AQUALECTRA

Your well being, our duty

STRENGTHENING THE FOUNDATIONS FOR FUTURE GROWTH

CONSOLIDATED ANNUAL REPORT 2012

INTEGRATED UTILITY HOLDING N.V. (AQUALECTRA)

Reference number 2014-64661

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Board of Managing Directors

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1. REPORT OF THE BOARD OF MANAGING DIRECTORS

1.1. Company profile

Integrated Utility Holding N.V. doing business as Aqualectra (hereinafter The Group) is Curaçao's utility company responsible for the production and distribution of power and water as well as the delivery of accompanying services. The Group serviced approximately 74,411 (2011: 72,949) electricity connections and 75,030 (2011: 73,588) water connections in 2012. As per December 31, 2012, the Group's workforce consisted of 734 (2011: 702) dedicated employees who provide the manpower needed for the delivery of quality products and services to its customers.

1.2. Financial performance

In 2012 the Group realized a positive net result after taxes and other comprehensive income of ANG 6.8 million (2011: loss ANG 122.9 million). The gross profit from continuining operations for the year ended 2012 was ANG 218.0 million (2011: ANG 218.2 million) whereas the loss from operating activities was ANG 33.9 million (2011: ANG 78.5 million negative). The operational performance of the Group in 2012 showed improvements compared to 2011, mainly resulting from the following activities and developments.

Sales electricity and water:

Sales electricity
The Group sold 712.244 MWh in 2012 which represents an increase of 5.2% compared to 2011 when total sales of 676,888 MWh was realized. This increase results from an increase in sales to commercial customers, offset by a slight increase in sales to household customers, 40% of the total sales were to household customers, while 60% of the total sales were to business customers. 73% of the total sales to the household customers was realized to postpaid customers, while 27% was realized to the prepaid customers.

Sales water
Total sales in 2012 was 10,178 m3 (x 1,000). This is an decrease of 0.9% compared to 2011 during which period total sales of 10,088 m3 (x 1,000) was realized. This increase is mainly a result of an approximately 2.6% increase of sales to the households and a decrease of 2.8% of sales to the businesses (commercial & industrial customers). 67% of the total sales has been realized to the households, while 33% of the total sales has been realized to the commercial & industrial customers.

Applicable tariffs
In 2012, the realized average all inclusive tariffs for electricity amounted to ANG 0.6710 per kWh (2011: ANG 0.6423 per kWh) whereas for water it amounted to ANG 10.30 per m^3 (2011: ANG 10.2754 per m^3). On June 1, 2012 a new tariff structure was introduced, following a resolution adopted on April 6, 2011 by the Government of the Country of Curaçao. This resolution resulted in the reduction of the electricity tariffs by ANG 0.05 per kWh, which significantly impacted the revenues in 2011. The new tariff structure adopted in 2012 is further explained in a later paragraph. In order to obtain a complete understanding of the current situation of the company with regards to the tariffs and tariff calculation, it is imperative to provide an overview of the occurrences of the previous years.

In accordance with Federal Government ordinances (Landsverordening) of July 19, 1961 and October 14, 1991, the Executive Council of the Island Government of Curaçao is responsible for the stipulation of the applicable tariffs for water and electricity. Furthermore the tariff structure for water and electricity is based on the resolution of the Executive Council of the Island Government of Curaçao of November 8, 2002. In the last mentioned resolution of the Executive Council of the Island Government of Curaçao, the following matters have been inter alia decided:

- The set-up and tariff structure for water and electricity as of 2002, consisting of a (i) base component and (ii) a direct cost component. The base component covers all the non-direct costs for the supply, while the direct costs component must cover the fuel costs, the other direct costs of production and other direct costs of sales. This separation allowed a rate calculation system to be developed that could track changes in fuel costs and create a full fuel pass through;
- The level of the applicable tariffs for water and electricity for the years 2003 and 2004;
- That the Group is allowed to realize a yearly return on equity of 8%;
- That the Group is allowed to apply a "regulatory account" in which an eventual 'over coverage' or 'under coverage' of the total direct cost by the applicable cost component is reflected;
- That the "regulatory account" as of 2002 starts with a total amount to be recovered of ANG 15.4 million regarding 2001;
- That the increase or decrease of the regulatory account will be quarterly monitored and evaluated and yearly verified based on the audited financial report of the Group.

Based on this resolution, the Group was allowed to pass through any eventual under coverage of direct cost (fuel costs) to the customer if the fuel and other direct costs are not fully covered through the direct costs component of the applied tariff, due to the increase of the fuel costs of the production compared to the level of fuel usage. The aforementioned resolution was cancelled by the Government on April 6, 2011. In 2011 and 2012 there were no other major developments with regard to the tariffs until June 2012.

Monthly tariff adjustments starting June 2012
Due to the downward tariff adjustment as of April 2011 and the increase of the direct costs of production starting July 2011, the Group had to take some measures in order to guarantee its continuity. The Group performed an analysis of cost reduction possibilities in late 2011 and early 2012 which resulted in the following:

1) The savings that were and could be realized on the general expenses had or would have a limited impact on the bottom-line result of the Group;
2) The item that had the most weight in the income statement was still the fuel cost. The main cause for this is the inefficiency of the equipment at Mundu Nobo.

It is with the aforementioned results that the Group approached the regulator early 2012 with the request to reconsider the level of the tariffs for water and electricity. Bureau Telecommunicatie and Post (BTP) at that time was in the process of analyzing and redesigning the tariff structure for water and electricity. Considering the urgency for a solution, the process of the redesign of the tariff structure was split up in two phases. The first phase was focused on the redesign of the direct cost component of the tariffs. After an extensive period of discussions with BTP, the regulator proposed to the Government to introduce monthly adjustments of the direct cost component of the tariff for water and electricity. This would ensure coverage for the fluctuations in the fuel prices. As from June 1st 2012, tariffs have been adjusted on a monthly basis. The second phase being the redesign of the base component is ongoing.

Direct costs of production and other direct costs of sales:

This cost category reflects the usage of fuel usage, chemicals, lubrication, purchase of electricity and water from third parties, IUH-agreement expenses, expenses for the temporary rent of electricity production units and other direct costs of sales. The total direct costs of production and other direct costs of sales recorded in 2012 amounted to ANG 373.4 million and is ANG 23.9 million higher than in 2011 (ANG 349.5 million). The drivers for this cost increase were mainly:

- Higher realized costs of fuel in 2012 (ANG 302.9 million) compared to 2011 (ANG 287.9 million, resulting in an increase of ANG 14.9 million. The quantitative fuel usage compared to 2011 was lower but the average tariff for all fuel types were higher compared to 2011.
- Other direct costs of sales increased with ANG 19.2 (2012: ANG 23.8 million and 2011: ANG 4.6 million). This was mainly due to purchase of electricity from the newly operational wind farms and additional purchase of electricity from Curaçao Utility Comapany N.V. (CUC).
- Abovementioned increases were offset mainly by the decrease of ANG 9.6 million in lease expenses of temporary electricity production units (2012: ANG 14.5 million and 2011: ANG 24.1 million).

One of the objectives of the Government of the Country of Curaçao was to increase the quality of life of the citizens. As part of this objective the fuel tariffs were reviewed by the government, resulting in the elimination of the cross-subsidy between the fuel types that the Group used, starting July 2011. Consequently, the Group would be charged with market prices for all the fuel types it uses which would lead to increase of the direct costs.

Development "regulatory account":

The total realized coverage for the 'direct costs production' electricity and water amounted to ANG 266.5 million in 2012 (2011: ANG 263.1 million). The total realized 'direct cost production' and 'other direct cost of sales' were ANG 373.4 million, wereas the total amount of under coverage of direct costs from 2006 through 2010 was ANG 104.1 million.
Aqualectra continues to recognize the regulatory account of ANG 104.1 million and management still seeks compensation with the regulator and the Government hereof.

Development "regulatory account"	Amount under coverage in ANG
To be compensated to Aqualectra for 2006	2,917,755
To be compensated to Aqualectra for 2007	11,395,440
To be compensated to Aqualectra for 2008	74,179,925
To be compensated to Aqualectra for 2009	7,118,084
To be compensated to Aqualectra for 2010	8,531,000
Total amount to be compensated to Aqualectra at year end 2010	**104,142,204**

The regulatory account method was applied up to 2010. As of the year 2011, the under coverage of direct costs was being recovered differently in the tariff through the application of the new tariff structure previously explained.

Development operating expenses:

The total operating expenses amounted to ANG 252.0. million (2011: ANG 296.6 million). This decrease of ANG 44.6 million (15%) is mainly attributable to the following factors:

Personnel expenses totaled ANG 109.7 million in 2012, an increase of ANG 13.7 million from the recorded ANG 96.0 million in 2011. This increase is mainly attributable to higher salaries due to an increase in the labor force, and payment of salaries with retrospective effect from 2010 and 2011 and thereto related social security expenses.

Operational and maintenance expenses and hired services include the cost items material usage, repair and maintenance and hired services. This total cost item amounted to ANG 62.6 million in the year under report (2011: ANG 78.5 million). The ANG 15.9 million decrease is mainly a consequence of (i) less maintenance activities at the different electricity and water production assets, as mayor backlog maintenance has been performed in 2011 and (ii) less materials used and hired services contracted in the year under report for the maintenance of the Transmission & Distribution (T&D) assets for water and electricity.

General expenses regard the costs related to housing & car fleet, office expenses, communication & PR, insurances and security, consultancy and other sundry and general expenses. In 2012 a total amount of ANG 32.7 million has been recognized as general expenses, which is a decrease of ANG 14.0 million compared to 2011 (ANG 46.7 million). The decrease of the general expenses in 2012 is mainly due to (i) decrease in other expenses which is related to coverage for warehousing and purchasing expenses and, (ii) decrease in consultancy expenses.

Depreciation expenses amounts to ANG 42.9 million in the year under report (2011: ANG 45.3 million). This is a decrease of ANG 2.4 million compared to 2011. Depreciation costs are realized based the amount of assets on the balance sheet during the year under report.

Provision bad debt expenses amounts to ANG 4.0 million in the year under report (2011: ANG 11.2 million). This is a decrease of ANG 7.2 million compared to the year 2011. In 2011 there was an additional provision for general debtors outstanding till 2009, 2010 and 2011 from 0% - 30% to 100%.

Other expenses is nil in 2012 (2011: ANG 18.8). A claim settlement of ANG 18.8 resulting from the termination of the Scadta Real Estate C.V. (Scadta) agreements resulted in the recognition of these expenses in 2011. We refer to Scadta Loan in note 5.4.4.1.2.

1.3. Corporate Governance

In accordance with the "Stock Register" of Integrated Utility Holding N.V., the following information about the ownership of the Company can be disclosed:

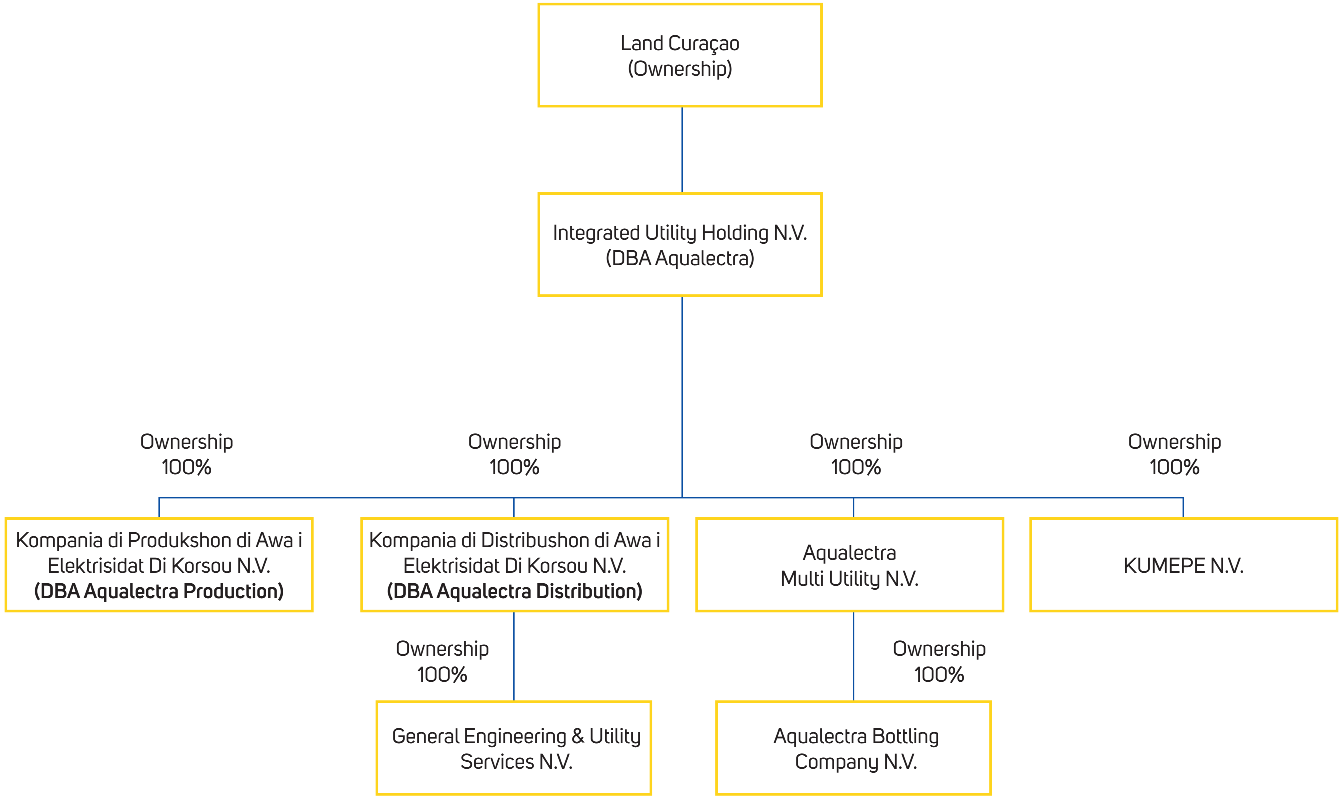
Common Shareholder

- As of June 1, 1998 a total amount of 470 issued common shares (nr. 1 to nr. 470) has been paid for by the "Eilandgebied Curaçao". The total amount paid is ANG 525 million.
- As of September 6, 2001 the total amount of 470 shares has been transferred by the Government "Eilandgebied Curaçao" to Stichting Implementatie Privatisering (STIP). STIP became the legal owner while the Government kept the economic ownership.
- As of December 14, 2010 the shares were transferred to the Government of Curaçao ("Land Curaçao").

The Company Structure

Integrated Utility Holdings (IUH) N.V. doing business as Aqualectra owns 100% of the shares of Aqualectra Production, Aqualectra Distribution, and Aqualectra Multi Utility;
Common shares of Integrated Utility Holding are 100% owned by the Country Curaçao;
The Supervisory Board of IUH N.V., appointed by the General Meeting of Shareholders (GSM), supervises policies pursued by the Management Board of Directors (BMD).

The following figure depicts the company structure as per December 2012



Annual report and legal structure

This annual report of Aqualectra, regards the consolidated report of management to the shareholders and other relevant stakeholders about the performance of the Group over the year 2012 and represents, the consolidation of the following companies into the report of Integrated Utility Holding N.V. (dba Aqualectra):

- Aqualectra Production (KAE N.V.) (100% subsidiary of Integrated Utility Holding N.V.)
- Aqualectra Distribution (KODELA N.V.) (100% subsidiary of Integrated Utility Holding N.V.)
- Aqualectra Multi Utility Company N.V. (AMU) (100% subsidiary of Integrated Utility Holding N.V.)
- General Engineering & Utility Services N.V. (GEUS) (100% subsidiary of Aqualectra Distribution (KODELA N.V.)
- KUMEPE N.V. (100% subsidiary of Integrated Utility Holding N.V.)
- Aqualectra Bottling Co. N.V. (100% subsidiary of Aqualectra Multi Utility Company N.V. (AMU)).

All the above mentioned entities are hereinafter referred to as "The Group".

Reference is also made to the articles of incorporation of Integrated Utility Holding N.V. Clause 7 of these articles regulates the management and control of the Group. In this clause it is also stipulated that all management actions with regard to the Aqualectra group of Companies are subject to supervision of the Board of Supervisory Directors.

As of December 18, 2011 new bylaws were incorporated for IUH N.V. and its subsidiaries. In conformity with these bylaws, the Board of Supervisory Directors has the supervision over management of all subsidiaries and management has to inform on the progress and action taken for each subsidiary separately. Also with the incorporation of the new bylaws, compliance was given to the Corporate Governance code as adopted by the Government of Curaçao on October 28th 2009.

Planning & Control Cycle of the Group

Good governance in corporate settings includes transparency, accountability, compliance and adherence to legal principles and procedures. Of course, the citizen will ultimately judge the Group by its performance in terms of (i) quality, (ii) reliability of supply and services, (iii) environmental burden and (iv) applied prices. Nevertheless, governance issues are also critical and considerations of good governance apply to the Group very much as they do to the society as a whole. Aqualectra' s philosophy hereby entails compliance to all corporate governance principles on the one hand and on the other hand embedding the internal planning & control cycle as much as possible into the corporate governance settings of the Group. This all while observing the Corporate Social Responsibility aspects of its performance.

Enterprise Resource Planning:

For the past years Aqualectra has been applying a planning & control cycle which starts with the periodic (every 3 years) update of its Enterprise Resource Planning (ERP). The primary objective of the Enterprise Resource Plan was aimed at the realization of the corporate objectives of the Group. In general, capacity- and efficiency deficiencies drive the Group's resource needs, which are identified in the Group's periodic update of its ERP.

The utility sector worldwide is lately in development and Aqualectra is not an exception in this matter. The most important developments can be summarized as follows:

- Change to more renewable energy sources and/or energy saving which include solar, wind and SWAC technology.
- Application of distributed generation concepts for power generation.
- Water production based on reverse osmosis technology, using electrical power as the driving source.
- Competitive market approach for both water and power supply.
- Strong demand of consumers for quality services in line with the needs of the consumer at competitive tariffs.
- A service driven organization based on modern IT platforms.
- Compliance with regulatory rules and good corporate governance practices.

These changes in technology and market parameters have induced Aqualectra to review its planning and control cycle and include the latest developments. This lead to the definition of a new strategic direction. This new direction is established in Aqualectra's strategic plan "A Refreshing Approach". This plan entails the following areas and respective responsibility:

Strategic Areas

Technical Area:	Commercial Area:	Human Capital:	Marketing & Communication:
• Water Supply • Power Supply • Efficiency Improvement • Reliability of Supply • Renewable Energy and Water Recycling	• Revenue Growth • Customer Service Recovery • Collections • Value added Services	• Compentence Management • Policy Development • General Advisory Role • Human Capital Development	• Internal Communication • Stakeholder Communication • Optimal use of New Media Technology

In order to address these areas and change the established direction up till 2012, Aqualectra devised a Turn Around plan which is based on the following investments:

Phase I (2013)	Phase II (2014 - 2016)
Recondition current Dokweg location for construction	Expansion of alternative generation capacity (Windfarm with 15 MW and installation of distributed PV generation capacity
Install new 35 MW power generation plant	Install new 18,000 M^3 per day Reverse Osmosis Plant replacement/enhancement. Location to be determined.
Install new 7,500 m^3 / day Reverse Osmosis Plant for replacement of Evaporation water production	Demolition of all remaining existing plants at Mundu Nobo.
Construct New 66kV substation for plant integration	Reconditioning current land for possible future developments.
Demolition of decommissioned plants	Project Finalization.
Project initiation document Phase II	

This turnaround plan will enable Aqualectra to face the challenges posed by the changing market requirements.

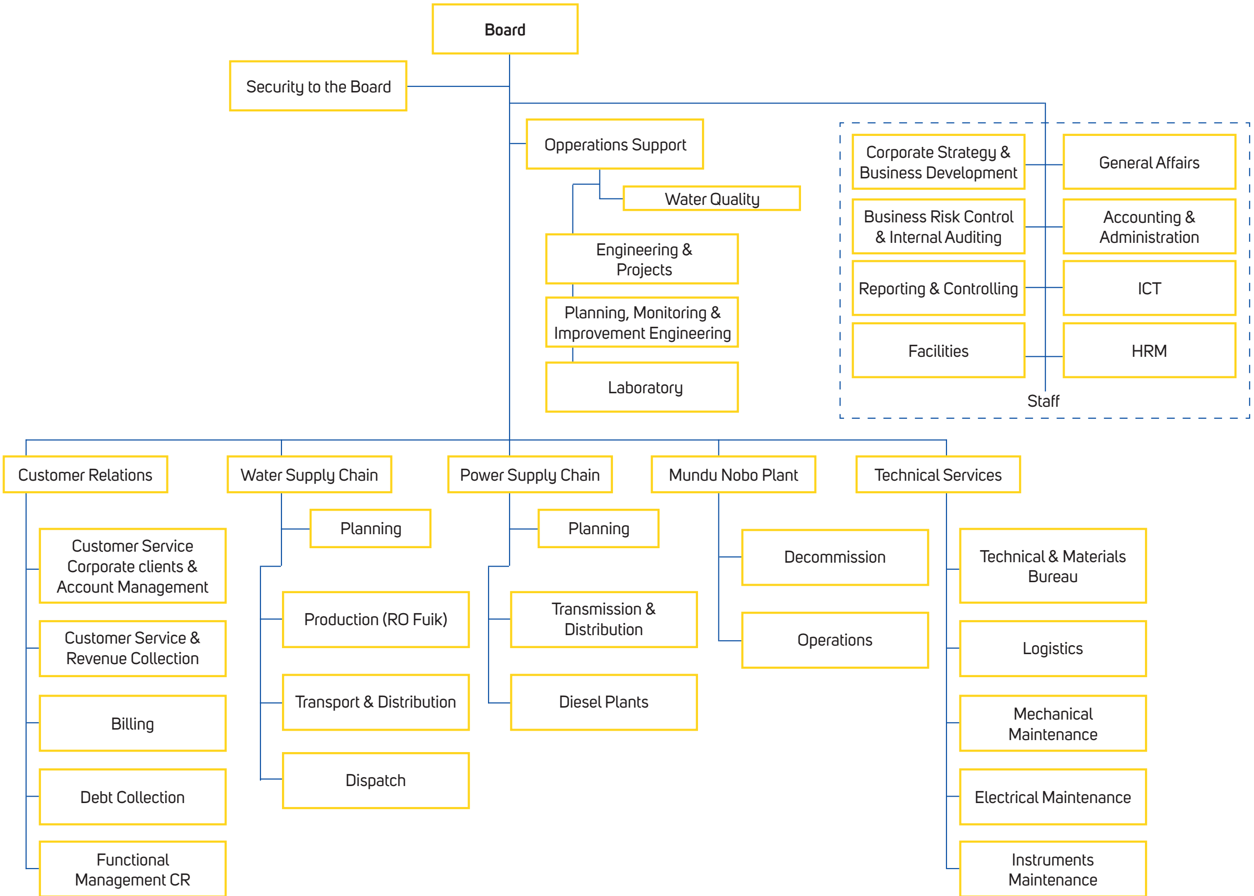
For the longer term a tactical plan is yet to be developed in order to realize the strategic ambitions as stated in the strategic plan “A Refreshing Approach”.

Business planning and consolidated budget:
Every year a business plan and a consolidated budget, including a 5 year forward looking projection, are drafted and submitted for approval to the Board of Supervisory Directors. This business plan includes management’s score card for the year ahead. In order to be effective with these planning & control instruments and comply with the ISO 9004 certification, the Group applies the EFQM (European Foundation for Quality Management) model of excellence. The EFQM Excellence Model is a practical tool that can be applied as a tool for self-assessment; as a way to Benchmark with other organizations; as a guide to identify areas for improvement; as the basis for a common vocabulary and a way of thinking and as a structure for the organization’s management system.

The business plan contains information about management’s objectives and intentions for the year under report. These are identified as the corporate enabling areas. These corporate enabling areas are (i) Strategy & Policy, (ii) People, (iii) Leadership, (iv) Partnerships & Resources and (v) Processes. Furthermore 4 result areas are identified being (a) people results, (b) customer results, (c) society results and (d) key performance (operational and financial) results. The business plan presents the different key performance indicators (KPI’s) per result area, which results are to be considered management’s score card for the year under report.

This planning process is aimed at the defined corporate objectives and is being executed, considering the different conditions as well as substantial facts and risks involved. Corporate Governance and Public Governance principles are also important and relevant in this regard. Aqualectra recognizes and respects the role Governments, its shareholder as well as a public entity have to play within the deployment of policy within the Group. Management considers it as well as its duty to sustain the Government, its Shareholder and the Board of Supervisory Directors as much as possible in this important task by complying completely and proactively through our planning & control cycle with all regulations, laws and internal procedures. Key words for Aqualectra in this regard are: transparency, disclosure and compliance.

Year Operational Planning and departmental budget:
The above-mentioned business plan and consolidated budget is the input for the yearly internal planning and budgeting cycle. The Group's internal structure is organized in 15 management areas. Please refer to "high level organization design" of the Group hereinafter.



For every internal area, Year Operational Plans (YOP) and departmental budgets are drafted and approved by Management, considering the guidelines and objective for the year under report as this is defined in the year business plan. Key performance indicators are in place for every management area, which is be the input for the yearly assessment and appraisal of middle management and staff.

Reporting:
Periodic reporting (monthly or quarterly and yearly) of each policy area are prepared, in which the realization of the KPI's are compared to the planned or projected KPI's. Management on its turn also periodically reports to the Board of Supervisory Directors about the realization vis-à-vis the planned and projected KPI's. Through a process of monitoring, reporting and compliance, the adherence to good governance within Aqualectra is assessed. Throughout the year 2012 Aqualectra executed the following process of monitoring, reporting and compliance:

- An audit of the Financial Statement of the Group conducted by the external auditor EY Dutch Caribbean (EY);
- Two audits conducted by Lloyds Netherlands related to the compliance with the ISO 14001: 2004 environmental management standards and the compliance with the ISO 9001/2008 management standards;
- An audit conducted by Dutch Accreditation Council RvA related to the compliance with the NEN-EN-ISO/IEC 17025: 2005 quality standards labaratoria;
- Regular internal audits performed by the Business Risk Control & Internal Audit department.

We are pleased to inform that all of the above-mentioned reviews and audits have been performed satisfactorily.

Board of Managing Directors 2011 and 2012

Year 2011 and early 2012 were very turbulent times for the Group's governance structure. The following is a recapitulation of the most relevant developments:

Changes in the structure of the Board of Managing Director (BMD):
In the second half of 2011, 3 of the 4 active Directors of the Board of Managing Directors were put on disciplinary leave. Settlement was reached with one of the former Manager Directors on March 1, 2012 and final settlement was reached with the two remaining Managing Director in July 2013. Since October 2011, the Group was managed by a BMD consisting of one Director. Given the length of time the recruitment process could take, an Acting CEO had to be appointed. The Chief Operating Officer, who was the only active Statutory Managing Director, was appointed by the Board of Supervisory Directors (BSD) as the Acting CEO effective October 4, 2011. In 2012 the BSD reviewed and changed the portfolios of the managing directors in consultation and by resolution of the General Shareholders Meeting (GSM) the portfolio changes and the titles of the Managing Directors positions were adjusted. The prescribed advice of Stichting Overheid Accountants Bureau (SOAB) was obtained and taken into consideration. The recruiting of 2 Directors started in May 2012 but the process has been placed on hold.

Limitations of the authority and proxy rights of the Board of Managing Directors:
As of June 2011 the BSD adopted a resolution to reduce the proxy authority of the BMD to ANG 50.00. The BSD designated one of its members to co sign financial transactions above ANG 50.00. This was for a period of 6 months mainly due to cash constraints as presented by the management in charge. As of January 6th 2012 this resolution was withdrawn and management regained the signing authority as stated in the by-laws of the group.

Furthermore, in an extraordinary GSM held on June 7, 2011, the shareholder resolved to withdraw all authority from the BMD specifically when it came to handling any matters concerning the Corporate Bonds of Aqualectra and the lease agreement between the Group and Scadta B.V. The BSD appointed and gave management authorities to two designated members to handle matters concerning the Corporate Bonds of Aqualectra and the lease agreement with Scadta B.V. Abovementioned decision of the shareholder ceased to exist in 2012 after resignation of the designated members.

Significant Change in the Financial Position of The Group

The 2011 transfer of the CUC Holding shares to Refineria di Korsou (RdK) for a nil consideration, had a far reaching effect in 2011 and the years thereafter on the financial position of the Group. In a letter dated February 14, 2013, the Group was informed by the Minister of Finance that based on a decision reached by the Council of Minister on October 31, 2012, stemming from the deteriorating financial situation of the Group and its investment needs, an independent third party was engaged to determine the value of the transferred shares. The third party concluded that a value of ANG 53.8 million is to be considered a reasonable estimation of the fair value of the shares transferred on January 19, 2011. The Council of Minister approved this valuation by resolution on February 20, 2013. A shareholders' resolution remains pending to be adopted to formalize the above mentioned. Management is in deliberation with both the Government and the Shareholders of both companies to accelerate the execution of the decision of the Council of Minister of February 20, 2013. More recently, in November 2013, a "Heads of Agreement" was reached to by the financial institutions with which negotiations are ongoing for the financing of the necessary investments and IUH in which the consideration for settlement of the transfer of the CUC share of 53.8 million is set as a condition for the execution of the agreement. The agreement must still be approved by Council of Minister.

The transfer of the CUC Holding shares for a nil consideration triggered the following series of events:

- Reassessment of the risk profile of the Group by the owner of the corporate bonds;
- Changes and further financing of the IUH N.V. agreement.

Until this date, negotiations with the Shareholder regarding the consideration for the transferred shares are still ongoing.

1.4. Compliance with the Corporate Governance Code

On October 29, 2009 the Executive Council of the Island of Curaçao has adopted a resolution "the Corporate Governance Code" in which the complete policy outlines of Corporate Governance principles for the State Owned Enterprises (SOE's) are stipulated. The Corporate Governance Code took effect as of January 1, 2010. This entails that all SOE's must record a separate chapter about the Group's corporate governance structure and its adherence to the Corporate Governance Code in their Annual Report.

Management considers it as its duty to sustain the Government, the Shareholders and the Board of Supervisory Directors as much as possible in this important task by complying completely and proactively through the Group's planning & control cycle with all regulations, laws and incorporated internal procedures. In order to be effective with this compliance, the Group, based on previously received legal advice about its compliance with the Corporate Governance Code, implemented several improvement plans. There are still some points of improvement which will be addressed in the year ahead.

Subject and items of the Code of Corporate Governance paragraph	Remarks
Tasks and operational model	
Timeliness of information delivery to the BSD.	During 2012 the BMD had a significant challenge to obtain required third party information for internal reporting in a timely manner resulting in certain delays. This, amongst other, due to the audit by FTI-Consulting and other events mentioned under subsequent events. Management is recuperating from this backlog but needs to strengthen the financial reporting department in order to achieve timely reporting.
Corporate objectives and Strategy	
Timely submission of business plan including operational and CAPEX budget.	The business plan 2012 was submitted and approved on March 8, 2012. This was not in accordance with the Corporate Governance Code or the existing articles of incorporation of IUH N.V. The delay was due to the introduction of a new budgeting process by the new BSD.
Financial policy	
Compliance of the annual account to the provisions of Book 2 of the Civil Code and provisions of the Code of Corporate Governance.	Due to significant and immediate changes in management policies implemented by the BSD during the period 2011 and 2012, the objective to comply with the Code of Corporate Governance and the provisions of Book 2 of the Civil Code in 2010, 2011 and 2012 annual reports has not been met. The disagreement by the BSD with the initial qualifying opinion on the 2010 financial statements, has led to additional delays. The financial statements 2010 was approved on May 13, 2014 and the 2011 financial statements was approved on October 21, 2014 by the BSD. Despite the above, management has committed to clear its backlog and be in compliance with the Civil Code with the issuance of the 2014 financial statements in 2015.
Timeliness of reporting information to the BSD	Due to mentioned circumstances, management was not able to provide all information on a timely basis. Nevertheless management is committed to comply with timely reporting starting in 2015 and forward. During this past period(s)the BMD however ensured in all cases to send the most relevant information in time to avoid significant disturbances in the BSD's monitoring role.
Quarterly reports and Risk reporting	Due to mentioned circumstances, management was not able to provide all information on a timely basis. Written and unwritten risk matters were all presented to BSD during the BSD meetings. Nevertheless management is committed to comply with timely reporting starting in 2015 and forward. During this past period(s) the BMD however ensured in all cases to send the most relevant information in time to avoid significant disturbances in the BSD's monitoring role.
Compensation BMD	Due to the Groups circumstances as mentioned previously, management has not been evaluated as indicated by Corporate Governance. Nevertheless management has submitted her performance report as required in November 2012. It should be noted that management, functioning as acting CEO of the Group does not receive any additional compensation since being appointed.

Beside the abovementioned points, the Board of Managing Directors identified the following specific points of improvements:

Section of the Code of Corporate Governance paragraph	Description	Subject	Remarks
		Selection, appointment of BSD- and BMD members and compensation of members	
4	Shareholder	• Installation of an entity responsible for the advising and assistance of the Government with the selection, appointment and remuneration of the members of the BSD and the BMD.	• No activities to be mentioned on this matter in 2012.
		Financial reporting	
5	Remaining principle	• BSD supervision and enforcement of the internal procedures.	• The BSD is in the process of developing formal supervision guidelines.
		Appointment, remuneration and performance review of external auditors	
		• Attendance auditor at the GSM	• Since the 2010 and 2011 financial statements were issued subsequent to 2013, the external auditors did not attend any GSMs during 2012. The external auditor did, however, attend one audit committee meeting during 2012 where the 2010 financial statements were discussed.
		• Review performance of the external auditor and presentation of the conclusions to the GSM.	• Throughout the audit, the performance of the external auditor during 2012 has been reviewed. The conclusions of the review will be presented to the GSM when the financial statements are discussed.

Management will facilitate the Board of Supervisory Directors with the information needed to follow up on these specific improvement points.

1.5. Corporate Citizenship

Corporate Social Responsibility (CSR)

Aqualectra has a firm believe that its CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its adherence to law, ethical standards, and international norms. Consequently, its business would embrace responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, Aqualectra proactively promotes the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Therefore it is for management essential that the public interest is included into the corporate decision–making, and by doing this, honoring of a triple bottom line: People, Planet, Profit.

Small contributions to sport-, religious or cultural events:

Aqualectra regularly receives requests from the general public for small contributions to sport-, religious- or cultural events. During 2011 the Board of Supervisory Directors imposed a stop on these donations until a clear donations policy was developed. Meanwhile all the Sponsorship and Donations were to be approved by the Board of Supervisory Directors. By the end of 2013 a new Sponsorship and donation policy was adopted.

Aqualectra deemed it as its responsibility to sustain major sport activities or sport organizations. During 2012 Aqualectra was permitted, under the reigning circumstances, to continue the sponsorship of the football club Centro Dominguito. Aqualectra sponsored this team with a total of ANG 50,000. Other sponsorships were put on hold in light of the financial challenges of the Group and also the resolution by the Board of Supervisory Directors. Furthermore Aqualectra has started up the process to formulate a new Sponsoring and Donation Policy, in which the Corporate Social Responsibility philosophy will play a central role. This new policy was approved in 2013.

Excursions to the production plants:

It is Aqualectra's believe that every citizen of our island must be made conscious about the fact that water and electricity are very scarce on the island and that it takes a lot of efforts and energy to make this water and electricity available for the community. The reason for this consciousness is driven by the fact that it is in the consumers' own economic interest to be efficient with the use of these utilities and on the other hand it is from an environmental standpoint an interest for the whole community to be efficient with these scarce resources. During the year under report, different excursions to the Group's production plants and technical facilities for schools and interest groups (including tourists and universities) have been sustained by our Communication department, during which excursions the production process of water and generation processes of electricity have been explained.

ISO 14001: 2004

The Group is conscious of the impact that its operations can have on the overall environment and the community it serves. Aqualectra continues to make every effort to minimize this possible negative impact effectively. By obtaining the ISO 14001 in 2005, the Group explicitly specifies in its business processes the actual requirements for an environmental management system and adheres to those environmental aspects which the organization has control over and which it can be expected to have an influence on.

By continuation of the ISO 14001: 2004 standard in 2012, the Group proactively shows the community it serves, that it wishes to:

- implement, maintain and improve an environmental management system;
- assure itself of its compliance with its own stated environmental policy;
- demonstrate compliance;
- ensure compliance with environmental laws and regulations;
- seek certification of its environmental management system by an external third party organization;
- make a self-determination of compliance.

1.6. Other important milestones and developments

Investments:

A total amount of ANG 22.9 million has been invested in 2012. These investments were mainly realized in:

Aqualectra Production	ANG 8.0 million
Aqualectra Distribution	ANG 14.9 million
Total	**ANG 22.9 million**

The invested amounts are mainly related to the following projects:

Aqualectra Production

- Extension of the Reverse Osmosis plant at Santa Barbara;

Aqualectra Distribution

- Electricity and water metering;
- Restructuring High Voltage Grid 30 kv cable Zegoe - Tera Cora;
- Execution of special projects.

1.7. Future prospects

Fuel price volatility:
In the past Aqualectra defined fuel price volatility as a major risk. Aqualectra still recognizes fuel price to be of risk even though this risk has been mitigated by the tariff setting structure introduced per June 2012 described in note 1.2 of this report. Aqualectra still considers the ANG 104.1 million which resulted from undercoverage in fuel costs between 2006 till 2010 to be recovered.
With the application of a fuel clause in the tariffs, a full fuel pass trough can be considered to be applicable. Nevertheless, monitoring the fuel price volatility will remain of high importance for Aqualectra.

Fuel diversity:
Aqualectra is a firm believer of the value of fuel diversity in order to help stabilize fuel costs as well as to maintain and improve overall system reliability. In 2009 the realization of the new wind farm at Tera Cora was tendered. Once this tender was completed, management decided to renew the wind farm at Playa Canoa. This resulted in a new wind farm of total capacity of 30 MW. With the inclusion of this wind farm, 18% of total energy requirement of Curaçao will be provided through alternative (wind) energy.

Corporate objectives:
As stated before, good governance in corporate settings includes transparency, accountability, compliance and adherence to legal principles and procedures. Ultimately the citizen will judge the Group by its performance in terms of (i) quality, (ii) reliability, (iii) least environmental burden and (iv) least applicable costs. In order to be transparent and effective, the Group has identified the value of these 4 objectives and has also drafted a roadmap based on which these corporate objectives must be met (mission).

Infrastructure:
Aqualectra's investment plan is aimed at replacing the existing production units for water and electricity as well as expanding the total capacity of these production units in order for the Group to be able to cope with the future demand for water and electricity. This investment plan is phased over the period 2010 till 2015. Within this time frame the following investments have been identified:

- **Expansion and renewing the total capacity of electricity generating units in 2015.** In 2015, the total demand for electricity is expected to be between 115 MW and 140 MW. Significant investments have been made in 2013 and are required in 2014 and beyond.
- **Renewing and expanding the total capacity of Sea Water Reverse Osmosis production up to 54,000 m^3 per day in 2017.** In 2017, the total demand for water is expected to be 45,000 m^3 per day. Significant investments are required in 2015 and 2016.
- **Expansion and renewing the total capacity of electricity generating units in 2015.** In 2015, the total demand for electricity is expected to be between 115 MW and 140 MW. Significant investments have been made in 2013 and 2014.
- **Renewing and expanding the total capacity of Sea Water Reverse Osmosis production up to 50,000 m^3 per day in 2017.** In 2017, the total demand for water is expected to be 45,000 m^3 per day. Significant investments are required in 2015 and 2016.
- **Expansion of energy generated by the wind farm with an additional 15 MW** through an amendment of the current Power Purchase Agreement (PPA).

The expected generation capacity of the Group in 2015 consists of self-produced and purchased capacity as follows: self-produced - 93% (HFO diesel units (70%), wind energy (22%) and solar energy (1%)) and purchased power (7%). The road map to realize these investments have already been presented to the Board of Supervisory Directors of the Group who are fully prepared for its execution. A very remarkable point that must be accentuated in this road map is the fact that the Mundo Nobo technical facility will be phased out after the above-mentioned investments have been realized.
Systems:

It is important for the Group to realize the necessary improvements and upgrading of the current systems. The primary systems that will be improved and upgraded in the period 2013 through 2016 are:

- SCADA system (Supervisory Control & Data Acquisition): Regards the upgrading and improvement of the Group's dispatch and control centre.
- AMR/AMI systems (Automatic Meter Reading and Advanced Metering Infrastructure): Regards the improvement of the metering of the water and the electricity flows in the applicable distribution grids as well as at the customer premises.
- GIS systems (Geographical Information System): Regards the improvement and alignment of the technical drawings database of the distribution grid of water and electricity aligned with the Customer Relation data base.
- ERP system (Enterprise Resource Planning systems): Regards a new system that will increase efficiency, achieve synchronization of processes, streamlining of processes among departments and optimization of the usage of information.

Organization, Personnel, Headquarters, Processes and Procedures:

The aforementioned road map will lead the Group to a situation in which the Mundu Nobo production facility will be phased out in 2015. It must also be noted that between 2015 and 2020 approximately 183 employees will reach their retirement age if the age of 60 continues to be applied as the retirement age. Taken into account the aforementioned developments and in order for the Group to be more efficient, the Group's organizational structure must be redesigned. Aqualectra engaged in the implementation of the reorganization project called "THE NEXT STEP" as of January 2011. While organizational integration has taken place as of January 1, 2011, during 2011 the Board of Supervisory Directors instructed the Board of Managing Directors to abandon the physical integration plan.

During 2011 preparations were made to proceed with the integration of business processes and information/ operation systems within the Group. It was projected that the integration of the business processes and information/ operation systems will be ready for execution during the year 2013. In 2011 and 2012 decisions were taken that have led to the temporary stop of some related projects. New deadlines for the completion of the projects have not been approved yet.

Financing:

In order to realize the above mentioned corporate objective, it will also be necessary to have the financial resources in place. Determining factor within the scope of these corporate objectives will be the least cost option criterion. Lower cost per unit can be realized, because of (i) relative less cost of fuel because of more wind- and heavy fuel oil generation of electricity, (ii) relative less personnel cost, because of less personnel due to automation of certain processes and (iii) relatively less maintenance cost, because of an acceptable and rational over capacity, considering the development of the demand. The aforementioned efficiency gains can be offset against the expected additional capital charges, which are expected to be higher than the current capital charges, because of the amount of capital expenditure needed.

On November 2, 2012 management presented the turnaround plan for the Group to the bankers' association. With this, the financing efforts for IUH started.

Currently the Group is pursuing endeavors to realize its financing strategy for the aforementioned roadmap of necessary investments and business improvement actions. These endeavors continuously strand on the weakened financial position of the group. We refer to subsequent event in note 5.5.9 for an update on the more recent events regarding financing of the required invesments.

Regulatory structure:

In December 2009 the Government informed the Group that a regulator has been appointed. Bureau Telecommunication and Post (BTP) was appointed as the regulator, policy and tariff setting advisor for the Government. The regulator acting in this role presented the policy paper "Beleidsnota regulering elektriciteitsvoorziening Curaçao 2011 – 2015, for consultation, to the stakeholders in November 2010. The Government adopted the memorandum in 2011.

The Board of Managing Directors has requested the opinion of several experts, including legal experts, in order to determine an objective point of view towards the memorandum. The Board of Managing Directors was and still is an advocate of the stipulation and implementation of an energy policy by the Government of the Country of Curaçao. The ongoing conversations with the Government, BTP and other stakeholders aim to get all parties in the same direction and segregate the various roles in order to have clarity on the results.

Since 1981, the Group has been operating without a concession. In 2011 the process for preparation and adoption of a new concession for electricity production and distribution started and were finalized in 2012. The electricity production and distribution concessions mandated the Group to make a security deposit of ANG 34 million in 2012. Besides the financial requirements, the concessions also have technical requirements that the Group must comply with. Management requested the regulator for consultation on the compliance issues that have been identified. An amended concession was agreed to by the Council of Ministers on June 11, 2014, issued by the Minister of Finance on June 19th of the same year and formalized on November 6, 2014. This new concession substitutes the concession adopted in 2012. We refer to subsequent event in note 5.5.9.

Continuous improvement:

Furthermore, Aqualectra will continue its pursuit of operational excellence throughout its organizational performance improvement programs within its business operations. The optimization of the production and distribution processes will continue together with non-revenue programs to lower the non-revenue for water and electricity as well as its policy aimed at cost rationalization and efficiency improvement. Customer care will remain a focal point of policy and the target is set to improve service and customer satisfaction.

Finalization of financial statements 2012:

Management acknowledges that the financial statements 2012 are delayed. This is against by-laws, corporate governance code and civil laws but mostly against the morale by which the Group serves her stakeholders. Based on the above, management has requested and obtained an extension for the submittal of the 2012 and 2013 financial statements from the shareholder.

These extension periods have also expired. An explanation for the late submittal of the financial statements 2010 and subsequent financial statements can be found in the position taken by the Board of Supervisory Directors and Shareholder.

Upon presentation of the financial statements 2010 in November 2012, the BSD approved the financial statements but did not agree on the qualified opinion to be issued by the auditor. Nevertheless, management presented the financial statements 2010 to the shareholder which on its turn asked their internal auditor (SOAB) for advice. Based hereon, management was instructed to eliminate the causes of the qualification by the external auditor. The qualified opinion was based on:

- CUC share transfer

  Management has been trying to solve this matter and has done its utmost under its ability and influence to resolve this issue with the parties involved but has not bin able to come to a satisfactory solution. Therefore, management has not been able to provide the external auditor with sufficient appropriate and corroborative audit evidence regarding the valuation and recognition of this balance as per year-end 2010. All relevant information and subsequent events have been disclosed in these financial statements (reference is made to 5.5.9. "Subsequent events").

- IUH Corporate Bonds

  Management has been trying to solve this matter but has not been able to reach a satisfactory solution. Therefore this qualification remains applicable. For further information on this, Management refers to note 5.5.9. of these financial statements where further developments on the steps taken by management are disclosed.

The financial statement of 2011 was approved on October 21st, 2014 by the Board of Supervisory Directors of the Group with the remaining qualifications. The financial statement 2011 is still to be approved by the Shareholder of the Group with the same qualifications.

As indicated in note 5.5.9 "subsequent events" the issues with regard to the CUC share transfer and the IUH Corporate Bonds are still not resolved.

Willemstad, December 13, 2014

On behalf of the Board of Managing Directors,

Mr. D.P. Jonis M.Sc. MBA
Acting Chief Executive Officer

2. REPORT OF THE BOARD OF SUPERVISORY DIRECTORS

2.1. Legal structure of the Group

This annual report of Aqualectra, regards the consolidated report of management to the shareholders and other relevant stakeholders about the performance of the Group over the year 2012.

In accordance with the "Stock Register" of Integrated Utility Holding N.V., no changes were made to the legal structure of the Company nor to its ownership during the year 2012.

2.2. Corporate Governance

The Board of Supervisory Directors (BSD) considers it as its duty to assist the Government and the Shareholders as much as possible with the supervision and guidance of the Group as is prescribed for a BSD in the several rules and regulations regarding corporate governance.

This entails that the BSD must supervise the execution of the general vision and mission, adherence to all regulations, laws and embedding of incorporated and internal procedures by the Board of Managing Directors. A tool that can help with the monitoring of the goals and with the important tasks of the BSD is the planning & control cycle of the Group. Furthermore, the specific requests stipulated by the Shareholders that have to be executed or reported on.

The period after the balance sheet date till signing of this annual report has been an intensive period comprised of various activities for the BSD. The following events subsequent to the balance sheet date have a significant impact on the performance of the Group:

Changes in Board of Managing Directors

Upon the placing of the three former members of the BMD on disciplinary leave in October 2011, new Directors had to be appointed to ensure the continuity of decision making and progress within the Group. Given the length of time the recruitment process could take, an Acting CEO had to be appointed. The Chief Operating Officer, who was the only active Statutory Managing Director remaining, was appointed by the BSD as the Acting CEO effective October 4, 2011. The Group has since been managed by a BMD consisting of one Managing Director. During 2012, the Managing Director received special support from the BSD and/or consultants and managers which have been assisting for this specific purpose.

Changes in directors title and portfolio

The BSD has reviewed and rearranged the portfolios of the Managing Directors in consultation and by resolution of the General Shareholder Meeting. The portfolio containing the technical operations remained unchanged. In conjunction with the portfolio changes, the titles of the Managing Directors positions were adapted. The prescribed advice of SOAB was obtained and taken into consideration. The new BMD structure is as follows:

Commercial Director

The purpose of the position is to develop, plan and implement commercial and marketing activities in order to meet company target/results for retention growth and profitability, and to contribute to the executive management of the IUH operating companies. The Commercial Director will be committed to customer service excellence and will take the lead role in developing and managing service based partnerships and business relationships with related stakeholders of the IUH operating companies to further deliver and shape the operating companies strategic aims.

General Services Director

The purpose of the position is to lead the general and organizational support departments for the several operating companies, to ensure that the companies have the systems, procedures, necessary information and required resources in place to fulfill its mandate. The departments perform a range of corporate support functions, including core corporate services such as: General Affairs, Finance and Accounting Management, Human Resource Management, Information Affairs (Record and Information Management & ICT Management), Facility Management, Quality Management, Media and Communication Management and Legal Affairs.

Industrial Director

The purpose of the position is to lead and to oversee all Production management, maintenance, transportation/transmission, distribution management and other operation department of the Industrial Operations Division regarding the production and distribution of drinking water and electric energy. The Industrial Director (ID) has to ensure that the companies of the IUH have the systems, procedures, necessary information and required resources in place to fulfill its mandate. He gives direct guidance to managers of the departments of the Industrial Operations Division.

The Executive Technical Director Operations and the Acting CEO were assessed for the position of Industrial Director and later on, to be exact on April 26, 2012, appointed by the GSM to this function. The prescribed advice of SOAB for aforementioned appointment was obtained and taken into consideration. Nevertheless this appointment was never formalized due to the fact that this would imply significant organizational changes.

Special assignment for Vice President of the BSD

The recruitment process for the new Managing Directors was started in May 2012. The BSD has chosen for a representation in the recruiting committee. The Vice-President of the BSD was appointed as the representative of the BSD in the recruitment committee. The recruitment process was placed on hold.

- Effective January 17, 2013, the BSD appointed a "Titular" Technical Director for the Group. The Technical Director replaces the Industrial Director position mentioned above and maintained the same role and responsibility as described above. The remaining general and organizational support departments have been assigned to the Acting CEO who previously held the position of Executive Technical Director.
- In late 2013 management assessed the Board of Management Directors structure and composition of the board, in order to start the recruitment process and fulfill the vacancies in the Board of Managing Directors. Currently this advice is under review by the Board of Supervisory Directors in order to inform the Shareholder with respect to filling the vacancies in the Board of Managing Directors.

  All the activities mentioned above were approved by means of a resolution by the GSM.

2.3. Compliance to the Corporate Governance Code

Based on detailed assessment of the Board of Supervisory Director's activities, we identified the following improvement activities to be planned and executed in the years ahead:

Subject and items of the Code of Corporate Governance paragraph	Remarks
Tasks, responsibility and working method	
Timely adoption of business plan including operational and CAPEX budget for the coming year	The budget 2012 was approved by the BSD on March 8, 2012. The significant delay was due to the introduction of a new budgeting process by the new BSD.
Supervision on: well considered enterprise risk management	During 2012 risk meetings were postponed due to absence of formal appointment of Risk Committee members. General risks were discussed during the Board of Supervisory Directors and Audit Committee meetings.
Supervision on: timely held General Shareholders meetings	During 2012 there were several General Shareholders meetings (AvA) and extraordinary General Shareholders meetings (BAvA). Various topics were discussed and resolutions were adopted. The annual report 2011 was not addressed in these meetings since the finalization of this report was delayed for various reasons.
BSD meeting, at least once a year, about the assessment made by the BMD of the set up and effect of the risk management and control systems and about the significant changes therein.	Various risk topics were addressed in the various BSD meetings. These resulted in amongst others assignments to the Business Risk Control & Internal Audit department.
BSD meeting, at least twice a year, making a self-assessment of the BSD, the BMD and its individual members and conclusions drawn on the assessment (without BMD present).	No meetings were held during 2012 in which the functioning of BSD and BMD were discussed.
Other BSD committees Audit committee:	The audit committee held 2 meetings in 2012, one of which was attended by the external auditor. The Group's delicate cash position, status of the 2010 audit and findings presented by the external auditor are amongst the topics discussed in the meetings.
Changes in BSD members	Two BSD members resigned in 2012. Mr. W.F.R Wiels resigned on November 9, 2012 followed by Mr. O.C. van der Dijs on December 27, 2012 No new members were added to the BSD during 2012.
Secretary of the BSD	In January 1, 2012, Mr. D. Vlieg was appointed as secretary of the BSD. He resigned on January 31, 2013 whereafter it was decided that the BSD will share a secretary with the BSD of RdK (Mrs L. Rosendal).
Resignation schedule for the BSD members	During 2012 a resignation schedule was enacted. This schedule was adjusted in 2013 based on the changes in the BSD and was adopted by the BSD members and the Shareholder on May 13, 2014.

2.4. Overall compliance with the Corporate Governance Code

The Group strives to be compliant with the Corporate Governance Code as adopted by the Government of Curaçao. Therefore the Group engaged in a Corporate Governance audit. As part of the compliance audit, the following checklist is statued against the requirement of the Code as adopted by the Government.

Checklist	Compliance			
	Document Description	Yes	No	Explanation
1	Agenda BSD meetings 2012	√		No minimum meeting frequency has been established by the BSD for 2012. The minimum meeting requirement has however been included in the by-laws in accordance with the Corporate Governance Code and the BSD has met on numerous occasions in 2012 exceeding the minimum requirement.
2	Policy plan		√	The business plan 2012 was submitted and approved in March 2012. This was not in accordance with the Corporate Governance Code or the existing articles of incorporation of IUH N.V. The delay was due to the introduction of a new budgeting process by the new BSD.
3	Business plan 2012		√	The business plan 2012 was submitted and approved in March 2012. This was not in accordance with the Corporate Governance Code or the existing articles of incorporation of IUH N.V. The delay was due to the introduction of a new budgeting process by the new BSD.
4	Annual plan incl. budget and investment plan 2012		√	The business plan 2012 was submitted and approved in March 2012. This was not in accordance with the Corporate Governance Code or the existing articles of incorporation of IUH N.V. The delay was due to the introduction of a new budgeting process by the new BSD.
5	Financial report 2011		√	The financial report was approved on October 21, 2014 by the BSD. The financial report has not yet been approved by the GSM. Explanation for the delay in approval is available.
6	Annual report 2011		√	The annual report was approved on October 21, 2014 by the BSD. The financial report has not yet been approved by the GSM. Explanation for the delay in approval is available.
7	BSD report 2011		√	The BSD report 2011 was included in the 2011 financial report. However, the report was approved late on October 21, 2014. Explanation for the occurred delay in approval is available.
8	Management letter 2011 External Accountant		√	Management Letter 2011 has not yet been issued. Most important findings with regard to deficiencies in internal controls have however been discussed with both the BSD and BMD.
9	Minutes BSD meetings 2012		√	The BSD has met on numerous occasions in 2012 exceeding the minimum requirement as stated in the in the by-laws and the Corporate Governance Code. Not all meetings were properly minutized or signed.

Checklist	Compliance			
	Document Description	**Yes**	**No**	**Explanation**
10	Organizational chart 2012	√		
11	Profile BSD	√		A competence profile of the BSD is included in the Regulations Board of Supervisory Director. The competence profile has not been evaluated or approved by the General Shareholders' Meeting (AVA).
12	Regulations BSD		√	These regulations were adjusted in 2013 in order to comply with the Corporate Governance Code.
13	Regulations BMD	√		These regulations were adjusted in 2011 in order to comply with the Corporate Governance Code.
14	Regulations various BSD committees		√	These regulations are not available, only general BSD regulations are available. The BSD is evaluating the committees to be instituted in order to adopt the regulations for these committees.
15	Dividend and reserves' policy		√	These policies are to be established and approved by the GSM.
16	Resignation schedule BSD		√	The BSD adopted a resignation schedule for the BSD members on May 13, 2014.
17	Corporate bylaws	√		These were adjusted in 2011 in order to comply with the Corporate Governance Code.
18	Meeting schedule of the BSD 2012		√	The BSD has met on several occasions in 2012 exceeding the minimum requirement as stated in the by-laws and the Corporate Governance Code. No meeting schedule was formally agreed to by the BSD for 2012.
19	Audit Committee 2012		√	An Audit Committee has been appointed and Audit Committee meetings were held during 2012. The Audit Committee was not fully functional however due to a lack of members and did not fulfill all its responsibilities with regard to supervision of the BMD as prescribed by the Code Corporate Governance. In addition, the minimum requirement that at least two meetings must be held with the external auditor in the absence of the BMD was not met. The external auditor did however meet on various occasions with the BSD.
20	Agenda of any other committee meetings 2012		√	See explanation under 14
21	Minutes of any other committee meetings 2012	√		Not applicable as there were no other committees.
22	Overview of additional function occupied by BSD members 2012		√	The BSD is in the process of inventorying this requirement in order to comply.
23	Self-evaluation results by the BSD 2012		√	This has not been performed during 2012 due to changes (discharge and resignation) in the BSD prior to year-end.

2.5. Annual financial report and dividend proposal

We herewith submit the consolidated annual report 2012 of Integrated Utility Holding N.V. (d.b.a. Aqualectra) as prepared by the Board of Managing Directors and approved by the Board of Supervisory Directors. EY Dutch Caribbean has audited the consolidated financial statements for the year ended December 31, 2012; their opinion is included in this annual report.

Based on the Enterprise Resource Planning, the new strategic direction established in Aqualectra's strategic plan "A Refreshing Approach and the Turn Around plan to the company, the necessary investments in the relevant strategic areas indicated in the strategic plan of the company are addressed. This in order to guarantee the supply of electricity and water to the island of Curaçao. The Board of Supervisory Directors has been duly informed and updated about the corporate objectives being (i) quality of the supply, (ii) reliability of the supply, (iii) less environmental burden and (iv) least cost option of the supply. The Board of Supervisory Directors fully sustains these objectives and the way Management is complying with its targets in order to finally realize these objectives.

In 2012 several developments occurred with respect to tariffs and tariff calculations.

As of 2003, with exception of the years 2005 and 2007, in which a return on equity of 12.8% respectively 9.6% was realized, the projected return (8%) on equity has not been achieved, mainly because the recovery of the fuel and other direct cost under coverage has not been timely allowed by the Island Government.

In light of the losses incurred in the past years and the reporting year 2012, it is of utmost importance to strengthen the Shareholders' equity. For this reason and despite the absence of a formal dividend policy, it is advisable not to distribute dividends for the coming years even in the event of a profitable operations of the Group.

Considering the afore-mentioned, the Board of Supervisory Directors advises to:

1. Accept the financial statements 2012 as included and approved by the Board of Supervisory Directors;
2. Approve that no dividend payment to the common shareholders will be distributed for the coming 5 years;
3. Add the result (after tax) for financial year 2012 to the balance of the accumulated losses;
4. Discharge the Board of Managing Directors for their management and the Board of Supervisory Directors for their supervision during the year under report.

2.6. Composition of the Board of Supervisory Directors

On December 31, 2012 the Board of Supervisory Directors of Integrated Utility Holding N.V. consisted of the following Directors:

	Name	Function
1	Mr. R.A. Treurniet (as of November 29, 2010)	Director
2	Mr. R.H. Doest (as of June 30, 2011)	Director
3	Mr. W.J. Christiaans (as of December 7, 2011) (Member of Audit Committee)	Director

- In addition to the above noted Directors, the following persons were members of the BSD during 2012:
  - Mr. O.C van der Dijs - Chair person (as of November 24, 2010 till Decmber 27, 2012)
  - Mr. W.F.R Wiels - Director and Member of Audit Committee (as of April 6, 2011 till November 9, 2012)

Mr. O.C. van der Dijs was discharged on December 27, 2012 and Mr. W.F.R. Wiels resigned on November 9, 2012 due to personal reasons.

- Subsequent changes in the Board of Supervisory Directors
  - Mr. W.J. Christiaans was discharged of his duties as of February 8, 2013
  - Mr. R.A Treurniet was discharged of his duties of February 8, 2013

- In their place the following Directors have been appointed:
  - Mr. M.F. Willem, Chairman of the Board as of February 27, 2013
  - Mr. A.A. Hamoud as of February 27, 2013
  - Mrs. T. Prins as of March 25, 2013
  - Mr. D.G. Rosaria as of March 25, 2013 till March 26, 2014
  - Mr. H. R. Haile as of August 19, 2013
  - Mr. D.E. Evertsz as of September 11, 2013

Mr. D.G. Rosaria resigned on March 26, 2014 for personal reasons.
Mr. R.H. Doest remains in the Board of Supervisory Directors till reporting date.

In accordance with the articles of incorporation of Integrated Utility Holding N.V., members of the Board of Supervisory Directors are entitled to a financial compensation. In the year under report, the following compensations have been paid to the respective Board Members.

	Name	Net amount in ANG
1	Mr. O.C. van der Dijs (as of November 24, 2010 until December 28th 2012)	13,000
2	Mr. R.A. Treurniet (as of November 29, 2010 until February 8, 2013)	11,000
3	Mr. E.A. Vlieg (as of January 1, 2012 till January 31, 2012)	986
4	Mr. W.F.R. Wiels (as of April 6, 2011 till November 9, 2012)	10,000
5	Mr. R.H. Doest (as of June 30, 2011)	11,000
6	Mr. W. J. Christiaans (as of December 7, 2011 till February 8, 2013)	11,000

The Board of Supervisory Directors would like to point out that none of its members have any other relationship with Integrated Utility Holding N.V. and are therefore independent. All members of the Board of Supervisory Directors frequently attended the meetings of the Supervisory Board and the relevant subcommittees of the Supervisory Board. The Board of Supervisory Directors would like to address a special word of thanks to the Board of Managing Directors and the Staff of the Aqualectra companies for their contribution to the further development of Aqualectra.

2.7 Assertion of the Board of Supervisory Directors

The Board of Supervisory Directors of Aqualectra approved the Financial Statement of 2011 in the Board meeting held on October 21, 2014. The external auditor emited a qualified opinion based on matters for which the Board of Managing Directors and the Board of Supervisory Directors could not give sufficient comfort to the auditor with respect to the manner in which the Group has addressed and / or will address these matters. The audit findings and the qualifications thereon of the external auditor can be summarized as follows:

Corporate bonds IUH

The Company was not in compliance with some covenants of the Offering Circular of the bonds as per December 31, 2011 as disclosed in the notes to the consolidated financial statements, "Corporate Bonds Integrated Utilities Holding N.V.". Further, reference was made to the "General accounting policies" regarding the delicate liquidity position of the Group which may affect its ability to make principal and/or interest payments on the bonds in the future.

Considering the aforementioned, the Central Bank of Curaçao and Sint Maarten ("CBCS") could declare the principal of the bonds and related interest to be immediately due and payable. Management was unable to provide sufficient evidence regarding the current position of CBCS. As a consequence of the above-mentioned matters, the external auditor indicated that they were unable to obtain sufficient appropriate audit evidence about the carrying amount of this asset and therefore to determine whether any adjustments to the valuation of the financial asset were necessary and the effect thereon on the Consolidated Statement of Comprehensive Income.

Investment in equity accounted investees

Reference is also made to the financial statements 2011, where it is disclosed that as per year end 2011 there was an ongoing discussion between the Company and the Company's Shareholder regarding the valuation of the investment in the equity accounted investee, Curaçao Utility Company Holdings N.V. ("CUC Holdings"). Based on the assumptions and valuation model generally used by management for determining the value of the investment, the management of the Company was of the opinion that the current value of this investment at December 31, 2010 was approximately ANG 62.1 million. In January 2011, the Shareholder decided to transfer the shares of CUC Holdings to Refineria di Korsou N.V. ("RDK") for a nil consideration. As a consequence of this decision of the Shareholder, as disclosed in the Financial Statements 2010 of March 13, 2014, management has impaired the value of the participation in CUC Holdings to nil as per December 31, 2010. The external auditor indicated that they were unable to obtain sufficient information to come to an opinion with regard to the current recognition of the loss on this investment position and whether it complied with the requirements of IAS 24, related parties disclosures.

The Board of Supervisory Directors approved the Financial Statement of 2010 on March 25, 2014 and on April 9, 2014 this Financial Statement was presented to the General Meeting of the Shareholders. The Council of Ministers accepted the qualification as to be issued by the External accountant and instructed the Shareholder to approve the Financial Statement with the proposed qualifications as issued by the external auditors. On May 13, 2014 the Shareholder of the Group approved the 2010 Financial Statements.

Furthermore, as per October 21, 2014 the Board of Supervisory Directors also approved the Financial Statements 2011 with the abovementioned qualifications and also advised the Shareholder to do the same. It is expected that the Shareholder shortly will provide its approval to the Financial Statements 2011 with the abovementioned qualifications.

Subsequent events

Corporate Governance Compliance audit:

In order to ensure the compliance with the Corporate Governance Code the Board of Managing Directors and the Board of Supervisory Directors engaged Law office Van Eps Kunnemnan & Van Doorne for a Corporate Governance compliance audit per June 2014. Purpose of this audit is to measure the compliance level at the time of engagement and prepare a roadmap for the Group to increase the current compliance level to the maximum compliance level possible.

Restructuring of the Corporate legal structure:

In the Board of Supervisory Directors meeting of June 21, 2014, Management presented various scenarios for the legal integration of the entities Aqualectra Production and Aqualectra Distribution. This as per Government instruction received in 2003. This integration has been in process since the Government resolution was adopted. The Group started with the organizational integration under the project “Next Step”. Now that this organizational integration is completed Management has initiated the legal integration. It is expected that after this legal integration the final step in the organizational restructuring will be effectuated.

Most of the undersigned members of the Board of Supervisory Directors were appointed during the fiscal year 2013. Consequently, all except one of the members of the Board of Supervisory Directors were not responsible for the financial policy of the Company as directed by the Board of Managing Directors and the supervision thereon during the fiscal year 2012. The Board of Supervisory Directors refers to the various decisions that were taken affecting the financial position of the Company in terms of not adjusting tariffs in time, the transfer of the shares in CUC Holding to RDK upon instruction of the government, and the consequences thereof on the long term bond financing of the Company. Based on the corporate law of Curaçao, each member of the Board of Supervisory Directors could be held liable by a third party in the case that the Financial Statements present a misleading position of the Company. On the other hand each Board Member could be liable in case the Financial Statements are not prepared, signed by the Board of Supervisory Directors and consequently presented for approval to the Shareholder and published timely by the Company.

The current members of the Board of Supervisory Directors and the Board of Managing Directors have to balance, in accordance with corporate law and Corporate Governance best practices, their individual responsibility, accountability, the general interest of the Company and their personal legal liability as Board Member. By signing the Financial Statements for a fiscal year for which in principle not all members were responsible, each member of the Board of Supervisory Directors should make sure that the Financial Statements do not contain any misleading information that could make a member liable. The majority of the Board of Supervisory Directors has decided after due consideration and in close consultation with the Board of Managing Directors, the external auditors and the legal advisor of the Company that, although in accordance with the law, it is not formally necessary for Board Members appointed after year-end to sign these financial statements 2011 in the general interest of the Company going forward. The majority of the members of the Board of Supervisory Directors are of the opinion that not signing the financial statements will lead to more undesirable consequences for the Company, its future financing and continuity.

The Board of Managing Directors asserts that to the best of their knowledge the relevant information has been disclosed by the Board of Managing Directors in the Financial Statements. To the best of the knowledge of the members of Board of Supervisory Directors these Financial Statements have been prepared in accordance with information and documentation that has been provided to them. The Board of Supervisory Directors will consequently, based on the aforementioned considerations, provide the signed version of the financial statements 2012 to the General Meeting of Shareholders for approval and with the request to discharge the signing Board of Supervisory Directors for their supervisory role for the aforementioned period.

Though the current members of the Supervisory Board of Directors have consulted with all parties involved as indicated above, it should be noted that at the request of the Public Prosecutor (Openbaar Ministerie), the Court of Appeal (the Court) ordered in July 2013 that a civil investigation be carried out at certain governmental entities including Integrated Utility Holding N.V. and inquiry proceedings are currently being executed, which makes it impossible at this point in time to assess the outcome of this matter and its impact on the 2012 Financial Statements, if any.

Willemstad, December 13, 2014

The Board of Supervisory Directors,

Mr. M.F. Willem
Chair person of the Board of Supervisory Directors

Mr. D.E. Evertsz
Vice Chairman

Mr. A.A. Hammoud
Director

Mrs. T. Prins
Director

Mr. H. R. Haile
Director

Mr. R.H. Doest
Director

3. HIGHLIGHTS OF THE YEAR

(Amounts in ANG * 1,000)	December 31, 2012	December 31, 2011
FINANCIAL DATA		
Operating revenues		
Sales electricity	464,477	443,952
Sales water	110,450	106,948
Sales services	16,514	16,761*
Operating expenses		
Total operating expenses Production	110,173	121,218*
Total operating expenses Distribution	153,596	174,459*
Results		
Operating profit / loss Production	(77,926)	34,121
Operating loss / profit Distribution	33,763	(109,653)
Operating profit Holding	10,170	(2,965)
Consolidated net loss	(48,669)	(90,859)
Financial data		
Working Capital	(263,517)	(197,660)
EBITDA	9,003	(33,165)
EBIT	(33,978)	(78,476)
EBT	(58,026)	(95,283)
Equity	71,360	64,512
Long term liabilities	292,612	333,312
Short term liabilities	463,490	365,663
Financial ratio's		
Debt Service Coverage Ratio	0.31	(1.67)
Adjusted Debt Service Coverage Ratio	0.16	(0.53)
Debt/EBITDA Ratio	45.43	(12.63)
Solvency Ratio	0.09	0.08
Current Ratio	0.43	0.46
Return on equity	0.10	(0.98)
OPERATIONAL DATA		
Electricity		
Sales electricity in MWh	712,244	676,888
Electricity intake from production in MWh	685,217	745,750
Electricity intake from CUC in MWh	77,567	44,674
Electricity intake from wind farms in MWh	62,681	538
Number of postpaid connections at year end	44,342	44,005
Number of prepaid connections at year end	30,069	28,944
Average usage households per month in kWh	348	358
Average sales tariff households in ANG per kWh	0.7007	0.6722
Average sales tariff in ANG per kWh	0.6710	0.6423
Unaccounted for usage in % of MWh intake	13.7%	14.4%
Water		
Sales water in 1000m^3	10,178	10,088
Water intake from production in 1000 m^3	13,788	13,637
Number of postpaid connections at year end	75,030	73,588
Average usage households per month in m^3	8.7	8,3
Average sales tariff households in ANG per m^3	9.9	10.0
Average sales tariff in ANG per m^3	10.3	10.28
Unaccounted for usage in % of m^3 intake	26.35%	26.02%

*Reclassification for comparative purposes. Reference is made to note 5.2.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Consolidated Statement of Financial Position

*Reclassification for comparative purposes. Reference is made to note 5.2.

(Amounts in ANG * 1,000)	December 31, 2012	December 31, 2011	See notes
ASSETS			
Non-current assets			**5.4.1**
Intangible assets	6,552	0	**5.4.1.1**
Property, Plant and Equipment	520,506	541,622	**5.4.1.2**
Other non - current financial assets	34,000	0	**5.4.1.3**
Deferred tax assets	66,431	53,862	**5.4.1.4**
	627,489	**595,484**	
Current assets			**5.4.2**
Inventories	32,097	35,101	**5.4.2.1**
Trade accounts receivable	108,460	88,762	**5.4.2.2**
Other receivables	18,280	12,623	**5.4.2.3**
Cash & cash equivalents	41,136	31,517	**5.4.2.4**
	199,973	**168,003**	
Total assets	**827,462**	**763,487**	
EQUITY AND LIABILITIES			
Shareholder's equity			**4.2/ 5.4.3**
Share capital	470,000	470,000	**4.2/ 5.4.3.1**
Share premium	55,000	55,000	**4.2/ 5.4.3.1**
Preferred shares	72,800	72,800	**4.2/ 5.4.3.2**
Treasury shares	(72,800)	(72,800)	**4.2/ 5.4.3.2**
Accumulated losses	(404,971)	(369,629)	**4.2**
Loss for the year	(48,669)	(90,859)	**4.2**
	71,360	**64,512**	
Non-current liabilities			**5.4.4**
Financial liabilities	43,236	48,121	**5.4.4.1**
Customer deposits	22,732	22,253	**5.4.4.3**
Provisions	226,644	262,938	**5.4.4.2**
	292,612	**333,312**	
Current liabilities			**5.4.5**
Trade accounts payable	119,939	72,895	**5.4.5.1**
Corporate bonds IUH	246,824	244,021	**5.4.5.2**
Bank overdrafts	16,168	3,509	**5.4.5.3**
Other liabilities	80,559	45,238	**5.4.5.4**
	463,490	**365,663**	
	827,462	**763,487**	

*Reclassification for comparative purposes. Reference is made to note 5.2.

The accompanying notes form an integral part of these consolidated financial statements.

4.2. Consolidated Statement of Comprehensive Income

(Amounts in ANG * 1,000)	For the year ended Dec 31, 2012	For the year ended Dec 31, 2011	For specs See notes
CONTINUING OPERATIONS			
Sales electricity & water	574,927	550,900	5.5.1
Direct cost production	(349,609)	(344,844)	5.5.2
Other direct cost of sales	(23,807)	(4,634)	
Services & other income	16,514	16,761	
Gross profit	**218,025**	**218,183**	
Personnel costs	109,693	95,997	5.5.3
Parts, repairs & maintenance	47,445	61,218	5.5.4
Hired services	15,191	17,328	
General expenses	32,654	46,747	5.2/5.5.3
Depreciation expenses	42,981	45,311	5.4.1.1
Provision bad debts	4,039	11,209	5.4.2.2/5.4.2.3
Other expenses	-	18,849	5.4.4.1/5.5.5
Total operating expenses	**252,003**	**296,659**	
Results from operating activities	**(33,978)**	**(78,476)**	
Interest expenses net	(24,048)	(16,807)	5.5.6
Net finance costs	**(24,048)**	**(16,807)**	
Loss before income tax	**(58,026)**	**(95,283)**	
Income tax	9,357	4,424	5.5.7
Loss for the year	**(48,669)**	**(90,859)**	
Other comprehensive loss			
Other comprehensive gain (loss)			
Actuarial gains / (losses)	52,304	(33,206)	
Deferred tax related to the components of other comprehensive loss	3,213	1,183	
Other comprehensive gain/ (loss) for the year, net of income tax	**55,517**	**(32,023)**	
Total comphrehensive gain/ (loss) for the year	**6,848**	**(122,882)**	

*Reclassifation for comparative purposes. Reference is made to note 5.2.

The accompanying notes form an integral part of these consolidated financial statements.

4.3. Consolidated Statement of Changes in Shareholder's Equity

(Amounts in ANG * 1,000)	Share capital	Share premium	Preferred shares	Treasury shares	Accumulated losses	Total equity	For Spec See notes
Balance at January 1, 2011	**470,000**	**55,000**	**72,800**	**(72,800)**	**(339,821)**	**185,179**	
Previous year adjustments	-	-	-	-	2,215	2,215	
Adjusted balance at January 1, 2011	**470,000**	**55,000**	**72,800**	**(72,800)**	**(337,606)**	**187,394**	
Comprehensive loss for the year							
Loss for the year	-	-	-	-	(90,859)	(90,859)	4.2
Other comprehensive loss for the year	-	-	-	-	(32,023)	(32,023)	4.2
Total comprehensive loss for the year	-	-	-	-	(122,882)	(122,882)	
Balance at December 31, 2011	**470,000**	**55,000**	**72,800**	**(72,800)**	**(460,488)**	**64,512**	
Balance at January 1, 2012	**470,000**	**55,000**	**72,800**	**(72,800)**	**(460,488)**	**64,512**	
Comprehensive loss for the year							
Loss for the year	-	-	-	-	(48,669)	(48,669)	4.2
Other comprehensive gain / (loss) for the year	-	-	-	-	55,517	55,517	4.2
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**6,848**	**6,848**	
Balance at December 31, 2012	**470,000**	**55,000**	**72,800**	**(72,800)**	**(453,640)**	**71,360**	

The accompanying notes form an integral part of these consolidated financial statements.

4.4. Consolidated Statement of Cash Flows

(Amounts in ANG * 1,000)	December 31, 2012	December 31, 2013	See notes
Cash flow from operating activities			
Loss for the year	(48,669)	(90,859)	4.2
Adjustments for non-cash items:			
Previous year adjustments	-	2,215	4.3
Depreciations on fixed assets & major spare parts	42,981	45,311	5.4.1.1
Provision doubtful debts	4,039	11,209	5.4.2.2 / 5.4.2.3
Scadta loan	-	18,848	5.4.4.1.2
Change in deferred tax asset	(12,569)	(5,530)	
Amortization on bond	2,803	2,640	
Total adjustments for non-cash items	**37,255**	**74,693**	
Change in inventories	3,004	(1,441)	
Change in trade accounts receivable	(26,688)	53	
Change customer deposit	479	1,100	
Change in other receivables	(2,706)	(2,186)	
Change in trade accounts payable	47,044	35,631	
Change in other liabilities (excluding interest paid)	59,065	10,808	
Change in provisions	19,223	12,082	
Total of operational activities	**99,421**	**56,047**	
Total cash flow from operating activities	**88,007**	**39,881**	
Cash flow from investing activities			
Acquisition of property, plant, equipment (net)	(21,865)	(42,413)	5.4.1.2
Other non - current financial assets	(34,000)	-	
Investment intangible assets	(6,552)	-	5.4.1.1
Total cash flow from investing activities	**(62,417)**	**(42,413)**	
Cash flow from financing activities			
Release of L/C obligation i.f.o CUC	-	1,820	
Repayments of loans and movement in current maturities	(2,348)	(3,060)	
Other long term liabilities	(2,537)	(2,537)	
Interest paid	(23,744)	(17,217)	
Total cash flow from financing activities	**(28,629)**	**(20,994)**	
Balance at start of year	28,008	51,534	
Decrease	(3,039)	(23,526)	
Balance at end of year	**24,969**	**28,008**	
The balance at end of year comprises of:			
Cash & cash equivalents	41,136	31,517	5.4.2.4
Bank overdraft	(16,168)	(3,509)	5.4.5.3
Balance at end of year	**24,968**	**28,008**	

The accompanying notes form an integral part of these consolidated financial statements

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1. General

General

Integrated Utility Holding N.V. (IUH N.V., hereinafter "The Group") was incorporated on September 12, 1997 in Willemstad, Curaçao. The shares of Kompania di Awa i Elektrisidat N.V. (K.A.E.), a water and electricity production Company and Kompania di Distribushon di Elektrisidat i Awa (KODELA), a water and electricity distribution Company, were transferred into IUH. The principal activities of the Group are described in note 1.1. The headquarters of the Group is located at Rector Zwijssenstraat 1, Curaçao.

The objectives of the Group are:

- Investing funds in shares of utility Companies which have the goals of producing and distributing water and electricity; and
- Managing, controlling and administering of other Companies and representing interests of the shareholders and financers in / of the Group;
- Generating electricity and the production of water;
- Distributing electricity and water;
- Offering management consultancy- and engineering services; and
- Bottling of drinking water.

The Group's authorized capital amounts to ANG 600 million, consisting of 600 shares at ANG 1 million par value each, of which 470 shares were issued to the Island territory of Curaçao on June 1, 1998. The Government of Country Curaçao, the legal successor of the Island territory of Curaçao , became the shareholder of the Group after the restructuring of the Netherlands Antilles on October 10, 2010.

The share capital was paid up by means of the contribution of the KODELA (Aqualectra Distribution) and KAE (Aqualectra Production) shares. The pay up in full of the 470 shares placed through the contribution of KODELA and KAE has created a share premium of ANG 55 million. During 2012 and 2011 there were no movements in the capital and share premium.

Utilities sector in Curaçao

Concessions

The National Ordinance for Electricity concession ("Landsverordening Elektriciteits- concessies") states that the building, the construction or the usage of equipment for the generation of power and for the transmission and/or transformation of electricity, in order to deliver this to a third party, is restricted to the company to which the Government has given the permission. Furthermore, it is stated in the ordinance that the concession shall be given for a maximum period of 30 years with possibilities for extension.

Since 1981 the Group has been operating without a concession. In 2008 the Board of Managing Directors (BMD) of the Group requested a concession for the production, distribution and transmission of electricity and water. In 2011 the process for preparation and adoption of a new concession for electricity production and distribution started, which concession were adopted on July 30, 2012. Management considers the adapted consession as a major improvement and grants the Group the certainty of production of power for the coming 30 years.

The electricity production and distribution concessions will require the Group to make a security deposit of ANG 34 million. Besides the financial requirements, the concessions also have technical requirements that the Group must adhere to.
Management requested the regulator for consultation on the compliance issues that have been identified. Discussion and negotiation with the regulator BTP are still ongoing in order to explain the level or reasonableness of the concession. Additional information regarding the concessions is provided in subsequent events in note 5.5.9.

Tariff structure
The tariff structure for water and electricity consists of a (i) base component and (ii) a fuel component. The base component is intended to cover all the non-direct costs for the production, distribution and supply, while the direct costs component must cover the fuel costs and other direct costs of production and sales. This separation made the application of a rate calculation system that could track changes in fuel costs possible.

Determination of tariffs
The Ordinance for prices ("Prijzenverordening") states that the authority for the determination and the adjustment of electricity and water tariffs, lies with the Government of Country of Curaçao.
The Executive Council of the Island Government of Curaçao adopted in 2002 a resolution in which is stated that as the public entity and as the shareholder of the Group that she is in favor of tariffs that will allow the Company to comply with all the Company's obligation including it's capital investments. In the resolution is also mentioned that tariffs for water and electricity may be changed as consequence of increases in the fuel prices. Furthermore, is indicated that the price increases shall be charged to the consumers.

The Government did not approve any change of the water and electricity tariffs in the subsequent years. Consequently, in 2008 the Board engaged of legal procedures in order to achieve tariff changes. The Court ruled, on October 31, 2008, for an interlocutory judgment, giving the parties time for a settlement out of the court. As a consequence, a resolution was adopted on November 17, 2008.

The aforementioned resolutions were retracted by the Government on April 6, 2011. In 2011 and 2012 there were several developments with regard to the tariffs. Tariff decreased starting April 2011 and direct costs increased starting July 2011. The Group approached the regulator in early 2012 with the request reconsider the level of the tariffs for water and electricity. As a result, the fuel pass through principal on a monthly basis was granted, which has been included in the tariff policy as of June 1, 2012 by the regulator. Furthermore the granting and execution of the recovery of the fuel under coverage for 2011 and 2012, was also included in the tariff as of August 1, 2012 with a 12 month recovery period. These actions will lower to a certain extent the pressure on the cash flow and improve the results of the Group. Based on the aforementioned the BMD sees room for managing and operating the Company in a responsible manner with the possibilities for achieving (efficiency) improvements through execution of investment plans. The combination of these actions in conjunction with other measures should enable management to achieve a sound/healthy financial position. We refer further to the paragraph 'Financial Position of the group' in note 5.2 General accounting policies.

Since June of 2012 the regulator adopted the tariff-structure of electricity and water to consumers comprise of three components, namely:
- the fuel component, which covers the direct costs (includes fuel, chemicals, lubricants and purchase of electricity and water from third parties);
- the recovery component, which covers shortages in the fuel component which developed between January 2011 through May 2012;
- the base cost component, which covers the operational costs.

Energy policy
In the resolution dated November 17, 2008 it is stated that the Government will institute a regulatory framework as per March 1, 2010 for the review, determination and approval of the tariffs for water and electricity. Furthermore, it was stated that a regulatory body would be instituted, as per March 2009, for the analysis and approval of the Group's requests for tariff changes and for the execution of the regulation yet to be implemented.

The Government did notify the Group on December 29, 2009 that BTP was appointed as the regulator. BTP presented to the Group and other stakeholders a New Policy ("Beleidsnota") concerning the future regulatory structure for Electricity supply in Curaçao on November 15, 2010. The intended effect of the policy paper is to lower the tariffs, upgrade the services to the customers, provide choices for the clients and to increase the reliability and sustainability of energy.

The BMD, of the Group did provide BTP with her comments. The comments of the BMD were based on the following:
- The Group's own proposal for a regulatory model.
- World Bank example of the proposed market-model failure.
- Legal opinion on the policy paper prepared by an external lawyer.
- Conclusions reached on review of the policy paper by technical experts with experience on international level.
- Conclusions reached on review of the policy paper by a regulatory consultant with experience on international level.

BTP made some amendments to the policy paper in February 2011. The policy paper has been implemented in the past and will continue to be implemented during the upcoming years.

Statement of compliance
The accompanying consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The consolidated financial statements are prepared under the historical cost convention except as disclosed in the accounting policies below.

Management has concluded that the Consolidated Financial Statements fairly represent the Group's financial position, financial performance and cash flows. The Consolidated Financial Statements comply in all material respects with applicable International Financial Reporting Standards.

These consolidated financial statements for the year ended 2012 were approved for issue by the Board of Directors on December 13, 2014. The shareholders and the Board of Supervisory Directors have the power to amend the financial statements after the date of issuance.

5.2. Summary of significant accounting policies

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Critical accounting estimates and judgments

The Group applies estimates and judgments which are based on historical experience and on other factors including expectations of future events that are to be reasonable under the circumstances. The Group's critical accounting estimates and assumptions and critical judgments in applying the entity's accounting policies are being discussed in this paragraph.

a. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for bad debts

Trade debtors are valued at the actual billing amounts for electricity and water. Other receivables are valued at the billed amounts. A provision has been made for doubtful debts. In the calculation of the amounts to be provided for, assumptions based on historical experience concerning amounts that are not being received within a certain period of time are made. If the realized amounts receivable turn out to be more impaired than expected, an additional amount for provision bad debts will be recorded.

Provision employee benefits

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Group considers the interest rates of "high-quality" government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Also a critical assumption used for the calculation of the provision Future Medical Expenses is the indexation rate. The indexation rate represents the expected inflation rate corrected for a medical technology index. Changes in the indexation rate can have material effects on the provision as is shown in the sensitivity analysis in note 5.4.4.2.1.

With the introduction of the basic health-care as per February 1, 2013, the future Medical Expenses will be greatly impacted in the book year 2013 and after.

Other key assumptions for obligations are based in part on current market conditions. Additional information is disclosed in note 5.4.4.2.1.

Provision decommissioning
The provision for the Mundu Nobo premises consists of the costs for the demolition of buildings, civil works and installations, including the costs of removal and eventual processing of the residuals. The valuation is highly dependent of the economic developments as cause of the fact that the settlement is not bound to take place on short term. Furthermore there are no recent market references and external parties are reluctant with advices due to the current market situation.

Cumulative tax losses to be compensated with future taxable profits
The deferred tax assets of the Group are mainly attributable to cumulative tax losses for which it is probable that future taxable profit will be available to be utilized against these.
The tax losses will expire in a period of ten years commencing in the year in which the fiscal loss was incurred. The estimation of the future taxable profits that can be utilized against these tax losses is based on management's income forecast. The income forecast of the Group is based on assumptions with regard to market developments of electricity and water, fuel costs, demographic movements, the level of electricity and water tariffs, etc. Significant changes in these assumptions may have a significant impact on the extent to which the past taxable losses can be utilized.

b. Critical judgments in applying the entity's accounting policies
Impairment test Property, Plant and Equipment
The Group performs yearly an impairment test on its property, plant and equipment. In order to assess the fair value of the property, plant and equipment, the present value of future generated cash flows (recoverable value of the assets) are calculated. To calculate the future generated cash flows, assumptions and judgments are made with regard to future profits, investments, interest rates and the capitalization rate based on the available information about the business, technological and operational outlook. Significant changes in these assumptions may have a significant impact on the present value of future generated cash flows and therefore on the fair value of the property, plant and equipment. For more details including assumptions we refer to note 5.4.1.2.

Financial position of the Group
The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its cash flow requirements as disclosed in note 5.3.3. In addition management acknowledges uncertainty over the ability to meet its financial obligations but emphasizes that measures were and will continue to be taken to ensure continuity of the Group. These measures are described below.

Background
As at December 31, 2012, the Group has a working capital deficiency of ANG 263.5 million (ANG 197.7 million as per December 2011), and incurred a net loss before taxes for the year ended December 31, 2012 of ANG 58.0 million (ANG 95.3 million as per December 31, 2011). Cash flow from operating activities amounted to ANG 88.0 million over the year 2012 (ANG 39.9 million over the year 2011). The Group is currently faced with various challenges affecting its financial position, liquidity position and ability to meet its financial obligations as a result of the 2011 transfer of the CUC shares for no consideration and the lack of adequate tariff adjustment over the past years. This has also resulted in the Group defaulting on its obligations regarding solvency and working capital covenants required to be maintained under the terms of the corporate bonds agreement Preliminary figures show that the Group incurred losses of approximately ANG 19.3 million before taxes in 2013. The group has forecasted a profit of approximately ANG 3.2 million before taxes for 2014. The effects of aforementioned and forecast results are disclosed in note 5.3.3. "liquidity risk".

As a result of the transfer of the CUC shares in 2011 to RdK for no consideration, the Group defaulted in 2010 on its obligations regarding solvency and working capital covenants required to be maintained under the term of the corporate bonds agreement. The Group remained in default in 2011 and 2012. Refer to note 5.3.4.

The Group is also faced with new electricity production and distribution concessions that were adopted in 2012 that require the Group to make a security deposit of ANG 34 million on short-term. Besides the financial requirements, the concessions also have technical requirements that the Group must adhere to. As compliance with the technical and financial requirements is not feasible on short term, Management has sent a letter to the regulator requesting consultation on the compliance issues that have been identified. Management initially proposes to spread the timeframe in which the Group must comply with the requirements as set in the concessions. The regulator reacted in a positive manner on aforementioned letter. Subsequently, in an extraordinary meeting of shareholders dated January 31, 2013, management and the BSD were informed of a resolution reached by the Council of Ministers on October 31, 2012 that a capital injection equal to the amount of the concession deposit of ANG 34 million would be made by the ultimate parent of the Group which would be offset against the concession deposit due. As a result, the required concession deposit will not impact the Group's cashflow. Refer to subsequent event note 5.5.9 for additional disclosure regarding developments related to the capital injection.

Because of afore-mentioned facts and circumstances, the financial position of the Group is delicate and warrant close attention of management and the board of the Group and may cast doubt about the possibility of the Group to continue as going concern. In order to safeguard the continuity of the business, some actions have been taken in the past months and more are planned for execution phases that are yet to come.

Plan for the improvement of the financial and liquidity position of the Group

As a consequence of the recent developments, management prepared a turnaround plan that was amongst other provided to the Board of Supervisory Directors, the Shareholder and the general supervisory body "College Financieel Toezicht" (CFT). With the realization of this plan that started in 2011, management expects that the Group will become a sound company again within a period of 5 years as of now. This plan is based on some important focus areas and assumptions. In order to realize the turnaround, the Group plans to take the following measures:

Significant investments will be made in new technologies that are more efficient which will lead to:

- Decrease in fuel dependency by usage of sustainable energy sources.
- A more balanced production mix.
- Transition from the evaporation technique to more efficient water production technologies such as reverse osmosis.
- Availability of adequate resources to ensure timely realization of repairs and maintenance plans.

The Group will ensure that its future revenues (tariffs) are more in line with the developments in the cost of productions (fuel, etc.) by:

- Having continuous dialogue with the regulator (being Bureau Telecommunication and Post, BTP) and the Government of Curaçao in order to maintain the timely tariff adjustments to absorb fluctuations in fuel prices;
- Performing a diligent and continuous evaluation of the fuel clause and its accuracy.
- Continue to inform BTP and the Government of Curaçao on the need for the recovery of the fuel under coverage in electricity and water tariffs which were mainly caused by the lack of the necessary tariff adjustments, for the years 2011 and 2012. The recovery for the years 2011 and 2012 is already partially granted (ANG 26 million and ANG 35 million respectively) and is included in the tariffs as of September 2012. Management will follow up on the granting of the remaining recovery for year 2011 and 2012.
- Continue to inform BTP and the Government of Curaçao on the need to recover the balances to be compensated in the amount of ANG 104 million due to lack of timely adjustments as accounted for on the regulatory account up to and including 2010. For more details we refer to note 5.4.6.4. The Group will significantly improve its financial position if it obtains this recovery. This amount will, together with the recovery for year 2011 and 2012, cover the entire payment backlog reflected in the liquidity projection (note 5.3.3).

Measures taken regarding cost control and reassessment of certain planned investments are:

- Maintenance of equipment was performed in order to achieve optimal level functioning. The cost cutting result, being lower usage of fuel and other fuel additives, was achieved mid-2012.
- Continuous rationalization of the production mix (and its forecast) in order to achieve the least cost option for production of water and power.
- The usage of contracting companies was evaluated and where considered acceptable, the volume of hiring was reduced.
- Reassessment of order levels for stock items was performed and where considered acceptable these were adapted.
- Rationalization of overtime declaration and improvement of work planning.
- Centralization of tasks leading to synergy, efficiency and lower cost level.
- A petition for a general abolishment of import duties for equipment and machinery that is required for the production and distribution of water and power was submitted to the Customs in 2011. Management will intensify the communications with Customs in order to obtain a final decision on the aforementioned.
- Postponement phase II of the Next Step project.
- Postponement of the ERP-system implementation budgeted at ANG 100 million over a 5 year period.

The turnaround plan as presented by Management has been approved by the BSD and the Shareholder. The turnaround plan has been also presented to CFT.

Management assertion

The Group's ability to continue as going concern is contingent upon the realization of:

1. The management turnaround plan and financing of the ANG 150 million for the necessary investments which are imperative in realizing the above-mentioned plan. To provide sufficient comfort to the local financial institutions is a key assumption that management has worked out in a business plan and on the points mentioned under point 2 and 3 below.
2. Arrangement with the regulator regarding the recovery of the under coverage related to the years up to December 31, 2011, and the remaining under coverage of the year 2012 and 2013 and the recovery of the financing of the investments and liabilities as disclosed in note 5.3.3. liquidity risk.
3. Arrangement with the Central Bank of Curaçao and St. Maarten regarding the Corporate Bond.

The Group's ability to continue as a going concern is contingent upon the realization of management's plan, receipt of the recovery of the under-coverage on fuel as incurred during the past years and the financing of the investments and liabilities.

Management has reasonable expectation that the Group will be able to realize the afore-mentioned plan as it is supported by the most important stakeholders (e.g. Government of Curaçao, BSD and employees) of the Group.

Furthermore, it is in the best interest of the community of Curaçao that the Group overcome the moments of difficulty. As the major supplier of water and power, and as one of the major employers on the island, every development within the Group affects the local economy. With the financial support of the participants in this economy, the Group will realize the aforementioned goals which will lead to an increase of the reliability and sustainability of the delivery of power and water.

The consolidated financial statements have therefore been prepared on a going concern basis by management, which assumes that the Group will be able to meet its financial obligations in the foreseeable future as disclosed in note 5.3.3. as far as the conditions mentioned before are met.

Functional and reporting currency

The financial statements are stated in thousands of Netherlands Antillean Guilders (ANG), the functional currency. Transactions in foreign currency are translated against the exchange rate at transaction moment and all monetary assets and liabilities denominated in foreign currency are translated against the exchange rate at reporting date.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Financial statements reclassifications

For financial statements presentation purposes certain 2011 amounts were reclassified to be in conformity with the 2012 presentation.

(Amounts in ANG * 1,000)	2011 comparative in 2012 Fin. Stmt.	2011 audited	Differences
Statement of comprehensive income:			
Services and other income	16,761	17,684	923
General expenses	46,747	47,670	(923)
Details of reclassifications:			
Reclassed from General expenses to Other income:			
Rental income			(443)
Miscellaneous income			(429)
			(872)
Reclassed from Other income to General expenses:			
Coverage warehousing expenses			1,795
			1,795
		Total	**923**
Statement of financial position:			
Provisions	262,938	262,495	443
Other liabilities	45,238	45,681	(443)
Explanation of difference:			
Reclassed from Other liabilities to Provisions:			
Accrual vacation days			(443)
		Total	**(443)**

New Standards and amended standards and interpretations

a . New standards, amendments and interpretations effective in 2012

The accounting policies adopted are consistent with those of the previous financial year. None of the accounting policies effective January 1, 2012 had effect on the financial position or performance of the Group.

b. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

Annual improvements May 2012 - IAS 16 *Property, Plant and Equipment*

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. This improvement is effective for annual periods beginning on or after 1 January 2013.

IAS 19 *Employee Benefits* (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of these amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. The Group is currently assessing the full impact of these amendments.

IAS 27 *Separate Financial Statements* (as revised in 2011). As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group is currently assessing the impact of these amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 27: *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing tochange to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial tatements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

IAS 32 *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IAS 36 *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation -Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Basis of consolidation

Subsidiaries

Subsidiary undertakings, which are those entities in which the Aqualectra-group has an interest of more than one half (50%) of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Aqualectra-group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized results on transactions between group companies are eliminated. Where it is necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Aqualectra-group.

IUH N.V. has the following subsidiaries (all are incorporated in Curaçao):

- Aqualectra Production (KAE N.V.) (100% subsidiary of IUH N.V.)
- Aqualectra Distribution (KODELA N.V.) (100% subsidiary of IUH N.V.)
- General Engineering & Utility Services N.V. (GEUS), 100% subsidiary of Aqualectra Distribution (KODELA N.V.)
- Aqualectra Multi Utility Company N.V. (AMU) (100% subsidiary of IUH N.V.).
- Aqualectra Bottling Co. N.V. (100% subsidiary of Aqualectra Multi Utility Company N.V. (AMU)
- KUMEPE N.V. (100% subsidiary of IUH N.V.).

All above listed entities are hereinafter mentioned as "The Group".

Aqualectra Production, Aqualectra Distribution (which has been consolidated with GEUS) and Aqualectra Multi Utility Company N.V. (which has been consolidated with Aqualectra Bottling Co. N.V.) have been consolidated into the financial figures. The Group is responsible for the management of the abovementioned companies (with exception of KUMEPE N.V.). During the year 2012 and 2011 KUMEPE N.V. did not engage in any activities.

Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets

The Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Group classifies non-derivative financial assets as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise of trade accounts receivable, other receivables, cash and cash equivalents and other non-current financial assets. Such financial assets are subsequently measured at amortized cost using effective interest rate method, less impairment.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial liabilities

The Group initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value plus, in case of loans and borrowings, directly attributable transaction costs.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Other financial liabilities comprise loans and borrowings, bank overdrafts, trade account payable and other liabilities. Such financial liabilities are subsequently measured at amortized cost using effective interest rate method.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Depreciation is calculated on the straight-line method to write off the cost of each asset, or the recoverable amounts, to their residual values over their estimated useful life, taking into account the useful life of the most important components.

Expenses for the decommissioning of the Mundo Nobo plant are included in property, plant and equipment. These capitalized expenses are based upon estimations performed by an independent expert. Depreciation hereon is calculated by the straight-line method to write off the cost of each asset, or the recoverable amounts, to their residual values over their estimated useful life, taking into account the useful life of the most important components.

Major spare parts are accounted for as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Property, plant and equipment also include plant and equipment under construction and is stated at cost. The cost of work in progress comprises of materials, direct labor (Aqualectra Distribution), services charges and these other costs.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Property, plant and equipment contributed by customers
The Group recognizes as property, plant and equipment any contribution received from its customers to be utilised in the construction or acquisition of an item required for the connection to its distribution network and/or asset transferred by its customers, also for the purpose of providing the customer with ongoing access to supply of electricity and/or water. The corresponding amount is credited to the cost of work in progress or are shown as deferred credits in the case where construction has not yet started.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other cost that an entity incurs in connection with the borrowing of funds.

Leases

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost or net realizable value (the estimated selling price in the ordinary course of business. The cost is determined by using the weighted average cost. The cost of finished goods and work in progress comprises of cost of direct materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) and it excludes borrowing costs. The cost of fuel inventory is determined by using the first-in, first-out (FIFO) method.

Impairment of non-financial assets

Based on Group policy, property, plant and equipment are reviewed for impairment losses yearly. For all other non-financial assets, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budget and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the income statement in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's CGUs recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revaluated amount, in which case, the reversal is treated as a revaluation increase.

Trade accounts receivable

Trade accounts receivable are recognized initially at fair value and are subsequently lessened by a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated value of the collectible amount which is based upon previously established collection patterns and aging analysis. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income within 'provision for bad debts'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'provision for bad debts' in the consolidated statement of comprehensive income.

Cash position (includes "Cash and cash equivalents" and "Bank overdraft")

Cash and cash equivalents are comprised of cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings under the current liabilities.

Share capital

Common shares and preferred shares are classified as equity. Dividends on common shares and preferred shares are recognized in equity in the period in which they are declared.

Deferred tax assets / liability

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward. Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date. Effective January 1, 2012 the applicable tax rate changed from 34.5% to 27.5%. Consequently deferred tax for the year 2012 is calculated at 27.5%.The carrying amount of deferred tax assets is reviewed at each reporting date and is recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes charged by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events. Furthermore, it should be probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are determined, unless otherwise stated, by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

- **Onerous contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

- **Provision for decommissioning of Mundo Nobo**

The Group records a provision for decommissioning costs of Mundu Nobo plant which consists of the costs for the demolition of buildings, civil works and installations, including the costs of removal and eventual processing of the residuals. Decommissioning costs are provided at the expected costs to settle the obligation and are recognized as part of the cost of particular asset. The unwinding of the discount is expensed as incurred and recognized in the income statements as finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. In the intervening years, the value is increased with accrued interest and any changes in the estimated future costs added to or deducted from the cost of the asset.

Employee benefits

Certain employee benefits provisions, except for the provision for vacation leave, are based on actuarial calculations. For the principal actuarial assumptions please refer to note 5.4.4.2.1. The independent and qualified actuary obtained sufficient information in order to perform the valuations.

Pension plans

All the pension plans within the Group are defined benefit plans. The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pension is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carried out a full valuation of the plans. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms of approximately the terms of the related liability. Any unrecognized past service costs and the fair value of any plan assets are deducted.

Actuarial gains and losses are immediately recognized in the period in which they occur through the statement of other comprehensive income.

APC Pension plan

Certain employees of the Group (ex-civil servants) participate partially in a pension plan administered at Algemeen Pensioenfonds van Curacao (APC). The pension plan administered by APC is a multi-employer defined benefit plan giving right to the participant to a pension calculated as a fixed percentage of the average salaries of the last two years of service taking into account a franchise. At reporting date there was no information available to use benefit accounting. Therefore the plan is accounted for as if it were a defined contribution plan where the Group's share in the contribution amount is recognized as an expense.

APC Supplementary pension ('Duurtetoeslag')

In 1943 the Government guaranteed civil servants a pension that amounts to 70% of their average salary received during 24 months before their retirement. The supplementary pension (the so called 'Duurtetoeslag') is the difference between the guaranteed pension amount and the pension actually built-up as per the APC pension agreement. As per National Decree of July 12, 1995 it was stipulated that the legal entity that ultimately employs the person concerned is responsible for payment of the supplementary pension. This plan is unfunded.

Vidanova pension plan

The employees of the Group that do not participate in the APC pension plan, participate in a multi-employer defined benefit plan (Vidanova) in which it is compulsory for all employees to participate if and when they comply with all the required conditions. The pension plan is generally funded by payments from employees and by the employers taking into account recommendations of independent qualified actuaries. A level premium contribution is charged as an advance for the Defined Benefit plans.

The advance contributions for this plan are based on a percentage of the pension base. The funded status of the pension plan is actuarially calculated on a periodic basis, in accordance with IAS 19 and could result in a surplus.

Regarding the active members of the plan, sufficient information is available to account for the Companies' proportionate share of the defined benefit obligation, plan assets and post-employment benefit costs. The obligations towards retired staff are fully funded by the pension fund and no costs are charged to the Group.

Based on the Group's interpretation of the pension agreement and the related financing agreement there are no future economic benefits resulting from the funded assets in the form of a reduction in future contributions or a cash refund. Therefore no assets have been recognized in the statement of financial position.

Termination benefits
Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

The Group classifies the APC Early retirement benefit and the Aqualectra VUT as termination benefits.

APC Early retirement benefit ('VUT')
In the National Ordinance of December 27, 1995 it is stipulated that the civil servants have the option of filing a request with the Governor to retire from service at the age of 55. The resulting liability due to early retirement of persons for the period in which these early retired persons are between the age of 55 and 60 years will be borne by the legal entity that employed the respective persons.

Aqualectra VUT
According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production employees have the option of requesting early retirement to the Board of Managing Directors. The Board of Managing Directors decides whether the employee's request will be honored. In such case, the resulting obligation will be accounted for as a liability in the Group's statement of financial position.

Other long-term employee benefits
The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

Anniversary bonus
According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, employees are entitled to an anniversary bonus linked to the amount of years of service.

Medical costs retired employees
According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, retired employees will be compensated to a certain extent for their medical costs. Both the active employees

and the Group contribute 2% of the total gross salary as compensation for the medical costs of retired employees. Retired personnel contribute 2% of their pension. In the year 2005 a separate legal entity, KUMEPE N.V., was incorporated with the intention to administer these rights. Until 2012, KUMEPE N.V. was not yet operational.

Management has decided to amend the collective labor agreements regarding the health coverage plan for the retired personnel and the financing (structure) of mentioned plan. This is based on the introduction of the basic health-care insurance by the Government of Curaçao as per February 1, 2013.

Trade accounts payable, other assets and other liabilities

As the settlement period for trade accounts payables and other liabilities are relatively short, the value is equivalent to the nominal value.

Revenue recognition

Revenue represents the income from the supply of goods and services relating to the generation, distribution and supply of energy and water, less discounts and transactions within the Group. Sales are recognized upon delivery of products and customer acceptance, if any or on the performance of services. The revenue from respectively the generation and supply of energy and the production and distribution of water is measured on a monthly basis. The revenue is based on the components monthly usage and applicable tariffs.

The usage is based on monthly meter readings spread over the cycles. The cycles have a 25 to 30 days consumption period which may differ from a monthly calendar. Due to the aforementioned a part of the monthly revenue is accrued and reported as still to be invoiced.

The revenue from Pagatinu electricity is accounted for at the sales moment.

Interest income and expenses

Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Interest expenses consist of interest on borrowings and interest on the bonds. The expenses are recognized in the profit and loss in the period to which they relate.
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss as interest expenses by using the effective interest method.

Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax is recognized based on the best estimate of the weighted average annual profit tax rate expected for the full financial year. The estimated average annual tax rate used is 27.5%.

5.3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risks (including the effects of foreign exchange risk, interest rate risk and tariff risk), credit risk and liquidity risk. The Group's overall risk management is aimed at minimizing the potential adverse effects of these risks on the financial performance of the Group.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. A Risk Management Committee has been established, which is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies were established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. During 2012 the Risk Management Committee did not engage risk monitoring activities.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

5.3.1. Market risks

The market risk consists of the foreign exchange risk, interest rate risk and tariff risk.

5.3.1.1. Foreign exchange risk

Foreign exchange risk is the probability of loss occurring from an adverse movement in foreign exchange rates.

The Group is exposed to foreign exchange risk resulting from purchasing parts, services and supplies from foreign suppliers. These foreign transactions are mainly invoiced in United States Dollars (USD) and/ or EURO (EUR).

The following table summarizes the currency risk in respect of recognized financial assets and financial liabilities:

Monetary assets and liabilities by currency of denomination		
Foreign currency exposures per December 31, 2012	**USD**	**EURO**
(Amounts in ANG * 1,000)		
Financial assets		
Cash & cash equivalents	2,077	-
Financial liabilities		
Trade accounts payable	(6,185)	(825)
Borrowing	-	-
Total currency of denomination	(4,108)	(825)
Total currency in ANG	**(7,477)**	**(1,980)**

Monetary assets and liabilities by currency of denomination		
Foreign currency exposures per December 31, 2011	**USD**	**EURO**
(Amounts in ANG * 1,000)		
Financial assets		
Cash & cash equivalents	2,396	65
Financial liabilities		
Trade accounts payable	(5)	(43)
Borrowing	-	-
Total currency of denomination	**2,391**	**22**
Total currency in ANG	**4,352**	**53**

There is a fixed exchange rate between the Netherlands Antillean Guilder (ANG) and the USD of ANG 1.82 to the USD, which mitigates the foreign exchange rate exposure of the transactions and positions of the Group in USD's.

Purchasing transactions, outstanding trade accounts payable positions and cash positions at banks in EURO can expose the Group to a certain foreign exchange risk. The significance of the risk is shown in the schedule below:

	Dec 31, 2012	Dec 31,2011
(Amounts in ANG * 1,000)		
Total EURO purchase orders made in EURO	4,113	9,468
Total EURO purchase orders made in ANG	9,669	23,748
Average EURO rate	2.3508	2.51
Foreign exchange (profit)/loss on EURO transactions in ANG	(155)	(22)
Outstanding EURO trade payables in EUR per year end	825	43
Outstanding EURO trade payables in ANG per year end	1,980	103
EURO holdings in bank accounts in ANG	-	155
Exchange rate per year end	**2.40**	**2.39**

The Group's policy is to regularly review the significant risks arising from foreign exchange rate exposure and when appropriate, to hedge significant foreign currency transactions at the point the commitment is entered into, by purchasing the foreign currency and / or limiting the period that commitments in foreign exchange rates are exposed to foreign exchange risk.

Cash flow constraints combined with the immateriality of foreign exchange risk per transaction, led to management's decision to put aforementioned policies on hold during 2012 and 2011.

The sensitivity analysis below of the outstanding position of the trade accounts payable in EURO as per year-end to movements against the EURO assumes a -10% exchange rate change and +10% exchange rate change from the foreign exchange level on December 31, 2012 and 2011. A -10% exchange rate change, which represents a strengthening of the ANG against the EURO, will have a positive impact on the outstanding trade accounts payable and the profit and loss of ANG 198,000 (2011: ANG 10.000).
While a +10% exchange rate change, which represents a weakening of the ANG against the EURO, will negatively impact the outstanding trade accounts payable and the profit and loss with ANG 198,000 (2011: ANG 10,000).

	Carrying amount per Dec. 31, 2012		**Sensitivity analysis of an exchange rate change of:**			
			+10% change (*)		**-10% change (*)**	
	(Amounts * 1,000)		(Amounts * 1,000)		(Amounts * 1,000)	
Exchange rate per year end	0,4167	2,4	0,4630	2,16	0,3788	2,64
Exchange rate change			(0,0463)	0,24	0,0379	(0,2400)
Outstanding trade accounts payable	EUR 825	ANG 1.980		(ANG 198)		ANG 198 **
Impact on the profit and loss account				(ANG 198)		ANG 198 **

	Carrying amount per Dec. 31, 2011		**Sensitivity analysis of an exchange rate change of:**			
			+10% change (*)		**-10% change (*)**	
	(Amounts * 1,000)		(Amounts * 1,000)		(Amounts * 1,000)	
Exchange rate per year end	0,4167	2,3946	0,464	2,15514	0,3796	2,63406
Exchange rate change			(0,0464)	0,2395	0,038	(0,2395)
Outstanding trade accounts payable	EUR 43	ANG 103		(ANG 10)		ANG 10 **
Impact on the profit and loss account				(ANG 10)		ANG 10 **

(*) -10% change means a strengthening of the ANG compared to the EUR: 1 EUR: ANG 2.15514/ 1 ANG: EUR 0.4640
+10% change means a weakening of the ANG compared to the EUR: 1 EUR: ANG 2.63406/ 1 ANG: EUR 0.3796
(**) Interpretation of effect:
Amount in brackets "(....)" means a decrease of the outstanding trade accounts payable amount in the Statement of financial position and a decrease of the foreign exchange expenses in the Statement of comprehensive income.

5 .3.1.2. Interest rate risk

The interest rate risk of the Group can be defined as the risk of incurring extra interest costs due to adverse movements of the interest rate of non-fixed interest bearing loans of the Group.

The Group has long term loans payable with fixed and variable interest rates. The variable rates are based upon the LIBOR. An overview of the Group's interest bearing long term loans is shown in the table on the following page.

In managing interest rate risk, management monitors developments in the Group's loan rates and keeps abreast of interest rates both locally and internationally.

The corporate bonds have a floating rate that is capped at 6% with a minimum of 4%. As the loan portfolio consisted mainly of loans with a fixed interest rate, the effects of development in interest rates are limited.

	Dec 31 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011	Remark
(Amounts in ANG * 1,000)			Interest rate		
Aqualectra Production					
Loan Diesel power plant ISLA	17,756	20,293	5.00%	5.00%	Fixed
Current maturities of long term loans	(2,537)	(2,537)			
	15,219	**17,756**			
Aqualectra Distribution					
Loan SPU	-	48	10.50%	10.50%	Fixed
Loan MJP	13,885	13,885	2.50%	2.50%	Fixed
Loan VIDA NOVA	134	626	8.00%	8.00%	Fixed
Leasehold Obligation - Cars	-	125		4.67%	Weighted avg. cost of equity & liability
Current maturities	(3,220)	(2,518)			
	10,799	**12,166**			
Integrated Utility Holding N.V.					
Corporate Bond	300,045	300,045	6%	6%	Fixed
Scadta Loan	18,285	18,848	5%	5%	Fixed
Current maturities	(1,067)	(649)			
	317,263	**318,244**			
Total financial liabilities	**343,281**	**348,166**			

5.3.1.3. Tariff risk

According to an Island Executive Council's resolution of November 8, 2002, the Group was allowed to fully charge the adaptations in the direct fuel component of electricity and water tariffs to consumers, only after a resolution by the Island Executive Council with regard to the extent of the increase of the electricity and water tariffs. Increases of the direct fuel component of the electricity and water tariffs, which could not be directly charged in the electricity and water tariffs to consumers, are temporarily allocated to the regulatory account of the Group in order to be charged in future electricity and water tariffs.

The regulatory account of the Group comprises of the balance of the under- and over coverage on the direct fuel components and the base component, meaning the extent to which the Group has pre-financed increases in the direct fuel component of the electricity and water tariff. The under coverage balance of ANG 104.1 million as of December 31, 2010 is presented in note 5.4.6.4 contingent asset.

The aforementioned resolution was cancelled by the Government on April 6, 2011. Aqualectra is doing its utmost for the government to recognize the Regulatory Account and to collect the regulatory amount. In 2011 and 2012 there were several developments with regard to the tariffs, which are outlined in note 5.1.

As mentioned in this note the fuel component is adapted monthly. Management periodically monitors the coverage (or shortage) between the tariffs charged to clients and the expenses in the fuel component. This monthly adjustment has led to a decrease in the exposure of the risk in the fuel component. The Group's Tariff risk can be defined as the probability that the base component charged to clients, does not cover operational expenses.

Management regularly monitors the development in fuel prices and the price of relevant fuel derivatives and their consequences for the liquidity of the Group.

The Group is exposed to the volatility of international fuel-price developments, which influences the direct cost component of the electricity and water tariffs to consumers. The chart below shows the development in fuel throughout the year.

	Realized 2012	Realized 2011	Variance	% Variance
AVG FUEL PRICES PER UNIT in ANG				
Fuel usage IFO - MN	1,214	979	235	24%
Fuel usage GO - MN	1,505	1,221	284	23%
Fuel usage MFO - DW	1,197	1,148	49	4%
Fuel usage IFO DPP ISLA	1,147	1,095	52	5%
Fuel usage MDO - DPP ISLA	1,612	1,526	86	6%
Fuel usage MDO - DW & KNPL	1,473	1,208	265	22%
FUEL USAGE Quantity in ton/m^3				
Fuel usage IFO - MN ton	103,096	89,987	13,109	15%
Fuel usage GO - MN m^3	53,890	80,045	(26,155)	-33%
Fuel usage MFO - DW ton	53,167	49,198	3,969	8%
Fuel usage IFO DPP ISLA ton	26,618	39,012	(12,394)	-32%
Fuel usage MDO - DW & KNPL m^3	688	588	100	17%
Fuel usage MDO - DPP ISLA m^3	898	1,643	(745)	-45%
FUEL USAGE ANG (*1000)				
Fuel usage IFO - MN	125,155	88,142	37,013	42%
Fuel usage GO - MN	81,104	97,708	(16,604)	-17%
Fuel usage MFO - DW	63,645	56,486	7,159	13%
Fuel usage IFO DPP ISLA	30,531	42,706	(12,175)	-29%
Fuel usage MDO - DW & KNPL	1,109	897	212	24%
Fuel usage MDO - DPP ISLA	1,323	1,985	(662)	-33%
Total fuel usage in ANG	**302,867**	**287,924**	**14,943**	

A sensitivity analysis of the fuel components 2012 is shown in the schedule below:

(Amounts in ANG * 1,000)	Realized 2012	Budget 2013	-10.0% change	-5.0% change
Total sales electricity in MWh	712,244	670,859	670,859	670,859
Fuel component E	0.3808	0.4254	0.3828	0.4041
Coverage fuel component E	271,222	285,356	256,805	271,094
Total sales water in m^3 * 1,000	10,178	9,835	9,835	9,835
Fuel component E	2.6514	2.7085	2.4376	2.5731
Coverage fuel component W	26,985	26,638	23,974	25,306
Total coverage through tariffs	298,207	311,994	280,779	296,400
Costs allowed in the fuel component[1]	(345,823)	(273,302)	(273,302)	273,302)
(Under) over coverage fuel component	**(47,616)**	**38,692**	**7,477**	**23,098**

1. Differs from the statement of comprehensive income as the figures of Aqualectra Bottling are not included.

Conclusion: A -10% or -5% deviation from the budgeted coverage on the direct cost component could have a negative impact on the existing under-coverage of respectively ANG 16 million and ANG 3 million.

5.3.2. Credit risk

For the Group, credit risk is the risk as a consequence of the uncertainty in a counterparty's (customers, etc.) ability to meet its obligations leading to the possibility of a loss incurred by the Group due to the financial failure by the counterparty.

Credit risk within the Group mainly arises from the course of business of billing customers for delivering electricity and water and other types of services rendered by the Group. Significant financial difficulties of customers (e.g. the probability that the customer will enter bankruptcy or financial reorganization) and or default payments are considered as credit risk indicators.
Credit risk losses result in a provision being created for uncollectible amounts, which is based upon previously established collection patterns and aging analyses.

Credit risk within the Group also arises from cash and cash equivalents (note 5.4.2.4) with banks and financial institutions. The Group aims at mitigating this credit risk by using reputable financial institutions for investing and cash handling purposes. As per December 31, 2012 the Group has cash balances placed at 7 reputable banking institutions (2011:7).

The credit risk management within the Group entails:
- Assessment of the credit quality of retail customers by the Customer Relations Department, taking into account the past experiences with the customer, the customer's financial position and other factors;
- Collection procedures for outstanding invoices to customers;
- Revenue protection program (e.g. discontinuation of the delivery of electricity and water or change of electricity meter to a Pagatinu meter).

The table below shows a breakdown of accounts receivable and other receivables as at reporting date.

(Amounts in ANG * 1,000)	Dec 31, 2012		Dec 31, 2011	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Industrial & large commercial	37,697	12,023	25,933	11,942
Commercial	15,115	15,397	13,813	12,703
Households	49,167	4,218	44,469	3,495
Government	7,537	2,103	4,597	2,376
Standing orders	4,534	-	3,509	-
New accounts	51	-	132	-
Inactive	36,790	-	34,122	-
Other	2,625	1,348	1,317	1,443
Balance of receivables	153,516	35,089	127,892	31,959
Clients' payments in transit	(4,456)	-	(3,894)	-
Billing cycle to be invoiced	19,904	-	18,279	-
Gross receivables	**168,964**	**35,089**	**142,277**	**31,959**
Less allowance for doubtful debts	(60,504)	(18,380)	(53,515)	(21,327)
Net receivables	**108,460**	**16,709**	**88,762**	**10,632**
Less customer deposits	(22,732)	-	(22,253)	-
Receivables net of customer deposits	**85,728**	**16,709**	**66,509**	**10,632**

A high risk group of trade accounts receivable is the inactive group. These clients have closed their accounts and the Group has procedures in place to avoid these customers reopening the account elsewhere or under another name. Inactive accounts are 100% provided for.

The maximum exposure and categorization of the assets which are exposed to credit risk are set out in the table below.

(Amounts in ANG * 1,000)	December 31, 2012	
	Trade receivables	Other receivables
Neither past due nor impaired	36,038	3,734
Past due but not impaired	72,422	12,975
Individually impaired	60,504	18,380
Gross	**168,964**	**35,089**
Less Allowance	(60,504)	(18,380)
Net receivables	**108,460**	**16,709**
Customer deposits	(22,732)	-
Receivables net of customer deposits	**85,728**	**16,709**

(Amounts in ANG * 1,000)	December 31, 2011	
	Trade receivables	Other receivables
Neither past due nor impaired	26,694	1,190
Past due but not impaired	62,068	9,442
Individually impaired	53,515	21,327
Gross	**142,277**	**31,959**
Less Allowance	(53,515)	(21,327)
Net receivables	**88,762**	**10,632**
Customer deposits	(22,253)	-
Receivables net of customer deposits	**66,509**	**10,632**

The aging of the trade receivables, other receivables and receivables from related parties that are past due but not impaired is as follows:

(Amounts in ANG * 1,000)	December 31, 2012	
	Trade receivables	Other receivables
Past due up to 60 days	45,268	-
Past due more than 60 days	27,154	12,975
	72,422	**12,975**

(Amounts in ANG * 1,000)	December 31, 2011	
	Trade receivables	Other receivables
Past due up to 60 days	20,385	-
Past due more than 60 days	41,683	9,442
	62,068	**9,442**

The Group's policy for impairing outstanding amounts for trade accounts receivable and other receivables, despite efforts to collect the outstanding amounts, is as follows:

Trade accounts receivable (excluding government accounts):

a. As mentioned earlier the inactive accounts group is considered to be a high risk group. Total balances which are outstanding are considered 100% impaired;

b. Other groups of trade accounts receivable which have outstanding balances of more than 4 (four) months are considered 50% impaired;

c. Specific client accounts which are not yet overdue more than 4 (four) months but for which the Group has sufficient indication of uncollectability of these accounts, are also impaired.

Other receivables:

a. Other receivables which are outstanding more than 2 (two) years are 100% impaired;

b. Other receivables which are outstanding more than 1 (one) year but less than 2 (two) years are 30% impaired.

Additionaly, for the year ending 2012 and 2011 an analysis has been done as of the collectability of the outstanding other receivables amounts. As a result of the analysis all outstanding amounts as of December 31, 2012 and 2011 that were still outstanding through the date of the analysis (excluding government accounts) were fully provided for.

No collateral is provided for these receivables and the full impairment provision has been provided against the gross amount.

5.3.3. Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulties in raising funds to timely meet its commitments.

Management applies prudent centralized liquidity management which implies a cash flow matching approach in which projected cash inflows are matched against outflows. The Group's aim is to maintain sufficient cash and lines of credit to be able to comply with its obligations. In this, management applies the necessary measurements to either adapt cash inflows or cash outflows.

In broad terms, management uses long-range projection for a maximum of five years, which has been approved by the Group's Board of Directors. The Group updates the cash flow planning for a period of 12 months, on a weekly basis and uses this cash flow planning for control purposes.

A five year extract from the respective budgets is shown below:

Forecasted liquidity	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
(Amounts in ANG * 1,000)					
Opening balance	24,968	(18,935)	(25,858)	(80,472)	(101,207)
Operating proceeds	56,499	64,032	96,968	92,946	104,424
Cashflow investments in net working capital	(3,594)	10,092	(34,007)	9,233	(537)
Cashflow investments	(36,828)	(74,025)	(79,594)	(84,373)	(86,175)
Cashflow financing activities	(33,194)	(30,656)	(37,981)	(38,541)	(29,974)
Capital injection	-	23,633	-	-	-
Past due/ due on demand	(26,786)	-	-	-	-
Increase/decrease in cash balances	**(43,903)**	**(6,923)**	**(54,613)**	**(20,736)**	**(12,263)**
Balance at end of year	**(18,935)**	**(25,858)**	**(80,472)**	**(101,207)**	**(113,471)**

As depicted in the above noted liquidity projection, the Group's liquidity position is projected to deteriorate significantly. In 2013 a past due amount equal to ANG 26.8 million is presented to reflect the Group's true cash position if it were settling all its obligations to its creditors timely. The past due balance which is primarily related to Group's fuel supplier, confirms how the lack of adequate and timely tariff adjustments have affected the Group's cash flow and the Group's operating proceeds have been compromised. Adequate tariff adjustments over the past years would have allowed the Group to generate sufficient cash flow to remain current on all its obligations.

Another key factor with a yet greater impact on the deterioration of the Group's liquidity over the years 2015 through 2017, regards the significant investments in fixed asset that exceed cash inflow in the form of new loans or capital injection to source these investments.

The projected years assume a recovery of the 2011 and 2012 undercoverages (prior to the introduction of the fuel pass through) but not a recovery of the fuel under coverage up until 2010 as depicted in the regulatory account of ANG 104 million as per December 31, 2010.

Management is of the opinion that the projected liquidity position can be improved with the following:

- The Group is negotiating with the regulator to receive formal notification from the regulator granting the remaining recovery which is estimated at ANG 104 million and will ensure the turn-around of the Group's liquidity position.

Actions taken by Management:

- Continue to inform BTP and the Government of Curaçao on the need to recover the balances to be compensated in the amount of ANG 104 million due to lack of timely adjustments as accounted for on the regulatory account up to and including 2010 and continue to follow up on the granting of the remaining recovery for year 2011 and 2012. The Group will significantly improve its financial position if it obtains this recovery.
- Management has indicated in a letter to BTP that it is not in a position to immediately comply with the required concession deposit of ANG 34 million and has requested a review of the terms and conditions of the concessions. Based on a resolution reached by the Council of Ministers on October 31, 2012 the concession deposit due will be offset against a capital injection from the ultimate parent of the Group equal to the amount of the concession deposit. Refer also to note 5.4.1.3 (Non-current financial assets) for additional information. Based on the abovementioned resolution, the concession deposit has not been included in the liquidity projection above as it will not impact cash position.
- The Group is performing a daily cash-flow projection and prioritizing its payments while making informal agreements with creditors of past due amount in order to gradually bring down these balances to acceptable levels while ensuring the continuation of operations and realization of its turn-around plan. The past due balance of ANG 33.6 million due to Curoil, was converted into a loan in September of 2013.

The significant capital investments projected to be made in 2014 through 2016 relate to a new power production plant with related distribution infrastructure and new sea water reverse osmosis plant as a result of the closing of the Mundo Nobo power plant. These investments are necessary in order to guarantee a more efficient production of water and electricity. Given the magnitude of these investments, external funding is required in order to finance them. Obtaining certainty regarding the granting of the aforementioned requested recoveries is imperative in securing the projected financing.

The investment in new and efficient machines will on the long run result in lower fuel usage and operational cost which is reflected in increasing operational cash flow starting in 2015 and 2016 when the new machines are put into operation. The negative impact of the changes in fuel prices on the operations is expected to be neutralized in the future due to the monthly tariff adjustment introduced as per June 1, 2012 which will guarantee that the Group receives the coverage for the fluctuations in the fuel prices.

The liquidity status as per December 31, 2012 and 2011 is shown below:

Liquidity status	**Dec 31, 2012**	**Dec 31, 2011**
(Amounts in ANG * 1,000)		
Funds encumbered > 5 years	1,943	1,943
Funds encumbered 1 < years < 5	4,410	10,650
Available cash & cash at banks	18,615	15,413
Total credit facilities	**24,968**	**28,006**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The following table analyses the Group's financial liabilities, being its long term loans, other non-current liabilities and current liabilities, into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The long term loans and other non-current liabilities amounts include the interest expenses for the remaining period at reporting date. All amounts are the undiscounted cash flows:

Long term loans and other non current liabilities	**At December 31, 2012**			**At December 31, 2011**		
(Amounts in ANG * 1,000)						
	<1 year	**≥1 and ≤5 years**	**>5 years**	**<1 year**	**≥1 and ≤5 years**	**>5 years**
Loan Isla Dieselcentrale	3,578	12,198	5,336	3,494	15,565	5,336
Loan MJP	1,556	7,651	7,610	1,556	7,781	13,179
Loan SPU	-	-	-	49	-	-
Loan Vida Nova	131	131	-	524	131	-
Loan Scadta	1,793	7,173	16,483	1,345	8,967	16,483
	7,058	**27,153**	**29,429**	**6,968**	**32,444**	**34,998**

5.3.4. Capital risk

Capital risk is the risk that the Group loses its value as a result of which financiers (shareholders, lenders, etc.) may lose all or part of the principal amount invested in the Group.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to effectively manage the cost of capital.

The following chart shows the ratio's used by management in monitoring and measuring the development in capital and reserves:

Ratios and financial covenants	Dec 31, 2012	Dec 31, 2011
(Amounts in ANG * 1,000)		
Debt service coverage ratio (DSCR)	0.31	(1.67)
Compliance DSCR ratio	>1.45	>1.45
Adjusted debt service coverage ratio (ADSCR)	0.16	(0.53)
Compliance ADSCR	>1.15	>1.15
Debt/EBITDA ratio (D/E)	45.43	(12.65)
Compliance D/E ratio	<8.5	<8.5
Current ratio (CR)	0.43	0.40
Compliance CR	>1.00	>1.00
Solvency ratio (SR)	8.62%	7.87%
Compliance SR	>30.00%	>30.00%

As indicated in the table above, the Group is not in compliance with financial covenants as described in the offering circular of tranche 1a bonds. The Group fell short of the solvency ratio requirement due primarily to the shrinking equity resulting from rate increase restrictions that contributed to the net loss for the year. The recognition of the discount on the bonds has also negatively impacted the solvency ratio. The non-compliance with the current ratio is a result of the classification of the corporate bonds as short-term stemming from non-compliance with the previously mentioned ratio.

5.4. Explanatory notes to the statement of financial position

5.4.1. Non-current assets

The following paragraphs provides detailed information of the various non current assets.

5.4.1.1. Intangible Assets

The schedule below reflects the acquisitions of intangible assets during the period:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Intangible assets		
Balance at beginning of year	-	-
ERP purchased during the period	6,552	-
Amortization on intangible assets	-	-
Balance at end of year	6,552	-

In March 2012, a Professional Service Agreement was signed with SAP Puerto Rico GMBH LLC. (SAP) for the implementation of a new enterprise resource planning (ERP) system. Phase 1 and Phase 2 licenses were acquired in 2012 at a cost of ANG 6.6 million (USD 3.6 million). All related maintenance fees were expensed as incurred and are included in general expenses in the statement of income

In 2013, the remaining SAP implementation has been put on hold. A third party has been engaged in 2014 to perform a return on investment analysis which will be used to determine course of action. The required SAP investment totals approximately ANG 65 million and spans a period of 5 years. As the new ERP system has not been put into use, no amortization charge has been recorded through date.

5.4.1.2. Property, Plant and Equipment

Below an overview of the property, plant and equipment as per December 31, 2012 and 2011:

(Amounts in ANG * 1,000)	Initial cost 1-Jan-12	Accum. Depr. 1-Jan-12	Book value 1-Jan-12	Investments 2012	Depreciations 2012	initial cost 31-Dec-12	Accum. Depr. 31-Dec-12	Book value 31-Dec-12
Production								
Land & buildings	47,655	23,762	23,893	85	(1,767)	47,740	25,529	22,211
Plant/Equipment	758,344	559,311	199,033	20,143	(10,331)	778,487	569,642	208,845
Major spare parts	37,915	29,806	8,109	555	(2,169)	38,470	31,975	6,495
Other assets	38,595	33,123	5,472	29	(2,816)	38,624	35,939	2,685
Work in progress	13,879	-	13,879	(12,829)	-	1,050	-	1,050
	896,388	646,002	250,386	7,983	(17,083)	904,371	663,085	241,286
Impairment loss	(53,453)	-	(53,453)	-	-	(53,453)	-	(53,453)
Total Production	**842,935**	646,002	196,933	7,983	(17,083)	850,918	663,085	187,833
Distribution								
Land & buildings	51,733	22,879	28,854	994	(1,227)	52,727	24,106	28,621
Distribution network	761,212	387,572	373,640	4,091	(23,698)	765,303	411,270	354,033
Other assets	64,828	59,871	4,957	720	(825)	65,548	60,696	4,852
Work in progress	30,284	-	30,284	8,094	-	38,378	-	38,378
	908,057	**470,322**	**437,735**	**13,899**	**(25,750)**	**921,956**	**496,072**	**425,884**
Impairment loss	(94,000)	-	(94,000)	-	-	(94,000)	-	(94,000)
Total Distribution	**814,057**	**470,322**	**343,735**	**13,899**	**(25,750)**	**827,956**	**496,072**	**331,884**
Multi Utility								
Land & buildings	683	292	391	(26)	(59)	657	351	306
Plant/Equipment	961	411	550	7	(87)	968	498	470
Other assets	100	92	8	2	(2)	102	94	8
Work in progress	5	-	5	-	-	5	-	5
Total Multi Utility	**1,749**	**795**	**954**	**(17)**	**(148)**	**1.732**	**943**	**789**
Total	**1,658,741**	**1,117,119**	**541,622**	**21,865**	**(42,981)**	**1,680,606**	**1,160,100**	**520,506**

(Amounts in ANG * 1,000)	Initial cost 1-Jan-11	Accum. Depr. 1-Jan-11	Book value 1-Jan-11	Adj. on beginning Balance Initial cost	Adj. on beginning Balance Accum. Depr.	Initial cost after adj. 1-Jan-11	Accum. Depr. after adj. 1-Jan-11	Book value after adj. 1-Jan-11
Production								
Land & buildings	45,144	22,034	23,110	-	-	45,144	22,034	23,110
Plant/Equipment	712,947	542,973	169,974	41,628	(5,806)	754,575	548,779	205,796
Major spare parts	36,369	28,105	8,264	(226)	1,735	36,143	26,370	9,773
Other assets	21,941	21,456	485	12,660	(9,450)	34,601	30,906	3,695
Work in progress	53,461	-	53,461	(34,898)	-	18,563	-	18,563
	869,862	**614,568**	**255,294**	**19,164**	**(13,521)**	**889,026**	**628,089**	**260,937**
Impairment loss	(53,453)	-	(53,453)	-	-	(53,453)	-	(53,453)
Total Production	**816,409**	**614,568**	**201,841**	**19,164**	**(13,521)**	**835,573**	**628,089**	**207,484**
Distribution								
Land & buildings	82,325	42,552	39,773	(30,564)	20,895	51,761	21,657	30,104
Distribution network	672,314	339,877	332,437	45,785	(26,717)	718,099	366,594	351,505
Other assets	59,637	59,885	(248)	1,877	5,061	61,514	54,824	6,690
Work in progress	63,655	-	63,655	(17,403)	-	46,252	-	46,252
	877,931	**442,314**	**435,617**	**(305)**	**(761)**	**877,626**	**443,075**	**434,551**
Impairment loss	(94,000)	-	(94,000)	-	-	(94,000)	-	(94,000)
Total Distribution	**783,931**	**442,314**	**341,617**	**(305)**	**(761)**	**783,626**	**443,075**	**340,551**
Multi Utility								
Land & buildings	657	231	426	-	-	426	-	426
Plant/Equipment	949	325	624	-	-	624	-	624
Other assets	100	88	12	-	-	12	-	12
Total Multi Utility	**1,706**	**644**	**1,062**	**-**	**-**	**1,062**	**-**	**1,062**
Total	**1,602,046**	**1,057,526**	**544,520**	**18,859**	**(14,282)**	**1,620,261**	**1,071,164**	**549,097**

(Amounts in ANG * 1,000)	Initial cost 1-Jan-11	Accum. Depr. 1-Jan-11	Book value 1-Jan-11	Investments 2011	Depreciations 2011	initial cost 31-Dec-11	Accum. Depr. 31-Dec-11	Book value 31-Dec-11
Production								
Land & buildings	45,144	22,034	23,110	2,511	(1,728)	47,655	23,762	23,893
Plant/Equipment	754,575	548,779	205,796	3,769	(10,532)	758,344	559,311	199,033
Major spare parts	36,143	26,370	9,773	1,772	(3,436)	37,915	29,806	8,109
Other assets	34,601	30,906	3,695	3,994	(2,217)	38,595	33,123	5,472
Work in progress	18,563	-	18,563	(4,684)	-	13,879	-	13,879
	889,026	**628,089**	**260,937**	**7,362**	**(17,913)**	**896,388**	**646,002**	**250,386**
Impairment loss	(53,453)	-	(53,453)	-	-	(53,453)	-	(53,453)
Total Production	**835,573**	**628,089**	**207,484**	**7,362**	**(17,913)**	**842,935**	**646,002**	**196,933**
Distribution								
Land & buildings	51,761	21,657	30,104	(28)	(1,222)	51,733	22,879	28,854
Distribution network	718,099	366,594	351,505	43,113	(20,978)	761,212	387,572	373,640
Other assets	61,514	54,824	6,690	3,314	(5,047)	64,828	59,871	4,957
Work in progress	46,252	-	46,252	(15,968)	-	30,284	-	30,284
	877,626	**443,075**	**434,551**	**30,431**	**(27,247)**	**908,057**	**470,322**	**437,735**
Impairment loss	(94,000)	-	(94,000)	-	-	(94,000)	-	(94,000)
Total Distribution	**783,626**	**443,075**	**340,551**	**30,431**	**(27,247)**	**814,057**	**470,322**	**343,735**
Multi Utility								
Land & buildings	657	231	426	26	(61)	683	292	391
Plant/Equipment	949	325	624	12	(86)	961	411	550
Other assets	100	88	12	-	(4)	100	92	8
Work in progress	-	-	-	5	-	5	-	5
Total Multi Utility	**1,706**	**644**	**1,062**	**43**	**(151)**	**1,749**	**795**	**954**
Total	**1,620,905**	**1,071,808**	**549,097**	**37,836**	**(45,311)**	**1,658,741**	**1,117,119**	**541,622**

The collateral pledged for the Scadta loan for the amount of ANG 18 million encumbered the premises and buildings situated at Pater Euwensweg and Emancipatie Boulevard.

The annual average depreciation rates are as follows:

Buildings	varying from 2 to 20%
Plant & Equipment	varying from 3 1/3 to 20%
Distribution network	varying from 3 1/3 to 12%
Other assets	varying from 5 to 33 1/3 %

Major spare parts are depreciated in accordance with the category of Plant & Equipment. Plant / equipment include the book value of decommissioning costs of Mundo Nobo and is further specified in note 5.4.4.2.2.

Impairment loss
An impairment review was performed for the year 2012 and 2011 and as a result of this impairment review, the Group determined that its property, plant and equipment are not impaired as of December 31, 2012 and 2011.

Accelerated Depreciation
In 2012, management and the Supervisory Board of the Group formalized the plans for the closure of the Mundo Nobo plant. Production at Mundo Nobo plant will be set at reserve level starting at the end of 2013 till 2015, at which point plant equipment will be completely dismantled to be either disposed of to be sold as scrap or as separate units. As the scrap value is not determined yet, this was not taken into account in the determination of the accelerated depreciation. The expectations are that the main office building will remain in addition to the plant building designated as a historic building but that all other buildings will be fully demolished at the end of 2017. Due to the planned closure of the Mundo Nobo plant, accelerated depreciation has been applied to all fixed assets that will be disposed or demolished. Additional depreciation is therefore recorded in 2012 figures amounting to ANG 941,408. Refer to subsequent event note 5.5.9 for additional disclosure regarding the dismantling of the Mundo Nobo Plant.

5.4.1.3. Non-current financial assets

The new concessions for electricity production and distribution adopted on June 30, 2014 required that a security deposit be made to the Country of Curaçao equal to 5% of the total acquisition cost of the property, plant and equipment of Aqualectra Production and Aqualectra Distribution existing as of the effective date of the concessions. The total security deposit amounted to ANG 34 million. On October 31, 2012, the Council of Ministers reached a resolution that a capital injection equal to the amount of the concession deposit would be made to minimize the financial impact of the required deposit on the Group. On January 31, 2013, the Shareholder resolved to issue shares of IUH N.V. in the amount of ANG 34 million. The way in which the settlement of the concession deposit and the share issuance will occur is still being discussed. As a result thereof, the concession deposit has not been paid as of December 31, 2012 and is therefore included in other liabilities.

Refer to subsequent events note 5.5.9 for developments concerning the concessions subsequent to year-end.

The security deposit is specified as follows:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Non-current financial assets		
Security deposit Aqualectra Production	11,512	-
Security deposit Aqualectra Distribution	22,488	-
Balance at end of year	34,000	-

5.4.1.4. Deferred tax assets

Deferred tax assets are attributable to cumulative tax losses for which it is probable that future taxable profit will be available to be utilized against these and the difference between the fiscal and commercial carrying value of fixed assets.

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Tax loss carry-forward	52,628	40,059
Difference fiscal and commercial value property, plant and equipment	13,803	13,803
Balance at end of year	**66,431**	**53,862**

The tax losses will expire in a period of ten years commencing in the year in which the fiscal loss was incurred.

The Group has tax losses which arose prior to the formation of a fiscal unity (pre-unity losses) and are therefore available for offset only against future taxable profits of the companies in which the losses arose to the extent that the fiscal unity as a whole has a positive result. Of the total loss carry-forward recognized as deferred tax asset of ANG 191.3 million at December 31, 2012 (2011: ANG 145.7 million), ANG 78.0 million (2011: ANG 91.7 million) relate to pre-unity tax losses.

Management has estimated the probability of future taxable profits offsetting these tax losses. This estimation is based in management's forward looking projections.

Below is a summary of this estimation:
- Tax losses amounting to ANG 13.7 million (pre-unity), which expire in 2016, have not been recognized as it is deemed as not probable that future taxable profits will be available to offset these losses.
- Tax losses amounting to ANG 70.6 million within the fiscal unity, which is deemed to expire in 2021 and 2022, has been released because of uncertainty in assessing future taxable profit beyond 2018.
- No deferred tax asset is expected to be recovered within the upcoming 12 months period.

The table below reflects the movements in the deferred tax asset during the period:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Balance at beginning of year	53,862	48,332
Adjustments as per January 1	-	(77)
	53,862	48,255
Recognition in profit or loss	9,357	4,424
Recognition in other comprehensive income	3,212	1,183
Balance at end of year	**66,431**	**53,862**

Carry forward losses are due to expire as follows:

(Amounts in ANG * 1,000)	
Period	**Amount**
2013-2017	91,695
2018-2022	183,953
Total	**275,648**

5.4.2. Current assets

The following paragraphs provides detailed information of the various current assets.

5.4.2.1. Inventories

A summary of stocks as per December 31, 2012 and 2011 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Production		
Materials and spare parts (net)	8,205	8,090
Fuel and lubricants	12,157	11,221
Water	363	605
Total Aqualectra Production	**20,725**	**19,916**
Aqualectra Distribution		
Materials and spare parts (net)	10,302	13,308
Water in reservoirs	601	1,379
Total Aqualectra Distribution	**10,903**	**14,687**
Aqualectra Multi Utility		
Materials and spare parts (net)	469	498
Total Aqualectra Multi Utility N.V.	**469**	**498**
Total inventories	**32,097**	**35,101**

As shown in the specification above, the total amount of inventories on the statement of financial position include stocks of materials and spare parts in warehouses.

The stock was lowered by a provision of ANG 9,613 (2011: ANG 8,952) for slow movers.

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Balance at beginning of the year	**(8,952)**	**(8,945)**
Additions	(699)	(292)
Utilized	38	285
Balance at end of the year	**(9,613)**	**(8,952)**

The supply of water in reservoirs is valued at the inter-company price between Aqualectra Production and Aqualectra Distribution.

5.4.2.2. Trade accounts receivable

The composition of trade accounts receivable as per December 31, 2012 and 2011 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Government institutions	7,537	4,597
Business & industrial customers	52,812	39,746
Households	108,615	97,934
	168,964	**142,277**
Provision for bad debts	(60,504)	(53,515)
	(60,504)	**(53,515)**
Total trade accounts receivable	**108,460**	**88,762**

Trade debtors are valued at the actual billing amounts for electricity and water. A provision has been formed for doubtful debts as shown below.

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Balance at beginning of the year	**(53,515)**	**(48,054)**
Additions	(6,990)	(5,900)
Utilized	1	439
Balance at end of the year	**(60,504)**	**(53,515)**

Accounts receivables due to Aqualectra Distribution have been assigned to MCB Bank N.V. as collateral against bank overdraft facilities (refer to note 5.4.5.3).

5.4.2.3. Other receivables

The other receivables consist as per December 31, 2012 and 2011 of the following items:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Production		
Prepaid insurance premiums	1,571	1,991
Other receivables (net)	4,688	3,872
	6,259	**5,863**
Aqualectra Distribution		
Services public lighting	(146)	-
General Debtors	9,926	4,415
Other account receivables (incl. balance GEUS)	4	2
	9,784	**4,417**
Integrated Utility Holding N.V.		
Other receivables - CUC	2,039	1,977
Receivable USBZ	0	252
	2,039	**2,229**
Aqualectra Multi Utility N.V.		
Other receivables	198	114
	198	**114**
Total other receivables	**18,280**	**12,623**

Abovementioned amounts are presented net of a provision for doubtful debts, the movements in this provision are shown below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Balance at beginning of the year	**(21,327)**	**(15,564)**
Release / (Additions)	2,951	(5,309)
Utilized	(4)	(454)
Balance at end of the year	**(18,380)**	**(21,327)**

* These figures are restated to include a provision made for receivables from damaged infrastructure and a provision in General Engineering Utility Services.

5.4.2.4 Cash & cash equivalents

The cash and cash equivalents as per December 31, 2012 and 2011 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Production		
Cash at banks and on hand	5,712	349
	5,712	**349**
Aqualectra Distribution		
Cash at banks and on hand	28,915	20,126
Cash movements in transit	(364)	256
	28,551	**20,382**
Integrated Utility Holding N.V.		
Cash at banks	**6,436**	**10,529**
Aqualectra Multi Utility N.V.		
Cash at banks and on hand	**437**	**257**
Total cash & cash equivalents	**41,136**	**31,517**

Included in the total amount of cash and cash equivalents is ANG 9.5 million (2011: ANG 9.5 million) which is not at free disposition of the Group. This amount consists of:

- a total amount of ANG 1.9 million which is a time deposit for coverage of one month IUH N.V. Payment, in case of default (2011: ANG 1.9 million);
- a term deposit account in the amount of ANG 7.6 million (2011: ANG 7.6 million) pledged to MCB in order to cover the letter of credit and bank guarantees.

There was no significant interest income from cash deposits in 2012 and 2011.

As per December 31, 2012 there are bank guarantees amounting to:

- ANG 1.3 million in favor of 'Inspectie der Invoerrechten en Accijnzen and/or Douane Curaçao' (2011: ANG 1.3 million);
- ANG 20,000 in favor of 'Landsontvanger' (2011: ANG 20 thousand);
- ANG 3.6 million in favor of Aggreko Intl.: Projects for rent of generators (2011: ANG 5.3 milllion).

The other cash items relate mainly to interest bearing deposits at banks.

5.4.3. Shareholder's Equity

Please refer to note 4.3 for a detailed specification of shareholder's equity.

5.4.3.1. Share capital and share premium

The Company's authorized capital amounts to ANG 600 million, consisting of 600 shares at ANG 1 million par value each, of which 470 shares were issued to the Island territory of Curaçao on June 1, 1998.

The share capital was paid up by means of the contribution of the KODELA (Aqualectra Distribution) and KAE (Aqualectra Production) shares. The pay up in full of the 470 shares placed through the contribution of KODELA and KAE has created a share premium of ANG 55 million. During 2012 and 2011 there were no movements in the capital and share premium.

During 2012 and 2011 movements have occurred directly in equity as a result of IAS 19 calculations (Employee benefits). The movements are detailed in the consolidated statement of comprehensive income as shown in note 4.2.

5.4.3.2. Preferred stock

Preferred stock relates to a total of 7,000 shares having a nominal value of ANG 1.- per share sold in two tranches in accordance with the Preferred Stock Purchase Agreement.

The Purchaser, Mirant, agreed to buy at the First Tranche Closing, December 19, 2001, 2,800 issued shares of Preferred Stock for the total amount of ANG 29.1 million. On September 30, 2002 Mirant agreed to buy at the second Tranche closing the remaining 4,200 issued shares of Preferred Stock for the total amount of ANG 43.7 million.

The 7,000 preferred shares bear a cumulative preferred dividend of 16.75%. Preferred stock has been issued for the financing of future investments in general.

During 2007 Mirant sold its holdings of Aqualectra's preferred shares to Marubeni Corporation.

As per December 30, 2009 the Group entered into a refinancing of its existing debts including the Preferred Stock held by Marubeni TAQA and therefore exercised its right to purchase all the Preferred Stock held by Marubeni TAQA and paid all outstanding accrued and unpaid preferred dividends thereon to Marubeni TAQA.

As upon the repurchase of the preferred shares and through date, no decision has been made with regard to the need to retire or not retire these shares, the repurchase of the shares are presented as a contra-equity account - Treasury shares.

Currently the Group hold all shares of the company and subsidiaries.

5.4.4. Non-current liabilities

The following paragraphs provides detailed information of the various non-current liabillities.

5.4.4.1. Financial liabilities

Below a summary of balances regarding all outstanding long term loans as per December 31, 2012 and 2011, specified per group-entity:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Distribution		
Loan Vida Nova Pension Fund (SPU)	-	48
Loan Meerjarenplan (MJP)	13,885	13,885
Loan Vida Nova Pension Fund (Building)	134	626
Leasehold Obligation - Cars	-	125
Current maturities of long-term loans	(3,220)	(2,518)
	10,799	**12,166**
Integrated Utility Holding N.V.		
Loan Scadta	18,285	18,848
Current maturities of long-term loans	(1,067)	(649)
	17,218	**18,199**
Aqualectra Production		
Loan Diesel Power Plant ISLA	17,756	20,293
Current maturities of long-term loans	(2,537)	(2,537)
	15,219	**17,756**
Total Financial liabilities	**43,236**	**48,121**

5.4.4.1.1. Long term loans Aqualectra Distribution

Loan Vidanova Pension Fund (SPU):

This agreement was concluded in 1997 for a principal sum of ANG 0.55 million. Repayment started in December 1997 and will continue for 15 years using monthly 10.5% annuities of ANG 6,080 including interest. No securities were pledged to this loan. The loan was paid off in 2012.

Loan Meerjarenplan (MJP):

In order to finance a comprehensive rehabilitation plan for the water distribution network, it was agreed in 1989 that KABNA would provide funds from the "MJP meerjarenplan" of which approximately 50% was to be donated. For the remaining 50% a loan agreement was signed in November 1991 for a maximum amount of ANG 39 million. Because funding by KABNA was stopped in 1996, only ANG 26.3 million was drawn. After a grace period of 8 years, repayment was scheduled to start in December 2000 by 22 annual annuities.

Currently the Group is contemplating settlement of a part of the outstanding amount with receivable amount for electricity and water bills of different governmental departments. No securities were pledged to this loan. Interest was fixed at 2.5% per annum.

Loan Vidanova Pension Fund (Building Pater Euwensweg 1):
In order to finance the office building situated at the Pater Euwensweg 1, Aqualectra Distribution entered into a mortgage loan of ANG 3,600,000 with Vidanova Pension Fund as of April 1, 2003.
Repayments started as of September 2003 and will continue through March 2013, with monthly 8.00% annuities of ANG 43,677.93. Vidanova Pension Fund disposed of the first mortgage on the office building at the Pater Euwensweg 1.

5.4.4.1.2. Long term loans Integrated Utility Holding N.V.

Loan Scadta
The Group entered into various agreements with Scadta Real Estate C.V. (Scadta) for the development of the land on Scadta Peninsula (old Amstel land at the Rijkenseenheid Boulevard) and the construction of a new Operational Center and Technical Services Facility for the Group. In June 2011, the Board of Supervisory Directors terminated these agreement which suspended all work performed by Scadta thus far. The Group was held liable for all expenses incurred by Scadta in the development of the land such as research, survey, clean-up, excavation, administrative costs interest and also lost income which were determined to amount to ANG 18.8 million. The amount was converted into a loan from Scadta effective April, 2012 to be repaid over a period of 15 years with annual interest of 5%. Monthly repayment equal ANG 149,000. Due to lack of recognizable asset to be received in return of before mentioned obligation, the full amount of the obligation has been recognized as an expensed in 2011.

5.4.4.1.3. Long term loans Aqualectra Production

Loan Diesel Power Plant ISLA
This liability concerns the payment by ISLA for the cost of constructing the Diesel Power Plant (USD 23,000,000). The payment has been recorded as a liability as repayment is covered by the monthly IUH N.V. installments. For further information we refer to note 5.4.6 Commitments and contingencies.

5.4.4.2. Provisions

The provisions as per December 31, 2012 and 2011 can be divided in the following categories:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Provisions employee benefits	209,644	245,938
Other provisions	17,000	17,000
Total provisions	**226,644**	**262,938**

*Accrual for Vacation days was reclassified from Other liabilities (see note 5.4.5.4) to this item.

5.4.4.2.1. Provisions employee benefits

The provision for employee benefits as per December 31, 2012 and 2011 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Provision medical costs retired employees	177,662	208,529
Provision supplementary pension APC (DT)	11,299	17,816
Provision early retirement benefit (VUT)	721	783
Provision anniversary bonus	15,377	15,447
Provision pension obligations	575	-
Provision vacation leave	4,010	3,363
Total provisions	**209,644**	**245,938**

*Accrual for Vacation days was reclassified from Other liabilities (see note 5.4.5.4) to this item.

The calculations of the provision for medical costs, DT, VUT, anniversary bonus and defined benefit pension plan are based upon actuarial assumptions which are shown below.

Actuarial assumptions	2012	2011	Applicable for
Discount rate	4.00%	3.94%	All actuarial provisions
Rate of return on plan assets	1.57%	5.50%	Medical cost, pension
Increase of offset	2.75%	2.75%	VUT, DT and pension
Inflation	1.50%	1.50%	VUT, DT and pension
Future Medical expenses increases	2.50%	3.50%	Medical cost
Future pension increases	1.50%	0.00%	VUT and pension
Future compensation increases	1.65%	1.15%	VUT, DT and pension
Salary increases (career)	2.25%	2.25%	All except medical cost
Salary increases (inflation)	1.65%	2.25%	Anniversary bonus
VUT participation probability	2.50%	2.50%	VUT

Mortality:

Male:	GBM 2000-2005; -1
Female:	GBV 2000-2005; -1
Age difference spouse:	male is 4 years older than female
Marital status:	100%

The position of the provision medical costs retired employees, supplementary pension APC (DT), early retirement benefit (VUT) and anniversary bonus are shown below:

(Amounts in ANG * 1,000)	Medical costs Dec. 31, 2012	DT Dec. 31, 2012	VUT Dec. 31, 2012	Anniversary bonus Dec. 31, 2012
Liability recognized in the consolidated statement of financial position				
Present value of obligations	177,662	11,299	721	15,377
Provision	**177,662**	**11,299**	**721**	**15,377**
Movement in provisions				
Provisions at the beginning of year	208,529	17,816	783	15,447
Expenses	15,247	842	27	1,558
Contributions paid	(4,282)	(586)	(501)	(1,894)
Actuarial losses / (gain) recognized in the consolidated statement of comprehensive income	(41,832)	(6,773)	412	266
Provisions at end of year	**177,662**	**11,299**	**721**	**15,377**
Amounts recognized in the consolidated statement of comprehensive income				
Current service costs	6,837	146	3	793
Interest costs	8,410	696	24	765
Contributions by participants	(1,103)	0	0	0
Expenses recognized in consolidated omprehensive income	**14,144**	**842**	**27**	**1,558**
Present value of the obligations				
Present value of the obligations at the beginning of year	208,711	17,816	783	15,447
Interest costs	8,410	696	24	765
Current service costs	6,837	146	3	793
Benefits paid	(4,145)	(586)	(501)	(1,894)
Actuarial loss / (gain) on obligation	(42,151)	(6,773)	412	266
Present value of the unfunded obligations at the end of year	**177,662**	**11,299**	**721**	**15,377**
Fair value of the plan assets				
Fair value of the plan assets at the beginning of year	(182)	-	-	-
Contributions by the employer	(3,179)	(586)	(501)	(1,894)
Contributions by the participants	(1,103)	0	0	0
Benefits paid	4,145	586	501	1,894
Actuarial loss / (gain) on assets	319	-	-	-
Present value of the plan assets at the end of year	**-**	**-**	**-**	**-**
Development of deficit in the plan				
Present value obligations	177,662	11,299	721	15,377
Fair value of plan assets	-	-	-	-
Deficit in the plan	**177,662**	**11,299**	**721**	**15,377**

The expenses have been included in social securities and other personnel expenses in the consolidated statement of comprehensive income.

(Amounts in ANG * 1,000)	Medical costs Dec. 31, 2011	DT Dec. 31, 2011	VUT Dec. 31, 2011	Anniversary bonus Dec. 31, 2011
Liability recognized in the consolidated statement of financial position				
Present value of obligations	208,711	17,816	783	15,447
Fair value of plan assets	(182)	0	0	0
Unrecognised past service gain	0	0	0	0
Provision	**208,529**	**17,816**	**783**	**15,447**
Movement in provisions				
Provisions at the beginning of year	164,404	19,444	1,142	15,707
Expenses	13,226	1,114	48	1,648
Contributions paid	(4,323)	(805)	(651)	(1,845)
Actuarial losses recognized in the consolidated statement of comprehensive income	35,222	(1,937)	244	(63)
Provisions at end of year	**208,529**	**17,816**	**783**	**15,447**
Amounts recognized in the consolidated statement of comprehensive income				
Current service costs	4,863	155	3	778
Interest costs	8,371	959	45	870
Expected return on plan assets	(8)	0	0	0
Actual return on plan assets	(912)	0	0	0
Expenses recognized in consolidated omprehensive income	**12,314**	**1,114**	**48**	**1,648**
Present value of the obligations				
Present value of the obligations at the end beginning of year	164,549	19,444	1,142	15,707
Interest costs	8,371	959	45	870
Current service costs	4,863	155	3	778
Benefits paid	(4,294)	(805)	(651)	(1,845)
Actuarial loss / (gain) on obligation	35,222	(1,937)	244	(63)
Present value of the unfunded obligations at the end of year	**208,711**	**17,816**	**783**	**15,447**
Fair value of the plan assets				
Fair value of the plan assets at the beginning of year	(145)	0	0	0
Expected return on plan asset	(8)	0	0	0
Contributions by the employer	(3,446)	(805)	(651)	1,845
Contributions by the participants	(912)	0	0	0
Benefits paid	4,294	805	651	(1,845)
Actuarial (loss) / gain on plan assets	35	0	0	0
Additional charges	0	0	0	0
Fair value of the plan assets at end of year	**(182)**	**0**	**0**	**0**
Development of deficit in the plan				
Present value unfundede obligations	208,711	17,816	783	15,447
Fair value of plan assets	(182)	0	0	0
Deficit in the plan	**208,529**	**17,816**	**783**	**15,477**

The expenses have been included in social securities and other personnel expenses in the statement of comprehensive income.

Provision medical costs of retired employees

According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, retired employees will be compensated to a certain extent for their medical costs. Provisions have been made for this obligation directly through the consolidated statement of comprehensive income.

A sensitivity analysis on the present value of the obligation as per December 31, 2012 and December 31, 2011 is presented below:

The following sensitivity analysis shows the effect on the obligations based on a 0.25% change in the discount rate or 1.00% in the inflation rate.

Medical expenses retired employees 2012	Basis	Deviation in discount rate		Deviation in medical expenses	
(Amounts in ANG * 1,000)					
Discount rate	4.00%	3.75%	4.25%	4.00%	4.00%
Inflation	2.50%	2.50%	2.50%	1.50%	3.50%
Effect on present value of the defined benefit obligation	177,662	6,128	(5,804)	(27,581)	35,219

Medical expenses retired employees 2011	Basis	Deviation in discount rate		Deviation in medical expenses	
(Amounts in ANG * 1,000)					
Discount rate	3.94%	3.69%	4.19%	3.94%	3.94%
Inflation	3.50%	3.50%	3.50%	2.50%	4.50%
Effect on present value of the defined benefit obligation	208,711	9,734	(9,124)	(33,340)	42,307

Provision supplementary pension APC (DT)

In 1943 the Government guaranteed civil servants a pension that amounts to 70% of their average salary received during 24 months before their retirement (Duurtetoeslagregeling gepensioneerden 1943). Consequently, the Government had to pay the difference between the guaranteed pension amount and the pension actually built-up as per the APC pension arrangement. As per National Decree of July 12, 1995 it is stipulated that the legal entity that employed the person concerned is responsible for payment of the aforementioned difference. As of January 1, 1998 the AOV-franchise has been included in the pension plan of "Algemeen Pensioenfonds van de Nederlandse Antillen" (APC). The pension allowance to be paid by APC under this changed plan is lower than the allowance that would have been paid according to the former plan. Under certain conditions a supplementary pension has to be paid by the employer to the employees participating in this pension plan to compensate for the discrepancy between the allowance as per the former and changed plan. It is however not clear in which cases and to which extent the employer has an obligation to pay a supplementary pension.

Currently, there is a dispute between the Group and APC concerning the interpretation of the regulation of "duurtetoeslag" (DT). APC namely invoices Aqualectra amongst others for indexation (both for pension indexation and "wage scale" increases) whilst the Group disputes this. Despite being in disagreement with APC, the Group created the provision for DT according to APC's calculation method, with the exception of the "wage scale" and pension indexation.

A sensitivity analysis on the present value of the unfunded obligation as per December 31, 2012 is presented below:

The following sensitivity analysis shows the effect on the unfunded obligations based on a 0.25% change in the discount rate or 0.50% in the inflation rate.

Supplementary pension APNA (DT)	Basis	Deviation in discount rate		Deviation in inflation rate	
(Amounts in ANG * 1,000)					
Discount rate	4.00%	3.75%	4.25%	4.00%	4.00%
Pension indexation	1.50%	1.50%	1.50%	1.00%	2.00%
Effect on present value of the defined benefit obligation	11,299	329	(313)	(599)	651

Currently, the Group has a difference of opinion with APC as to the calculation of the supplementary pension premiums. The difference of opinion concerns the calculation-method used for pension increases, but also the legality of the supplementary pension plan with regard to the employees of Aqualectra Production and certain employees of Aqualectra Distribution (employees of the former "Dienst Water Distributie" are excluded). APC is of the opinion that all pension increases can be fully charged to the Group as supplementary pension increases. The Group is of the opinion that there is no legal basis for this methodology and also disputes the legal basis for the validity of the supplementary pension plan for the above mentioned employees.
The Government of Curaçao and other governmental institutions were approached by the Group on abovementioned issues, as it concerns them too. All stakeholders are deliberating on the next steps that should be taken. As per the preparation and approval of these consolidated financial statements no final plan has been outlined. It is expected that the final conclusion and resolution will lead to a release of the provision for supplementary pensions (DT) for the full amount.

Provision early retirement benefit (VUT)

In the National Ordinance of December 27, 1995, regulating the raising of the retirement age, it is stipulated that the civil servants have the option of filing a request with the Governor to retire from service at the age of 55. The resulting liability for the period between 55 and 60 years will be borne by the legal entity that ultimately employed the persons concerned.

The actuarial calculation of the provision for early retirement benefit (the so called 'VUT') of employees participating in the APC pension plan is based on the regulation and the assumptions of a participation probability which is based on experience.

According to the collective labor agreements of the Group, employees have the option of filing a request with the Board of Managing Directors to retire from service at the age of 55, under certain conditions such as employment with the Group for at least 20 years. The Board of Managing Directors decides whether the employee's request will be honored. In such case, the resulting obligation will be accounted for as a liability in the Group's statement of financial position.

For those employees insured at APC the Board of Managing Directors is obliged to honor such a request. A provision has been formed for both group of employees.

A sensitivity analysis on the present value of the unfunded obligation as per December 31,2012 has been performed and showed that a 0.25% positive or negative modification in the discount rate or the inflation rate would result in the following movements.

Supplementary pension APNA (VUT)	Basis	Deviation in discount rate		Deviation in inflation rate	
(Amounts in ANG * 1,000)					
Discount rate	4.00%	3.75%	4.25%	4.00%	4.00%
Inflation	1.50%	1.50%	1.50%	1.25%	1.75%
DBO in ANG 1,000 (Active)	66	-	(1)	-	-
DBO in ANG 1,000 (VUT)	655	2	(2)	(2)	2
DBO in ANG 1,000 (Inactive)	-	-	-	-	-
Effect on present value of the defined benefit obligation	721	2	(3)	(2)	2

Provision anniversary bonus

According to the collective labor agreement of the Group, employees are entitled to an anniversary bonus linked to the amount of years of service. A sensitivity analysis on the present value of the unfunded obligation as per December 31, 2012 is presented below:

The following sensitivity analysis reflected below shows the effect on the unfunded obligations based on a 0.25% change in the discount rate or in the inflation rate.

Provision anniversary bonus	Basis	Deviation in discount rate		Deviation in inflation rate	
(Amounts in ANG * 1,000)					
Discount rate	4.00%	3.75%	4.25%	4.00%	4.00%
Inflation	1.65%	1.65%	1.65%	1.40%	1.90%
DBO AP in ANG 1,000	15,377	237	(233)	(238)	242

Provision vacation leave

Employees are entitled to a maximum number of vacation days per year. The Group forms a provision for vacation days not taken by the employees.

The position of the provision vacation leave is shown below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Provision for vacation leave		
Balance at beginning of year	3,363	3,244
Change in provision	647	119
Balance at end of year	**4,010**	**3,363***

*Accrual for Vacation days was reclassified from Other liabilities to this item.

Provision defined benefit pension plan

The Group operates a pension scheme with the pension fund VIDANOVA. The scheme is funded through payments to VIDANOVA and is determined by periodic actuarial calculations. The Group has a defined benefit plan, which amongst others means that the Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group does not recognize net pension asset in the statement of financial position.

The table below reflects the value of the defined benefit pension plan (consolidated):

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Net Pension Asset NOT recognized in the consolidated statement of financial position		
Present value of funded obligations	178,549	164,156
Fair value of plan assets	185,635	179,855
Net Pension Asset	**(7,086)**	**(15,699)**
Movement in present value of the Defined Benefit Obligation (DBO)		
Defined Benefit Obligation at the beginning of the year	164,156	174,533
Expenses	15,799	18,752
Benefits paid	(537)	(715)
Actuarial gains on obligation	(869)	(28,414)
Defined Benefit Obligation at the end of the year	**178,549**	**164,156**
Amounts recognized in the consolidated statement of comprehensive income		
Current service costs	8,970	9,566
Interest costs	6,829	9,186
Expected return on plan assets	(2,951)	(10,604)
Additional charges	1,560	1,609
Expenses	14,408	9,757
Contributions by participants	(3,309)	(3,499)
Expenses recognized in the statement of comprehensive income	**11,099**	**6,258**
Actual return on plan assets		
Expected return on plan assets	2,951	10,604
Actuarial on plan assets	(5,014)	(23,165)
Actual return on plan assets	**(2,063)**	**(12,561)**
Present value of the funded obligations		
Present value of the funded obligations at the beginning of year	164,156	174,533
Interest costs	6,829	9,186
Current service costs	8,970	9,566
Benefits paid	(537)	(715)
Actuarial gain on obligation	(869)	(28,414)
Present value of the funded obligations at the end of the year	**178,549**	**164,156**
Fair value of the plan assets		
Fair value of the plan assets at the beginning of the year	(179,855)	(184,712)
Expected return on plan assets	(2,951)	(10,604)
Actuarial losses on plan assets	5,014	23,165
Additional charge	1,560	1,609
Contributions by the employer	(6,631)	(6,529)
Contributions by the participants	(3,309)	(3,499)
Benefits paid	537	715
Fair value of the plan assets at end of year	**(185,635)**	**(179,855)**
Development of deficit in the plan		
Present value funded obligations	178,549	164,156
Fair value of plan assets	(185,635)	(179,855)
Deficit/ (Surplus) in the plan	**(7,086)**	**(15,699)**

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of "high-quality" government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The expenses are included in the social securities expenses in the consolidated statement of comprehensive income.

The sensitivity analysis below shows the effect on the unfunded obligations based on a 0.25% change in the discount rate or 0.50% in the inflation rate.

	Medical costs retired employees				
	2012	2011	2010	2009	2008
Defined benefit obligation	177,662	208,711	164,549	128,546	114,548
Fair value of plan assets	-	(182)	(145)	(116)	(87)
Surplus/(deficit)	177,662	208,529	164,404	128,430	114,461

	Pension APC (DT)				
	2012	2011	2010	2009	2008
Present value of defined benefit obligation	11,299	17,816	19,444	18,518	12,757
Fair value of plan assets	-	-	-	-	-
Surplus/(deficit)	11,299	17,816	19,444	18,518	12,757

	Early retirement benefit (VUT)				
	2012	2011	2010	2009	2008
Present value of defined benefit obligation	721	783	1,142	1,436	1,651
Fair value of plan assets	-	-	-	-	-
Surplus/(deficit)	721	783	1,142	1,436	1,651

	Defined benefit pension plan				
	2012	2011	2010	2009	2008
Present value of defined benefit obligation	178,549	164,156	174,533	174,928	150,231
Defined benefit obligation	(185,635)	(179,855)	(184,713)	(168,015)	(152,081)
Surplus/(deficit)	(7,086)	(15,699)	(10,180)	6,913	(1,850)

The contributions for the DBO plan in year the 2013 are estimated at ANG 10,298,000.

Vida Nova Pension					
(Amounts in ANG * 1,000)	Basis	Deviation in discount rate		Deviation in inflation rate	
Discount rate	4.00%	3.75%	4.25%	4.00%	4.00%
Pension Indexation	1.50%	1.50%	1.50%	1.00%	2.00%
Inflation	1.50%	1.50%	1.50%	1.00%	2.00%
Present value of the defined benefit obligation	178,549	8,404	(7,900)	(4,177)	4,330

Amounts related to the pension and other post-employment benefit plans for the current and previous four annual periods are as follows:

5.4.4.2.2. Other Provisions

Other provision is comprised of the following categories:

(Amounts in ANG * 1,000)	31 Dec, 2012	31 Dec, 2011
Provision environmental clean-up of RIF premises	-	-
Provision decommissioning of Mundo Nobo	17,000	17,000
Total other provisions	**17,000**	**17,000**

The movement in the other provisions is shown below:

(Amounts in ANG * 1,000)	31 Dec, 2012	31 Dec, 2011
Provision for environmental clean up of the Rif premises		
Balance at beginning of year	-	825
Change in provision	-	(825)
	-	-
Provision for decommissioning of the Mundo Nobo Plant		
Balance at beginning of year	17,000	14,014
Change in provision	-	2,986
	17,000	**17,000**
Balance at end of year	**17,000**	**17,000**

Provision environmental clean-up Rif premises

Half of the costs of the environmental cleanup of the Rif premises have to be borne by Aqualectra Production. The civil works and installations at Rif were removed and the clean-up has been already performed. As the Group did not yet receive the charge for her share of the costs, the amount has been presented as a provision till the year ending 2010. In book year 2011 Aqualectra released the provision for an amount of ANG 825,000, after taking into consideration that:

- Aqualectra assumed the responsibility to clean up the contaminated area on its expenses;
- Aqualectra did not receive an invoice and/or payment demand from the Island Government or any other body on behalf of the Island Government for the abovementioned clean-up costs during the last years;
- As per December 31, 2011 seven years have passed since the recognition of the liability;
- According to new civil code, after five years, Aqualectra can plead the statute of limitation.

Provision decommissioning of Mundo Nobo

The Island Government has identified the South coast as an area for tourism development for the Island, and in enhancing these efforts management has subsequently created a provision for the decommissioning of the Mundo Nobo plant, which will occur in phases starting in 2013 till 2015. Services of an independent valuation expert were engaged in forming the estimation for the costs of decommissioning every 2 years (most recent year was 2011). The provision is estimated at ANG 17,000,344.

The position of this provision and the movements in its corresponding asset is shown in the table on the following page:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Provision decommissioning Mundo Nobo recognized in the consolidated statement of financial position		
Provision decommissioning at the beginning of year	17,000	14,014
Interest expenses on provision	-	701
Indexation	-	322
Adjustment in conformity with expert appraisel	-	1,963
Balance provision decommissioning at the end of the year	**17,000**	**17,000**
Value of decommissioning Mundo Nobo asset		
Provision decommissioning	17,000	17,000
Cumulative depreciation	(15,607)	(13,458)
Balance decommissioning asset at the end of the year	**1,393**	**3,542**
Expenses related to decommissioning Mundo Nobo asset		
Depreciation	2,149	1,580
Expenses recognized relating to decommissioning Mundo Nobo asset	**2,149**	**1,580**
Cumulative depreciation decommissioning asset		
Cumulative depreciation at the beginning of year	13,458	11878
Depreciation during the year	2,149	1,580
Cumulative depreciation at the end of the year	**15,607**	**13,458**

5.4.4.3. Customer deposits

The table below reflects the balance of customer deposits as per December 31, 2012 and 2011.

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Customer deposits	22,732	22,253
Total customer deposits	**22,732**	**22,253**

Customers have to pay a deposit for each new connection, which remains as amounts repayable on the statement of financial position of Aqualectra Distribution.

5.4.5. Current liabilities

The following paragraphs provides detailed information of the various current liabillities.

5.4.5.1. Trade accounts payable

Below an overview of the Trade accounts payable per Company as per December 31, 2012 and December 31, 2011:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Production		
Curoil	80,925	38,535
PDVSA	6,133	5,764
Consultants	31	266
Local contractors	847	1,639
Local suppliers	134	4,460
Foreign suppliers	6,391	3,646
Government institutions	280	-
Other accounts payable	2,026	2,184
	96,767	**56,494**
Aqualectra Distribution		
CUC	1,737	1,551
PDVSA	(28)	(28)
Consultants	681	502
Local contractors	1,773	2,591
Local suppliers	2,719	2,773
Foreign suppliers	403	2,863
Insurance companies	257	68
Government institutions	10,246	264
Advanced payments received from clients	3,330	2,951
Other accounts payable	1,835	2,801
	22,953	**16,336**
Aqualectra Multi Utility N.V.		
Other accounts payable	219	65
	219	**65**
Total accounts payable	**119,939**	**72,895**

5.4.5.2. Corporate Bonds IUH N.V.

On December 28, 2009 the Group issued through the Central Bank of Curaçao and St. Maarten (formerly: the Central Bank of The Netherlands Antilles) the tranche 1a of the Aqualectra Corporate Bonds with a nominal amount of ANG 300,045,000 and coupon rate of 4%. Redemption will occur on a quarterly basis beginning on March 15, 2015. The purpose of the issue of the first tranche was to refinance the existing loans and liabilities. The actual realized net result on this issue amounts ANG 238,894,162. The difference was the discount incurred on the bonds as the interest rate on the market was higher than the rate the Group wanted to pay. The Group had the intention of issuing a tranche 1b of Aqualectra Corporate Bonds with a nominal value of ANG 415,000,000 in 2010. The purpose of this tranche was to re-issue existent / original tranche 1a and to finance investments conform the Near Term Investment plan of the Group. Considering the proposed re-issuance of tranche 1a, the bonds were classified at the end of 2009 as current liabilities and the discount was not recognized.

In 2010 the discount was recognized as a financial asset as the re-issuance that should have taken place in 2010 was postponed indefinitely as the conditions, as described in the Offering Circular of tranche 1a, were not met. As disclosed in note 5.3.4 capital risk, the Group is not in compliance with the applicable financial covenant as of December 31, 2012 and 2011 making the bonds callable by CBCS on the short term. As a result, the bonds has continued to be classified as current liabilities. We refer to note 5.5.9 for subsequent events for a detailed explanation of this subsequent event related to non-compliance with the covenants.

The tables below reflects the Corporate Bond net of the discount:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Corporate bonds	300,045	300,045
Amortized discount on bonds	(53,221)	(56,024)
Net value Corporate bonds	**246,824**	**244,021**

The discount is amortized by means of the effective interest method over a period of 35 years. The yearly amortization is presented as a part of the interest expenses in the statement of comprehensive income

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Balance at beginning of year	56,024	58,664
Amortization current period	(2,803)	(2,640)
Balance at end of year	**53,221**	**56,024**

5.4.5.3. Bank overdraft

Aqualectra Production has credit facilities with various banks amounting to a total of ANG 18,250 million in 2012 (2011: ANG 6,250 million). On December 31, 2012 ANG 16,167,525 (2011: ANG 2,843,598) of this facility was in use by the Group.

Aqualectra Distribution has credit facilities with various banks amounting to a total of ANG 5 million in 2012 (2011: ANG 6 million). On December 31, 2012, ANG 0 (2011: ANG 665,168) of the facilities were overdrawn. Accounts receivable from Aqualectra Distribution have been assigned to the banks as collateral against these facilities.

Below an overview of this liability per Company as per December 31, 2012 and 2011:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Production		
Bank overdraft	16,168	2,844
Aqualectra Distribution		
Bank overdraft	-	665
Total Bank overdraft	**16,168**	**3,509**

The average annual interest rate during 2012 was 6.34% (2011: 7.83%).

5.4.5.4. Other liabilities

A summary of the main items payable as per December 31, 2012 and 2011 are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2,011
Aqualectra Production		
Accrued vacation leave	798	773
Social securities	2,007	1,731
Current maturity long term loans	2,537	2,537
Early retirement benefit obligations ('Aqualectra VUT')	988	1,054
Other accrued expenses	2,056	2,076
Other payables foreign Countries	-	241
Miscellaneous	1,056	2,166
	9,442	**10,578**
Aqualectra Distribution		
Social securities	1,847	838
Current maturity long term loans	3,220	2,518
Accrued interest	517	196
Selikor	13,744	8,388
Accrued for regulator	-	6,644
Other accrued expenses	4,397	4,886
Deposit received from APNA	2,000	2,000
Miscellaneous	372	309
MJP projects	3,094	3,094
	29,191	**28,873**
Integrated Utility Holding N.V.		
Social securities	597	610
Other accrued expenses **	40,117	4,386
Current maturity long term loans	1,067	649
	41,781	**5,645**
Aqualectra Multi Utility N.V.		
Social securities	5	4
Other accrued expenses	140	138
	145	**142**
Total Other liabilities	**80,559**	**45,238**

**Accrual for Vacation days was reclassified from this item to Provision employee benefits (see note 5.4.4.2).*

*** Included in other accrued expenses (IUH) is the concession security deposit of ANG 34 million due at the end of 2012. Reference is made to 5.4.1.3 (Non-current financial assets).*

5.4.6. Commitments and Contingencies

5.4.6.1. Commitments - leases

The operating lease rentals are payable as follows:

(Amounts in ANG * 1,000)	At December 31, 2012			At December 31, 2011		
	<1 year	≥1 and ≤5 years	>5 years	<1 year	≥1 and ≤5 years	>5 years
Desalination Plant Aquadesign	12,567	85,030	-	13,959	48,742	-
Temporary Diesel Power Plant Aggreko	44,602	120,942	-	6,418	-	-
Wind park Playa Canoa and Tera Kora	25,367	133,857	159,098	13,678	71,476	102,735
Vehicles	1,725	2,027	-	2,660	3,092	-
Digital Copiers, Printers and, Scanners	105	7	-	233	112	-
	84,366	**341,863**	**159,098**	**36,948**	**123,422**	**102,735**

The lease expenses for the desalination plant, the temporary diesel power plant and the wind park are reported as part of the direct costs production (note 5.5.2).

Desalination Plant Aquadesign

As of September 15, 1995 KAE N.V. (Aqualectra Production) had a 6 year agreement with Aqua Design N.V. (ADNV) (currently Aeonics) for the purchase of approx. 3,000 m^3 water/ day produced by the reverse osmosis water plant located at Mundo Nobo.

As per March 31, 1999 this agreement was amended, based on the fact that ADNV had increased the capacity of the water plant; the quantity of water to be produced and the quantity to be delivered to KAE increased from 3,000 m^3 per day to 10,200 m^3 per day. This agreement is scheduled to terminate on July 28, 2016.

This agreement can be categorized as an operational lease and not financial lease, as arrangements in this agreement imply that a substantial part of the risks and rewards remain with the lessor of the reverse osmosis water plant, being Aeonics (the new owner of the water plant). Therefore Aqualectra Production does not recognize the leased asset in its consolidated Statement of Financial Position.

Temporary Diesel Power Plant Aggreko

In 2008 Aqualectra Production entered into a contract for temporary power generation services with Aggreko International Projects Ltd (Aggreko) for generation of 10MW of continuous power at 12KV - 50 Hz, 0.8 power factor to meet the emergency power requirements of its Production Facility at Curaçao.

The term of the initial contract was for a period of 39 weeks. The contract was amended the subsequent years to adjust the total capacity based on Aqualectra's needs. In 2012, based on Amendentment 9, a total capacity of 44MW was acquired from Aggrekko from Jan 1, 2012 through December 31, 2012. The capacity was subsequently increased by Amendment 10 to 56 MW, valid from December 31, 2012 through May 31, 2012. The latest amendment (Amendment 12) is dated September 13, 2014 and it states that the common termination date for all the plants is February 28, 2015.

Wind park Playa Canoa

The Group has a lease contract for the wind park Playa Canoa which started in 2009 and will end in 2024. It was determined that substantially all the risks are with the lessor. As such, the Group determined that the leases are operational leases.

Purchase contract Wind Turbine Farm Tera Kora II.

In 2009 Aqualectra Distribution entered into a power purchase agreement with NuCuraçao Windparken B.V. for Wind Turbine Farm Tera Kora II. The contract has a duration of 15 years and will end in 2024. Aqualectra should purchase during contracted period all delivered electrical energy at the tariff of 0,101 x (rate USD/EURO) / 1.30 US$ per kWh.

Vehicles

Aqualectra has lease agreements with several car dealers for the lease of Group cars. These lease agreements have different terms as per year-end December 2012. The total commitment as per December 31, 2012 is based on the remaining terms of the lease agreements and amounts to ANG 3,752,513 (ANG 5,752,104 in 2011).

5.4.6.2. Commitments - other contracts

As at reporting date the Group has contracts with several suppliers and / or contractors for the delivery of goods and/ or services for several purposes. Below is an overview of the existing type of contracts as of reporting date:

Contract party	Purpose of contract	Contract period		Commitments in remaining contract period
(Amounts in ANG * 1,000)		Start	End	
Electricity and water technical activities				
Local supplier	Purchase of electricity	1999	2024	318,322
Local contractor	Purchase of water	1995	2018	97,597
Local supplier	Purchase of electricity		2014	165,545
Foreign supplier	Maintenance of Diesel Central	2009	2013	774
Local suppliers	Hire of trouble-shouting services	2010	2015	12,724
				276,640
Customer Relations activities				
Local contractor	Distribution bill payments activities	2010	2013	1,100
Local contractor	Electricity and water cut-off and reconnection activities	2012	2015	5,268
Local contractor	Delivery of invoices activities		2013	3,470
Local landlord	Rent of Building		2013	50
Local landlord	Rent of Building		2013	50
Local landlord	Rent of Building		2013	20
				9,959
ICT-products and services				
Local contractorS	Lease Printers	2010	2014	111
Local contractor	Hire of communication means	2012	2013	277
Foreign contractors	LICENCE FEES	2012	2013	1,004
				1,393
Facilities				
Local contractors	Lease cars	2009	2013	215
Local contractor	Lease cars	2009	2014	107
Local contractors	Lease cars	2010	2014	710
Local contractors	Lease cars	2011	2015	1,504
Local contractor	Lease cars	2011	2016	663
Local contractor	Lease cars	2012	2016	552
				3,753
Local contractor	Maintenance of air conditioning	2012	2013	44
Local contractor	Maintenance of drip irrigation	2012	2013	19
Local contractor	Elevator maintenance	2012	2013	4
Local contractor	Office cleaning	2012	2013	347
Local contractor	Garbage collection	2012	2013	18
				432
				4,184
General affairs				
SWAT	Employ security	2012	2013	633
Servicio Panamericana	Employ security	2012	2013	345
Sta Barbara Security	Employ security	2012	2013	280
				1,258

5.4.6.3. Contingent Liabilities

L/C Guarantee

As per December 31, 2012 there are letters of credit (L/C's) issued for the following amounts:

ANG 5,300,000 (2011: ANG 5,300,000) in favor of Aggreko International Projects Ltd. This L/C is related to the rent of generators (see note 5.4.6.1);
ANG 273,000 (2011: ANG 273,000) in favor of Merlin Gerin S.A. (Conlog);
ANG 1.3 million in favor of 'Inspectie der Invoerrechten en Accijnzen and/or Douane Curaçao' (2011: ANG 1.3 million);
ANG 20,000 in favor of 'Landsontvanger' (2011: ANG 20,000).

Early Retirement Benefit (VUT)

According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, employees have the option of requesting the Board of Managing Directors to retire from service at the age of 55 under certain conditions one of which is employment with Aqualectra for at least 20 years. The Board of Managing Directors decides whether the employee's request will be honored. In such case, the resulting obligation will be accounted for as a liability in the Group's statement of financial position. For employees insured at APC, the Board of Managing Directors is obliged to honor such a request. For these employees insured at APC a provision has been formed.

Supplementary pension (DT)

As of January 1, 1998 the AOV-franchise has been included in the pension plan of "Algemeen Pensioenfonds van Curaçao (APC). The pension allowance to be paid by APC under this changed plan is lower than the allowance that would have been paid according to the former plan. Under certain conditions a supplementary pension has to be paid by the employer to the employees participating in this pension plan to compensate for the discrepancy between the allowance as per the former and changed plan. It is however not clear in which cases and to which extent the employer has an obligation to pay a supplementary pension. The provision for pension allowance as accounted for at reporting date is based on the former plan and is excluding a possible liability of the employer in relation to the compensation for the difference in allowance according to the former and changed plan.

Currently, the Group has a difference of opinion with APC as to the calculation of the supplementary pension premiums. The difference of opinion concerns the calculation-method used for pension increases, but also on the legality of the supplementary pension plan. APC is of the opinion that all pension increases can be fully charged to the Group as supplementary pension increases. The Group is of the opinion that there is no legal basis for this methodology and also disputes the legal basis for the validity of the supplementary pension plan. The Government of Curaçao and other governmental institutions were approached by the Group on abovementioned issues, as it concerns them too. All stakeholders are deliberating on the next steps that should be taken. As per the preparation and approval of these consolidated financial statements no final plan has been outlined. It is expected that the final conclusion and resolution will lead to a release of the provision for supplementary pensions (DT) for the full amount.
Currently the provision for supplementary pension is provided in full, with the exception of the "wage scale" indexation and pension indexation.

Diesel power plant on the ISLA premises

On November 22, 2000 the Group, Refineria ISLA (Curaçao) S.A. (Isla) and Refineria di Korsou N.V. (RdK) entered into an agreement (IUH N.V. Agreement) pursuant to which Isla agreed to improve and refurbish the Medium Pressure Power Plant then operated by Isla (the MPPP) so as to supply additional power to Aqualectra Distribution for distribution to the community of Curaçao.

Pursuant to a side letter of June 26, 2001, Isla and the Group agreed to investigate the option of buying a new power unit instead of improving and refurbishing the MPPP.
On August 8, 2002 the Group and Isla agreed by the First Amended and Restated IUH N.V. Agreement, that instead of improving and refurbishing the MPPP, an EPC contractor chosen by the Group shall construct a new diesel power plant on the premises adjacent to the new 66 kV substation of the Group located within the Refinery. Based on this amended IUH N.V. Agreement Isla has committed to pay all amounts owed to the EPC contractor under the EPC contract up to USD 23,000,000 as reflected therein. This construction of the diesel power plant and the payment therefore has been set forth in an Engineering, Procurement and Construction Contract also dated August 8, 2002 and duly signed by Isla, the Group, Aqualectra Production and the EPC-contractor being MANBWSC. This plant was commissioned in the third quarter of 2003.

The initial annual aggregate IUH N.V. Agreement payment is equal to USD 12,000,000 and is paid in monthly installments until the year 2019. The IUH N.V. Agreement payment covers in addition to the construction costs of the diesel plant also a fuel and extension component (as stated in the contract). As a result of the transfer of the CUC shares in 2011, the extension element is paid by Refineria di Korsow N.V. (RdK). The amount mentioned increases yearly with the consumer price index.

CUC - Electricity purchase

CUC and Aqualectra Distribution entered into a Power Purchase Agreement on April 28, 1999, such that CUC will make available to Aqualectra Distribution, as of the Commercial Delivery Date of the BOO-plant, 22 MW of electricity measured instantaneously, or less if required by Aqualectra Distribution. This electricity shall be provided to Aqualectra Distribution at no charge other than applicable 'Fuel Payments'.

According to above-mentioned PPA, CUC can also make electricity available to Aqualectra Distribution in excess of the mentioned 22 MW. Amounts of electricity greater than 22 MW (measured instantaneously) and up to and including 25 MW (measured instantaneously) have been referred as 'Level 1 excess'.
Amounts of electricity greater than 25 MW (measured instantaneously) have been referred to as 'Level 2 excess'. In addition to the applicable 'Fuel Payments', the price of each kWh of excess electricity shall be USD 0.02 (Sept. 30, 1997). Such price shall be subject to upward adjustments as of January 1st of each year, commencing January 1, 1998, by increase (if any) in the indexes as stipulated in the PPA.

5.4.6.4. Contingent Assets

Regulatory account

The basic tariff for water and electricity is fixed and is meant to cover the operational costs (excluding fuel costs), such as cost of personnel, depreciation, costs of financing, maintenance and the costs related to the provision for bad debts and the return on equity agreed upon with the Government of the Country of Curaçao.

The fuel component as reflected in the fuel clause is variable and is meant to cover costs of fuel and other direct costs. The fuel component is subject to changes dependent on the developments of the oil prices and the other direct costs. Up until June 2005 adjustments were calculated on a quarterly basis.

The Government of the Country of Curaçao has allowed the Group to allocate the unrecovered amounts of the fuel and other direct costs in a so called Regulatory Account. In the table underneath is a breakdown of the original amount of the under coverage, the recovered amount through the surcharge in the tariffs and the compensated amount by the Energy Fund. In the table below the under coverage of the year 2010 has been processed anticipating that the Government of the Island of Curaçao will approve the allocation of the remainder under coverage of the years 2006 throughout 2010 to the Regulatory Account.

(Amounts in ANG * million)

Years	Original amount	Recovered through tariffs	Compensated by Energy Fund	Balance to be compensated
2003-2004	41	(41)	-	-
2005	18	(1)	(17)	-
2006	26	(17)	(6)	3
2007	13	-	(2)	11
2008	74	-	-	74
2009	7	-	-	7
2010	9	-	-	9
Total	**188**	**(59)**	**(25)**	**104**

The above mentioned balance of approximately ANG 104 million does not include the coverage results on the fixed tariffs for the year 2005 onwards, since the Group and the Department of Economic Affairs have not reached an agreement on the division of the coverage results between the Group and the Consumers.

The appropriation to the Regulatory Account is to settle the deficit against future utility tariffs. The Government of the Country of Curaçao agreed in 2005 to include a surcharge in the tariffs to gradually settle above mentioned amounts of under coverage on the fuel and other direct costs.

In a resolution dated 17 November 2008, the Island Council determined that, as from that date, the Group can recover the under coverage in the Regulatory Account through its tariffs, up to an annual maximum of ANG 23 million.

The aforementioned resolution was cancelled by the Government on April 6, 2011 and the Regulatory Account no longer recognized as such. The Group has continued to inform the regulators and the Government on the need for the recovery of the fuel under coverage in electricity and water tariffs. In 2012 there were several developments with regard to the tariffs, which are outlined in note 5.1.

IFRS does not allow recognition of the amounts in the Regulatory Account. Therefore, the amount in the Regulatory Account is treated as a Contingent Asset.

Pension premium asset

In the pension agreement between the Group (Aqualectra Production, Aqualectra Distribution and Integrated Utility Holdings N.V.) and Vidanova (formerly Stichting Pensioenfonds Utiliteitsbedrijven (SPU)) in which part of the employees of the Group participate, it is stipulated that a yearly premium has to be paid (fixed percentage of the basis for pension) which is used to cover the yearly expenses related to the plan.

A surplus, the positive difference between the contributions and the yearly expenses, will be first used to cover eventual shortfalls in the future resulting from back service. No specific agreement has been made regarding possible reduction of premium as result of a surplus at year-end. In any other case the surplus will only be realized when stepping out of the pension fund. Any shortfall, being the negative difference between the contributions and the yearly expenses, will be charged immediately to the respective participating company.

The calculation of the presented figures for employee benefits has been based on actuarial calculations in accordance with IFRS. An asset ceiling study has been performed by the Company's actuary in accordance with IFRIC 14. Based on the results of the asset ceiling study no assets have been recognized in the consolidated statement of financial position.

At December 31, 2012, based on actuarial calculations, the fair value of the plan assets exceeds the present value of the funded obligations by ANG 7,086,000 (2011: fair value higher for ANG 15,699,000).

Energy Fund 2005/2006

The Energy Fund 2005/2006 was approved on December 6, 2005 and was established as a means to stabilize the water and electricity tariffs and therefore will compensate the Group for insufficient coverage of tariffs incurred in 2005 and 2006 due to oil price changes and changes in the other direct costs.

Due to the developments in the fuel prices during the period covered by the Energy Fund 2005/2006, the amount originally designated to the Energy Fund 2005/2006 was not sufficient to compensate abovementioned under coverage for the period April through December 2006.

In the year 2006 the Group received ANG 22,650,000 from the Energy Fund which covers the periods January through September 2005 (ANG 7,790,000), October through December 2005 (ANG 8,950,000) and January through March 2006 (ANG 5,910,000). In the year 2007 The Group received an amount of ANG 2,200,000 from the remainder of the Energy Fund to minimize the tariff increase in 2007.

The remaining, still to be compensated, under coverage for the above mentioned period amounts to ANG 21,200,000, which regards the period January through September 2005 (ANG 1,600,000) and the period April through December 2006 (ANG 19,600,000).
This amount is recorded as a receivable. However, since the funds in the Energy Fund are depleted and the Government of the Country of Curaçao does not have the necessary funds to compensate the Group for the under coverage, the total outstanding amount has been provided for. In anticipation of the written approval of the Government of the Country of Curaçao this amount has been allocated to the Regulatory Account to be compensated through future usage of electricity and water. Of the above mentioned receivable of ANG 21,200,000 million, an amount of ANG 18,300,000 million has been recovered through the tariffs in the years 2007 and 2008.

As of December 31, 2012 the remainder uncompensated under coverage over the above mentioned period amounts to ANG 2,900,000. Due to the compensation of ANG 18,300,000 through the tariffs, there was also a release of the provision for doubtful accounts for the same amount.

IFRS does not allow recognition of the amounts in the Regulatory Account. Therefore, the amount in the Regulatory Account is treated as a contingent asset.

5.4.7. Fair Values

Set out below is a comparison by class of the carrying amount and fair value of the Group's financial instruments that are carried in the financial statements.

(Amounts in ANG * 1,000)	Carrying amount		Fair value		
	2012	**2011**	**2012**		**2011**
Financial assets					
Loans and receivables	**201,876**	**132,902**	**180,630**		**132,902**
Security deposit	34,000	-	12,754	A	-
Trade accounts receivables	108,460	88,762	108,460	B	88,762
Other receivable	18,280	12,623	18,280	B	12,623
Cash and cash equivalents	41,136	31,517	41,136	B	31,517
Financial liabilities					
Interest bearing loans and borrowings	**296,884**	**297,721**	**293,934**		**289,042**
- Fixed rate borrowings	50,060	53,700	46,302	C	53,677
- Corporate bonds IUH	246,824	244,021	247,632	C	235,365
Trade accounts payable and other current liabilities	119,939	72,895	119,939	B	72,895
Bank overdrafts	16,168	3,509	16,168	B	3,509

A. Fair value of non-current security deposit is estimated by disounting at applicable market interest rate of similar deposit in the market.
B. Cash and cash equivalents, trade accounts receivable and other receivables, trade accounts payable and other current liabilities and bank overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.
C. Fair value of unqouted instruments, loans from banks and other financial liabilities is estimated by discounting the expected future cash flow using rates currently available for debt on similar terms, credit risk and remaining maturities.

5.5. Explanatory Notes to the Consolidated Statement of Comprehensive Income

5.5.1. Sales Electricity and Water

Tariffs to consumers of electricity and water consist of two components. The first component covers the production-/ distribution costs and the profit margin. The second component (fuel component) of the used tariff covers the cost of fuel and other direct costs. The fuel component can change as a result of fluctuations in the price of Curoil's and PDVSA/ Refineria ISLA's fuel products. The Group keeps track of the fluctuations and when necessary the fuel component is adjusted in the tariffs as to make the sales work budget neutral to the actual fuel costs. See also note 5.4.6.4 for additional information.

Unaccounted usage for water distribution at the end of 2012 is 26.37% (2011: 26.02%). This is a increase during 2012 of 1.3% (2011: increase of 1.4%). Unaccounted usage for electricity distribution at the end of 2012 is 14.80% (2011: 14.40%). During 2012 the unaccounted usage increased with 3.0% (2011: increase of 15%). In order to align all the necessary activities to reduce the unaccounted usage, a multi-disciplinary taskforce group was setup in 2004, headed by a steering committee consisting of the Acting Chief Executive Officer (CEO), and different project coordinators/groups that are responsible for the identified improvement activities and report periodically to the steering committee.

5.5.2. Direct costs of production

Direct costs of production is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Fuel usage	302,867	287,924
Chemicals	4,457	4,785
Lubrication	3,283	3,518
Purchase of water	12,737	13,026
IUH DPP element	7,525	7,282
IUH Fuel element	4,139	4,095
IUH Extension element	66	72
Temporary Diesel Power Plant	14,535	24,142
Total direct costs of production	**349,609**	**344,844**

Direct costs of production includes an amount of ANG 11,730,000 (2011: ANG 11,449,000) being the DPP, fuel and extension component of the IUH N.V. agreement between the Group, Refineria ISLA and Refineria di Korsou N.V. According to this agreement a total fee of USD 12,000,000 has to be paid on a yearly basis until the year 2019. Since 2011 the extension element is being paid by RdK, as result of the transfer of the CUC shares to RdK. The amount mentioned increases yearly with the consumer index. This agreement covers the construction costs of a Diesel Power Plant and consists of a fuel and extension component. We refer also to note 5.4.6.3 for further details on the agreement.

The lease expenses for the desalination plant, the temporary diesel power plant and the wind park, presented in note 5.4.6.1, are reported as part of the direct cost production.

5.5.3. Operating expenses

Personnel costs and general expenses are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Personnel costs		
Salaries	63,939	55,741
Overtime	4,527	5,501
Social securities	38,807	30,327
Other personnel expenses	2,409	4,428
Total personnel costs	**109,682**	**95,997**
General expenses		
Housing and car fleet	6,801	6,226
Office expenses	3,083	3,914
Insurance and security	6,594	6,728
Consultancy	8,277	13,349
Communications and public relations	2,125	3,451
Regulation and compliance fees	3,287	3,671
Other expenses	2,487	9,408 *
Total general expenses	**32,654**	**46,747**

**Various rental and miscellaneous income were reclassified from this item to Services and other income, and a coverage for expenses was reclassified to this item. See table in note 5.2.*

The development in the labor force during 2012 and 2011 was as follows:

Labor force	Aqualectra Production	Aqualectra Distribution	Aqualectra Bottling	Integrated Utility Holding N.V.	Total
31/12/2011	293	387	6	16	702
31/12/2012	296	428	6	4	734
Net Increase/(Decrease)	**3**	**41**	**-**	**(12)**	**32**

5.5.4. Parts, repair and maintenance

Parts, repair and maintenance expenses are expenses made for parts and hired services for the operation and maintenance of the electricity and water production units, electricity and water distribution network and other assets of Aqualectra Production and Aqualectra Distribution.

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Production		
Repairs and maintenance electricity production units		
Parts used	6,552	9,043
Hired services used	10,650	9,375
	17,202	18,418
Repairs and maintenance water production units		
Parts used	943	1,263
Hired services used	519	1,938
	1,462	3,201
Repairs and maintenance combined (electricity & water) production units		
Parts used	1,590	822
Hired services used	1,739	3,543
	3,329	4,365
Repairs and maintenance other assets and facilities		
Parts used	2,719	5,376
Hired services used	899	1,273
	3,618	6,649
Total parts and hired services Aqualectra Production	**25,611**	**32,633**
Aqualectra Distribution		
Operation and maintenance electricity distribution network		
Parts used	7,714	8,035
Hired services used	5,907	8,258
	13,621	16,293
Operation and maintenance water distribution network		
Parts used	2,370	3,682
Hired services used	3,617	5,866
	5,987	9,548
Operation and maintenance other assets and facilities		
Parts used	1,418	1,943
Hired services used	802	793
	2,220	2,736
Total parts and hired services Aqualectra Distribution	**21,828**	**28,577**
Aqualectra Multi Utility N.V.		
Hired services used	6	8
Total parts, repairs and maintenance	**47,445**	**61,218**

5.5.5. Other expenses

As explained in note 5.4.4.1.2 the Group was held liable for all expenses resulting from the termination of the contract with Scadta. The subsequent liability of ANG 18.8 million was converted into a loan, whilst the expenses were categorized as "Other expenses".

5.5.6. Interest expenses (net)

A breakdown of the interest expenses is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Finance costs		
Aqualectra Production	(7,727)	(1,361)
Aqualectra Distribution	(752)	(789)
Aqualectra Utility Holding N.V.	(15,586)	(14,674)
Total finance cost	**(24,065)**	**(16,824)**
Finance income		
Aqualectra Production	9	11
Aqualectra Distribution	8	6
Total finance income	**17**	**17**
Net finance costs (net)	**(24,048)**	**(16,807)**

5.5.7. Income tax

The Group is subject to Curaçao income tax law. As per January 1, 2008, Integrated Utility Holding N.V. forms a fiscal unity with its subsidiaries for profit tax purposes. In accordance with the standard conditions a company and its subsidiaries that form part of the fiscal unity are jointly and severally liable for taxation payable by the fiscal unity.

Income tax recognized in the consolidated statement of comprehensive income can be specified as follows:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Current income tax	-	-
Movement deferred tax asset	(9,357)	(4,424)
Income tax (expense) / income	**(9,357)**	**(4,424)**

The table below reflects a reconciliation between the commercial taxation and the fiscal taxation:

(Amounts in ANG * 1,000)		Dec 31, 2012		Dec 31, 2011
Loss for the period		(48,669)		(90,859)
Income tax	16.13%	(9,357)	4.64%	(4,424)
Income before tax		**(58,026)**		**(95,283)**
Income tax using the domestic rate	27.50%	(15,956)	34.50%	(32,873)
Permanent tax difference	(11.37%)	6,599	(29.45%)	28,062
Temporary tax difference	0.00%	-	(0.41%)	387
Total income tax expense/(income)	16.13%	**(9,357)**	4.64%	**(4,424)**

5.5.8. Related Parties

Identity of related parties

The Group's associates, directors and executive officers are considered related parties.

Transactions with key management personnel

Key management is considered those persons who have authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, including any director (whether executive or otherwise) of that entity. The key management of the Group are provided salary, benefits and incentives based on both the Group's and individual performance. The executive management also participates in a pension plan. The Group does not have a share-based compensation plan.

The remuneration of direct management of the Group and its Board of Supervisory Directors is included in the consolidated statement of comprehensive income under personnel costs.

Key management, including, the Board of Supervisory Directors' compensation can be categorized as follows:

(Amounts in ANG * 1,000)	2012	2011
Short-term employee benefits	3,664	4,837
Post-employment employee benefits	536	244
Total key management officers' compensation	**4,200**	**5,081**

As per December 31, 2012 and December 31,2011 key management consisted of 1 President Director, 1 Director Finance Economic Affairs, 1 Managing Director Operations, 1 Managing Director Human Resources and Facility Management and 13 Tier 1 Managers.

Year 2011 and early 2012 were very turbulent in terms of corporate governance. In October 2011, three members of the BMD were suspended, pending further decision making on the continuation of their employment. Of these, one retired at December 31, 2011, one was laid off and the other one terminated his employment based on a mutual agreement. Consequently, the Group was managed by a BMD consisting of one Managing Director.

Late 2011 the court cases between the Group and the former Managing Directors commenced. With one of the Managing Directors an arrangement was reached on March 1, 2012. Of the two unresolved cases, partial verdict was reached in October 2012 in favor of one of the former Directors. Final settlement was reached in July 2013 with the two remaining Managing Directors.

Effective January 17, 2013, the Board of Supervisory Directors appointed a new "Titulair" Technical Director for the Group increasing the BMD to two Managing Directors.

As per December 31, 2012 the Board of Supervisory Directors consisted of 5 Director (2011: 5).

In 2012 the Group purchased electricity from CUC Holding for a total amount of ANG 10,057,729 (2011: ANG 5,513,757).

Thehe Group paid to Vidanova a total amount of ANG 10,028,000 for the pension plan in 2012 (2011: ANG 10,028,000). The outstanding balance of a long term loan from Vidanova amounts to ANG 673,103 at December 31, 2012 (2011: ANG 673,103).

Please refer to note 5.4.4.1.2 "Scadta Loan" for explanation regarding a loan with related party Vidanova, which came to existence towards the end of 2011.

5.5.9. Subsequent events

The following chapter outlines events after December 2012. These events are of such nature that disclosure of them is required to keep the Financial Statements from being misleading.

Curaçao Utilities Company N.V. (CUC N.V.)

Resolutions

The resolution adopted by the Minister responsible for IUH N.V. in January 2011 resulting in the transfer by IUH N.V. of the CUC Holdings shares to Refineria di Korsou (RdK) on January 19, 2011 without any compensation, significantly impacted the 2010 results and the issuance of the subsequent financial statements.

In view of the Group's deteriorating financial situation and investment needs, a decision was reached by the Council of Ministers on October 31, 2012 to engage an independent third party in 2013 to determine the value of the transferred shares. The Group was informed of this decision by means of a letter from the Minister of Finance dated February 14, 2013. The independent third party concluded that a value of ANG 53.8 million is considered a reasonable estimation of the fair value of the shares transferred. The Council of Ministers approved this valuation on February 20, 2013. In January 2013 the Shareholder informed the Board of Supervisory Directors and the Board of Managing Directors that the Group is to be compensated for the shares. A Shareholders' resolution remains pending to be adopted to formalize the above mentioned. Management has been in deliberation with both the Government and the Shareholder of both companies to accelerate the execution of the decision of the Council of Ministers of February 20, 2013. The Government as the representative of both companies, namely the Minister of Finance in charge of Aqualectra and the Minister of General Affairs in charge of Refineria di Korsou has met with the representatives of both companies. It was agreed that both companies will work together to reach an agreement for settlement of the compensation for the shares transferred. Management of both companies has retained legal and financial advisors to assist in the process to reaching a settlement agreement. Management is pursuing the solution of this matter as part of the financial restructuring of the Group.

Corporate bonds IUH N.V.

The transfer of the CUC Holding N.V. shares at no consideration also had an impact on the compliance with the loan covenants as set in the prospectus of the corporate bonds. The net income and the financial ratios calculated after recording the transfer of CUC Holding N.V. shares, were lower than the ratio's agreed upon in the prospectus of the corporate bonds. Consequently, IUH N.V. was in default of the covenants described in the Offering Circular of tranche 1a bonds making the bonds callable by the Central Bank of Curaçao and Sint Maarten (CBCS) resulting in reclassification of the bonds to short-term. IUH N.V. remains in default of its covenants until the date that these financial statements were signed.

The Board of Supervisory Directors entered into deliberations with the purchaser of the bonds on the matter in 2012. During the fiscal year 2013, management had several deliberations with the CBCS regarding this matter. In order to compensate the non-compliance with the covenants as set forth in the prospectus of the Corporate Bonds, CBCS has requested management to collateralize the bonds. Management has indicated to be receptive for this option. Management has requested a legal opinion on this matter and was cautioned for not encumbering all assets since this will be an unjustified act against other debtor(s). Management is in negotiation with CBCS to offer property, plant and equipment as security for the corporate bonds.

In a letter dated September 12, 2012, CBCS requested that the Group submit financial information as agreed to in the prospectus accompanied by a statement regarding compliance with the financial ratios. This letter came as a result of the delays in the issuance of the audited financial statements paired with CBCS' concern regarding the Group's financial position. CBCS acknowledged that the Group has been complying with its interest payment obligations. Management has been providing CBCS with unaudited financial reports periodically as stated in the offering memorandum of the corporate bonds. Upon completion, the 2010 and 2011 financial statements were also submitted.

Energy Policy

Bureau Telecommunicatie en Post (BTP) presented the policy paper "Beleidsnota regulering elektriciteitsvoorziening Curaçao 2011 - 2015", for consultation, to the stakeholders in November 2010. The Government adopted the memorandum in 2011. The Board of Managing Directors has requested the opinion of several experts, including legal experts, in order to determine an objective position towards the memorandum. The Board of Managing Directors was and still is an advocate of the stipulation and implementation of an energy policy by the Government of the Country of Curaçao. The ongoing conversations with the Government, BTP and other stakeholders aim at getting all parties in the same direction.

Concessions granted to Aqualectra

Since 1981, the Group has been operating without a concession. In 2011 the process for preparation and adoption of a new concession for electricity production and distribution started, which concessions were finalized on July 30, 2012.

On June 9, 2014 the Minister of Finance has provided Aqualectra with a draft of the proposed amended concession for the production of electricity. On June 11, 2014 the Government agreed on a new, revised, concession for the production of power. Notable change in this concession is the simplification of various requirements compared to the previous concession. Another major change in the new concession is the granting to Aqualectra of a minimum and a maximum production capacity. This granted capacity can be applied in direct form (own production) and indirect form (contracted production). The amended concession was issued on June 19, 2014 and formalized on November 6, 2014.

Management considers the adjusted concession as a major improvement which grants the Group the certainty of production of power for the coming 30 years.

The electricity production and distribution concessions require the Group to make a security deposit equal to 5% of the cost of all fixed assets of Aqualectra Production and Aqualectra Distribution. Besides the financial requirements, the concessions also have technical requirements that the Group must adhere to. Management requested the regulator for consultation on the compliance issues that have been identified.

Subsequently, in an extraordinary meeting of Shareholders dated January 31, 2013, Management and the BSD were informed of a resolution reached by the Council of Ministers on October 31, 2012, to approve a proposal regarding the recapitalization of IUH N.V. This entailed that the security deposit due be set at ANG 34 million and the settlement thereof to take place through an increase of the share capital for the same amount.

The Shareholder resolved to issue the above noted shares (34 shares with a par value of ANG 1 million) on January 31, 2013. No decision has yet been made regarding the way in which the share issuance and the settlement of the security deposit should be accounted for. The security deposit due is therefore presented as a short-term liability as of year-end 2012.

Board of Managing Directors

In October 2011, three members of the BMD were suspended, pending further decision making on the continuation of their employment. Of the three members, one retired at December 31, 2011, one was laid off and the other one terminated his employment based on a mutual agreement. Late 2011 the court cases between the Group and the former Managing Directors commenced. With one of the Managing Directors settlement was reached on March 1, 2012. Final settlement was reached in July 2013 with the two remaining Managing Directors. As the matters originated in 2011, the related accruals were recorded in the 2011 Financial Statements.

Effective January 17, 2013, the BSD appointed a new "titular" Technical Director for the Group increasing the BMD to two Managing Directors.

On November 15, 2014, the BMD presented a proposal to the BSD for a new organizational structure and a new Board of Managing Directors' structure consisting of 3 Directors with a rearranged portfolio. The BSD approved this new structure. Approval of the Shareholder remains pending.

Dismantling of Mundu Nobo plant

The Mundu Nobo plant has been for years the main production facility of water and electricity for the island of Curaçao for years. The plans for development of a new production facility as a replacement of the Mundu Nobo plant has been a point of discussion. Due to its age, the Mundu Nobo plant is not efficient and requires a high level of maintenance compared to new technology equipment. With the recent increase in fuel prices, it has become more evident that the production plant at Mundu Nobo is a burden for the Group as a whole.

Late 2011 the plans for the dismantling of Mundu Nobo became more tangible. Due to circumstances, the plans were set on hold. After several analysis that were performed and meetings held, the plans for dismantling Mundo Nobo became again a viable option. In 2012 the Management and the Supervisory Board of the Group agreed to start the process for the purchase of new equipment in order to replace the production capacity at Mundu Nobo. The business case of the closure of the actual Mundu Nobo facility and the opening of a new production facility, being the replacement of Mundu Nobo, indicates that a savings on the fuel costs will be achieved of more than ANG 30 million on a yearly basis. It is based on the aforementioned that the procedures for the purchase of a new diesel plant of 35 MW started in mid-2012. It is projected that the new power plant will be operational starting 1st quarter of 2015. Consequently the Mundu Nobo plant will be set at reserve level starting the end of 2014 till 2015, at which point it will be completely dismantled to be either disposed of, to be sold as scrap or as separate units.

During 2013 Management has started the dismantling of Mundu Nobo. This was done through a tender for selecting a contractor for the demolition of Evaporator 5. During 2014 / 2015 management will continue with the demolition of the obsolete (not in use) plants.

The financial consequences of the afore-mentioned decisions are as follows:

- The planned closure of Mundo Nobo plant caused an impairment of the bookvalue of the assets at that location, as stated per end of December 2010. Certain assets at Mundu Nobo should have been depreciated up to year 2014, 2015 and 2016. The evaluation indicated that the depreciation that will not be realized after 2013 amounts to ANG 12,035,384. Management has decided to accelerate the depreciation for the years 2010 to 2013 in order to ensure that the equipment at Mundo Nobo that will be dismantled is fully depreciated at the end of 2013.
- The equipment that will be dismantled may be sold on the scrap market. The possible proceeds of this sale are not yet known. Therefore a residual value for the equipment could not be determined.

Investment projects

New facilities

Management is currently seeking a property located at Schouwburgweg as part of the commitment of the government to grant the Group a leasehold land of comparable size to the land of the Scadta Peninsula (old Amstel land at the Rijkseenheid Boulevard) that was designated for the construction of a new Operational Center and Technical Services Facility for the Group prior to the termination of the related agreements. Management intends to construct a new office at this location as part of the organizational reorganization. In this matter the assets at Pater Euwensweg and Rector Zwijsenstraat will be vacated and put up for sale.

Enterprise Resource Planning system

In the pursuit of the increase of efficiency, synchronization of processes with benchmarks, streamlining processes among departments and optimization of the usage of information the decision was reached by the BMD, supported by a resolution of the BSD and the Shareholders to start the procedure for the selection of an enterprise resource planning system. The selection process started in 2011 and terminated in March 2012 with the signing of a Professional Services Agreement with SAP.

The planning for design and implementation of the new system started in 2012 with the acquisition of certain licenses. Maintenance fees were incurred in subsequent years, while implementation has been postponed. The required investment totals approximately ANG 60 million and spans over a period of 5 years. The timing of the investment and source of funding will depend on the Group’s liquidity position.

New diesel plant

Construction on the new diesel plant at Dokweg (Dokweg II) that will replace the Mundo Nobo plant started in 2013. The related EPC contract with Wartsila was negotiated for 4 generator sets that will generate approximately 35 MW. By the end of 2013, a consortium of lenders formed by a leading bank, local banks and local pension funds reached an agreement on the term-sheet. Based on this term sheet a Heads of Agreement has been drafted especially for the matters in the term sheet which are out of BMD’s sphere of influence. The agreement stipulates preconditions to be adhered to by both the Shareholder and the Government, based on which financing is made feasible. This Heads of Agreement is being reviewed by the Government in order to present it to the Council of Ministers for approval. The resolution of the matter regarding the consideration for the transfer of the CUC Holding N.V. shares of ANG 53.8 million has been set as one of the preconditions for the execution of the agreement and therefore, the agreement has still not been formalized by Council of Ministers. Upon approval, the facility agreement can be formalized whereas the financing of the investment in new generating capacity and the connecting equipment for this capacity can be realized.

Despite not having the necessary financing for this investment, construction is ongoing and the plant is expected to be operational by early 2015. The Group is funding this investment from own cashflow and capital injection from the Shareholder.

Wind farm expansion
In November 2014, the BSD approved a new power purchase agreement with the existing wind farm company for the expansion of the wind farm. This will help the Group reach a step closer to its renewable energy target leading to reduction in fuel usage and fuel dependency.

Basic healthcare insurance
Effective February 1, 2013, the Government of Curaçao introduced a basic health-care insurance system intended to improve the quality of care and harmonize the current fragmented system of health insurance. The basic health-care insurance (BVZ) applies to all residents of Curaçao and nonresidents employed in Curaçao with the exception of inter alia civil servants, the privately insured (whose insurance agreement was continued without interruption as per February 1, 2013) persons exempt pursuant to international agreements and so-called "risk-bearers."

As the health-care plan offered by the Group does not qualify as privately insured, this new general basic health-care insurance applies to all the Group's employees effective February 1, 2013. According to this new basic health-care insurance, the employer contributes 9% of the annual income of the employee and 3% is paid by the employee. Given the existence of an effective Collective Labor Agreements in which the health-care benefits and costs that provide a wider coverage at a lower cost to the employees have been agreed, Management has been in deliberation with the various labor unions. Management reached an agreement with 2 of the 3 unions to implement the basic health-care insurance within the Group on Aug 1, 2014 which is when BVZ was implemented for all employees. The third union initiated court proceedings against the Group which they lost as the court sided with the Group.

With the implementation of this insurance, the operations of subsidiary GEUS will terminate. This decision was reached by the Board of Supervisory Directors on October 8, 2013. Discontinuation of the operations of GEUS and the transfer of the health insurance obligations of personnel of the Group implies a cost efficiency improvement for the Group and requires less provisioning for the health insurance coverage. GUES is in the process of being dissolved.

Agreement with CUROIL
In October of 2013, Management reached a payment agreement with CUROIL for the outstanding balance up to and including August 2013 of ANG 57.4 million. Of the total amount due to CUROIL, ANG 33.6 million was converted into a loan to be repaid in 35 monthly installments. By reaching this agreement the interest paid on the outstanding balance was reduced from 18% to 6%. As part of the agreement between Aqualectra and CUROIL, parties will engage in a supply agreement. The first draft of this supply agreement has been drafted and is being reviewed.

Civil investigation
Based on the request of the Public Prosecutor ("Openbare Ministerie"), the Court of Appeal (the Court) ordered in July 2013 that a civil investigation be carried out at certain governmental entities including Integrated Utility Holding N.V. The investigation puts the policies and affairs of the Group under a microscope to determine whether mismanagement has taken place. According to the Court, there are well-founded reasons to doubt that proper policy has been followed. This stems from the relationship between the Board of Managing Directors, the Board of Directors Supervisory and the Shareholders that according to the Court does not comply with

the Code Corporate Governance against the backdrop of the deteriorating financial position of the Group. Inquiry proceedings are currently being executed, which makes it impossible at this point in time to assess the outcome of this matter.

Aqualectra Bottling

Management of Aqualectra Bottling was informed by the distributing company (Curaçao Beverage Bottling Company) that her principals decided not to continue with the distribution of bottled water "Claro" as part of the assortment of the distributer. This required management to reevaluate her strategy with respect to Aqualectra Bottling. It was decided that at this crucial point, the Group does not foresee investing in Aqualectra Bottling in order to regain the distribution channels as managed and owned by the distributor. For this reason Management of the Group has engaged in the tendering of the assets of Aqualectra Bottling as a whole. This as part of the strategy to focus on her core business and try to recover the invested capital in Aqualectra Bottling. As of November 14, 2014 the assets of Aqualectra Bottling were sold to a third party and Management has started the process of dissolving the Company.

Future projections

The Group prepares a budget and forward looking projection on a yearly basis. In the most recent budget (2015) that is yet to be approved by the BSD, a profit of ANG 24.3 million is projected. There are however various factors that may hamper the Group from attaining this goal. The following must be achieved in order for the goals set out in the 2015 budget and forward looking projection to be met:

A proper capital and financing structure

The presented budget does not include any financing proposition. Management consciously chose to not do so since such a proposition must be accompanied by thorough financial analysis on investment plans and a clear financial strategy. These plans and strategies will be drafted during the first months of 2015. This will allow Management to tap only once into the financial markets, with a solid plan to secure the necessary financing for the future investments. However, the Shareholder's contribution to this process is eminent as financiers will continue to request for the Heads-of Agreement in which financial pre-conditions are set and agreed to by the Government.

Further amplification of the tariff setting mechanism

Although the tariff setting process has been significantly improved during the last years, there is still work to be done. The base component is still not sufficient. However, a cost-of-service approach is being discussed with the Regulator and is pending to be masterminded by Aqualectra together with the Regulator to ensure tariffs that the Group can thrive with.

Optimal usage of the Group's assets in the production and distribution process

This requires the further implementation of an asset management program. The design of this program was already executed in 2014 and the implementation is planned for 2015.

Embed the envisioned changes in the Group's human capital

Aqualectra's personnel must become the ambassadors of the new way of doing business depicted in its vision statement. A new company and organizational structure, HR policy and strategic training and development plans are all aspects that are considered by Management and have been included in the budget of 2015.

Building a better
working world

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INDEPENDENT AUDITOR'S REPORT

To: the Board of Managing Directors and the Board of Supervisory Directors
Integrated Utility Holding N.V.

We have audited the accompanying consolidated financial statements of Integrated Utility Holding N.V., Curaçao, which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, changes in equity, consolidated statement of cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory notes.

Management's responsibility
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Book 2 of the Curaçao Civil Code and International Financial Reporting Standards. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

Corporate bonds IUH

We refer to the consolidated statement of financial position where a liability is recognized for corporate bonds issued by the Company. The Company was not in compliance with the covenants of the Offering Circular of the bonds as per 31 December 2012 as disclosed in notes 5.3.4, 5.4.5.2 and 5.5.9 to the consolidated financial statements. Further we refer to note 5.2 to the consolidated financial statements regarding the delicate liquidity position of the Company and its subsidiaries which may affect the Company's ability to make principal and/or interest payments on the bonds in the future.

Considering the aforementioned, the Centrale Bank van Curaçao en Sint Maarten ("CBCS") could declare the principal of the corporate bonds and related interest to be immediately due and payable, which may affect the carrying value of this liability. Management has been in discussions with CBCS in order to obtain waivers from CBCS but was not successful to date and is unable to provide us with sufficient evidence regarding the current position of CBCS. As a consequence of the above-mentioned matters, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of this liability and were unable to determine whether any adjustments to the valuation of the liability were necessary and the effect thereon on the consolidated statement of comprehensive income.

Investment in equity accounted investees

We refer to note 2.7 'Assertion of the Board of Supervisory Directors' and 5.5.9 'Subsequent events', where it is disclosed that as per year end 2010 there was an uncertainty regarding the valuation of the investment in the equity accounted investee, Curaçao Utility Company Holdings N.V. ("CUC Holdings"). Based on the assumptions and valuation model generally used by management for determining the value of the investment, management was of the opinion that the current value of the investment at December 31, 2010 was approximately ANG 62.1 million, as disclosed in note 2.7 'Assertion of the Board of Supervisory Directors'. The advisor of the Government on this matter has valued the shares at approximately ANG 53.8 million based on their advice to the Council of Minister. In January 2011, the Shareholder decided to transfer the shares of CUC Holdings to a related party for a nil consideration. As a consequence of this decision of the Shareholder per the afore-mentioned date (disclosed in note 5.5.9 'Subsequent events'), management decided to impair the value of the participation in CUC Holdings to nil as per 31 December 2010.

The predecessor auditor was unable to obtain sufficient appropriate audit evidence whether the 2010 recognized loss on this investment position, as disclosed in note 5.4.1.2 'Investment in equity accounted investees and other investments', was appropriate. This may also have an impact on the disclosures in the 2010 financial statements in accordance with all the relevant requirements of IAS 24, related party disclosures.

Consequently, the predecessor auditor was unable to determine whether any adjustments were necessary to the carrying value of this investment, to the recognition thereof at 31 December 2010 and to the related disclosures.

The situation as described above is still applicable to the year 2012 and therefore until a settlement is reached between parties involved, we are unable to determine whether any adjustments were necessary to the carrying value of the shareholder's equity at 31 December 2012.

Qualified opinion
In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of Integrated Utility Holding N.V. as at 31 December 2012 and of its consolidated result for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without further qualifying our opinion, we draw attention to note 5.2 'Summary of significant accounting policies' to the consolidated financial statements, 'Financial Position of the Group', where it is disclosed that the Group has a delicate liquidity position. The Group's ability to meet its current and future financial obligations depends on a number of assumptions and future events as mentioned in note 5.2 'Summary of significant accounting policies'. These conditions, along with other matters as set forth in notes 5.2 'Summary of significant accounting policies' and 5.5.9 'Subsequent events', indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under article 121 sub 3 Book 2 of the Civil Code of Curaçao, we report, that the Report of the Board of Managing Directors, to the extent we can assess, is consistent with the consolidated financial statements as required by article 120 sub 5 Book 2 of the Civil Code of Curaçao.

Further pursuant to paragraph 4.5 of the Island Decree Corporate Governance Code of Curaçao, to the best of our knowledge and belief, and to the extent we were reasonably able to verify the contents to underlying information provided to us, we report that the Corporate Governance report as included in the Report of the Board of Managing Directors and the Report of the Board of Supervisory Directors does comply with the requirements of the Island Decree Corporate Governance.

Curaçao, 13 December 2014
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for Ernst & Young Accountants

E.R. Statius van Eps CPA

Notes

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