Company Registration No. 8095058 (England and Wales)

ANDINA PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

ANDINA PLC

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ANDINA PLC

COMPANY INFORMATION

Directors	Mr Javier Alvarez	(Appointed 6 October 2022)
	Mr Neil Bleasdale	
	Mr Julian Collins	
	Mr Marcelo Comba	
	Mrs Valeria Inés de Oliveira Cézar	(Appointed 29 January 2021)
	Mrs Maria Fernanda Martinez	(Appointed 29 January 2021)
	Mr Ricardo Nicolás Mallo Huergo	(Appointed 27 October 2021)
	Mrs Cecilia Aversa	(Appointed 27 October 2021)
Secretary	Pedro Iván Mazer	
Company number	8095058	
Registered office	1-3 Charter Square Sheffield United Kingdom S1 4HS	
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 Limited 3 The Millennium Centre Crosby Way Farnham Surrey United Kingdom GU9 7XX	

ANDINA PLC

GLOSSARY

ADEERA	Association of Electric Power Distributors of the Argentine Republic
CAMMESA	Compañía Administradora del Mercado Mayorista Eléctrico (the company in charge of the regulation and operation of the wholesale electricity market)
DNU	Executive Order issued on the grounds of Necessity and Urgency
EDELCOS	Empresa de Energía del Cono Sur S.A.
EDENOR	Empresa Distribuidora y Comercializadora Norte S.A.
EDEMSA	Empresa Distribuidora de Electricidad de Mendoza S.A.
ENRE	Ente Nacional Regulador de la Electricidad (National Regulatory Authority for the Distribution of Electricity)
EPRE	Ente Provincial Regulador Electrico (Mendoza's electricity market regulatory authority)
GWh	Gigawatt hour
HASA	Hidroeléctrica Ameghino S.A.
HDS	Hidroeléctrica del Sur S.A.
ICSID	International Center for Settlement of Investment Disputes
INDEC	National Statistics Institute
IRAM	National Institute of Standardization and Certifications
MEM	Mercado Eléctrico Mayorista (Wholesale Electricity Market)
RTI	Tariff Structure Review
SEN	National Secretary of Energy
VAD	Distribution Added Value (Tariff)

The Directors present their Strategic Report on the Group for the year ended 31 December 2021.

Overview
Andina Plc ("Andina" or the "Company" and with its subsidiaries the "Group") is a Latin American energy group with participation in two of the largest electricity utilities in terms of market share in Argentina. Energy is our core business; we are involved in the distribution of electricity and regulated public services, we participate in the electricity generation market through our interest in HASA who operates a hydroelectric power plant, and we are focused on developing renewable energy projects.

Key financial results incorporating the results of the Group for the year ended 31 December 2021 are set out below:

- Revenue US$227.5 million (2020: US$189.3 million)
- Operating profit US$17.4 million (2020: US$9.0 million loss)

Business review
The Group's principal activity is electricity distribution in the regulated public sector in Argentina. Its principal assets are an 11.93% interest in Empresa Distribuidora y Comercializadora Norte S.A. ("EDENOR"), the largest electricity distribution company in Argentina in terms of number of customers and electricity sold; a 51% controlling interest in Empresa Distribuidora de Electricidad de Mendoza S. A. ("EDEMSA"), the main electricity distribution company in the Province of Mendoza, and a 23.6% interest in Hidroeléctrica Ameghino S. A. ("HASA"), a 60MW hydroelectric power plant in the province of Chubut.

Revenue for the Group for the year increased from US$189.3 million in 2020 to US$227.5 million in 2021. Revenue from operating activities increased by 20% due to the increase in the volume of electricity distribution and the tariff increases applied in January and September 2021.

The Group's total assets have increased from US$327.4 million at the end of 2020 to US$426.7 million at the end of 2021 mainly due to the investment in SAE LLP and additions to property, plant and equipment increase.

Total current liabilities increased from US$208.3 million at the end of 2020 to US$248.9 million at the end of 2021. At the year-end, the Group had cash resources of US$5.8 million compared to US$10.2 million at the end of 2020.

Borrowings, excluding leases, have increased from US$5.8 million at the end of 2020 to US$12.9 million at the end of 2021. Current borrowings, excluding leases, decreased from US$2.9 million at the end of 2020 to US$0.1 million at the end of 2021 (due to the cancellation of the SAED loan) and non-current borrowings, excluding leases, increased from US$2.9 million at the end of 2020 to US$12.9 million at the end of 2021(due to new loans entered for the EDENOR acquisition).

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 2021 EDEMSA reported a post-tax loss of US$19.6 million (AR$2,008.5 million - loss) compared with a US$20.9 million post-tax loss in 2020 (AR$2,638.6 million - loss).

Sales slightly increased in real terms compared to the previous year (0.2%) mainly because of the tariff increases in January and September 2021 and the 3% increase in the sales volumes. Cost of sales decreased by 15.8%. This was mainly due to a 25.5% decrease in the supply costs. All this caused the gross margin in real terms to increase from US$24.6 million in 2020 (AR$3,100 million) to US$61 million in 2021 (AR$6,259 million).

Finance costs mainly relate to interest charged on the outstanding payables due to CAMMESA which are the subject of ongoing negotiations to resolve the level of electricity tariffs increases in the past few years to reach a settlement agreement.

Income tax has been impacted by changes introduced in income tax rates, meaning the deferred tax liability arising on fixed assets has been measured at a rate of 35% rather than at a rate of 25%, as well as by the recognition of a tax inflation adjustment of US$30 million (AR$3,084.4 million) in fiscal year 2021.

Operating review
During 2021, ongoing focus on productivity and process efficiency continued. It was a year of economic recovery in Argentina after an atypical 2020 severely affected by the COVID-19 pandemic.

During 2021, the amount of energy sold totaled 3,208 GWh, which represents an increase of 3.4% as compared to 2020 and the maximum value of power reached was 1.2% above that of the previous year.

During 2021, levels of energy losses reached 16.19% which represents a slight decrease compared to the 16.49% of 2020. Energy losses are equivalent to the difference between energy purchased and energy sold.

Tariff update
The VAD is the amount of income required annually for the distributor to carry out the technical and commercial operation in its concession area, through efficient management and to ensure the long-term financial sustainability of the distributor.

The 5th tariff review was 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 8 January 2020 and on 28 July 2020, EDEMSA submitted 2 requests to EPRE for a recurring six-monthly review of the electricity distribution companies' VAD according to the protocols established under the previously published Decree 48/17. Following a public hearing on 26 February 2020 and another on 11 December 2020, Decree 08/21 was published instructing EPRE to put into effect a new tariff scheme effective as of 6 January 2021.

On 29 January 2021, EDEMSA submitted another request to EPRE for a recurring six-monthly review of the electricity distribution companies' VAD according to the protocols established under the previously published Decree 48/17. Following a public hearing on 30 June 2021, Decree 1430/21 was published instructing EPRE to update the tariff, which became effective on 20 September 2021.

On 29 July 2021, EDEMSA submitted a further request to EPRE for a recurring semi-annual tariff review under Decree 48/17. Following a public hearing on 18 November 2021, Decree 25/22 was published instructing EPRE to put into effect a new tariff scheme effective as of 13 January 2022. This decree came into effect in 2022.

In the inflationary context in which the Argentinian companies are operating, to the extent that the biannual tariff rate adjustment is granted according to current regulations, EDEMSA's economic and financial situation will significantly improve, as will the value of the business. This will have a highly positive impact on the Group's financial situation.

CAMMESA debt

CAMMESA is the company responsible for the regulation and operation of the wholesale electricity market. EDEMSA purchases electricity from CAMMESA in order to facilitate electricity distribution to its customers in Mendoza. Continuous disputes regarding tariff adjustments have led to significant amounts payable to CAMMESA, as detailed below.

Settlement of CAMMESA's debt prior to January 2016

At 31 December 2021 EDEMSA owed CAMMESA US$19.5 million (AR$2 billion) for historic energy purchases incurred prior to 2016.

During 2018, EDEMSA and CAMMESA agreed a payment plan for CAMMESA's historic debt incurred prior to January 2016 (US$19.5 million (AR$2,000 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%.

On 31 December 2021 EDEMSA owed CAMMESA US$17.8 million (AR$1.8 billion) under this payment plan.

The payment plan establishes that the failure to pay of the plan instalments and/or the invoices whose due date is during the term of the plan, will cause the immediate and automatic expiration of the financing plan. The agreement is being fulfilled and there were no unpaid instalments or invoices due during the term at the reporting date.

Article 15 and the implications for CAMMESA's debt

Notwithstanding the payment plan for CAMMESA's historic debt, noted above, on 21 December 2016, Law 27.341 was published (FY2017 National Government Budget). Article 15 of this law established the compensation terms for the historic debt that Argentine electricity distributors have with CAMMESA in relation to the purchase of energy between 2013 and 2016 (a time during which electricity tariffs were frozen).

Under this law, CAMMESA was given the authority to offset the differences in the income received by the distributors against the income that would have been recognised under the concession agreement (known as the Unearned Income). In this case, since EDEMSA's Unearned Income exceeded the liability owed to CAMMESA for the 2013-2016 period, the application of the law would have resulted in a complete offset and settlement of the outstanding liability.

Despite already agreeing to a payment plan with CAMMESA in respect of the 2013-2016 debt (see *Settlement of CAMMESA's debt prior to January 2016*), EDEMSA had not relinquished its right to claim the credit outlined in Article 15. Subsequently, the company filed a series of claims with the National Secretary of Energy (SEN), the Province of Mendoza and the EPRE to enforce the application of Article 15. However, through the Settlement Agreement signed on 29 December 2022 with the SEN, EDEMSA has now renounced any right, action or administrative, to any judicial, extrajudicial or arbitration claim in the Argentine Republic and/or abroad against the National State and/or CAMMESA and/or the Province of Mendoza. Additionally, through the Settlement Agreement signed on 3 January 2023 with the Government of the Province of Mendoza (see *Settlement Agreement with the Government of the Province of Mendoza*) EDEMSA has now relinquished any and all administrative and/or judicial claims, whether initiated or not for Unearned Income accrued during the 2008-2022 period, up to the date of signing the agreement. This agreement does not have an impact on the 2021 financial results. As a result, EDEMSA continues to fulfill its commitments under the payment plan, as noted above.

Settlement of CAMMESA's current debt

As of 31 December 2021, EDEMSA owed CAMMESA US$118.2 million (AR$12.1 billion) for energy purchases incurred after 2018, of which US$110.4 million (AR$11.3 billion) is 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.

On 14 December 2020, Law 27.591 was published (FY2021 National Government Budget). Article 87 of this law instructs the SEN to agree a settlement plan to resolve the debts and credits that electricity distributor agents of the MEM hold with CAMMESA and/or the MEM as of 30 September 2020, the "Special System for the Regularization of Payment Obligations". On 22 February 2022, by means of DNU (Executive Order issued on the grounds of Necessity and Urgency) No. 88, the Executive Power extended the negotiation until 31 December 2022.

Settlement of CAMMESA's current debt (continued)

On 29 December 2022, a Deed Agreement was signed by and between EDEMSA, EPRE, the SEN and the Government of the Province of Mendoza for the resolution of MEM's obligations. The main issues that were agreed were:

1) Recognition of the debt in favor of CAMMESA,

2) Recognition of the credit in favor of EDEMSA with the SEN,

3) Determination of the payment plan,

4) Renouncing of EDEMSA to any right, action or administrative, judicial, extrajudicial or arbitration claim in the Argentine Republic and/or abroad against the National State and/or CAMMESA and/or the Province of Mendoza, in relation to the rate freeze for the year 2020 provided for in Decree No. 311/20 and its extensions and/or in Laws No. 27,341, 27,431 and 27,541.

5) Closure of lawsuits filed against the National State and/or CAMMESA related to the debt with the Wholesale Electricity Market.

Among the obligations of the Distributor, EDEMSA agreed to sign a Debt Regularization Agreement with CAMMESA (for the current debt in force as of 30 April 2021) before 31 May 2023 (extended according to SEN's note NO-2023-48607674).

At the date of these financial statements, EDEMSA is within the period stipulated for the signing of the Debt Regularization Agreement. Therefore, the Company's Management believes the impact thereof will be recorded at the moment of execution of the Debt Regularization Agreement that the Distributor carries out with its debtor (CAMMESA).

Although to date the parties have not yet finalised the Debt Regularization Agreement, EDEMSA is negotiating with the intention of signing it. In the meantime, EDEMSA has made full payments to CAMMESA for all invoices related to the purchase of energy since March 2021. The signing of the Debt Regularization Agreement with CAMMESA is crucial for EDEMSA as it would enable the Company to agree a payment plan with its main supplier. This would contribute to stabilizing its economic and financial situation, ultimately improving the financial position of the entire Group.

Settlement Agreement with the Government of the Province of Mendoza

On 3 January 2023, EDEMSA entered into a Settlement Agreement with the Province of Mendoza, reinforced by the publication of Decree 70/23 on 31 January 2023, aimed at resolving the disputes originated by the Unearned Income (as set out in Article 15 of Law 27,341) between 2013 and 2016 that should have been received by EDEMSA but remained unpaid for reasons attributable to the Province's obligations.

Pursuant to the abovementioned Settlement Agreement, the Province of Mendoza:

a) has granted EDEMSA a 20-year extension of the concession agreement for the electricity distribution service effective from 1 August 2028. In addition, it agrees, not to offer EDEMSA's Class A shares for bidding, as the current holder expressed its intention to retain such ownership. Furthermore, the Province will not make any monetary claim against the Distributor for the extension of the concession agreement term.

b) reduces the concession fee (canon) from ten percent (10%) to six percent (6%) from the date this agreement becomes effective,

c) The Granting Authority, as the holder of Class B and C shares of EDEMSA, commits to take the necessary corporate actions to ensure that any profits eventually entitled to holders of Class B and C shares will be allocated to investments aimed at expanding the system and/or improving energy efficiency, and

d) undertakes to comply with tariff readjustment procedures as outlined in the concession agreement and applicable legislation. It also agrees to include in the determination of tariff charts the costs of certain

Settlement Agreement with the Government of the Province of Mendoza (continued)

investment plans agreed with EPRE to be carried out by EDEMSA and the payment plan agreed upon between EDEMSA, CAMMESA, the SEN and the Province of Mendoza signed in December 2022 to settle its debts with the MEM *(See Settlement of CAMMESA's current debt)*, as well as the remaining balance of the payment plan signed between the Distributor and CAMMESA in 2018 (*See Settlement of CAMMESA's debt prior to January 2016*);

In return, under this Settlement Agreement, EDEMSA:

a) waives any administrative or judicial claims, whether filed or not, for Unearned Income accrued during 2013-2016; up to the date of signing the agreement;

b) undertakes to fulfil the 10-year investment plans agreed upon with EPRE,

c) undertakes to obtain and deliver to the Granting Authority i) the ratification of the agreement by the shareholders' meeting of EDEMSA and its shareholders, and ii) waive all administrative or judicial claims, whether or not filed to date. In particular, waives any claim – filed or not – before the International Center for Settlement of Investment Disputes (ICSID) against the Granting Authority and/or EPRE, and

d) the current holder of Class A shares should declare its intention to retain such ownership for the 20-year extension of the concession. This declaration was completed through a notarial notification dated 13 March 2023.

The Settlement Agreement was approved and ratified by the general meeting of the Company duly convened and held on Friday 24 March 2023. Although the mentioned agreement has no direct impact on the 2021 financial statements, it has a positive effect on the future of EDEMSA, particularly it contributes to the improvement of cash flows and the value of EDEMSA, mainly because of the concession extension, the reduction of the concession fee, and the recognition of the costs of certain investment plans and payment plans in the determination of tariff charts. These factors improve the financial position of the Group, making it to continue operating as a going concern.

EDENOR

Andina has an 11.93% indirect interest in EDENOR from 30 June 2021 (see more details about EDENOR acquisition in note 15), and in light of the impact of this investment on Andina's financial results and position, we have included below a brief overview of EDENOR's operating and financial review for 2021.

Financial review
EDENOR reported a post-tax loss of US$208 million (AR$21,344 million). The operating loss in 2021 was US$43 million (AR$4,397 million). The operating loss was impacted by the minimal increase of the electricity tariff, as a result of the tariff freeze ordered by the Federal Government, and the consistent increase in operating costs necessary to maintain the level of service in an inflationary economy. The gross margin in 2021 (including transmission and distribution expenses) was 13%.

Operating review
EDENOR's demand for electricity in 2021 amounted to 26,373 GWh, which represents a 5% increase compared to that of 2020. Additionally, in 2021 the maximum value of power reached amounted to 5,571 MW, 7.7% above that of 2020. The amount of energy sold in 2021 totaled 21,710 GWh, which represents a 7.6% increase compared to 2020.

Energy losses for 2021 were 17.62%, which represents a decrease compared to the 19.61% of the previous year, caused mainly by the losses in GWh, and the increase in the billing of large users (who purchase its energy demand directly from CAMMESA).

HASA

Andina lost control of HASA on 25 February 2021 when it transferred 50% of its shares in HDS to South American Energy Development LLC; as at 31 December 2021 Andina held a 40% shareholding in HASA, therefore we have included a brief overview of HASA's financial and operating review for 2021 below.

Financial review
The company recorded a loss after tax for the year of US$1.3 million (AR$134.6 million) compared to 2020 of US$0.5 million (AR$58.6 million). Sales in real terms decreased amounting to US$3.3 million in 2021 (AR$339.2 million) compared to US$3.6 million in 2020 (AR$448.7 million). The power generated in 2021 was 82 GWh, a 24.86% decrease compared to the 110 GWh generated in 2020.

On 19 May 2021, the Ministry of Energy of the Nation approved Resolution 440/2021 with a new remuneration scheme for energy generating companies. The main modifications were a 29% increase in the price of generated and operated energy, and the annulment of the future price increase.

Operating review
Water supply during the year was 424.6 hm^3 compared to 1,306.1 hm^3 in 2020. The total energy produced during the year was 82.72 MWh, 29.3% lower than the previous year.

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 2021 was 141.09 meters compared to 152.83 meters at the end of 2020.

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 facilitate the management of the business. They consider the following key performance indicators to be 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 increased from US$189.3 million (AR$23,885 million) in 2020 to US$227.5 million (AR$23.349 million) in 2021 because of the tariff increases in January and September 2021.

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$ increased to 26.8% in 2021 from 13.6% in 2020.

Covid-19
Unlike 2020, which was strongly affected by the COVID-19 pandemic that had a high social, economic, and financial impact, 2021 was a year of economic recovery thanks to the rapid distribution of vaccines and implementation of vaccination programs all over the world, which allowed for a return to some greater normality in terms of activity.

In 2021, the Federal Government launched an intensive vaccination campaign in order to control the pandemic, which allowed for a return to normality and therefore a strong rebound in economic activity throughout the year.

Although the future of the pandemic remains unknown, at the date of this report, the situation is stabilised, and management do not expect significant further impact.

Future developments
The immediate focus for management continues to be on negotiation of the tariff that will ensure the long-term sustainability of the business and continued investments in infrastructure.

Management is working with the regulatory authorities in order to implement Article 87 of Law 27.591 which is an area of primary focus for the forthcoming year. The implementation of the referred article is expected to allow EDEMSA to strengthen its financial situation.

Streamlined Energy and Carbon reporting
The Company has no physical operations and no employees. Electricity and gas consumption are below 40,000 kWh annually. Accordingly, it is not required to provide SECR disclosures.

During the years 2021 and 2022, the first phase of the preparation of the greenhouse gas inventory was carried out, this stage included: training in the GHG protocol, data collection, visits and the design of the tools to carry out the annual inventories.

Subsequent events
Information about subsequent events is presented in note 31.

Principal risks and uncertainties
Information about the Group's and the Company's principal risks and uncertainties is presented on pages 10 - 11.

S172 Statement
S172 Statement is presented on pages 12 - 13.

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 and other entities within the Group, EDENOR and HASA, are subject to a regulated electricity tariff regime set by the national and 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 and the delay in the resolution of previous disputes 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 closely monitoring the fluctuations in key operating costs and by implementing hedging strategies to minimize the impact on financial performance as detailed in note 25. The Group engages in regular presentations and negotiations with the Regulator to advocate for necessary inflation and tariff adjustments and seek resolutions to the ongoing tariff disputes.

The Group aims to settle its tariff freeze-related debt with CAMMESA arising from the energy purchases between 2013 and 2016, through the signing of the Deed Agreement with the SEN, the Province of Mendoza and the EPRE on 29 December 2022. On the other hand, the disputes arising from the Unearned Income during the same period have been resolved through the signing of the Settlement Agreement with the Government of the Province of Mendoza on 3 January 2023.

Economic vulnerability and hyperinflation

The Argentine economy has experienced significant volatility in recent decades, characterised by periods of low or negative growth, high levels of inflation and 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 has experienced a rapid depreciation against the U.S. dollar and other major foreign currencies and as of 1 July 2018 it qualified as a currency of a hyperinflationary economy. Rising costs and frozen tariffs are having serious adverse effects on the Group's profitability, production expenditure, infrastructure investment and ability to service foreign currency debts.

Since September 2019, the Argentine Government has adopted a series of measures reinstating foreign exchange controls that limit the Group's ability to access foreign currency and external financing. Through 2021, high inflation levels and the Peso's depreciation remained. These factors pose significant risks to the Group's liquidity and ability to access credit, capital markets and payment of goods that are necessary for the provision of the service.

Mitigation

The Group seeks to mitigate this risk through the strategic use of financial instruments denominated in foreign currency (US dollar) as well as the purchase of inventory in advance to fix their prices. The Group is analysing different measures aimed at mitigating the negative effects of this situation on its financial structure, minimising the impact on the sources of employment, the execution of the investment plan, and the carrying out of the essential operation, maintenance and improvement-related works that are necessary to maintain the provision of the public service of electricity distribution and electricity generation, which is the Group's principal activity, in a satisfactory manner in terms of quality and safety.

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 utilises 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 in the modification of legislation designed to clarify inconsistencies and interpretations of the law.

Plant operating risks
The 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 outages or restrictions on operations. The Group's assets have been in service for a substantial amount of time and aging is a significant factor in many areas. A significant plant component failure or failure of a critical non-replaceable plant item may affect the operating lifetime of the station.

Mitigation
The plan to mitigate the risks associated with the failure of an essential component in any of the Group's operating assets involves a risk-based plant maintenance and replacement program. This program is designed to identify and prioritise maintenance and replacement activities based on the level of risk posed by each component or system. By implementing a risk-based approach to maintenance and replacement, the Group can ensure that critical components are inspected and maintained more frequently, reducing the likelihood of unexpected failures. Additionally, the program is monitored by regulatory bodies, including the ENRE and EPRE, to ensure compliance with industry standards and regulations. This oversight helps to identify any potential issues early on, allowing for proactive measures to be taken to prevent major failures. By implementing this plan, the Group can minimise the risk of plant outages or restrictions on operations and ensure the operating lifetime of its stations is maintained.

172 STATEMENT

The Directors are required to explain how they consider the interests of key stakeholders and the broad 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 stakeholders' groups are, their material issues and how the Directors of Andina relate to them and their expectations, including the principal decisions made 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 recognise how Andina's operations, particularly in Argentina, are viewed by different parts of society and that some decisions they take today may not align with all stakeholders' interests. Despite this, the Directors are mindful that their strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

During 2021 the company increased its investments in the distribution of electricity in Argentina through the acquisition of a 23.4% equity participation in South American Energy LLP, owner of Empresa de Energía del Cono Sur SA (EDELCOS), which has a 51% controlling stake in EDENOR, resulting in an indirect participation of 11.93% of the stock and voting power of EDENOR, see more details in note 15. This strategic transformational transaction allows Andina to further expand its regulated electricity asset base in Argentina providing electricity distribution services to about 3.6 million customers in Buenos Aires City and Mendoza Province.

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 being made to ensure that Andina remains a responsible employer when it comes to payroll, benefits, health, safety and a positive working environment.

During 2021 due to Covid-19, taking care of employees' health was a priority and additional health measures were taken such as preventive care and vaccination campaigns, delivery of personal care elements, readjustment of cleaning and disinfection procedures and implementation of home-office working.

The Group invests in its employees through:

- strict health and safety monitoring;
- technical and soft skills training;
- scholarship plans;
- communication apps;
- 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 them effectively is an important factor in the decision to enter or maintain such relationships. Some of these principles are:

Customers
- Regular monitoring of customer satisfaction rates.
- Faster response to customer calls;
- Implementation of new customer service channels: WhatsApp.
- Improvements in web pages, by incorporating automations and new procedures.

Partners and suppliers
- Tenders to ensure equal opportunities for suppliers and the best commercial outcome for the business.
- Health and Safety control plans throughout the value chain.

Governments and regulators
- Permanent dialogue with the government regarding the tariff update and participation in policy debates of interest to Andina and the communities in which it operates.

Society
- Continuous monitoring of environmental management through annual environmental audits.
- Connection with local communities through social media, community workshops and training.
- Sponsoring of charitable social plans.

S172(1) (D) The impact of Andina's operations on the community and the environment
Andina regularly consults local people and NGOs on the ways in which the Group's activities could impact the local community or the environment. The Group actively participates in numerous community projects such as:

- 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 organisations such as Junior Achievement, Fundación Sí and FONBEC (Scholarships) to support the education of young people from poor backgrounds and Fundación ProVivienda Social to achieve electrical inclusion and smart consumption in vulnerable neighborhoods.
- Close co-operation with the Argentine Red Cross in the framework of the Covid-19 pandemic.

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 between the Board and the employees and effective, formally minuted Board Meetings ensure that such standards are maintained. Where appropriate, independent legal advice is sought in order 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 a course of actions that enables 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

Javier Alvarez (Chairman)
Javier Alvarez joined the board on 6 October 2022. Javier is an Agricultural Engineer (Universidad Nacional del Litoral Argentina) and has an MA in Environmental Politics and Globalisation (Kings College UK) with more than 28 years' experience in project development, involving international organisations, national and local governments and corporations (from sectors such as Oil & Gas, Agribusiness and Services) in Latin America, Africa, Asia and Europe. He is currently the Chairman of the British Argentine Chamber of Commerce BACC, based in London. In 2012 Javier joined Andes Energia plc, a listed company on the London Stock Exchange, as a Non-Executive Director of the Board and continued in the role of the renamed company Phoenix Global Resources plc until 2020.

Valeria Inés de Oliveira Cézar (Chief Executive Officer)
Valeria de Oliveira Cézar joined the board on 29 January 2021. She 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 a financial analyst and M&A consultant at Ernst & Young, Banco Meridian and Integra Capital. In 2016 she joined EDEMSA as Manager of Finance.

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.

Nicolás Mallo Huergo (Executive Director)
Nicolás Mallo Huergo joined the board on 27 October 2021. He graduated as a lawyer from the Universidad Católica Argentina in 1993 with a law degree, and obtained a Master in Law (LLM.) with honours at Northwestern University School of Law, Chicago, U.S.A., in 1999. He was appointed to the National Courts of Buenos Aires, working as a clerk between 1990 and 1993. He was admitted to the Bar of the City of Buenos Aires in February of 1994 and he is a member of the Colegio de Abogados de la Ciudad de Buenos Aires.

Non-executive

Julian Collins (Non-Executive Director)
Julian Collins joined the board on 12 June 2020. He brings with him extensive experience of working with a number of multi-national organizations and corporate entities. In his previous company he was the Operations Manager responsible for inventory, data processing and accounts for one of the world's leading computer accessory companies with branches throughout Europe and the USAHe 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 Aidar Bestene- Garcia Moreno & Associates. He is also the former President of HASA.

Maria Fernanda Martinez (Non-Executive Director)
Fernanda Martinez joined the board on 29 January 2021. She 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 EDEMSA's Senior Analyst in the area of Development and Evaluation of Energy Projects.

Cecilia Aversa (Non-Executive Director)
Cecilia Aversa joined the board on 27 October 2021. She has a Ph.D. in Political Sciences (Catholic University-University of Salamanca- University of Pittsburgh). She served at the Ministry of Science, Technology and Innovation of the Argentine Republic for more than a decade as Counselor for International Relations. In 2020, she assumed her current role as Managing Director of Innovation at Integra Capital S.A., and became a Member of the Board of Directors of Integra Lithium.

By order of the board

Javier Alvarez
Chairman
24 May 2023

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2021.

Principal activities
The Group is a Latin American energy group, with electricity distribution as its principal activity and electricity generation 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 Javier Alvarez	(Appointed 6 October 2022)
Mr Jorge Rosenblut	(Resigned 30 September 2022)
Mr Luis Alvarez Poli	(Resigned 29 January 2021)
Mr Neil Bleasdale	
Mr Julian Collins	
Mr Marcelo Comba	
Mr Carlos Bastos	(Resigned 29 January 2021)
Mrs Valeria Inés de Oliveira Cézar	(Appointed 29 January 2021)
Mrs Maria Fernanda Martinez	(Appointed 29 January 2021)
Mr Ricardo Nicolás Mallo Huergo	(Appointed 27 October 2021)
Mrs Cecilia Aversa	(Appointed 27 October 2021)

Results and dividends
The results for the year are set out on page 23.

No ordinary dividends were paid or proposed during the year (2020: 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 and at the date of approval of the financial statements.

Financial instruments
Information about the Group's and the Company's financial instruments and financial risks management is included in note 25.

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 for 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 3 - 14.

Independent 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.

Going concern
The Directors have reviewed the cash position of the Group and the Company for a period to 30 June 2024 and consider it appropriate that the Group and the Company financial statements are prepared on the going concern basis for the reasons set out below.

At 31 December 2021, the Group had net current liabilities of US$127.6 million and debt of US$12.9 million and the Company had net current liabilities of US$0.9 million and debt of US$9.9 million.

In assessing the Group's and the Company's ability to adopt the going concern basis, the Directors have assessed the Group and the Company's ability to meet their liabilities as they fall due. In the event that any liabilities could not be met, the Directors could consider other financing alternatives such as the issuance of warrants and the sale of investments, as they have done previously.

The Directors have also reviewed the cash flow forecasts to 30 June 2024 for the Group, taking into account tariff adjustments, currency fluctuations and scheduled borrowings repayments, and they note that the ability of the Group to continue operating is dependent on its ability to agree a settlement plan for the payable balances with CAMMESA.

In 2021, the Company's subsidiary EDEMSA, whose principal activity is electricity distribution in Argentina, reported a loss for the year of US$19.6 million and had a net current liabilities position of US$126.1 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 total current outstanding debts for amounts incurred after 2018, amounting to US$118.2 million at the reporting date, of which US$110.4 million is due immediately.

Management are currently negotiating the 'Debt Regularization Agreement' with CAMMESA, as required by the Deed Agreement signed between EDEMSA, EPRE, and the SEN on 29 December 2022; the intention for this 'Debt Regularization Agreement' is for EDEMSA and CAMMESA to agree a settlement plan for all current outstanding debts for amounts incurred after 2018, between EDEMSA and CAMMESA, with an associated payment plan that will spread payments over approximately 96 months. However, as at the date of approval of these financial statements, the Debt Regularization Agreement has not been signed. If such an agreement were not to be signed, CAMMESA would have the right to demand the outstanding debt, and EDEMSA and the Group would not have the ability to pay.

The outstanding debt with CAMMESA and the Group's inability to settle this debt indicates 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 the payment terms agreed, the Directors believe that 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.

The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Statement of Directors' Responsibilities in respect of the financial statements

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 and the Company financial statements in accordance with UK-adopted international accounting standards.

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 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 UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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 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 Company's auditors are aware of that information.

By order of the board

Javier Alvarez
Chairman
24 May 2023

Independent auditors' report to the members of Andina PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Andina PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements 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 2021; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, and the Consolidated and Company statements of cash flows 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

In forming our opinion on the 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 delays and uncertainties arising from the implementation of the local tariff regime has resulted in the subsidiary EDEMSA deferring payments to its principal supplier CAMMESA, the state-owned electricity wholesaler, with the total outstanding current debt amounting to US$ 118.2 million at the reporting date, of which US$ 110.4 million is due immediately. Currently, the Group does not have sufficient liquid resources to pay/settle its obligations with CAMMESA. Management are currently negotiating the Debt Regularization Agreement with CAMMESA, as required by the Deed Agreement signed between EDEMSA, EPRE, and the SEN on 29 December 2022; the intention for this 'Debt Regularization Agreement' is for EDEMSA and CAMMESA to agree a settlement plan for all outstanding current debts between EDEMSA and CAMMESA, with an associated payment plan. However, at the date of approval of these financial statements, the Debt Regularization Agreement has not been signed. If such an agreement were not to be signed, CAMMESA would have the right to demand the outstanding debt, and EDEMSA and the Group would not have the ability to pay.

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 financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of energy market regulations in the jurisdictions in which the Group operates, tax and employment laws in the jurisdictions in which the Group operates, and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inquiries with the Directors and management, regarding consideration of known or suspected instances of non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in respect of critical accounting judgements and significant accounting estimates;
- Review of minutes of meetings of the Board of Directors;
- Inspection of supporting documentation, where appropriate; and
- Identifying and testing journal entries, in particular any journal entries posted with certain unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

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

- we have not obtained 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
25 May 2023

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000
Revenue	4	227,532	189,280
Cost of sales		(166,540)	(163,500)
Gross profit		**60,992**	**25,780**
Distribution costs		(22,012)	(17,989)
Administrative expenses		(23,499)	(18,211)
Other operating income		1,954	1,461
Operating profit / (loss)	5	**17,435**	**(8,959)**
Gain on disposal of controlling interest		679	-
Loss on financial instruments measured at fair value through profit or loss		(10,411)	(2,646)
Finance income	9	7,826	11,270
Finance costs	10	(57,476)	(50,569)
Hyperinflation impact	1.21	51,315	29,086
Share of profits in associates	14	36,535	-
Profit / (loss) before taxation		**45,903**	**(21,818)**
Income tax (charge)/credit	11	(30,444)	872
Profit / (loss) for the financial year		**15,459**	**(20,946)**
Profit / (loss) for the financial year is attributable to:			
- Owners of the parent company		25,049	(10,570)
- Non-controlling interests		(9,590)	(10,376)
		15,459	**(20,946)**

The accompanying notes on pages 32 – 83 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000
Profit / (loss) for the financial year		**15,459**	**(20,946)**
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss			
Translation differences	1.21	12,006	(2,011)
Actuarial loss on defined benefit pension schemes (*)		(845)	(344)
Tax relating to other comprehensive gain / (loss)		311	(36)
Other comprehensive income / (expense) for the year		**11,472**	**(2,391)**
Total comprehensive income / (expense) for the year		26,931	(23,337)
Total comprehensive income / (expense) for the year is attributable to:			
- Owners of the parent company		30,444	(11,510)
- Non-controlling interests		(3,513)	(11,827)
		26,931	**(23,337)**

(*) For the year-ended 31 December 2021, includes amounts of USD$(1 million) and USD$0.2million; relating to subsidiaries and associates, respectively.

The accompanying notes on pages 32 – 83 form an integral part of these financial statement

ANDINA PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000
Non-current assets			
Investment in associates and subsidiaries	14	53,700	-
Intangible assets	12	-	7,573
Property, plant and equipment	13	246,675	198,724
Right of use assets	20	-	1,170
Inventories	16	3,514	2,725
Trade and other receivables	17	1,420	26
		305,309	**210,218**
Current assets			
Inventories	16	3,917	3,234
Trade and other receivables	17	49,436	48,788
Short term investments	14	62,181	54,918
Cash and cash equivalents	1.12	5,820	10,229
		121,354	**117,169**
Total assets		**426,663**	**327,387**
Current liabilities			
Trade and other payables	18	(239,486)	(195,217)
Borrowings	19	(76)	(2,915)
Leases	20	(168)	(295)
Provisions	21	(8,073)	(8,799)
Defined benefit pension liability	23	(1,108)	(1,094)
		(248,911)	**(208,320)**
Non-current liabilities			
Trade and other payables	18	(19,981)	(21,890)
Borrowings	19	(12,867)	(2,880)
Leases	20	(578)	(688)
Provisions	21	(139)	(266)
Deferred tax liability	22	(54,453)	(33,383)
Defined benefit pension liability	23	(4,222)	(3,456)
		(92,240)	**(62,563)**
Total liabilities		**(341,151)**	**(270,883)**
Net assets		**85,512**	**56,504**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000
Equity			
Share capital	24	24,473	20,852
Share premium	24	7,655	4,758
Translation reserve	24	34,482	28,889
Merger reserve	24	40,432	40,432
Accumulated losses	24	(45,862)	(70,713)
Equity attributable to owners of the parent company		**61,180**	**24,218**
Non-controlling interests		**24,332**	**32,286**
Total equity		**85,512**	**56,504**

The accompanying notes on pages 32 – 83 form an integral part of these financial statements.

The financial statements on pages 23 to 83 were approved by the Board of Directors and authorised for issue on 24 May 2023 and are signed on its behalf by:

Javier Alvarez
Chairman

ANDINA PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000
Non-current assets			
Investments in associates and subsidiaries	14	86,253	34,831
Trade and other receivables	17	2,354	5,458
		88,607	**40,289**
Current assets			
Trade and other receivables	17	142	455
Cash and cash equivalents	1.12	1	18
		143	**473**
Total assets		**88,750**	**40,762**
Current liabilities			
Trade and other payables	18	(1,029)	(1,061)
Borrowings	19	-	(2,813)
		(1,029)	(3,874)
Non-current liabilities			
Trade and other payables	18	(3,620)	(4,199)
Borrowings	19	(9,856)	-
		(13,476)	**(4,199)**
Total liabilities		**(14,506)**	**(8,073)**
Net assets		**74,245**	**32,689**
Equity			
Share capital	24	24,473	20,852
Share premium	24	7,655	4,758
Translation reserve	24	(2,646)	(2,716)
Merger reserve	24	40,432	40,432
Other comprehensive income	24	151	-
Retained earnings/(accumulated losses)	24	4,180	(30,637)
Total equity		**74,245**	**32,689**

As permitted by s408 Companies Act 2006, the Company has not presented its own income statement and related notes. The Company's profit for the year was US$34,817,000 (2020 - US$620,000).

The accompanying notes on pages 32 – 83 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2023 and are signed on its behalf by:

Javier Alvarez
Chairman
Company Registration No. 8095058

ANDINA PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium	Translation reserve	Merger reserve	Accumulated losses	Total controlling interest	Non-controlling interest	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2020	14,904	-	29,635	40,432	(59,949)	25,022	44,113	69,135
Year ended 31 December 2020:								
Loss for the year	-	-		-	(10,570)	(10,570)	(10,376)	(20,946)
Other comprehensive expense:								
Translation differences (1)	-	-	(746)	-		(746)	(1,265)	(2,011)
Actuarial loss on defined benefit plans	-	-	-	-	(194)	(194)	(186)	(380)
Total other comprehensive expense	-	-	(746)	-	(10,764)	(11,510)	(11,827)	(23,337)
Capital increase (2)	5,948	4,758		-	-	10,706	-	10,706
Balance at 31 December 2020	20,852	4,758	28,889	40,432	(70,713)	24,218	32,286	56,504
Year ended 31 December 2021:								
Profit / (loss) for the year	-	-		-	25,049	25,049	(9,590)	15,459
Other comprehensive income:								
Translation differences (3)	-	-	5,593	-	-	5,593	6,413	12,006
Actuarial loss on defined benefit plans	-	-	-	-	(198)	(198)	(336)	(534)
Total other comprehensive income / (expense) for the year	-	-	5,593	-	24,851	30,444	(3,513)	26,931
Capital increase (4)	3,621	2,897	-	-	-	6,518	-	6,518
Deconsolidation	-	-	-	-	-	-	(4,441)	(4,441)
Balance at 31 December 2021	24,473	7,655	34,482	40,432	(45,862)	61,180	24,332	85,512

The accompanying notes on pages 32 – 83 form an integral part of these financial statements.
(1) Includes hyperinflation impact of US$30 million, net of US$32 million translation impact on opening balances at the year end exchange rate.
(2) Capital Increase (see note 24).
(3) Includes hyperinflation impact of US$29 million, net of US$16 million translation impact on opening balances at the year end exchange rate.
(4) Capital Increase (see note 24).

ANDINA PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium	Translation reserve	Merger reserve	Other comprehensive income	Accumulated (losses) / retained earnings	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2020	**14,904**	**-**	**(3,714)**	**40,432**	**-**	**(31,257)**	**20,365**
Year ended 31 December 2020:							
Profit for the year		-	-	-	-	620	620
Other comprehensive income:							
Translation differences		-	998	-	-	-	998
Total comprehensive income	-	-	998	-	-	620	1,618
Capital increase (1)	5,948	4,758	-	-	-	-	10,706
Balance at 31 December 2020	**20,852**	**4,758**	**(2,716)**	**40,432**	**-**	**(30,637)**	**32,689**
Year ended 31 December 2021							
Profit for the year	-	-	-	-	-	34,817	34,817
Other comprehensive income							
Translation differences	-	-	(460)	-	530	-	70
Actuarial gain on defined benefit plans	-	-	-	-	151	-	151
Total comprehensive income	-	-	(460)	-	681	34,817	35,038
Capital increase (2)	3,621	2,897	-	-	-	-	6,518
Balance at 31 December 2021	24,473	7,655	(3,176)	40,432	681	4,180	74,245

The accompanying notes on pages 32 – 83 form an integral part of these financial statements.

(1) Capital Increase (see note 24).
(2) Capital Increase (see note 24).

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000
Cash flows from operating activities			
Cash generated from operations	28	38,720	31,430
Interest received	9	3,859	4,342
Net cash generated from operating activities		**42,579**	**35,772**
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(10,694)	(9,454)
Purchase of current investments	14	(45,005)	(31,023)
Sale of current investments	14	7,179	9,032
Purchase of interest in associate		(14,040)	-
Net cash used in investing activities		**(62,560)**	**(31,445)**
Cash flows from financing activities			
Proceeds from borrowings		10,053	228
Repayment of borrowings		(2,053)	(49)
Proceeds from share issuance		6,518	-
Net cash generated from financing activities		**14,518**	**179**
Net (decrease)/increase in cash and cash equivalents		**(5,463)**	**4,506**
Cash and cash equivalents at beginning of year	1.12	10,229	7,851
Effect of foreign exchange rates	1.21	1,054	(2,128)
Cash and cash equivalents at end of year		**5,820**	**10,229**

The accompanying notes on pages 32 – 83 form an integral part of these financial statements.

Significant non-cash transactions

The significant non-cash transactions in 2021 and 2020 are detailed below:

	Note	2021 US$'000	2020 US$'000
Transfer of inventory to property, plant and equipment	16	3,553	2,258
Debt cancellation for transfer of HDS	19	2,813	-
Debt capitalization	19		10,706

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 US$'000	2020 US$'000
Cash flows from operating activities			
Cash (used in) / generated from operations	29	(436)	23
Net cash (used in) / generated from operating activities		**(436)**	**23**
Cash flows from investing activities			
Purchase of interest in associate		(14,040)	-
Net cash used in investing activities		**(14,040)**	-
Cash flows from financing activities			
Proceeds from borrowings		9,953	-
Repayment of borrowings		(2,012)	(24)
Capital increase		6,518	-
Net cash generated from / (used in) financing activities		**14,459**	**(24)**
Net decrease in cash and cash equivalents		**(17)**	**(1)**
Cash and cash equivalents at beginning of year		18	19
Cash and cash equivalents at end of year		**1**	**18**

The accompanying notes on pages 32 – 83 form an integral part of these financial statements.

Significant non-cash transactions

The significant non-cash transactions in 2021 or 2020 are detailed below:

	Note	2021 US$'000	2020 US$'000
Debt cancellation for transfer of HDS shares	19	2,813	-
Other payables settlement (1)		1,696	-
Debt capitalisation	19	-	10,706

(1) Cancellation of the debts and credits between AESA and Andina

1 Accounting policies

1.1 General information

Andina Plc ("the Company") is a public limited company, limited by shares, domiciled and incorporated in England and Wales. The registered office is 1-3 Charter Square, Sheffield, United Kingdom, S1 4HS. The company is a local energy leader with two of the largest electricity utilities in terms of market share in Argentina.

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 UK adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 company's functional currency was maintained in the currency of the primary economic environment in which it operates which is Pounds Sterling. The presentation currency for the consolidated and Company financial statements is US dollars. See note 1.20 for more details about functional and presentation currency. The consolidated financial statements are prepared in US dollars (US$), 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 recognised 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.

1.3 Basis of consolidation

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

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

1 Accounting policies ***(Continued)***

1.3 ***Basis of consolidation (Continued)***

Changes in interests in subsidiaries without changes in control

Transactions with non-controlling interests that do not result in a loss of control are recorded as equity transactions, i.e., as transactions with shareholders in their capacity as such. The value recorded corresponds to the difference between the fair value of the consideration paid and/or received and the proportion acquired and/or transferred of the accounted value of the net assets of the subsidiary.

Sale of subsidiaries with loss of control

When the Group loses control over a subsidiary, the subsidiary is no longer consolidated and any retained interest in the entity is remeasured to its fair value on the date on which control is lost, with the change in carrying amount recognised in profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income with respect to the subsidiary are recorded as if the Group had directly sold the related assets or liabilities. This accounting treatment may cause the amounts already recognised in other comprehensive income to be reclassified in the income statement.

1.4 Going concern

The Directors have reviewed the cash position of the Group and the Company for a period to 30 June 2024 and consider it appropriate that the Group and the Company financial statements are prepared on the going concern basis for the reasons set out below.

At 31 December 2021, the Group had net current liabilities of US$127.6 million and debt of US$12.9 million and the Company had net current liabilities of US$0.9 million and debt of US$9.9 million.

In assessing the Group's and the Company's ability to adopt the going concern basis, the Directors have assessed the Group's and the Company's ability to meet their liabilities as they fall due. In the event that any liabilities could not be met the Directors could consider other financing alternatives such as the issuance of warrants and the sale of investments, as they have done previously.

The Directors have also reviewed the cash flow forecasts for the Group, taking into account tariff adjustments, currency fluctuations and scheduled borrowings repayments, and they note that the ability of the Group to continue operating is dependent on its ability to agree a settlement plan for the payable balances with CAMMESA.

In 2021, the Company's subsidiary EDEMSA, whose principal activity is electricity distribution in Argentina, reported a loss for the year of US$19.6 million and had a net current liabilities position of US$126.1 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 total current outstanding debts for amounts incurred after 2018, amounting to US$118.2 million at the reporting date, of which US$110.4 million is due immediately.

Management are currently negotiating the 'Debt Regularization Agreement' with CAMMESA, as required by the Deed Agreement signed between EDEMSA, EPRE, and the SEN on 29 December 2022; the intention for this 'Debt Regularization Agreement' is for EDEMSA and CAMMESA to agree a settlement plan for all current outstanding debts for amounts incurred after 2018, between EDEMSA and CAMMESA, with an associated payment plan that will spread payments over approximately 96 months. However, as at the date of approval of these financial statements, the Debt Regularization Agreement has not been signed. If such an agreement were not to be signed, CAMMESA would have the right to demand the outstanding debt, and EDEMSA and the Group would not have the ability to pay.

1 Accounting policies ***(Continued)***

1.4 Going concern ***(Continued)***

The outstanding debt with CAMMESA, and the Group's inability to settle this debt, indicates 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 the payment terms agreed, the Directors believe that 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. The Group financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

1.5 Revenue

Revenue relates mainly to electricity 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 recognised.

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 recognises 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 recognised as invoiced.

Other operating income

Other operating income primarily arises from ancillary services provided to third parties such as new connections, reconnections, rights of use on poles, transportation of electricity to other distribution companies and is recognised at the time the service is provided.

1 *Accounting policies* **(Continued)**

1.6 Intangible assets
Concession assets
Concession assets represent the amount paid for the concession rights and are related to the electricity distribution (see note 12).

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

Concession 30 years (EDEMSA)

The impairment thereof is reviewed annually or more frequently if there are events or circumstances that indicate a potential impairment.

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 expenditure generally leads to the recognition of a separate asset as Property, plant and equipment, 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

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 recognised in the income statement.

1.8 Non-current investments
In its separate financial statements, the Company measures its investments in subsidiaries and associates as follows:

- controlled companies (subsidiaries) are initially measured at cost and subsequently measured at cost less any provision for impairment,
- investments in associates are measured initially at cost and subsequently adjusted to reflect the investor's share of the net assets of the associate.

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 capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 recognised. The revised carrying amounts are amortised in line with the Group's accounting policy. A previously recognised 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 recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior reporting periods.

1.11 Inventories

Raw materials and consumables are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost formula method. 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	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Cash at bank and in hand	947	2,091	1	18
Short term deposits	4,873	8,138	-	-
	5,820	10,229	1	18

1.13 Financial instruments

Financial assets and financial liabilities are recognised 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 recognised amounts and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

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 recognised immediately in profit or loss.

1 Accounting policies **(Continued)**

1.13 Financial instruments ***(Continued)***

Financial assets
All recognised financial assets are measured subsequently in their entirety at either amortised 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 amortised 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 amortised cost or fair value through other comprehensive income. Such assets are carried at fair value with gains or losses recognised in the income statement.

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

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised 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 recognises 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 derecognises 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 recognises 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 recognise the financial asset and also recognises 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 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 amortised cost.

Financial liabilities measured subsequently at amortised 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 amortised cost using the effective interest method. The Group's financial liabilities measured at amortised cost comprise trade and other payables, and loans and borrowings. The effective interest method is a method of calculating the amortised 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.

1 Accounting policies ***(Continued)***

1.13 Financial instruments ***(Continued)***

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised 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 25). 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 income tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

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 Argentina. 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)***

1.15 Taxation ***(Continued)***

Deferred tax

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

1.16 Provisions

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

1.17 Employee benefits

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

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

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

Long term benefits for years of service

The Group grants compensation to employees covered by the collective bargaining agreement for the industry labor union, who 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 of the month in which the number of years of service conditions is met. This amount doubles when the employee reaches forty years of service.

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

1 Accounting policies ***(Continued)***

1.17 *Employee benefits* ***(Continued)***

Long term benefits for retirement or disability

The Group has a defined benefit plan. This represents accrued benefits to be paid to employees covered by the collective bargaining agreement for the industry labor union, for staff reaching retirement 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 recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments is recognised as an expense in measuring profit or loss in the period in which it arises.

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 recognised in profit or loss as other finance income 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 recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

1.18 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognised a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

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 to the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on the 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 favour 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 by the amount of the lease liability, reduced for any lease incentive received, and increased by:

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

Subsequent to its initial measurement, lease liabilities increase as a result of interests charged at a constant rate on the outstanding balance and are reduced after lease payments are made.

1 Accounting policies ***(Continued)***

1.18 Leases ***(Continued)***

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

When the Group revises its estimates on the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the same discount rate that was applied on the lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments such as 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 amortised over the remaining (revised) lease term.

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 when another systematic basis is more representative of the time pattern in which the economic benefits of the leased asset are consumed.

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

1.19 Government grants

Government grants are recognised 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.

1.20 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 exchange rates used were:

	US$ per £ 1		AR$ per US$ 1	
	2021	**2020**	**2021**	**2020**
Average Exchange Rate	1.3756	1.284	95.48	69.7
Closing Exchange Rate	1.3535	1.365	102.74	84.41

Functional currency of a hyperinflationary economy

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 current measuring unit at the balance sheet date, regardless of whether they are based on the historical cost method or the current cost method. Comparative figures for prior period(s) should be restated into the same current measuring unit. Restatements are made by applying a general price index. Items such as monetary items that are already stated at the measuring unit at the balance sheet date are not restated. Other items are restated based on the change in the general price index between the date those items were acquired or incurred and the balance sheet date. The components of the income statement must be presented in the updated measuring unit on the date of presentation of the financial statements by applying a general price index from the date on which the income and expenses were accounted.

1 Accounting policies ***(Continued)***

1.20 *Foreign exchange* ***(Continued)***

In order to determine whether an economy is considered 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.

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

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

- 2020 = 385.8826
- 2021 = 582.4575

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 recognised in the consolidated statement of income as a separate line under hyperinflation impact and amounted to US$51.32 million (2020: US$29.09 million).

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

- The capital was adjusted from the date of the previous hyper inflationary period of Argentina.

Transactions and balances

When preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing on the dates of the transactions. On each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value denominated in foreign currencies are retranslated at the rates prevailing on the date on which the fair value was determined. The exchange differences that arise are included in the income statement for the period.

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 of each statement of financial position presented are converted at the exchange rate of the closing date of the statement of financial position.
- The share capital of each statement of financial position presented is converted at the historical exchange rate.
- Profits and losses in the income statement are converted at the annual average exchange rate (when the average exchange rate does not represent a reasonable approximation to the accumulated effect of the transaction exchange rates, the exchange rate at the date of the transaction or monthly averages are used).
- All exchange rate differences arising from this are accounted for in other comprehensive income.
- Gains and losses derived from the conversion of the opening net assets of the Company at prevailing exchange rates are transferred to the translation reserve.

1 Accounting policies ***(Continued)***

1.20 Foreign exchange ***(Continued)***

Subsidiaries with hyperinflationary functional currency

- Assets, liabilities and capital from the statements of financial position, as well as profit and loss from the statement of income, are converted at the exchange rate on the closing date of the statement of financial position, after being adjusted to the functional currency.
- Assets, liabilities, capital, profits and losses of the comparative period are kept in accordance with the amounts obtained in 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.

1.21 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 2021

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 2021. 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.

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 (Classification of Liabilities as Current and Non-Current)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets: (Sets out how to consider the cost of fulfilling a contract to classify it as Onerous Contracts)
- IFRS 17 Insurance Contracts (Sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts
- IAS 12 Income Tax (sets out how to account the deferred tax on transactions such as leases and decommissioning obligations)
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors (Sets differences between accounting policies and changes in accounting estimates, since it will depend on them whether they will be applied correctly retrospectively or prospectively)

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 recognised in the period in which the estimate is revised when the revision affects only that period, or in the period of the revision and future periods when the revision affects both current and future periods.

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

Judgement: Investments in Hidroeléctrica del Sur S.A. and South American Energy LLP

Investment in Hidroeléctrica del Sur S.A.
On 25 February 2021, Andina Electricidad S.A. (AESA) transferred 50% of the shares it owned in Hidrolectrica del Sur S.A. (HDS) to South American Energy Development LLC (SAED) by virtue of a partial debt cancellation agreement. After the transfer, the Company's interest in the shares of HDS reduced from 80% to 40% and thus lost the Company lost control of HDS and, as a result, ceased consolidating the results of HDS.

IFRS 10 *"Consolidated financial statements"* defines control as encompassing three distinct principles, which, if present, identify the existence of control by an investor over an investee, hence forming a parent-subsidiary relationship. The principles are:

1. Power over the investee;
2. Exposure, or rights, to variable returns from its involvement in the investee; and
3. The ability to use its power over the investee to affect the amount of the investor's returns.

An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities (i.e., the activities that significantly affect the investee's returns.)

- AESA has no power over the investee because AESA only has a 40% interest in the shares of HDS and there is no contractual agreement between AESA and SAED to control HDS;
- The relevant decisions are made by the HDS Board of Directors which is made up of 5 regular members; the Board of Directors meets regularly and adopts resolutions by a simple majority of votes;
- AESA is not exposed, or has rights, to variable returns from its involvement with the investee because there is no agreement that establishes the right to variable returns
- AESA does not have the ability to affect the amount of the investor's returns because AESA only has a 40% interest in the shares of HDS and it cannot make relevant decisions.

As the Company is not exposed to variable returns of HDS, the consolidation principles do not apply and we consider it appropriate to account for the investment in HDS as an equity-accounted investment from 25 February 2021, given we have significant influence over the entity. We do not consider the results of HDS from 1 January 2021 to 25 February 2025 to be material to consolidate.

Investment in SAE LLP

As at 31 December 2021, the Company has a 23.4% interest in South American Energy LLP (SAE LLP), financed through capital contributions and loan agreements. The Company has a 23.4% indirect interest in Energía del Cono Sur S.A. (EDELCOS), which is 100% controlled by SAE LLP and an 11.9% indirect interest in EDENOR.

The results of SAE LLP, EDELCOS and EDENOR are not consolidated within the Andina PLC group consolidated financial statements, as the Company is not exposed to the variable returns of SAE LLP. We consider it appropriate to account for the investment in SAE LLP as an equity-accounted investment, given we have significant influence over the entity.

As outlined in the LLP Members' Agreement:

- SAE LLP decisions (relevant and non-relevant) are by majority in the Member's meetings; the Members are designated by means of an ordinary resolution of the Members and the quorum for each meeting is having 70% of the members present
- The Company is not exposed to, or does not have rights to the variable returns from its involvement in the investee; the Company does not have the ability to affect the amount of the investor's returns.

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:

Carrying value of the Company's investments and the Group's 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 when there has been an event or a change in the circumstances that would indicate that the carrying amount might not be recoverable. An impairment loss is recognised 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 the cost to sell and the 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 flows expected to be derived from an asset or cash-generating unit. The calculation of estimated future cash flows and residual values is based on reasonable management estimates and is therefore subjective. Operating and economic assumptions that could affect the valuation of the assets using discounted cash flow models are regularly reviewed and updated as part of the monitoring of the operational and financial performance and the forecasting processes of the Group. Judgement is required to determine if operating and economic changes are significant and impact the potential performance of an asset or a cash-generating unit and, therefore, determine whether they are an indication of an impairment or an impairment reversal. The key assumptions have been included in note 13.

The value in use of the Company's investments is determined using the present value of the future cash flows expected to be derived from the cash-generating unit. The calculation of estimated future cash flows and residual values is based on reasonable management estimates and is therefore subjective. The assumptions utilised in determining the value in use are consistent with those described above.

Employee benefits

The Group recognises provisions for benefits based on years of service and benefits for retirement or disability that includes management's best estimate of certain variables that may not ultimately match the amounts actually paid at the end of service. The key assumptions are wage increases, employee turnover, mortality rate and discount rate. Past experience and actuarial tables of mortality are used to make the estimate. For further details refer to note 23.

Impairment of financial assets

The allowance for the impairment of accounts receivable is assessed based on the delinquent balance, which comprises all such debt arising from the bills for electricity consumption of small demand (T1) and medium-demand (T2). The Company's management records an allowance by applying to the delinquent balances of each customer category an uncollectible rate that is determined according to each customer category, based on the historical comparison of collections made.

Additionally, and faced with temporary and/or exceptional situations, the Company's management may redefine the amount of the allowance, specifying and supporting the criteria used in all the cases.

The Company has performed a review of the financial assets it currently measures and classifies at fair value through profit or loss or at amortised cost and has concluded that they meet the conditions to maintain their classification.

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

Contingencies and provisions for lawsuits

The Company is a party to several complaints, lawsuits and other legal proceedings, including customer claims. The Company's potential liability with respect to such claims, lawsuits and legal proceedings may not be accurately estimated. The Company's management, with the assistance of its legal advisors, periodically analyses the status of each significant matter and evaluates the Company's potential financial exposure. If the loss deriving from a complaint or legal proceeding is considered probable and the amount can be reasonably estimated, a provision is recorded.

Provisions for contingent losses represent a reasonable estimate of the losses that will be incurred based on the information available to management at the date of the financial statement's preparation, taking into account the Company's litigation and settlement strategies. These estimates are mainly made by the Company's management. However, if management's estimates proved wrong, the current provisions could be inadequate and result in a charge to profits that could have an effect on the Statements of Financial Position, Comprehensive Income (Loss), Changes in Equity and Cash Flows.

4 Revenue

	2021 US$'000	2020 US$'000
Revenue analysed by class of business		
Electricity distribution	227,532	185,447
Electricity generation	-	3,557
Other	-	276
	227,532	189,280

The Group's revenue arises entirely within Argentina.

5 Operating profit/(loss)

	2021 US$'000	2020 US$'000
Operating profit/(loss) for the year is stated after charging:		
Depreciation of owned property, plant and equipment	10,919	9,253
Amortisation of intangible assets*		318

(*) The amortisation charge for 2020 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	
	2021 Number	2020 Number	2021 Number	2020 Number
Selling	156	156		
Technical	389	399		
Administration	154	191	-	-
Total	699	746		-

Their aggregate remuneration comprised:

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Wages and salaries	27,368	23,403	-	-
Social security costs	6,835	5,798	-	
	34,203	29,201	-	-

7 Auditors' remuneration

	2021 US$'000	2020 US$'000
Fees payable to the Company's auditors and associates:		
For audit services		
Audit of the financial statements of the Group and Company	223	130
Audit of the financial statements of the Company's subsidiaries	169	160
	392	290
For other services		
Audit-related assurance services	1	1
Taxation compliance services	5	6
	6	7

8 Directors' remuneration

	2021 US$'000	2020 US$'000
Remuneration for qualifying services	113	480

The Directors' remuneration disclosed above is not paid by the Company. The remuneration of the directors amounting to $113,271 is paid by EDEMSA, a related Group entity. No recharges are made to the Company.

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

	2021 US$'000	2020 US$'000
Remuneration for qualifying services	8	146

The remuneration of the highest paid director is paid by EDEMSA, a related Group entity.

9 Finance income

	2021 US$'000	2020 US$'000
Interest income	3,859	4,342
Gain on debt modification	-	1,817
Exchange gain	3,967	5,111
	7,826	11,270

The gain on debt modification is the gain arising from the forgiveness of interest on the debt with SAED at the time of entering into the debt cancellation agreement explained in note 19.

10 Finance costs

	2021 US$'000	2020 US$'000
Interest on borrowings	2,601	3,443
Exchange loss	2,049	5,131
Commercial interest	52,826	41,995
	57,476	50,569

Commercial interest represents interest on EDEMSA's debt with CAMMESA, these interests do not generate cash flow, see note 18 for more detail on CAMMESA's debts.

11 Income tax charge/(credit)

	2021 US$'000	2020 US$'000
Current tax		
Corporation tax on profit or loss for the current year	9,374	800
Deferred tax		
Origination and reversal of temporary differences	21,070	(1,672)
Total tax charge / (credit)	30,444	(872)

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

	2021 US$'000	2020 US$'000
Profit / (Loss) before taxation	45,903	(21,818)
Expected tax charge/(credit) based on the standard rate of corporation tax in Argentina of 35% (2020: 30%)	16,066	(6,545)
Unutilised tax losses carried forward	(1,921)	(94)
Share of profits in associates	(12,787)	-
Other permanent differences	134	282
Hyperinflation impact (according to accounting policies)	8,688	(3,126)
Hyperinflation impact (according to tax laws)	20,264	8,611
Taxation charge/(credit)	30,444	(872)

11 Income tax charge/(credit) ***(Continued)***

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

	2021 US$'000	2020 US$'000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income / (loss)	(311)	36

a) Minimum Notional Income Tax

The Group was liable to pay a minimum notional income tax at the applicable tax rate, of 1% calculated on the value of fixed and current assets at the reporting date. The minimum notional income tax was in addition to corporation tax and the Group's tax liability for each financial year was the higher of the minimum notional income tax and the corporation tax for the year. Income tax can be offset against this tax. In addition, any payment of this tax, not offset by income tax, would be treated as a payment on account of income tax computable for a maximum period of ten years. The Group recognised the tax on notional presumed income earned in previous years as a credit, considering that it would offset future taxable income.

In 2019, the application of the minimum notional income tax was repealed for years beginning on or after 1 January 2019. However, the credit of USD $0.06 million at the year end (note 22), is estimated to be used as a partial payment of corporation tax in the next fiscal year.

b) Submission of Income tax presentation corresponding to FY2021

During fiscal year 2022, management of the only controlled-trading subsidiary, EDEMSA, has decided to apply an alternative methodology to determine the current income tax and accordingly filed with the Argentine Tax Authority the income tax return for the fiscal year ended 31 December 2021, applying the systemic and comprehensive inflation adjustment mechanism and updating the tax loss carry forwards corresponding to the fiscal periods 2018 and 2019 following the methodology provided in Article 25 of the Income Tax Law (announced text in 2019).

The determination of the current income tax through the aforementioned mechanism implied that the tax to be paid was AR$0.8 million using all of the accumulated tax losses carried forward with a nominal value of AR$1,726 million (AR$4,217 million updated in accordance with the mechanism described in the previous paragraph).

The non-application of the aforementioned mechanisms and using the total accumulated nominal tax carried forward losses would have implied that the tax to be paid amounted to AR$869 million. In this scenario, the effective rate to be paid would have resulted in a substantial portion of the income obtained by EDEMSA being paid in tax and would have exceeded a reasonable limit of taxation; as a result, in the opinion of EDEMSA's tax and legal advisors this would constitute an assumption of confiscation, an assumption that at the date of issuance of these Financial Statements has not been validated or challenged by the Argentine Tax Authority or by higher courts. Together with the aforementioned income tax presentation, a multinote form was presented to the Tax Authority in which the application of the mechanisms was reported, arguing that the effective tax rate would represent a percentage that would exceed the reasonable limits of taxation, setting up a situation of confiscation, in violation of art. 17 of the National Constitution (according to doctrine of the judgment "Candy S.A. c/AFIP and another protection action", judgment of 07/03/2009, Judgments 332:1571, and subsequent precedents).

The aforementioned legal doctrine of the National Supreme Court is fully applicable to the particular case of EDEMSA, since the application of the regulations do not allow the application of the integral and systematic inflation adjustment, as happened in the "Candy case", recognising that the totality of the inflationary effect on its tax balance would cause the Company to pay taxes on fictitious income.

Notwithstanding what is detailed in the previous paragraph, and given the existing background, during the fiscal year 2022, EDEMSA decided to determine and file the income tax for the fiscal year ended 31 December 2021 considering the aforementioned adjustment mechanisms, considering that, the Argentine Tax Authority could

11 Income tax charge/(credit) ***(Continued)***

challenge the presentation and said challenge could be validated by higher courts because there is no uniform jurisprudence to date that irrefutably validates the taxpayer's position. In this sense, EDEMSA's Board of Directors has reassessed the fiscal year 2022, together with its tax advisors, considering the characteristics of the presentation, the existing background and the analysis that the directors made in a timely manner, and has decided, based on the opinion of their legal and tax advisors, that there are solid technical arguments which support the mechanisms adopted by the subsidiary. In the event of the matter going to the court a favorable resolution for EDEMSA is considered probable. As of the date of issuance of these Financial Statements, EDEMSA has not received any challenge or formal rejection by the Tax Authority.

c) Argentine tax reforms

The enactment of Law 27,430, which was promulgated by the Argentine Congress on 29 December 2017 in the context of the tax reform, establishes the following rules for the application of the inflation adjustment in income tax: (i) the update of the cost for goods acquired or investments made in the fiscal years that begin as of 1 January 2018, considering the percentage variations of the CPI provided by the National Institute of Statistic and Census (INDEC); and (ii) the application of the adjustment set forth in Title VI of the Income Tax Law when a percentage of variation - of the aforementioned index price - accumulated in thirty-six (36) months prior to the fiscal year end that is liquidated, is greater than 100%, or, with respect to the first, second and third year after its validity, this procedure will be applicable in case the accumulated variation of that index price, calculated from the beginning of the 3 year period and until the end of each year, exceeds 55%, 30% and 15% for the first, second and third year of application, respectively. At the end of this year, there has been an accumulative variation which exceeds the expected condition. Consequently, the tax inflation adjustment has been applied and the cost of goods acquired since the year 2018 has been updated as established in article 58 of the Argentine Income Tax Law.

The enactment of Law 27,541 on Solidarity and Production Reactivation, which was published in December 2019, introduced some amendments to different taxes. The main amendments related to Income Tax were: i) in the first and second fiscal years begun after January 1, 2019, the profit / loss for tax inflation adjustment shall be allocated as follows: one sixth in the fiscal year of assessment thereof and the other five sixths over the following fiscal years; and ii) the rate applicable to companies for the third fiscal year commencing after January 1, 2018 is increased from 25% to 30%.

Due to the enactment of Law 27630 published in the Official Gazette on June 16, 2021 and effective for the years beginning on January 1, 2021, the current rates for corporate income tax were modified according to the following scale:

- 25% for accumulated taxable net earnings of up to AR$ 5 million
- 30% for the second tranche, which will reach taxable profits of up to AR$ 50 million
- 35% for taxable profits over AR$ 50 million

Consequently, as a result of the above factors, the tax rate applied in FY21 by the Argentinian subsidiaries is 35%

12 Intangible assets

Group	Concession Asset US$'000
Cost	
At 1 January 2020	54,833
Hyperinflation adjustments	4,218
Exchange adjustments	(4,648)
At 31 December 2020	54,403
Deconsolidation (1)	(15,888)
Hyperinflation adjustments	15,984
Exchange adjustments	(7,139)
At 31 December 2021	47,360
Accumulated amortization and impairment	
At 1 January 2020	46,600
Amortization charge	318
Hyperinflation adjustments	2,215
Exchange adjustments	(2,303)
At 31 December 2020	46,830
Deconsolidation (1)	(8,315)
Hyperinflation adjustments	15,984
Exchange adjustments	(7,139)
At 31 December 2021	47,360
Carrying amount	
At 31 December 2021	-
At 31 December 2020	7,573

(1) See note 30 for more details about HDS deconsolidation.

Concession assets

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

Under a 1998 concession agreement, SODEMSA was awarded an exclusive right to distribute electricity in the province of Mendoza. The concession agreement is for 30 years divided into three management periods of 10 years each. On January 31, 2023, with the publication of Decree 70/23 by the Government of the Province of Mendoza, the concession period was extended for 20 additional years summarizing 50 years in total.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Property, plant and equipment

Group	Land and buildings	Machinery and equipment (1)	Networks and power transformers	Transformers	Work in progress and other assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost						
At 1 January 2020	31,028	23,495	277,415	36,551	59,196	427,685
Additions	173	22	255	-	11,262	11,712
Transfers	201	1,075	7,032	935	(9,243)	-
Disposals	-	-	-	-	(20)	(20)
Hyperinflation adjustments	8,020	6,074	71,705	9,448	15,301	110,548
Exchange adjustments	(8,837)	(6,691)	(79,010)	(10,410)	(16,861)	(121,809)
At 31 December 2020	30,585	23,975	277,397	36,524	59,635	428,116
Additions	-	176	-	-	14,071	14,247
Transfers	16	497	3,434	1,367	(5,314)	-
Deconsolidation (2)	(173)	(87)	-	-	(2,503)	(2,763)
Hyperinflation adjustments	12,621	9,913	115,119	12,079	26,788	176,520
Exchange adjustments	(5,638)	(4,428)	(51,413)	(6,769)	(10,589)	(78,837)
At 31 December 2021	37,411	30,046	344,537	43,201	82,088	537,283
Accumulated depreciation and impairment						
At 1 January 2020	8,224	18,913	161,785	21,529	15,683	226,134
Depreciation charge	980	530	6,176	1,142	425	9,253
Disposals	-	-	-	-	(20)	(20)
Hyperinflation adjustments	2,120	4,873	52,107	6,807	4,054	69,961
Exchange adjustments	(2,343)	(5,386)	(56,374)	(7,369)	(4,464)	(75,936)
At 31 December 2020	8,981	18,930	163,694	22,109	15,678	229,392
Depreciation charge	1,157	594	7,454	1,226	488	10,919
Deconsolidation (2)	(4)	(67)	-	-	(1,869)	(1,940)
Hyperinflation adjustments	3,726	7,828	70,244	4,570	8,028	94,396
Exchange adjustments	(1,664)	(3,497)	(30,642)	(3,796)	(2,560)	(42,159)
At 31 December 2021	12,196	23,788	210,750	24,109	19,765	290,608
Carrying amount						
At 31 December 2021	25,215	6,258	133,787	19,092	62,323	246,675
At 31 December 2020	21,604	5,045	113,703	14,415	43,957	198,724

(1) Includes right-of-use assets for US$ 0.3 million (2020 US$ 0.4 million)
(2) See note 30 for more details about HDS deconsolidation.

Borrowing costs of US$ 2.4 million (2020: US$ 2.9) have been capitalised to date to Work in progress and other assets.

The Company had no property, plant and equipment at 31 December 2021 or 31 December 2020.

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

Under the contracts for which the Group's electricity distribution assets were acquired and regulated, there are restrictions on the use of said 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 collateral for borrowings, except for those borrowings incurred to finance the acquisition of such assets.

Andina operates in a tough economic context, with a hyperinflationary environment as well as uncertainty and delays in tariff adjustments. 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 their lowest level for which there are largely independent cash inflows (CGU).

The Group has one cash generating unit (CGU) in Distribution (EDEMSA) at 31 December 2021 and had two cash generating unit (CGU) in Distribution (EDEMSA) and generation (HASA) at 31 December 2020.

The VIU for the 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 adjustment mechanism agreed in the concession contract and the current agreed tariffs;
2) Discount rate: The discount rate used is a real interest rate and reflects specific risks related 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 the expected annual economic growth in the areas where the Group operates;
4) Tax rate: Management has used the tax rate of 35% that is expected to be in effect in each of the periods considering the current tax law; and
5) Inflation and exchange rates: They are based on estimated and current Argentinean market inflation and exchange rates.

The VIU calculations for the CGU indicate that there is no impairment at the year end.

Impact of possible changes in key assumptions
The carrying value is more sensitive to movements in tariffs 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 15 %	US$ 5,41 million
Discount rate	Increase of 44%	US$ 1,02 million

14 Investments

		Group		Company	
		2021	2020	2021	2020
	Notes	US$'000	US$'000	US$'000	US$'000
Non-current					
Investment - Andes Electricidad S.A.	15	-		34,476	34,780
Investment - Hidroelectrica del Sur S.A.	15	1,974		-	-
Investment - Andina Electricidad Ltd	15	-		51	51
Investment - SAE LLP	15	51,726	-	51,726	-
		53,700		**86,253**	**34,831**
Current					
Listed investments		61,681	50,940	-	
Unlisted investments		500	3,978	-	
		62,181	**54,918**	-	
		115,881	**54,918**	**86,253**	**34,831**

Movements in investments	Notes	Group		Company	
		2021	2020	2021	2020
		US$'000	US$'000	US$'000	US$'000
Non-current					
At 1 January		-	-	34,831	33,829
Additions		14,040		14,040	-
Disposals		-	-	-	
Share of profits in associates		36,535	-	37,301	
Deconsolidation	30	1,974	-	-	-
Exchange differences		1,151	-	81	1,002
At 31 December		**53,700**	-	**86,253**	**34,831**
Current					
At 1 January		54,918	42,336		
Additions		45,005	31,023		
Disposals		(7,179)	(9,032)		
Changes in fair value of listed investments		(19,568)	2,649		
Deconsolidation	30	(1,003)	-		
Exchange differences		(9,992)	(12,058)		
At 31 December		**62,181**	**54,918**		
		115,881	**54,918**	**86,253**	**34,831**

14 ***Investments*** ***(Continued)***

Interests in associates

Set out below are the associates of the group as at 31 December 2021 which, in the opinion of the directors, are material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	31.12.21 US$'000	31.12.20 US$'000
		31.12.21	31.12.20				
SAE LLP	Argentina	23.40%	52%	Associate	Equity method	51,726	-
HDS	Argentina	40%	80%	Associate	Equity method	1,974	-
Total equity-accounted investments						**53,700**	-

Summarised financial information for associates

	SAE LLP *unaudited		HDS	
Summarised balance sheet	**31.12.21 US$'000**	**31.12.20 US$'000**	**31.12.21 US$'000**	**31.12.20 US$'000**
Total current assets	52,130	-	4,141	3,487
Total non-current assets	170,199	-	8,186	9,566
Total assets	222,329	-	12,328	13,053
Total current liabilities	(23)	-	(3,067)	(1,515)
Total non-current liabilities	(1,253)	-	(897)	(3,036)
Total liabilities	(1,276)	-	(3,964)	(4,551)
Net assets	221,053	-	8,364	8,502
Profit / (Loss) for the financial year	159,405	-	(3,250)	(223)

14 *Investments* ***(Continued)***

Investments in subsidiaries and associates

The directors consider the carrying value of investments in subsidiaries and associates to be recoverable based on the value in use of the assets in EDENOR (supporting the investment in SAE LLP), HASA and EDEMSA.

The value in use for EDENOR and HASA 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 adjustment mechanism agreed in the concession contract and the current agreed tariffs;

2) Discount rate: The discount rate used is a real interest rate and reflects specific risks related 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 the expected annual economic growth in the areas where the Group operates;

4) Tax rate: Management has used the tax rate of 35% that is expected to be in effect in each of the periods considering the current tax law; and

5) Inflation and exchange rates: They are based on estimated and current Argentinean market inflation and exchange rates.

Listed investments

Listed investments 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 associates and related undertakings

Details of the Company's subsidiaries and associates at 31 December 2021 are as follows:

Name	Country of incorporation	Registered address	Principal activity	Control	% Held 2021	% Held 2020
Andina Electricidad Limited	UK	1-3 Charter Square, Sheffield, S1 4HS	Holding	Direct	100	100
Andes Electricidad S.A. (AESA)	Argentina	Maipu 1252, 2nd Floor, Ciudad Autonoma de Buenos Aires	Holding	Direct	100	100
Inversora Andina de Electricidad S.A. (IADESA)	Argentina	Belgrano 815 -Mendoza	Holding	Indirect	100	100
Mendinvert S.A.	Argentina	Belgrano 815 - Mendoza	Holding	Indirect	100	100
SODEMSA	Argentina	Belgrano 815 - Mendoza	Holding	Indirect	100	100
Empresa Distribuidora de Electricidad de Mendoza S.A. (EDEMSA) (1)	Argentina	Belgrano 815 - Mendoza	Electricity distribution	Indirect	51	51
Hidroeléctrica del Sur S.A. (HDS) (2)	Argentina	Juez Tedin N° 2728 - Ciudad Autónoma de Buenos Aires	Holding	No	40	80
Hidroeléctrica Ameghino S.A. (HASA)	Argentina	Sarmiento 698- Trelew-Chubut	Electricity generation	No	23.6	47
South American Energy LLP (SAE) (3)	UK	1-3 Charter Square, Sheffield, S1 4HS	Holding	No	23.4	52
Energía del Cono Sur S.A. (EDELCOS) (2)	Argentina	Av. Maipú 1252, 12th Floor - Ciudad Autónoma de Buenos Aires	Investment and provision of services related to the distribution of electrical energy, renewable energies and sustainable technology	No	23.4	23.4
Empresa Distribuidora y Comercializadora Norte S.A.(EDENOR) (1) (3)	Argentina	6363 Av. del Libertador Ave., Ciudad Autónoma de Buenos Aires	Electricity distribution	No	11.9	-

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

(1) EDEMSA's and EDENOR'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.
EDENOR's Class "A" shareholders may transfer their shares only with the prior approval of the ENRE.

15 Subsidiaries and related undertakings *(Continued)*

(2) ***Loss of control of Hidroelectrica del Sur S.A. (HDS)***

On 25 February 2021 AESA ceded 50% of the shares it owned in HDS. The transfer of HDS shares was made to South American Energy Development LLC (SAED) by virtue of a partial debt cancellation agreement that Andina PLC entered into with SAED. After this transaction, the company has 40% of the HDS capital and votes, losing control in HDS and therefore indirect control in HASA. The deconsolidation of HDS was accounted for as of 1 January 2021 due to the fact that the results of HDS between 1 January 2021 and 25 February 2021 were not significant (the result for that period is US$ 0.3 million (AR$ 32.7 million)). Refer to Note 30 for the HDS balances that have been consolidated as of 31 December 2020.

(3) ***New investment***

Andina has a 23.4% direct interest in South American Energy LLP (SAE) and that interest was financed via capital contributions (see note 24) and loan agreements (see note 19).

Andina has a 23.4% indirect interest in Energia del Cono Sur S.A. (EDELCOS), which is 100% controlled by SAE.

On 28 December 2020, EDELCOS entered into a Stock Purchase Agreement (the SPA) with Argentine company Pampa Energia S.A. for the transfer and assignment by the latter to EDELCOS of 51% of the capital stock and voting power of (EDENOR). Andina contributed $14,100,000 of the price of replacing its share to 23.4%.

16 Inventories

	Group		Company	
	2021 US$'000	**2020 US$'000**	**2021 US$'000**	**2020 US$'000**
Non-current				
Raw materials and consumables	3,514	2,725	-	-
Current				
Raw materials and consumables	3,917	3,234	-	-

During the year US$3.6 million of inventory, mostly spare parts, was transferred to property, plant and equipment (2020: US$2.3 million); US$4.1 million was transferred to Cost of Sales (2020: US$2.6 million) when the inventory was used.

Inventory has been classified as current and non-current to reflect the future period of consumption.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

17 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Non-current				
Amounts owed by other group entities	-		959	5,458
Amounts owed by associates	1,173	-	1,173	-
Corporation tax recoverable	3	7	-	
Other receivables	244	19	222	-
	1,420	26	2,354	5,458
Current				
Trade receivables	21,388	19,707	-	445
Less provision for impairment	(3,946)	(3,373)	-	-
	17,442	16,334	-	445
Amounts owed by group undertakings (1)	-	-	2,569	2,569
Less provision for impairment (1)	-	-	(2,569)	(2,569)
Accrued income (2)	18,524	13,813	-	-
Other receivables (3)	4,935	9,763	19	10
Prepayments (4)	8,535	8,878	123	-
	49,436	48,788	142	455

(1) Credit with AEL net of provision for impairment
(2) Energy supplied pending billing
(3) Government credits relating to compensation funds, other taxes and social security and other debtors
(4) Advances for works, services and materials

Movements in the provision for impairment of trade receivables and amounts owed by group undertakings are as follows:

	Group		Company	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Movements in provision for impairment				
At 1 January	3,373	2,386	2,569	2,569
Provision for receivables impairment	75	1,900	-	-
Receivables written off in the year	(277)	(850)	-	-
Hyperinflation adjustments	1,400	617	-	-
Exchange differences	(625)	(680)	-	-
At 31 December	3,946	3,373	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 to their book value.

18 Trade and other payables

	Group		Company	
	2021	**2020**	**2021**	**2020**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current				
Trade payables (1)	14,747	18,437	-	-
Other taxation and social security	2,631	3,451	2,439	2,460
Amounts owed to associates	2,207	-	1,169	1,737
Other payables	396	2	12	2
	19,981	**21,890**	**3,620**	**4,199**
Current				
Trade payables (1)	137,546	147,690	213	195
Other taxation and social security (2)	30,434	14,142	-	-
Government payables related to compensation funds (3)	6,438	-	-	-
Other payables	539	610	235	238
Accrued expenses (4)	64,529	32,775	581	628
	239,486	**195,217**	**1,029**	**1,061**

(1) Includes debt with CAMMESA: non-current US$ 14.7 million (historic debt) and current US$ 121.3 million (historic debt US$ 3.1 million and current debt US$118.2 million).

(2) Income tax, social security and other taxation.

(3) Net debts for concession fees, subsidies, and Contribution for the Compensation of Electric costs (CCCE) at the end of the year this net amount is usually a debt.

(4) CAMMESA interest accrued

Trade payables (except amounts due to CAMMESA) are non-interest bearing and generally have a 30 to 90-day term. Due to their short maturities, the fair value of trade payables approximates to their book value.

Settlement of CAMMESA's debt prior to January 2016

At 31 December 2021 EDEMSA owed CAMMESA US$19.5 million (AR$2 billion) for historic energy purchases incurred prior to 2016.

During 2018, EDEMSA and CAMMESA agreed a payment plan for CAMMESA's historic debt incurred prior to January 2016 (US$19.5 million (AR$2,000 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%.

On 31 December 2021 EDEMSA owed CAMMESA US$17.8 million (AR$1.8 billion) under this payment plan.

The payment plan establishes that the failure to pay of the plan instalments and/or the invoices whose due date is during the term of the plan, will cause the immediate and automatic expiration of the financing plan. The agreement is being fulfilled and there were no unpaid instalments or invoices due during the term at the reporting date.

Article 15 and the implications for CAMMESA's debt

Notwithstanding the payment plan for CAMMESA's historic debt, noted above, on 21 December 2016, Law 27,341 was published (FY2017 National Government Budget). Article 15 of this law established the compensation terms for the historic debt that Argentine electricity distributors have with CAMMESA in relation to the purchase of energy between 2013 and 2016 (a time during which electricity tariffs were frozen).

Under this law, CAMMESA was given the authority to offset the differences in the income received by the distributors against the income that would have been recognised under the concession agreement (known as the Unearned Income). In this case, since EDEMSA's Unearned Income exceeded the liability owed to CAMMESA for the 2013-2016 period, the application of the law would have resulted in a complete offset and settlement of the outstanding liability.

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

Despite already agreeing to a payment plan with CAMMESA in respect of the 2013-2016 debt (see *Settlement of CAMMESA's debt prior to January 2016*), EDEMSA had not relinquished its right to claim the credit outlined in Article 15. Subsequently, the company filed a series of claims with the National Secretary of Energy (SEN), the Province of Mendoza and the EPRE to enforce the application of Article 15. However, through the Settlement Agreement signed on 29 December 2022 with the SEN, EDEMSA has now renounced any right, action or administrative, to any judicial, extrajudicial or arbitration claim in the Argentine Republic and/or abroad against the National State and/or CAMMESA and/or the Province of Mendoza. Additionally, through the Settlement Agreement signed on 3 January 2023 with the Government of the Province of Mendoza (see *Settlement Agreement with the Government of the Province of Mendoza*), EDEMSA has now relinquished any and all administrative and/or judicial claims, whether initiated or not for Unearned Income accrued during the 2008-2022 period, up to the date of signing the agreement. This agreement does not have an impact on the 2021 financial results. As a result, EDEMSA continues to fulfill its commitments under the payment plan, as noted above.

Settlement of CAMMESA's current debt

As of 31 December 2021, EDEMSA owed CAMMESA US$118.2 million (AR$12.1 billion) for energy purchases incurred after 2018, of which US$110.4 million (AR$11.3 billion) is 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.

On 14 December 2020, Law 27.591 was published (FY2021 National Government Budget). Article 87 of this law instructs the SEN to agree a settlement plan to resolve the debts and credits that electricity distributor agents of the MEM hold with CAMMESA and/or the MEM as of 30 September 2020, the "Special System for the Regularization of Payment Obligations". On 22 February 2022, by means of DNU (Executive Order issued on the grounds of Necessity and Urgency) No. 88, the Executive Power extended the negotiation until 31 December 2022.

On 29 December 2022, a Deed Agreement was signed by and between EDEMSA, EPRE, the SEN and the Government of the Province of Mendoza for the resolution of MEM's obligations. The main issues that were agreed were:

1) Recognition of the debt in favor of CAMMESA,
2) Recognition of the credit in favor of EDEMSA with the SEN,
3) Determination of the payment plan,
4) Renouncing of EDEMSA to any right, action or administrative, judicial, extrajudicial or arbitration claim in the Argentine Republic and/or abroad against the National State and/or CAMMESA and/or the Province of Mendoza, in relation to the rate freeze for the year 2020 provided for in Decree No. 311/20 and its extensions and/or in Laws No. 27,341, 27,431 and 27,541.
5) Closure of lawsuits filed against the National State and/or CAMMESA related to the debt with the Wholesale Electricity Market.

Among the obligations of the Distributor, EDEMSA agreed to sign a Debt Regularization Agreement with CAMMESA (for the current debt in force as of 30 April 2021) before 31 May 2023 (extended according to SEN's note NO-2023-48607674).

At the date of these financial statements, EDEMSA is within the period stipulated for the signing of the Debt Regularization Agreement. Therefore, the Company's Management believes the impact thereof will be recorded at the moment of execution of the Debt Regularization Agreement that the Distributor carries out with its debtor (CAMMESA).

Although to date the parties have not yet finalised the Debt Regularization Agreement, EDEMSA is negotiating with the intention of signing it. In the meantime, EDEMSA has made full payments to CAMMESA for all invoices related to the purchase of energy since March 2021. The signing of the Debt Regularization Agreement with CAMMESA is crucial for EDEMSA as it would enable the Company to agree a payment plan with its main supplier. This would contribute to stabilizing its economic and financial situation, ultimately improving the financial position of the entire Group.

19 Borrowings

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Non-current:				
Other borrowings	12,867	2,880	9,856	-
	12,867	2,880	9,856	-
Current:				
Bank borrowings		22		-
Other borrowings	76	2,893	-	2,813
	76	2,915	-	2,813
	12,943	5,795	9,856	2,813

Movement in borrowings is analysed as follows:

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
At 1 January	5,795	16,735	2,813	8,780
Proceeds from borrowings	10,053	228	9,953	-
Accrued interest	2,083	3,193	1,727	1,194
Fair value valuation	188	-	188	-
Income for refinancing agreement		(1,822)	-	(1,822)
Debt capitalization (1)		(10,706)	-	(5,249)
Repayments of borrowings	(2,053)	(49)	(2,012)	(24)
Balance compensation (2)	(2,813)	-	(2,813)	-
Deconsolidation (3)	(80)	-	-	-
Exchange difference	(230)	(1,784)		(66)
At 31 December	12,943	5,795	9,856	2,813

(1) In November 2020, an agreement was signed for certain debts of Andina and Andes Electricidad S.A. to convert the outstanding debt, including interest, into equity shares of the Company equivalent to US$ 10.7 million. The table below outlines the specific debts that were capitalised:

	US$'000
COMPANY	
South America Energy Development LLC (SAED)	4,263
Stanhope Worldwide Services Inc	986
Subtotal	**5,249**
Andes Electricidad S.A. (AESA)	
Criss Cross Int. Dev. Inc	3,072
Generation Capital Investment	2,385
Subtotal	**5,457**
TOTAL	**10,706**

(2) On 25 February 2021 AESA ceded 50% of the shares it owned in HDS. The transfer of HDS shares was made to South American Energy Development LLC (SAED) by virtue of the debt cancellation agreement that Andina entered into with SAED as mentioned above. As consideration for this transaction, a USD 2.8 million debt was cancelled in favor of AESA with Andina (which was offset against the debt of 5.4 million that AESA had with Andina). At 31 December 2021, after the offsets and cancellations mentioned above, Andina has a credit with AESA of 0.95 million disclosed in Note 17 "Amounts owed by group undertakings" in the Company Financial Statements.

(3) See note 30 for more details about HDS deconsolidation.

19 *Borrowings* ***(Continued)***

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

Group

- US$1.7 million loan from Neil Bleasdale, a Director of the Company and a shareholder. The loan is unsecured and bears annual interest of 8%. The loan and accrued interest are repayable on 31 December 2023. At 31 December 2021 the accrued interest amounted to US$0.5million.
- AR$22.3 million (US$0.2 million) from Trench Energy Consulting SRL. The loan is unsecured and bears annual interest at BADLAR + 5%. The loan and accrued interest are repayable on 31 December 2024. At 31 December 2021 the accrued interest amounted to AR$27.3 million (US$0.2 million).

  Trench Energy Consulting S.R.L. ("Trench") provides consulting services related to strategic information 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$6.5 million (US$0.06million) from DALAI SA. The loan is unsecured and bears annual interest of 8%. The loan has been presented in current other borrowings due to the maturity date of 31 December 2022. At 31 December 2021 the accrued interest amounted to AR$1.3 million (US$0.04million).
- AR$21 million (US$0.2 million) from Magnus Argentina SA (provides financial services). The loan is unsecured and bears annual interest at BADLAR + 4%. The loan and accrued interest are repayable on 31 December 2024. At 31 December 2021 the accrued interest amounted to AR$10 million (US$0.1 million).

Company

- US$6 million loan from Crosgo Trading Ltd (provides financial services). The convertible loan is unsecured and bears 8% annual interest. The loan and accrued interest are repayable on 30 June 2025. At 31 December 2021 the accrued interest amounted to U$S1.6 million and 0.2 million as fair value valuation.
- US$0.35 million loan from Jenkins & Keane LLC (provides financial services). The convertible loan is unsecured and bears 8% annual interest. The loan and accrued interest are repayable on 1 July 2024. At 31 December 2021 the accrued interest amounted to U$S0.05 million
- US$1.6 million loan from Jose Luis Manzano (shareholder of Andina). The loan is unsecured and bears 6% annual interest. The loan and accrued interest are repayable on 31 December 2024. At 31 December 2021 the accrued interest amounted to U$S0.1 million.

20 Leases

		Group		Company	
	Note	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Right of use assets (1)					
At 1 January		1,170	1,224	-	-
Additions in the year		-	-	-	-
Amortisation		-	(48)	-	-
Deconsolidation of HDS	30	(1,170)	-	-	-
Hyperinflation adjustments		-	331	-	-
Exchange adjustments		-	(337)	-	-
At 31 December		-	1,170	-	-
Lease liability (2)					
At 1 January		983	1,418	-	-
New leases obtained		919	-	-	-
Deconsolidation of HDS	30	(904)	-	-	-
Repayments of leases		(319)	(435)	-	-
Accrued interest		153	-	-	-
Hyperinflation adjustments		(71)	-	-	-
Exchange adjustments		(15)	-	-	-
At 31 December		746	983	-	-
Of which are:					
Non-current		578	688	-	-
Current		168	295	-	-
		746	983	-	-

(1) Includes buildings (2020 US$ 262.5 million) and transformers (2020 US$907.5 million). This section does not include right-of-use assets of EDEMSA for US$ 0.3 million (2020 US$ 0.4 million) which are disclosed in Property, plant, and equipment.

(2) Represents the lease liabilities of EDEMSA.

21 Provisions

	Group		Company	
	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Fines	7,500	8,431	-	-
Legal claims	712	634	-	-
	8,212	9,065	-	-
Non-current	139	266	-	-
Current	8,073	8,799	-	-
	8,212	9,065	-	-

21 *Provisions* **(Continued)**

Movements in provisions

Group	Fines	Legal claims	Total
	US$'000	US$'000	US$'000
At 1 January 2021	8,431	634	9,065
Additional provisions in the year	2,609	477	3,086
Used/paid during the year	(5,476)	(544)	(6,020)
Exchange difference	(1,563)	(118)	(1,681)
Hyperinflation adjustment	3,499	263	3,762
At 31 December 2021	7,500	712	8,212

Group	Fines	Legal claims	Total
	US$'000	US$'000	US$'000
At 1 January 2020	6,119	601	6,720
Additional provisions in the year	4,751	439	5,190
Used/paid during the year	(2,277)	(390)	(2,667)
Exchange difference	(1,743)	(171)	(1,914)
Hyperinflation adjustment	1,581	155	1,736
At 31 December 2020	**8,431**	**634**	**9,065**

Fines
EDEMSA's activities are regulated by the provincial regulator, Ente Provincial Regulador Eléctrico (EPRE). EPRE regulates the approval and control of tariffs and controls the quality levels of the technical product and service, the commercial services, and the compliance with public safety regulations, as provided in the Concession Agreement. Failure to comply with the obligations may result in penalties being imposed. As of the reporting date, EDEMSA has US$7,5 million (2020: US$8,4 million) for EPRE's penalties.

Legal claims
This represents provisions for certain claims relating to penalties in connection with complaints, lawsuits, and other legal procedures, including customer claims, in which a third party is seeking payment for alleged damages, reimbursement for losses or compensation connected to the ordinary course of business, which are expected to crystallize under varied terms after the reporting date.

In management's opinion, after receiving appropriate legal advice, the outcome of these claims is unlikely to result in a significant loss in excess of the amounts provided.

22 Deferred taxation

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

Group	Liabilities 2021 US$'000	Liabilities 2020 US$'000
Provision for bad debt	(1,061)	(709)
Notional income tax	(6)	(1,364)
Provision for accrued interest payable	(11,141)	(6,426)
Employee benefits	(1,865)	(1,137)
Carry forward losses	(11,946)	(11,083)
Other	9,732	13,056
Non-current assets	71,001	41,066
Borrowings	(261)	(20)
	54,453	33,383

The Company has no deferred tax assets or liabilities.

22 *Deferred taxation* **(Continued)**

Movements in deferred tax liabilities

	Provision for bad debt	Notional income tax	Provision charges	Employee Benefits	Carry forward losses	Other	Borrowings	Non-current assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2020	436	1,931	(68)	1,153	9,156	(8,178)	60	(39,545)	(35,055)
Credit/(charge) to the profit or loss	284	(416)	6,493	51	2,168	(5,181)	(39)	(1,985)	1,375
Charge to employee benefits	-	-	-	(36)	-	-	-	-	(36)
Minimal notional tax paid	-	(194)	-	-	-	-	-	-	(194)
Hyperinflation effect	158	688	(25)	417	3,309	(2,832)	22	(14,297)	(12,560)
Exchange differences	(169)	(645)	26	(448)	(3,550)	3,135	(23)	14,761	13,087
At 31 December 2020	709	1,364	6,426	1,137	11,083	(13,056)	20	(41,066)	(33,383)
Credit/(charge) to the profit or loss	190	(1,693)	3,238	156	(1,131)	6,079	237	(23,306)	(16,230)
Credit to employee benefits - others results integral	-	-	-	311	-	-	-	-	311
Hyperinflation effect	294	573	2,667	472	3,606	(4,515)	8	(16,110)	(13,005)
Deconsolidation (1)	-	-	-	-	-	(267)	-	2,313	2,046
Exchange differences	(132)	(238)	(1,190)	(211)	(1,612)	2,027	(4)	7,168	5,808
At 31 December 2021	**1,061**	**6**	**11,141**	**1,865**	**11,946**	**(9,732)**	**261**	**(71,001)**	**(54,453)**

(1) See note 30 for more details about HDS deconsolidation

22 Deferred taxation **(Continued)**

In addition to the net deferred income tax liability of US$54 million (2020: US$33 million), the Group has recognised a non-offsetting deferred income tax asset of US$nil (2020: US$ nil).

Minimum notional income tax was payable in Argentina and is supplementary to income tax. The Group determined the amount of minimum notional income tax due at the applicable tax rate (1%) and its tax liability was the higher of the minimum notional tax and the income tax due. However, if the minimum notional income tax for a given year exceeded 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 Group was liable to pay a minimum notional income tax at the applicable tax rate, of 1%, calculated on the value of fixed and current assets at the reporting date. The minimum notional income tax was in addition to corporation tax and the Group's tax liability for each financial year was the higher of the minimum notional income tax and the corporation tax for the year. Income tax can be offset against this tax. In addition, any payment of this tax, not offset by income tax, would be treated as a payment on account of income tax computable for a maximum period of ten years. The Group recognised the tax on notional presumed income earned in previous years as a credit, considering that it would offset future taxable income.

In 2019, the application of the minimum notional income tax was repealed for 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 minimum notional income tax can be utilised. However, the credit of USD $0.06 million at the year end (note 11), is estimated to be used as a partial payment of corporation tax in the next fiscal year.

In the Group, losses in respect of which deferred tax assets have been recognised will expire between 2022 and 2025.

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 labor 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 the industry labor union, for staff reaching retirement 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 specific risks to the cash flows considered. The differences between the prior year estimates and the actual charge and changes in estimates are classified as gains and losses within administrative expenses.

23. *Employee benefits schemes* **(Continued)**

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	**2021 %**	**2020 %**
Discount rate	15.5	15.5
Expected rate of salary increases	9	9

Amounts recognized in the income statement	**2021 US$'000**	**2020 US$'000**
Current service cost	710	586
Net interest on net defined benefit liability	574	513
Total costs	1,284	1,099

Amounts taken to other comprehensive income	**2021 US$'000**	**2020 US$'000**
Actuarial changes related to obligations	845	344

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

Group	**2021 US$'000**	**2020 US$'000**
Present value of defined benefit obligations	5,330	4,550
Deficit in scheme	5,330	4,550

Movements in the present value of defined benefit obligations	**Group 2021 US$'000**	**Group 2020 US$'000**
Liabilities at 1 January	4,550	4,612
Current service cost	710	586
Benefits paid	(2,547)	(1,383)
Actuarial gains and losses	997	344
Interest cost	574	513
Other	1,046	(122)
At 31 December	5,330	4,550

23 *Employee benefits schemes* **(Continued)**

The Company had no post-employment benefits at 31 December 2021 or 31 December 2020.

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 2021 to changes in the main actuarial assumptions is as follows:

- Increase / decrease of 1% in real discount rate will result in a decrease of US$263,000 / an increase of US$310,000 in the liability respectively.
- Increase / decrease of 1% in rate the of salary increases will result in an increase of US$320,000 / a decrease of US$276,000 in the liability respectively.

24 Share capital and reserves

	Group and Company 2021	2020
Ordinary share capital	**US$'000**	**US$'000**
Issued and fully paid		
96,156,112 (2020: 96,156,112) ordinary shares of 10p each (1)	14,904	14,904
44,853,670 (2020: 44,853,670) ordinary shares having a nominal value of 10p per share (1)	5,948	5,948
26,035,032 (2020: nil) ordinary shares having a nominal value of 10p per share (2)	3,621	-
Total share capital	**24,473**	**20,852**
44,853,670 (2020: 44,853,670) share premium of 8p per share	4,758	4,758
26,035,032 (2020: nil) share premium of 8p per share	2,897	-
Total share premium	**7,655**	**4,758**
Preference share capital		
Issued and fully paid		
50,000 (2020: 50,000) redeemable preference shares of £1 each	78	78
Preference shares classified as liabilities	78	78

(1) Capital increase through a debt capitalization (see note 19)

(2) Capital increase for the purchase of EDENOR (see note 15 to more details about the new investment)

Reserves

Merger reserve

The merger reserve arose following the completion of the demerger of Andes PLC 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/(accumulated losses)

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

25 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 seeks 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 they may be considered in the future. No derivatives or hedges against these risks were used during the year.

There have been no substantive changes in the Group's exposure to financial risks, policies, management or measurement of them unless otherwise stated in this note.

Principal financial instruments

The Group's principal financial instruments, from which financial instrument risks 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		Company	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Carrying amount of financial assets				
Trade and other receivables	40,683	35,768	142	455
Cash and cash equivalents	5,820	10,229	1	18
Listed investment	62,181	54,918	-	-
Carrying amount of financial liabilities				
Measured at amortised cost	175,550	206,290	11,473	5,611

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 funds are borrowed when required. The Group intends to maintain a balance of funding designed to reduce liquidity risks whilst also seeking to minimise the costs of borrowings. 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 may 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.

25 *Financial instruments* ***(Continued)***

Group 2021	**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	144,523	144,523	144,523	-	-
Loans and borrowings	76	76	76	-	-
Leases	168	168	168	-	-
Non-current financial liabilities:					
Trade and other payables	17,338	24,786	3,448	21,338	-
Loans and borrowings	12,867	14,590	-	14,590	-
Leases	578	578	578	-	-
	175,550	184,721	148,793	35,928	-

Company 2021	**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	448	448	448	-	-
Non-current financial liabilities:					
Trade and other payables	1,169	1,169	-	1,169	-
Loans and borrowings	9,856	10,495	-	10,495	-
	11,473	12,112	448	11,664	-

Group 2020	**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	181,075	181,075	181,075	-	-
Loans and borrowings	2,915	102	102	-	-
Leases	295	297	297	-	-
Non-current financial liabilities:					
Trade and other payables	18,437	34,650	4,195	30,455	-
Loans and borrowings	2,880	3,697	-	3,697	-
Leases	688	969	190	779	-
	206,290	220,790	185,859	34,931	-

25 *Financial instruments* ***(Continued)***

Company 2020	**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	1,061	1,061	1,061	-	-
Loans and borrowings	2,813	-	-	-	-
Non-current financial liabilities:					
Trade and other payables	1,737	1,737		1,737	
Loans and borrowings	-	-	-	-	-
	5,611	2,798	1,061	1,737	-

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	**2021 Carrying value US$'000**	**Maximum exposure US$'000**	**2020 Carrying value US$'000**	**Maximum exposure US$'000**
Current financial assets:				
Trade and other receivables	40,683	40,683	35,768	35,768
Investments	62,181	62,181	54,918	54,918
Cash and cash equivalents	5,820	5,820	10,229	10,229
	108,684	108,684	100,915	100,915

Company	**2021 Carrying value US$'000**	**Maximum exposure US$'000**	**2020 Carrying Value US$'000**	**Maximum Exposure US$'000**
Current financial assets:				
Trade and other receivables	142	142	455	455
Cash and cash equivalents	1	1	18	18
	143	143	473	473

25 *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 limit the value of risks that may be accepted. However, management is on alert for significant market movements and takes these movements into account in their future dealings.

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 increase by 1% compared to the current rate this would result in a US$0.5 million additional charge to the income statement. The Group's exposure to cash flow interest rate risk comes from variable interest rates on borrowings.

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

Price risk
The Group is not subject to price risk due to tariffs not being open market based but regulated. However, 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 used any derivative hedges against this risk. In connection with electricity sales, the Group is not exposed to risks due to fluctuations in the prices paid to purchase electricity on the market, since price fluctuations are passed through to customers.

The Group is exposed to commodity price risk in relation to the purchase of the 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 established commercial practices aimed at selecting the most convenient suppliers which ensure minimizing the costs of purchasing inputs without impacting their quality.

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:

	2021 US$'000	2020 US$'000
Trade and other receivables	1,729	874
Investments	42,552	50,137
Cash and cash equivalents	20	769
Financial liabilities	(12,543)	(6,192)
	31,758	45,588

25 Financial instruments **(Continued)**

Effect on profit of changes in exchange rates

	2021 US$'000	2020 US$'000
Functional currency strengthening by 23% (1)	5,886	8,449
Functional currency weakening by 23% (1)	(5,886)	(8,449)

(1) According to the devaluation of the Argentine peso during 2021

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 investment plans, and to optimise the weighted average cost of capital and tax efficiency.

To maintain or adjust the optimum capital structure, the Group may look for new debt facilities, issue new share capital for cash, repay or restructure existing debt, amend its dividend policy, or undertake other restructuring activities considered 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 2021 US$'000	2020 US$'000
Borrowings excluding leases	12,943	5,795
Less: cash and cash equivalents	(5,820)	(10,229)
Net debt / (credit)	7,123	(4,434)
Total equity	85,512	56,504
Equity and net debt / credit	92,635	52,050
Net debt / (credit) ratio	8%	(9%)

The Group have an optimum capital structure of 8% (2020: (9%)).

26 Capital commitments

Contracts for maintenance of the lines and to investment plan with amounts contracted for but not provided in the financial statements:

	Group		Company	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Acquisition of property, plant and equipment	9,214	8,744	-	-

All amounts are categorised as less than one year.

27 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		Company	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
Salaries and other short-term benefits	407	452	-	-
	407	452	-	-

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

	Group		Company	
	2021	2020	2021	2020
	US$'000	US$'000	US$'000	US$'000
EDENOR	1,169	-	1,169	-
SAE	2	-	2	-
AESA	-	-	959	3,720
EDELCOS	(1,169)	-	(1,169)	-
HDS	(1,058)	-	-	-
Key management personnel	(2,225)	(2,094)	-	-

Amounts owed to key management personnel are due to one of the Company's directors, Neil Bleasdale and his related company.

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

28 Cash generated from Group operations

	2021 US$'000	2020 US$'000
Profit / (Loss) for the year after tax	15,459	(20,946)
Adjustments for:		
Tax charge / (credit)	30,444	(872)
Share of profits in associates	(36,535)	-
Finance costs	51,512	41,512
Loss on financial instruments measured at fair value through profit or loss	9,740	427
Finance income	(3,967)	(5,111)
Gain on disposal of controlling interest	(679)	-
Hyperinflation impact	(51,315)	(29,086)
Amortisation of intangible assets	-	318
Depreciation of property, plant and equipment	10,919	9,253
Increase in provisions	2,903	6,258
Movements in working capital:		
Increase in inventories	(6,613)	(4,253)
Increase in trade and other payables	33,943	40,782
Increase in trade and other receivables	(17,091)	(6,852)
Cash generated from operations	38,720	31,430

29 Cash generated from Company operations

	2021 US$'000	2020 US$'000
Profit for the year after tax	34,817	620
Adjustments for:		
Share of profits in associates	(37,301)	-
Finance costs	1,936	1,066
Finance income	-	(1,817)
Movements in working capital:		
Increase in trade and other receivables	(1,039)	(279)
Increase in trade and other payables	1,151	433
Cash generated from operations	(436)	23

30 HDS deconsolidation

On 25 February 2021 AESA ceded 50% of the shares it owned in HDS. The transfer of HDS shares was made to South American Energy Development LLC (SAED) by virtue of a partial debt cancellation agreement that Andina PLC entered into with SAED. After this transaction, the company has 40% of the HDS capital and votes, losing control in HDS and therefore indirect control in HASA.

The deconsolidation of the HDS was accounted for as of 1 January 2021 due to the fact that the results of HDS between 1 January 2021 and 25 February 2021 were not significant the balances of HDS as of February 2021 are shown below:

	25 February 2021 US$'000
Current assets	1,077
Non-current assets	5,142
Current liabilities	(61)
Non-current liabilities	(5,839)
Result for the period	319

The consolidated balances of HDS as of 31 December 2020 are shown below:

STATEMENT OF FINANCIAL POSITION

	Notes	HASA US$'000	HDS US$'000	Total US$'000
Non-current assets				
Intangible assets	12	7,573	-	7,573
Property, plant and equipment	13	823	-	823
Right of use assets	20	1,170	-	1,170
Total non-current assets		**9,566**	**-**	**9,566**
Current assets				
Trade and other receivables		1,518	14	1,532
Investments	14	1,003	-	1,003
Cash and cash equivalents		740	212	952
Total current assets		**2,258**	**226**	**3,487**
Total assets		**11,824**	**226**	**13,053**
Current liabilities				
Trade and other payables		(1,219)	-	(1,219)
Borrowings	19	(6)	(74)	(80)
Leases	20	(216)	-	(216)
Total current liabilities		**(1,441)**	**(74)**	**(1,515)**
Non-current liabilities				
Trade and other payables		(302)	-	(302)
Leases	20	(688)	-	(688)
Deferred tax liability	22	(2,046)	-	(2,046)
Total non-current liabilities		**(3,036)**	**-**	**(3,036)**
Total liabilities		**(4,477)**	**(74)**	**(4,551)**
Net assets		**7,347**	**152**	**8,502**

30 HDS deconsolidation **(Continued)**

CONSOLIDATED INCOME STATEMENT

	HASA US$'000	HDS US$'000	Total US$'000
Revenue	3,556	-	3,556
Cost of sales	(2,619)	-	(2,619)
Gross profit	**937**	-	**937**
Distribution costs	(140)	-	(140)
Administrative expenses	(291)	(26)	(317)
Other operating income	-	52	52
Operating profit	506	26	**532**
Finance income	1,152	408	1,560
Finance costs	(874)	(524)	(1,398)
Hyperinflation impact	(742)	127	(615)
Profit before taxation	42	37	**79**
Tax on (loss)	(302)	-	(302)
Loss for the financial year	**(260)**	**37**	**(223)**
(Loss) for the financial year is attributable to:			
- Owners of the parent company	(100)	7	(93)
- Non-controlling interests	(160)	30	(130)
	(260)	**37**	**(223)**

30 HDS deconsolidation **(Continued)**

STATEMENT OF CASH FLOWS

	HASA US$'000	HDS US$'000	Total US$'000
Cash flows from operating activities			
(Loss) for the year after tax	(223)	-	(223)
Adjustments for:			
Tax (credit)/charge	302	-	302
Finance costs	338	116	454
Hyperinflation impact	(615)	-	(615)
Depreciation of property, plant and equipment	661	-	661
Increase in trade and other payables	(981)	(97)	(1,078)
Increase in trade and other receivables	543	-	543
Net cash generated from operating activities	**25**	**19**	**44**
Cash flows from investing activities			
Purchase of property, plant and equipment	(177)	-	(177)
Net cash used in investing activities	**(177)**	**-**	**(177)**
Cash flows from financing activities			
Proceeds from borrowings	79	-	79
Repayment of borrowings paid	(130)	-	(130)
Net cash used in financing activities	**(51)**	**-**	**(51)**
Net decrease in cash and cash equivalents	**(203)**	**19**	**(184)**
Cash and cash equivalents at beginning of year	495	170	665
Effect of foreign exchange rates	448	23	471
Cash and cash equivalents at end of year	**740**	**212**	**952**

31 Subsequent events

New Investment

Between 30 August 2022 and 21 December 2022, Andina acquired 135,130,876 ordinary shares of ECHO ENERGY PLC (AIM: ECHO), the Latin American focused energy company for 0.25 pence per share, representative of a 4.91% of the capital stock and voting power.

ECHO ENERGY PLC has a 70% non-operated participation in the Santa Cruz Sur assets, consisting of five production concessions, which produce gas and oil. The Santa Cruz Sur assets are located in the Austral basin, onshore Argentina and with infrastructure in place for gas transport by pipeline to Buenos Aires and oil sales at the Punta Layola terminal for both domestic and export sales.

COVID-19

Unlike 2020, which was strongly affected by the COVID-19 pandemic that had a high social, economic and financial impact, 2021 was a year of economic recovery thanks to the rapid distribution of vaccines and implementation of vaccination programs all over the world, which allowed for a return to some greater normalcy in terms of activity.

In 2021, the Federal Government launched an intensive vaccination campaign in order to control the pandemic, which allowed for a return to normal and thereby for a strong rebound in economic activity throughout the year.

Although the future of the pandemic remains unknown, at the date of this report, the situation is stabilised, and management do not expect significant further impact.

CAMMESA

On 29 December 2022, a Deed Agreement was signed by and between EDEMSA, EPRE, the SEN and the Government of the Province of Mendoza for the resolution of MEM's obligations. The main issues that were agreed were:

1) Recognition of the debt in favor of CAMMESA.
2) Recognition of the credit in favor of EDEMSA with the SEN.
3) Determination of the payment plan.
4) Renouncing of EDEMSA to any right, action or administrative, judicial, extrajudicial or arbitration claim in the Argentine Republic and/or abroad against the National State and/or CAMMESA and/or the Province of Mendoza in relation to the rate freeze for the year 2020 provided for in Decree No. 311/20 and its extensions and/or in Laws No. 27,341, 27,431 and 27,541.
5) Closure of lawsuits filed against the National State and/or CAMMESA related to the debt with the Wholesale Electricity Market.

Among the obligations of the Distributor, EDEMSA agreed to sign a Debt Regularization Agreement with CAMMESA (for the current debt in force as of 30 April 2021) before 31 May 2023 (extended according to SEN's note NO-2023-48607674).

At the date of these financial statements, EDEMSA is within the period stipulated for the signing of the Debt Regularization Agreement. Therefore, the Company's Management believes the impact thereof will be recorded at the moment of execution of the Debt Regularization Agreement that the Distributor carries out with its debtor (CAMMESA).

Although to date the parties have not yet finalised the Debt Regularization Agreement, EDEMSA is negotiating with the intention of signing it. In the meantime, EDEMSA has made full payments to CAMMESA for all invoices related to the purchase of energy since March 2021. The signing of the Debt Regularization Agreement with CAMMESA is crucial for EDEMSA as it would enable the Company to agree a payment plan with its main supplier. This would contribute to stabilizing its economic and financial situation, ultimately improving the financial position of the entire Group.

31 Subsequent events ***(Continued)***

Settlement Agreement with the Government of the Province of Mendoza

On 3 January 2023, EDEMSA entered into a Settlement Agreement with the Province of Mendoza, reinforced by the publication of Decree 70/23 on 31 January 2023, aimed at resolving the disputes originated by the Unearned Income (as set out in Article 15 of Law 27.341) during 2013 and 2016 that should have been received by EDEMSA and remained unpaid for reasons attributable to the Province's obligations.

Pursuant to the abovementioned Settlement Agreement, the Province of Mendoza:

a) has granted EDEMSA a 20-year extension of the concession agreement for the electricity distribution service as from 1 August 2028. In addition, it agrees not to offer for bid the award of EDEMSA's Class A shares in view of the intent declared by the current holder to retain such ownership, and not to make any monetary claim against the Distributor for the extension of the concession agreement term hereby granted;

b) reduces the concession fee (canon) from ten percent (10%) to six percent (6%) from the date this agreement becomes effective,

c) The Granting Authority, as holder of Class B and C shares of EDEMSA, undertakes to carry out the necessary corporate actions for the purpose of ensuring that the profits to which holders of Class B and C shares may be eventually entitled during the validity of the concession agreement be allocated to investments intended to expand the system and/or energy efficiency; and

d) undertakes to comply with the tariff readjustment procedures under the concession agreement and the applicable legislation, and to recognise in the determination of the tariff charts the costs of certain investment plans to be carried out by EDEMSA and the payment plan agreed between EDEMSA, CAMMESA, the SEN and the Province of Mendoza signed in December 2022 to regularize its debts with the MEM (See Settlement of CAMMESA's current debt), and the balance of the payment plan signed by the Distributor and CAMMESA in 2018 (See Settlement of CAMMESA's historic debt).

On the other hand, EDEMSA:

a) waives any administrative or judicial claims, whether filed or not, for Unearned Income accrued during 2013-2016, up to the date of signing the agreement;

b) undertakes to fulfill a 10-year investment plans agreed with EPRE;

c) undertakes to obtain and deliver to the Granting Authority i) the ratification by the shareholders' meeting of EDEMSA and its shareholders of the conditions of this transaction, with ii) waive all administrative or judicial claims, whether or not filed to date. In particular, waives any claim - filed or not - before the International Center for Settlement of Investment Disputes (ICSID) against the Granting Authority and/or EPRE, and

d) the current holder of Class A shares should declare its intention to retain such ownership; this was completed through notarial notification dated 13 March 2023.

Although the mentioned agreement has no direct impact to the 2021 financial statements, it reflects positively on the future of EDEMSA, particularly relating to the improvement of cash flows and the value of EDEMSA, because of the 20-year concession extension, the reduction of the concession fee and due to the recognition in the determination of the tariff charts the costs of certain investment plans to be carried out by EDEMSA and of the payment plan agreed between EDEMSA, CAMMESA, the SEN and the Province of Mendoza, thereby improving the financial position of the Group making it to continue operating as a going concern.

31 Subsequent events **(Continued)**

Economic context

Between 1 January 2022 and 27 April 2023, the Argentine peso depreciated by 116% compared with the US dollar, which has led to an increase in costs. There is a risk that these increased costs may not be able to be passed on to the tariffs.

To the best of the knowledge and understanding of management and directors, since 31 December 2021, there have been no other significant subsequent events not disclosed in this Annual Report that could affect the financial statements presented for 2021.