees payable to the Company's auditors and associates:	**2019 US$'000**	**2018 US$'000**
For audit services		
Audit of the financial statements of the Group and Company	117	120
Audit of the financial statements of the Company's subsidiaries	180	130
	297	250
For other services		
Audit-related assurance services	3	2
Taxation compliance services	7	12
	10	14

8 Directors' remuneration

	2019 US$'000	2018 US$'000
Remuneration for qualifying services	417	473

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 US$'000	2018 US$'000
Remuneration for qualifying services	178	200

9 Finance income

	2019 US$'000	2018 US$'000
Interest income	8,236	11,751
Refinancing (Note 18)	-	24,170
Gains on financial instruments measured at fair value through profit or loss	5,308	12,196
	13,544	48,117

10 Finance costs

	2019 US$'000	2018 US$'000
Interest on borrowings	9,455	10,615
Commercial interest	49,044	20,597
	58,499	31,212

11 Taxation

	2019 US$'000	2018 US$'000
Current tax		
Corporation tax on profit or loss for the current year	680	951
Deferred tax		
Origination and reversal of temporary differences	7,021	8,728
Total tax charge	7,701	9,679

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Taxation **(Continued)**

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 US$'000	2018 US$'000
(Loss)/profit before taxation	(12,874)	28,261
Expected tax (credit)/charge based on the standard rate of corporation tax in the Argentine of 30.00% (2018: 30.00%)	(3,862)	8,478
Unutilized tax losses carried forward	(347)	160
Other permanent differences	110	29
Hyperinflation impact	2,265	1,012
Fiscal utility impact	9,535	-
Taxation charge	7,701	9,679

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognized directly in other comprehensive income:

	2019 US$'000	2018 US$'000
Deferred tax arising on:		
Actuarial differences recognized as other comprehensive income	(5)	(200)

11 Taxation **(Continued)**

The Group is liable to pay a minimum notional income tax at the applicable tax rate, currently 1%, calculated on the amount of computable assets at the reporting date. This tax is supplementary to corporation tax and the Group's tax liability in each financial year is the higher of the minimum notional income tax and the corporation 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 corporation tax for any of the ten following financial years. See note 22.

In 2019 the application of the minimum notional income tax was repealed for the years beginning on or after 1 January 2019.

Factors affecting future tax charge
The following tax changes, enacted in December 2017 and 2019 will affect Andina's future tax charge:

- Income tax for Argentine companies reduced from 35% to 30% for the fiscal years beginning on or after 1 January 2018 and will reduce further to 25% for the fiscal years beginning on or after 1 January 2022. These changes are expected to benefit the Group.

- A withholding tax of 7% was introduced on dividends or earnings distribution by companies with permanent establishment in Argentina. This was effective for the fiscal years beginning on or after 1 January 2018. The rate will increase to 13% for fiscal years beginning on or after 1 January 2022. These changes are expected to increase the Group's tax charge.

- Tax adjustment due to inflation: from 1st January 2019 hyperinflation adjustment should be considered in the income tax calculation.

Deferred tax is calculated using the 25% tax rate, being the rate, which is expected to be in force at the time the deferred tax is reversed.

12 Intangible assets

Group	Goodwill US$'000	Concession US$'000	Total US$'000
Cost			
At 1 January 2018	3,816	6,584	10,400
Hyperinflation adjustments	(1,889)	12,792	10,903
Exchange adjustments	(1,927)	(3,324)	(5,251)
At 31 December 2018	-	16,052	16,052
Hyperinflation adjustments *	-	9,429	9,429
Exchange adjustments	-	(9,163)	(9,163)
At 31 December 2019	-	16,318	16,318
Amortization and impairment			
At 1 January 2018	-	3,702	3,702
Amortization charge	-	126	126
Hyperinflation adjustments	-	5,354	5,354
Exchange adjustments	-	(1,901)	(1,901)
At 31 December 2018	-	7,281	7,281
Amortization charge	-	252	252
Hyperinflation adjustments	-	5,174	5,174
Exchange adjustments	-	(4,622)	(4,622)
At 31 December 2019	-	8,085	8,085
Carrying amount			
At 31 December 2019	-	8,233	8,233
At 31 December 2018	-	8,771	8,771

The Company's intangible fixed assets were fully impaired in previous years and there were no intangible fixed assets at 31 December 2019 or 31 December 2018.

(*) Includes hyperinflation effects on initial application of IAS 29 in 2018, as well as impairment of goodwill and concession assets of EDEMSA based on the analysis (performed by the Group) taking into account restatement balances and comparing them to previous year's recoverable amounts.

12 Intangible assets **(Continued)**

Goodwill
Goodwill arose on the acquisition of the electricity distribution business in the Province of Mendoza in 1998 by EDEMSA. The recoverable amount of this asset is determined based on value-in-use calculations following the same procedures and assumptions as detailed in note 13.

Concession assets
Concession assets represent the amount paid to acquire the concession rights and comprised of electricity distribution and electricity generation business.

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

Concession assets related to the electricity distribution business were fully impaired in the previous years based on the value in use analysis carried out by the Group. The assets remain impaired at the reporting date.

The book values of the concession assets related to the electricity generation business do not exceed the estimated value in use under present economic and technical conditions, which were estimated in the context of the current regulatory position in the electricity market mentioned in the previous paragraphs.

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FOR THE YEAR ENDED 31 DECEMBER 2019

13 Property, plant and equipment

Group	Land and buildings US$'000	Machinery and equipment US$'000	Networks and power transformers US$'000	Transformers US$'000	Work in progress and other assets US$'000	Total US$'000
Cost						
At 1 January 2018	17,001	6,480	80,128	10,813	36,470	150,892
Additions	301	28	-	-	17,592	17,921
Disposals	-	-	-	-	(24)	(24)
Transfers	-	383	2,822	425	(3,630)	-
Hyperinflation adjustments *	21,106	20,560	237,307	28,255	28,015	335,243
Exchange adjustments	(8,583)	(3,250)	(40,758)	(5,459)	(18,454)	(76,504)
At 31 December 2018	29,825	24,201	279,499	34,034	59,969	427,528
Additions	-	1,052	125	128	14,243	15,548
Transfers	2,456	17	6,902	1,056	(10,431)	-
Hyperinflation adjustments	9,816	7,207	94,620	13,964	17,671	143,278
Exchange adjustments	(11,069)	(8,982)	(103,731)	(12,631)	(22,256)	(158,669)
At 31 December 2019	31,028	23,495	277,415	36,551	59,196	427,685
Depreciation and impairment						
At 1 January 2018	2,189	3,825	26,861	3,474	4,308	40,657
Depreciation charge	363	120	1,018	178	449	2,128
Impairment losses	-	-	15,395	1,851	-	17,246
Hyperinflation adjustments *	6,027	17,020	131,233	15,666	14,777	184,723
Exchange adjustments	(1,055)	(1,911)	(13,794)	(1,754)	(2,242)	(20,756)
At 31 December 2018	7,524	19,054	160,713	19,415	17,292	223,998
Depreciation charge	998	531	6,311	1,137	692	9,669
Hyperinflation adjustments	2,495	6,399	64,089	9,347	4,117	86,447
Exchange adjustments	(2,793)	(7,071)	(69,328)	(8,370)	(6,418)	(93,980)
At 31 December 2019	8,224	18,913	161,785	21,529	15,683	226,134
Carrying amount						
At 31 December 2019	22,804	4,582	115,630	15,022	43,513	201,551
At 31 December 2018	22,301	5,147	118,786	14,619	42,677	203,53

The Company had no property, plant and equipment at 31 December 2019 or 31 December 2018.

(*) Includes hyperinflation effects on initial application of IAS 29 in 2018.

13 Property, plant and equipment **(Continued)**

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

Andina operates in a tough economic landscape with hyperinflationary environment and uncertainties and delays in the local tariff regime. This has had an adverse impact on the Group's operating results triggering an impairment review under IAS 36 'Impairment of assets'.

The Board has carried out an impairment review of long-term assets by comparing their carrying amount to the higher of fair value less costs of disposal ("FVLCD") or value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (cash generating units or "CGU").

The VIU for each CGU is determined by calculating the net present value of the future cash flows expected to be generated by each CGU. The estimates of future cash flows were derived from approved extrapolated financial budgets using an estimated industry growth rate. The cash flows include the following key assumptions:

1) Tariff increases: Management has calculated these increases based on the readjustment mechanism in the concession agreement and the current agreed tariffs;
2) Discount rate: The weighted average growth rate is consistent with the forecasts included in industry reports. The discount rate used is a real interest rate and reflects specific risks relating to the industry and the country of operation;
3) Growth rates: The cash flows include an estimated growth rate of 1%, which the Directors believe reflects expected annual economic growth in the areas where the Group operates;
4) Tax rate: Management has used the rates that are expected to be in force in each of the periods considering the current tax law;
5) Inflation and exchange rates: based on estimated and current market inflation and exchange rates; and
6) The VIU calculations for each CGU, generation and distribution, have demonstrated a headroom of 2% over the assets' carrying amounts, indicating no impairment at the year end.

Impact of possible changes in key assumptions

In light of the relatively small headroom noted above, the impairment is most sensitive to movements in agreed tariff rate and discount rate.

Accordingly, management has undertaken a sensitivity analysis on these two key assumptions as outlined below:

	Change in assumption	Impairment charge
Tariff	Decrease of 5 %	US$ 52 million
Discount rate	Increase of 20%	US$ 38 million

14 Investments

		Group		Company	
		2019	2018	2019	2018
	Notes	US$'000	US$'000	US$'000	US$'000
Non-current					
Investments in subsidiaries	15	-	-	33,829	32,398
		-	-	33,829	32,398
Current					
Listed investments		27,972	25,908	-	-
Other investments		14,364	12,557	-	-
		42,336	38,465	-	-
		42,336	38,465	33,829	32,398

Movements in investments	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
At 1 January	38,465	29,038	32,398	34,437
Additions	19,789	4,066	-	-
Disposals	(2,480)	(1,458)	-	-
Valuation	5,134	21,479	-	-
Exchange differences	(18,572)	(14,660)	1,431	(2,039)
At 31 December	42,336	38,465	33,829	32,398

Investments in subsidiaries
The Directors consider the carrying value of investments in subsidiaries to be recoverable based on the value in use of the assets in HASA and EDEMSA.

Listed bonds
Listed bonds comprise mainly national government bonds from Argentina. These financial assets are valued based on their quoted prices at the reporting date (Level 1).

Other investments
Other investments include mainly trust and common funds, and foreign currency. They are carried at fair value through profit or loss based on management's best estimate (Level 2).

15 Subsidiaries and related undertakings

Details of the Company's subsidiaries at 31 December 2019 are as follows:

Name	Country of incorporation	Registered address	Principal activity	Control	% Held
Andina Electricidad Limited	UK	1 South Quay, Victoria Quays, Sheffield S2 5SY	Holding	Direct	100
Andes Electricidad S.A.	Argentina	Maipu 1252, 2nd Floor, Ciudad Autonoma de Buenos Aires	Holding	Direct	100
Inversora Andina de Electricidad S.A. ("IADESA")	Argentina	Belgrano 815 - Mendoza	Holding	Indirect	100
Mendinvert S.A.	Argentina	Belgrano 815 - Mendoza	Holding	Indirect	100
SODEMSA	Argentina	Belgrano 815 - Mendoza	Holding	Indirect	100
Empresa Distribuidora de Electricidad de Mendoza S.A. ("EDEMSA") *	Argentina	Belgrano 815 - Mendoza	Electricity distribution	Indirect	51
Hidroelectrica del Sur S.A. ("HDS")	Argentina	Juez Tedin N° 2728 - Ciudad Autonoma de Buenos Aires	Holding	Indirect	80
Hidroelectrica Ameghino S.A. ("HASA")	Argentina	Sarmiento 698- Trelew- Chubut	Electricity generation	Indirect	47

The Company's subsidiary undertakings all have share capital consisting solely of ordinary shares.

EDEMSA's financial statements are available at www.cnv.gov.ar

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

16 Inventories

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Non-current				
Raw materials and consumables	2,742	3,095	-	-
Current				
Raw materials and consumables	3,279	3,696	-	-

At the reporting date US$3.8 million of inventory, mostly spare parts, was transferred to property, plant and equipment (2018: US$3.4 million); US$2.7 million was transferred to expenses (2018: US$3.8 million) and included in 'Cost of Sales'.

Inventory has been classified as current and non-current to more accurately reflect the period of consumption. No inventory was written off in the year.

17 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Non-current				
Trade receivables	-	94	-	-
Corporation tax recoverable	23	-	-	-
Other receivables	286	51	-	-
	309	145	-	-
Current				
Trade receivables	20,033	17,075	105	100
Less provision for impairment	(2,386)	(2,240)	-	-
	17,647	14,835	105	100
Amounts owed by group undertakings	-	-	2,569	2,569
Less provision for impairment	-	-	(2,569)	(2,569)
Other receivables	10,249	13,266	19	-
Prepayments	33,710	29,340	-	-
	61,606	57,441	124	100

17 Trade and other receivables (Continued)

Movements in the provision for impairment of trade receivables are as follows:

	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Movements in provision for impairment				
At 1 January	2,240	3,821	2,569	2,569
Provision for receivables impairment	1,201	1,197	-	-
Receivables written off in the year	(981)	(849)	-	-
Inflation adjustments	757	-	-	-
Exchange differences	(831)	(1,929)	-	-
At 31 December	2,386	2,240	2,569	2,569

Trade receivables are non-interest bearing and generally have a 30 to 90 day term. Due to their short maturities, the fair value of trade receivables approximates their book value.

As at the reporting date, there were no trade receivables past due but not impaired (2018: US$nil).

18 Trade and other payables

	Group 2019	Group 2018 (1)	Company 2019	Company 2018 (1)
Non-current				
Trade payables	25,551	41,292	-	-
Other taxation and social security	562	394	-	-
Amounts owed to group undertakings	-	-	1,053	300
Other payables *	1,448	1,581	1,448	2,289
	27,561	**43,267**	**2,501**	**2,589**
Current				
Trade payables	135,052	101,538	166	165
Other taxation and social security	13,709	18,362	-	-
Government payables related to compensation funds	4,338	2,463	-	-
Other payables	1,926	4,656	1,368	-
Accrued expenses	12,870	14,351	792	743
	167,895	**141,370**	**2,326**	**908**

* $2,289,000 of the Company's non-current other payables were classified as non-current trade payables in the comparative year and were re-classified as other payables in the current year.

(1) prior periods have been reclassified in order to improve presentation. See note 1.2.

18 Trade and other payables **(Continued)**

Settlement of CAMMESA's historic debt
At 31 December 2019 EDEMSA owed CAMMESA US$17.2 million (AR$ 1 billion) for historic energy purchases incurred prior to 2019.

During 2018, EDEMSA and CAMMESA agreed a payment plan for CAMMESA's historical debt of US$ 69.4 million which included a reduction in late charges, a grace period from 1 February 2016 to April 2018, a financing term of 90 months from April 2018 until September 2025 and a fixed annual interest rate of 10%. The agreement is being fulfilled and there were no unpaid instalments at the reporting date. No formal additional payment request has been received as of the date of this report considering the overdue current debt with CAMMESA mentioned below.

Settlement of CAMMESA's historic debt under Article 15
On 21 December 2016, Law 27.341 was published (National Budget 2017). Article 15 of this law established the compensation terms for the historic debt which Argentine electricity distributors have with CAMMESA in relation to the purchase of energy between 2013 and 2016 (time during which electricity tariffs were frozen). Under this law, a company should be able to net off the foregone income with the amount payable to CAMMESA. On the basis that EDEMSA's foregone income was higher than the liability owed to CAMMESA, the application of the law should result in a full discharge of the outstanding liability.

Although EDEMSA has agreed a payment plan with CAMMESA in respect of the 2013-2016 period, EDEMSA did not relinquish its right to claim the Article 15 credit. Subsequently, the company has filed a claim with the Energy Secretariat of the Nation to request the application of Article 15. No response has been received regarding this claim as of the date of issuance of these financial statements.

Settlement of CAMMESA's current debt
At 31 December 2019 EDEMSA owed CAMMESA US$105.6 million (AR$ 6.3 billion) for energy purchases, of which US$88.4 million (AR$ 5.3 billion) relates to 2019 and are due immediately.

EDEMSA is currently in the process of negotiating a payment plan with CAMMESA to ensure it is reflective of the tough economic landscape in which EDEMSA operates. While the negotiations are ongoing; the outstanding debt continues to be payable on demand. After a formal payment request made from CAMMESA on January 2020, EDEMSA and CAMMESA agreed the suspension of procedural deadlines while negotiations are ongoing under Law 27591, Article 87.

On 14 December 2020, Law 27591 was published (National Budget 2021) Article 87 of this law instructs the Energy Secretariat of the Nation to regularize the debts and credits with the distributors. The measures contemplate different alternatives, which include, the negotiation of a payment plan for up to 60 months with a grace period and reduction of the interest rate. Likewise, the Ministry of Energy is empowered to dictate the applicable regulations and determine, apply and recognize in the fiscal year 2021 the credit recognized by article 15 (Law No. 27,341). These measures were regulated by the Ministry of Energy under Resolution 40/2021 on 21 January 2021. EDEMSA has made the presentations of the information requested by the authorities in this regard.

19 Borrowings

	Notes	Group 2019 US$'000	Group 2018 US$'000 (1)	Company 2019 US$'000	Company 2018 US$'000 (1)
Non-current:					
Other borrowings		8,860	997	1,014	913
		8,860	997	1,014	913
Current:					
Bank borrowings		-	853	-	-
Other borrowings		7,875	8,886	7,766	7,454
		7,875	9,739	7,766	7,454
		16,735	10,736	8,780	8,367

(1) prior periods have been reclassified in order to improve presentation. See note 1.2

Movement in borrowings is analyzed as follows:

	Notes	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
At 1 January		10,736	16,281	8,367	8,749
Proceeds from borrowings		408	1,066	-	-
Accrued interest		2,298	1,225	913	724
Leases reclassified	20	-	(1,118)	-	-
Repayments of borrowings and interest		(1,651)	(6,718)	(500)	(1,106)
Reclassified from other payable *		4,993	-	-	-
Exchange difference		(49)	-	-	-
At 31 December		16,735	10,736	8,780	8,367

* Relates to shareholders' and director's loan previously included within current and non-current payables within trade and other payables.

19 Borrowings (Continued)

The Group's and Company's other borrowings comprise of:

Group

- US$2.6 million loan from Crisscross International Development Inc. The loan is unsecured and bears 8% annual interest up to 31 December 2019 and 11% per annum thereafter. The loan and accrued interest are repayable on 31 December 2021. At 31 December 2019 the accrued interest amounted to US$369,000.

  The loan was previously provided by the shareholders. On 30 June 2019 the shareholders transferred the loan to Crisscross International Development Inc, which is an unconnected party.

- US$1.7 million loan from Neil Bleasdale, the Company's director and shareholder. The loan is unsecured and bears 8% annual interest up to 31 December 2019 and 11% per annum thereafter. The loan and accrued interest are repayable on 31 December 2021. At 31 December 2019 the accrued interest amounted to US$219,000.

- US$1.4 million loan from Generation Capital Investments S.A.. The loan is unsecured and bears 8% annual interest up to 31 December 2019 and 11% per annum thereafter. The loan and accrued interest are repayable on 31 December 2021. At 31 December 2019 the accrued interest amounted to US$864,000.

  The loan was previously provided by Magnus Argentina S.A., TV Plus S.A. and Brambel. On 4 October 2019 the loan was sold to Generation Capital Investments S.A., which is an unconnected party.

- AR$22.3 million (US$373,000) from Trench Energy Consulting SRL. The loan is unsecured and bears annual interest at BADLAR + 5% up to 31 December 2019 and 8% per annum thereafter. The loan and accrued interest are repayable on 31 December 2021. At 31 December 2019 the accrued interest amounted to AR$10.6 million (US$177,000).

  Trench Energy Consulting S.R.L. ("Trench") provides a comprehensive consulting service to EDEMSA. Trench develops commercial activities and receives, among others, advisory services from Andes Electricidad S.A., an indirect controlling Company of EDEMSA, as part of a development and expansion plan.

- AR$10.6 million (US$177,000) from DALAI SA. The loan is unsecured and bears annual interest of 8% per annum from 1 January 2020. No interest was charged prior to 1 January 2020. The loan and accrued interest are repayable on 31 December 2021. The currency terms of the loan were changed in 2019 from US$ to AR$.

In November 2020, a binding agreement was signed with Crisscross International Development Inc. and Generation Capital Investments S.A. to convert the outstanding debt and the accrued interest into the equity shares of the Company. For further details refer to note 33.

Company

- US$3 million credit line from Stanhope Worldwide Services Inc., of which US$0.9 million remained outstanding at 31 December 2019. The loan is unsecured and bears 8% annual interest. The loan and accrued interest are repayable on 31 December 2021 with an option to extend the maturity date by a further 12 months. At 31 December 2019 the accrued interest amounted to US$74,000.

- US$7 million overdue loan from South American Energy Development LLC (hereafter "SAED"), of which US$6.2 million remained outstanding at 31 December 2019 and has been presented in current other borrowings. The loan is unsecured and bears 11% annual interest payable monthly. At 31 December 2019 the accrued interest amounted to US$1.6 million.

In November 2020, a legally binding agreement was signed with Stanhope Worldwide Services Inc. and SAED to convert the outstanding debt and the accrued interest into the equity shares of the Company. For further details refer to note 33.

20 Leases

	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Right of use assets				
At 1 January	-	-	-	-
Additions in the year	1,809	-	-	-
Amortization	(49)	-	-	-
Exchange adjustments	(536)	-	-	-
At 31 December	1,224	-	-	-
Lease liability				
At 1 January	827	1,118	-	-
New leases obtained	1,407	-	-	-
Repayments of leases	(816)	(291)	-	-
At 31 December	1,418	827	-	-
Of which are:				
Non-current	1,051	614	-	-
Current	367	213	-	-
	1,418	827	-	-

In the previous year, the Group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, 'Leases'. The assets were presented in machinery and equipment in note 13 and the liabilities as part of the Group's borrowings in note 19. For adjustments recognized on adoption of IFRS 16 on 1 January 2019, refer to note 32.

21 Provisions

	Group 2019 US$'000	2018 US$'000	Company 2019 US$'000	2018 US$'000
Fines	6,119	11,685	-	-
Legal claims	601	817	-	-
	6,720	12,502	-	-
Non-current	402	507	-	-
Current	6,318	11,995	-	-
	6,720	12,502	-	-

21 Provisions **(Continued)**

Movements in provisions:

Group	Fines	Legal claims	Total
	US$'000	US$'000	US$'000
At 1 January 2019	11,685	817	12,502
Additional provisions in the year	5,865	712	6,577
Used/paid during the year	(11,050)	(902)	(11,952)
Exchange difference	(4,337)	(303)	(4,640)
Inflation adjustment	3,956	277	4,233
At 31 December 2019	6,119	601	6,720

Group	Fines	Legal claims	Total
	US$'000	US$'000	US$'000
At 1 January 2018	22,484	1,188	23,672
Additional provisions in the year	5,861	526	6,387
Used/paid during the year	(5,309)	(297)	(5,606)
Exchange difference	(11,351)	(600)	(11,951)
At 31 December 2018	11,685	817	12,502

Fines
EDEMSA's activities are regulated by the provincial regulator, Ente Provincial Regulador Eléctrico ("EPRE"). EPRE regulates rate approval and control and supervision of service, technical product and commercial quality. Failure to comply with the provisions of the concession and applicable regulations may result in penalties being imposed. EDEMSA has been assessed as being in breach of the stage II quality standards and is therefore subject to penalties. The Group has appealed the penalties. At the reporting date, no response has been received to the appeal and the Group has provided US$2.1 million (2018: US $7.6 million) for the prospective penalties, and US$ 4.0 million (2018: US$ 4.1 million) to cover the risks associated with possible fines.

Legal claims
This represent provisions for certain claims relating to penalties in connection with service quality, which are expected to crystallize under varied terms after the reporting date.

In management's opinion, after taking appropriate legal advice, the outcome of these claims is unlikely to give rise to any significant loss in excess of the amounts provided.

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognized by the Group and Company, and movements thereon:

Group	Liabilities 2019 US$'000	Liabilities 2018 US$'000	Assets 2019 US$'000	Assets 2018 US$'000
Provision for bad debt	(436)	(422)	-	-
Notional income tax	(1,931)	(3,185)	-	-
Provision charges	68	2,143	-	-
Employee benefits	(1,153)	(1,424)	-	-
Carry forward losses	(9,156)	(5,398)	-	42
Other	8,178	(128)	-	-
Non-current assets	39,545	36,583	-	-
Borrowings	(60)	(135)	-	-
	35,055	28,034	-	42

The Company has no deferred tax assets or liabilities.

ANDINA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

22 Deferred taxation **(Continued)**

Movements in deferred tax assets

	Provision for bad debt	Notional income tax	Provision charges	Employee benefits	Carry forward losses	Other	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2018	634	3,778	10,274	2,270	6,182	322	23,460
(Charge)/credit to the profit or loss	(42)	-	(9,482)	(435)	2,532	(183)	(7,610)
Credit to employee benefits		-	-	200	-	-	200
Minimal notional tax paid	-	1,314	-	-	-	-	1,314
Hyperinflation effect	302	-	7,961	1,081	(368)	309	9,285
Exchange differences	(472)	(1,907)	(10,896)	(1,692)	(2,948)	(320)	(18,235)
At 31 December 2018	422	3,185	(2,143)	1,424	5,398	128	8,414
(Charge)/credit to the profit or loss	28	(370)	2,005	(230)	3,934	(1,362)	4,005
(Charge)/credit to employee benefits	-	-	-	5	-	-	5
Minimal notional tax paid	-	(1,070)	-	-	-	-	(1,070)
Hyperinflation effect	227	1,714	(1,153)	767	2,906	69	4,530
Exchange differences	(241)	(1,528)	1,223	(813)	(3,082)	(73)	(4,514)
At 31 December 2019	436	1,931	(68)	1,153	9,156	(1,238)	11,370

22 Deferred taxation **(Continued)**

Movements in deferred tax liabilities

	Borrowings US$'000	Non-current assets US$'000	Other US$'000	Total US$'000
At 1 January 2018	(733)	(3,734)	-	(4,467)
Charge to loss	(71)	(1,046)	-	(1,117)
Hyperinflation effect	1,742	(70,748)	-	(69,006)
Exchange differences	(803)	38,945	-	38,142
At 31 December 2018	135	(36,583)	-	(36,448)
(Charge) to loss	(71)	(4,015)	(6,940)	(11,026)
Hyperinflation effect	73	(20,374)	-	(20,301)
Exchange differences	(77)	21,427	-	21,350
At 31 December 2019	60	(39,545)	(6,940)	(46,425)
Net deferred income tax liability				
At 31 December 2019				(35,055)
At 31 December 2018				(28,034)

In addition to the net deferred income tax liability of US$35 million (2018: US$28 million), the Group has recognized a non-offsetting deferred income tax asset of US$nil (2018: US$0.04 million).

Minimum notional income tax is payable in Argentina and is supplementary to income tax. At the year end the Group determines the amount of minimum notional income tax due at the applicable tax rate and its tax liability is the higher of the minimum notional tax and the income tax due. However, if the minimum notional income tax for a given year exceeds the amount of income tax, such excess may be carried forward against future income tax liabilities for a maximum of ten years. In 2019 the application of the minimum notional income tax was repealed for the years beginning on or after 1 January 2019.

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

In the Group, losses in respect of which deferred tax assets have been recognized will expire between 2020 and 2022.

23 Employee benefits schemes

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

Long term benefits for retirement or disability
The Group operates a defined benefit plan. This represents accrued benefits to be paid to employees covered by the collective bargaining agreement for light and power industry, for staff reaching retiring age or retiring as a result of disability prior to this. All such employees who have at least five years of service with the Group are entitled to this benefit. Employees are paid a bonus equivalent to ten months of their last monthly salary. This benefit is increased by two percent for each year of service exceeding the first five years.

These benefits are valued according to the actuarial method of the projected unit credit. The Group estimates the future outcome of certain variables that affect the value of the liability, including the rate of inflation, salary increases and changes in mortality rates. The amounts calculated are discounted using a discount rate that reflects the time value of money and the risks specific to the flows considered. The differences between the prior year estimates and the actual charge and changes in estimates are classified as gains and losses with administrative expenses.

The main assumptions used in the calculation are the discount rate and the expected salary increase. The actual rate used to discount the obligations of these benefits was determined by reference to the market yield (at the reporting date) of the National Government's bonds. The salary increase rate responds to the historical evolution of it.

Key assumptions	2019 %	2018 %
Discount rate	15.5	15.5
Expected rate of salary increases	9	9

Amounts recognized in the income statement	2019 US$'000	2018 US$'000
Current service cost	783	705
Net interest on net defined benefit liability	660	598
Total costs	1,443	1,303

Amounts taken to other comprehensive income	2019 US$'000	2018 US$'000
Actuarial changes related to obligations	673	798

23 Employee benefits schemes **(Continued)**

The amounts included in the statement of financial position arising from obligations in respect of defined benefit plans are as follows:

Group	2019 US$'000	2018 US$'000
Present value of defined benefit obligations	4,612	5,955
Deficit in scheme	4,612	5,955

The Company had no post-employment benefits at 31 December 2019 or 31 December 2018

Movements in the present value of defined benefit obligations	Group 2019 US$'000	Group 2018 US$'000
Liabilities at 1 January 2019	5,955	8,520
Current service cost	783	705
Benefits paid	(2,805)	(2,906)
Actuarial gains and losses	673	798
Interest cost	660	598
Other	(654)	(1,760)
At 31 December 2019	4,612	5,955

There are no plan assets and therefore the liability presented is the gross defined benefit liability.

The sensitivity of the defined benefit liability outstanding at 31 December 2019 to changes in the main actuarial assumptions is as follows:

- Increase / decrease of 1% in discount rate will result in a decrease of US$319,000 / an increase of US$375,000 in the liability respectively;

- Increase / decrease of 1% in rate of salary increases will result in an increase of US$386,000 / a decrease of US$335,000 in the liability respectively.

24 Warrants

The Company issued warrants to subscribe for its ordinary shares. All outstanding warrants expired during the year and at the reporting date there were no outstanding warrants as show below:

Group and Company	Number of share options		Weighted average exercise price	
	2019 Number	2018 Number	2019 US$'000	2018 US$'000
Outstanding at 1 January	2,158,120	9,982,120	0.54	0.54
Expired	(2,158,120)	(7,824,000)	-	0.54
Outstanding at 31 December	-	2,158,120	0.54	0.54
Exercisable at 31 December	-	2,158,120	0.54	0.54

Group and Company

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

Inputs were as follows:

	June 2012
Weighted average share price (£)	0.45
Weighted average exercise price (£)	0.54
Expected volatility (%)	53.00
Expected life (years)	7.00
Risk free rate (%)	1.80

24 Warrants **(Continued)**

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

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

	2019 Number	2018 Number	Exercise Price (US$)	Exercise Date
Neil Bleasdale	-	423,800	0.54	2019
Luis Alvarez Poli	-	293,400	0.54	2019
Marcelo Comba	-	65,200	0.54	2019
Nigel Duxbury*	-	130,400	0.54	2019
Senior Management	-	1,245,320	0.54	2019
	-	2,158,120		

(*) Not appointed as director since April 2018.

25 Share capital and reserves

	Group and Company 2019 US$'000	2018 US$'000
Ordinary share capital		
Issued and fully paid		
96,156,114 (2018: 96,156,114) ordinary shares of 10p each	14,904	14,904
Preference share capital		
Issued and fully paid		
50,000 (2018: 50,000) redeemable preference shares of £1 each	78	78
Preference shares classified as liabilities	78	78

Reserves

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

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

Retained earnings/(deficit)
The retained earnings/(deficit) include all other net gains and losses and transactions with owners (e.g. dividends) not recognized elsewhere).

26 Financial instruments

The Group is exposed through its operations to the following financial risks: market risk, foreign currency risk, interest rate risk, price risk, credit risk, liquidity risk and capital risk. Management seek to minimize the Group's exposure to those risks by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group's activities to the exposure to interest rate risk, price risk or foreign currency risk, however these may be considered in future. No derivatives or hedges were entered into during the year.

There have been no substantive changes in the Group's exposure to financial instrument risks, its policies and processes for managing those risks or the methods used to measure them unless otherwise stated in this note.

Principal financial instruments
The Group's principal financial instruments, from which financial instrument risk arises, comprise cash and cash equivalents, trade and other receivables, trade and other payables and borrowings.

The table below shows the carrying values of the Group's financial assets and financial liabilities.

	Group 2019 US$'000	2018 US$'000	Company 2019 US$'000	2018 US$'000
Carrying amount of financial assets				
Trade and other receivable	48,876	40,435	124	100
Cash and cash equivalents	7,851	22,341	19	20
Instruments measured at fair value through profit or loss	42,336	38,465	-	-
Carrying amount of financial liabilities				
Measured at amortized cost	199,338	177,424	12,554	11,864

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 who monitor the Group's liquidity requirements through monthly management accounts and periodic cash flow forecasts. 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 minimize the costs of borrowing. Where appropriate the Board will seek additional funds from the issue of share capital, private or public placements.

The table below shows the Group and Company's financial liabilities at the reporting date by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows which differ from the amounts included in the statement of financial position because the balances presented in the statement of financial position are based on discounted cash flows.

26 Financial instruments **(Continued)**

Group 2019	**Carrying amount US$'000**	**Contractual cash flows US$'000**	**1 year or less US$'000**	**1 to 5 years US$'000**	**Over 5 years US$'000**
Current financial liabilities:					
Trade and other payables	153,244	153,244	153,244	-	-
Loans and borrowings	8,885	8,968	8,968	-	-
Leases	367	382	382	-	-
Non-current financial liabilities:					
Trade and other payables	27,941	36,090	-	31,694	4,396
Loans and borrowings	7,850	9,251	-	9,251	-
Leases	1,051	1,274	-	1,274	-
	199,338	209,209	162,594	42,219	4,396

Company 2019	**Carrying amount US$'000**	**Contractual cash flows US$'000**	**1 year or less US$'000**	**1 to 5 years US$'000**	**Over 5 years US$'000**
Current financial liabilities:					
Trade and other payables	1,384	1,384	1,384	-	-
Loans and borrowings	8,780	10,119	10,119	-	-
Non-current financial liabilities:					
Trade and other payables	2,390	2,390	-	2,390	-
Loans and borrowings	-	-	-	-	-
	12,554	13,893	11,503	2,390	-

Group 2018	**Carrying amount US$'000**	**Contractual cash flows US$'000**	**1 year or less US$'000**	**1 to 5 years US$'000**	**Over 5 years US$'000**
Current financial liabilities:					
Trade and other payables	122,042	106,233	106,233	-	-
Loans and borrowings	9,739	11,808	11,808	-	-
Leases	213	213	213	-	-
Non-current financial liabilities:					
Trade and other payables	43,819	43,160		31,290	11,870
Loans and borrowings	997	2,406	-	2,406	-
Leases	614	614	-	614	-
	177,424	164,434	118,254	34,310	11,870

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

26 Financial Instruments **(Continued)**

Company 2018	**Carrying amount US$'000**	**Contractual cash flows US$'000**	**1 year or less US$'000**	**1 to 5 years US$'000**	**Over 5 years US$'000**
Current financial liabilities:					
Trade and other payables	908	908	908	-	-
Loans and borrowings	7,454	9,247	9,247	-	-
Non-current financial liabilities:					
Trade and other payables	2,589	2,289		2,289	
Loans and borrowings	913	1,214	-	1,214	-
	11,864	13,658	10,155	3,503	-

Credit risk

In accordance with the local legislation, the Group is not able to subject its customer portfolio to a regular credit risk assessment and is therefore exposed to credit risk due to the possibility that customers may fail to meet their financial obligations. The Group has the right to disconnect services if customers fail to meet their financial obligations.

The Group is also subject to counterparty credit risk attributable to its deposits of cash and cash equivalents. The risk is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

Group	**2019 Carrying value US$'000**	**Maximum exposure US$'000**	**2018 Carrying value US$'000**	**Maximum exposure US$'000**
Current financial assets:				
Trade and other receivables	48,876	48,876	40,435	40,435
Investments	42,336	42,336	38,465	31,351
Cash and cash equivalents	7,851	7,851	22,341	22,341
	99,063	99,063	101,241	94,127

Company	**2019 Carrying value US$'000**	**Maximum exposure US$'000**	**2018 Carrying value US$'000**	**Maximum exposure US$'000**
Current financial assets:				
Trade and other receivables	124	124	100	100
Cash and cash equivalents	19	19	20	20
	143	143	120	120

26 Financial instruments **(Continued)**

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 rates and changes in foreign currency rates.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If variable interest rates increased by 1% compared to the current rate this would result in a US$15,000 additional charge to the income statement. The Group's exposure to cash flow interest rate risk comes from variable interest borrowings.

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

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

The Group is exposed to commodity price risk in relation to the purchase of copper wires used in the distribution networks. The Group does not use derivatives to hedge this risk. The Group is also exposed to price risk due to inflationary increases in the price of the goods and services it purchases. To manage its exposure to this risk, the Group has stated business practices aimed to select the most convenient suppliers, which ensure minimising the costs of purchasing inputs without resigning the quality of them.

Foreign currency risk
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 a different currency from their functional currency.

The Group's exposure to foreign currency risk mainly relates to balances in US$, based on carrying amounts at the reporting date as follows:

	2019 US$'000	2018 US$'000
Trade and other receivables	2,283	2,478
Investment	32,139	22,341
Cash and cash equivalents	2,552	8,681
Financial liabilities	(20,234)	(20,629)
	16,740	12,871

26 Financial instruments

(Continued)

Effect on profit of changes in exchange rates

	2019 US$'000	2018 US$'000
Functional currency strengthening by 25%	3,765	1,972
Functional currency weakening by 25%	3,765)	(1,972)

Capital risk
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 optimize the weighted average cost of capital and tax efficiency.

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

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

The Group monitors capital on the basis of the net debt ratio as follows:

	Group	
	2019 US$'000	2018 US$'000
Borrowings excluding leases	16,735	10,736
Less: cash and cash equivalents	(7,851)	(22,341)
Net debt	8,884	(11,605)
Total equity	69,135	94,835
Equity and net debt	78,019	83,23
Net debt ratio	11%	(14%)

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Acquisition of property, plant and equipment	9,392	13,491	-	-

All amounts are categorized as less than one year.

28 Related party transactions

Remuneration of key management personnel
Key management include directors (executive and non-executive) and senior management who have authority for planning, directing and controlling the Group. The compensation paid or payable to key management for employee services is shown below:

	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Salaries and other short term benefits	362	468	-	80
Share based payments	-	25	-	25
	362	493	-	105

Year end balances with related parties
Amounts outstanding at the reporting date owed by the Company to related parties are stated below:

	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Key management personnel	1,943	2,578	-	23
	1,943	2,578	-	23

Amounts owed to key management personnel are due to one of the Company's directors, Neil Bleasdale and his related company. During the year, the loan under his related company was transferred to an unrelated party.

No other transactions occurred with related parties during the current and preceding years.

29 Contingent liabilities

EDEMSA has received a claim from the Argentine fiscal bureau in respect of a different interpretation of tax assessed in certain years. On 25 June 2007 the Group received notice from the authorities of its intention to pursue the claim plus interest and penalties. In the opinion of EDEMSA's tax advisors, the criteria used by the Argentine fiscal bureau is not in line with tax regulation. For this reason, the Group has not made a provision for this claim. On 19 July 2007 EDEMSA filed appeals with the National Tax Court. The Group does not believe an estimate of its financial effect is practicable and could be misleading. The matter remains outstanding as at year end, and the Company's positions remains the same based on recent tax advice.

30 Cash generated from group operations

	2019 US$'000	2018 US$'000
(Loss)/profit for the year after tax	(20,575)	18,582
Adjustments for:		
Taxation charged	7,701	9,679
Finance costs	48,733	25,443
Finance income	(13,544)	(9,530)
Hyperinflation impact	(34,830)	(24,863)
Amortization of intangible assets	252	126
Depreciation of property, plant and equipment	9,669	2,128
Impairment of property, plant and equipment	-	17,246
Decrease in provisions	(6,046)	(15,727)
Movements in working capital:		
Increase in inventories	(4,878)	(1,776)
Increase in trade and other payables	71,609	17,856
Increase in trade and other receivables	(41,571)	(11,114)
Cash generated from operations	16,520	28,060

31 Cash generated from / (absorbed by) operations - company

	2019 US$'000	2018 US$'000
(Loss)/profit for the year after tax	(1,826)	1,051
Adjustments for:		
Finance costs	913	344
Finance income	-	(1,546)
Movements in working capital:		
Increase in trade and other receivables	(24)	-
Increase in trade and other payables	1,330	151
Cash generated from operations	393	-

32 Effects of changes in accounting policies

This note explains the impact of the adoption of IFRS 16, 'Leases', on the Group's financial statements.

As indicated in note 1 above, the Group have adopted IFRS 16, 'Leases' retrospectively from 1 January 2019 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019. The new accounting policies are disclosed in note 1.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases for office and equipment which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 of 5% to 5.5%.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

	US$'000
Measurement of lease liabilities	
Operating lease commitments at 31 December 2018	-
Less short-term and discontinued leases	-
Recognized lease commitments	-
Lease commitments discounted using incremental borrowing rate of 5% - 5.5%	-
Add finance lease liabilities recognized as at 31 December 2018	-
Lease liabilities recognized at 1 January 2019	-
Of which are:	
Current	-
Non-current	-
	-

33 Subsequent events

Borrowings

In November 2020, a legally binding agreement was signed with SAED to convert the entire outstanding debt of USD 7,061,385, including interest, into equity shares of the Company equivalent for a USD 4,263,297 and equity shares of one of its subsidiaries HDS that represent the 40% of the capital and voting rights of HDS at the price of USD 2,798,088.

Additionally, a similar agreement was signed with other creditors of the Company to convert a further US$6.4 million of outstanding debts into the equity shares of the Company. For further details refer to note 19.

On 30 December 2020 the Company issued 44,853,670 of its ordinary shares to settle the above transactions. The Group is currently finalizing the formal process to transfer HDS shares.

COVID-19

The current situation surrounding the Covid-19 global pandemic represents significant uncertainty for the Group, the industry it operates in and the local and global economy. It is not possible to confidently assess the potential consequences of Covid-19, as this depends on how long the crises may last and the availability of the vaccine. Although at the date of this report the Group has experienced limited operational disruptions caused by the Covid-19 pandemic, the future of the pandemic remains unknown and the Group continues to face challenges emerging from Government restrictions, staff absences and supply chain delays as well as disruptions to key partners and capital markets.

Management have carried out multiple scenario analyses of potential downsides including decreases in the demand for electricity, as well as workforce and supply chain disruptions. Whilst the future of the pandemic remains unknown, based on the scenario analyses performed, the Group has sufficient resources to adapt to the current and potential challenges it may face. However, it is possible that future impairment may need to be recognized for the Group's tangible and intangible assets should the Group face a decrease in market demand and/or supply as a result of Covid-19.

CAMMESA

On December 14, 2020, Law 27591 was published (National Budget 2021). Article 87 of this law instructs the Energy Secretariat of the Nation to regularize the debts and credits with the distributors. The measures contemplate different alternatives, which include, the negotiation of a payment plan for up to 60 months with a grace period and reduction of the interest rate. Likewise, the Ministry of Energy is empowered to dictate the applicable regulations and determine, apply and recognize in the fiscal year 2021 the credit recognized by article 15 (Law No. 27,34). These measures were regulated by the Ministry of Energy under Resolution 40/2021 on January 21, 2021. EDEMSA has made the presentations of the information requested by the authorities in this regard.

Economic context

Between 1st January 2020 and 2 March 2021, the argentine peso was depreciated by a 51% compared with the American dollar, according to the exchange rate from Banco de la Nación Argentina.

To the best of the management's and the directors' knowledge, no other significant subsequent events not described in this Annual Report have occurred since 31 December 2019 that would impact the financial statements as presented for 2019.

33 Subsequent events **(Continued)**

New investment

On 29 January 2021, Andina approved a 23.4% equity participation in South American Energy LLP, owner of 100% of Energía del Cono Sur SA, the purchaser of 51% controlling stake of EDENOR, resulting in an indirect participation of 11.93% of the stock and voting power of EDENOR. The transaction is subject to compliance of the National Electricity Regulatory Entity (Ente Nacional Regulador de la Electricidad) prior approval.

EDENOR is the largest electricity distribution company in Argentina in terms of number of customers and electricity sold (both in GWh and Pesos). The company holds a concession to distribute electricity exclusively in the northwestern zone of the greater Buenos Aires metropolitan area and the northern part of the city of Buenos Aires, which has a population of approximately 9 million people and an area of 4,637 sq. km.

The company is listed on the Buenos Aires Stock Exchange (BCBA: EDN) and its ADRs (American Depositary Receipts) shares (each ADR representing 20 Class "B" shares) are listed on the New York Stock Exchange (NYSE: EDN) since 2007.