AQUALECTRA

Your well-being, our duty

BUILDING THE FRAMEWORK FOR A SUSTAINABLE FUTURE

CONSOLIDATED ANNUAL REPORT 2013

INTEGRATED UTILITY HOLDING N.V. (AQUALECTRA)

Reference number 2015-11114

21/04/2015

Board of Managing Directors

Profile

Integrated Utility Holding N.V. doing business as Aqualectra (hereinafter "Aqualectra" or "the Group"), is the utility company of Curaçao responsible for the production and distribution of power and water as well as the delivery of accompanying services. As per December 2013 the Group's workforce consisted of 724 (2012: 734) dedicated employees who provide the manpower needed for the delivery of quality products and services to our customers. As per December 31, 2013, the Group had approximately 76,075 (2012: 74,411) electricity connections and 76,522 (2012: 75,030) water connections.

This annual report of the Group is the consolidated report of management to the shareholders and other relevant stakeholders about the financial and non-financial performance of the Group over the year 2013. The scope of this report comprises the Integrated Utility Holding N.V. and its subsidiaries.

CONTENTS

Table of contents

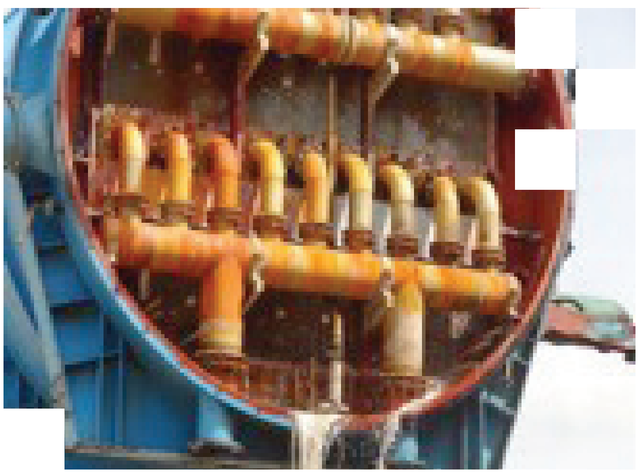
1. REPORT OF THE BOARD OF MANAGING DIRECTORS

1.1. Milestones 2013

In order to address Aqualectra's new strategic areas and change the established direction of the Company, Aqualectra devised a Turn Around plan which led to the following important highlights of 2013.


> Recondition current Dokweg location for construction and initiation of construction of new 35 MW power generation plant


> Initiation of construction of new 7,500 M^3 / day Reverse Osmosis Plant for replacement of the evaporation water production




> Demolition of decommissioned Mundo Nobo plant (Verdamper V5)

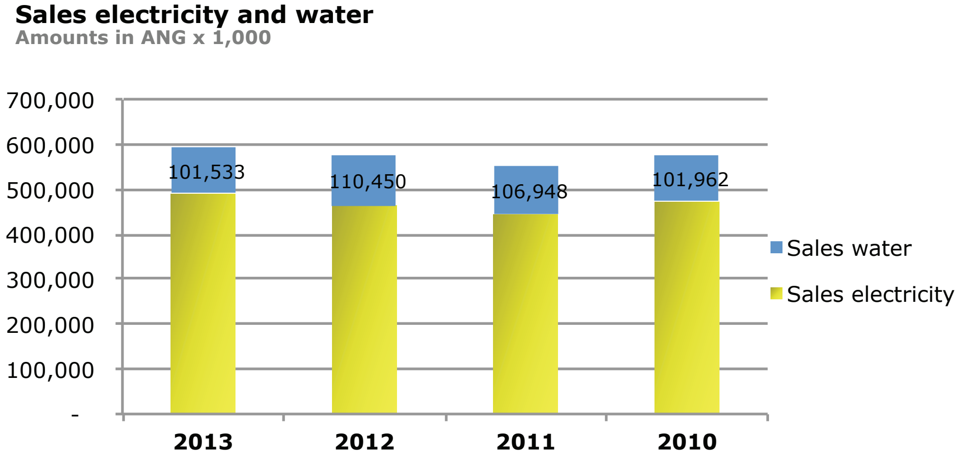
1.2. Financial performance

The changes in the tariff setting structure introduced as per June 1, 2012, namely, the monthly adjustment of the direct cost component of the electricity and water tariffs combined with the recovery component on one hand, (paired with an overall decrease in fuel prices) and a shift in production source on the other hand, has resulted in a 25% increase in the Group's gross profit to ANG 272.0 million in 2013 (2012: ANG 218.0 million). The Group is also reporting a positive operating result which increased by 157% to ANG 16.8 million (2012: ANG -29.4 million) due to the aforementioned. Despite this, the Group still realized a negative net result after taxes of ANG 5.8 million (2012: ANG 45.4 million). This represents an increase of 87%. Despite the changes to the direct cost component of the tariff, the lack of structural changes to the base component is contributing to the negative net results for the year. The result for the year would be significantly lower (ANG 59.1 million) if the recovery component which covers shortages in the fuel component that developed between January 2011 through May 2012 were not included in the tariff in 2013.

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012 Restated*	Change in ANG	Change in %
Sales electricity	490,272	464,477	25,795	6%
Sales electricity in MWh	671,759	688,050		(2%)
Sales water	101,533	110,450	(8,917)	(8%)
Sales water in 1000M^3	9,765	10,178		(4%)
Direct cost production and other direct cost of sales	(334,896)	(373,416)	38,520	(10%)
Gross profit	272,033	218,025	54,008	25%
Operating expenses	255,238	247,447	7,791	3%
Operating profit (loss)	16,795	(29,422)	46,217	157%
Interest expenses, net	(26,490)	(24,048)	(2,442)	10%
Net loss incl. recovery component	(5,837)	(45,366)	39,529	87%
Recovery component in sales	53,290	16,260	37,030	228%
Adjusted net loss excl. recovery component	(59,127)	(61,626)	2,499	4%

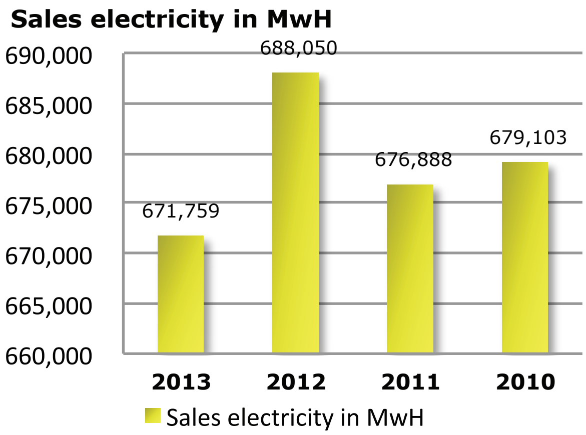
* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made. Please see note 5.2.v.

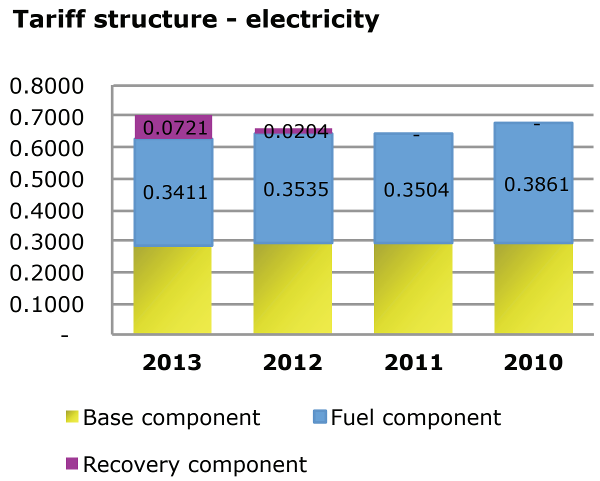
Sales electricity and water



Total sales electricity and water has increased in 2013 by 3% or ANG 16.9 million as compared to 2012 and is higher than the past 3 years. The charts below, illustrate that the increase in overall sales is due primarily to an increase of the recovery component of both the electricity and the water tariffs. Since June of 2012 the regulator adopted the tariff-structure of electricity and water to consumers comprising 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 base component, which covers the operational costs and finance costs;
- the recovery component, which covers shortages in the fuel component that developed between January 2011 through May 2012.

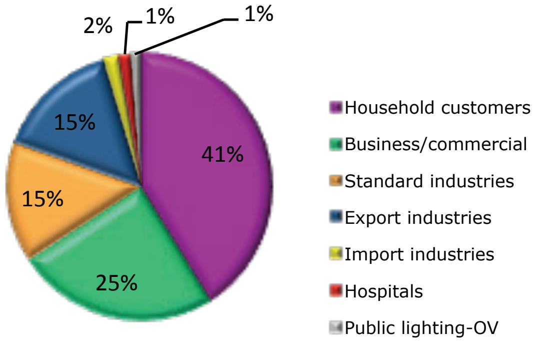




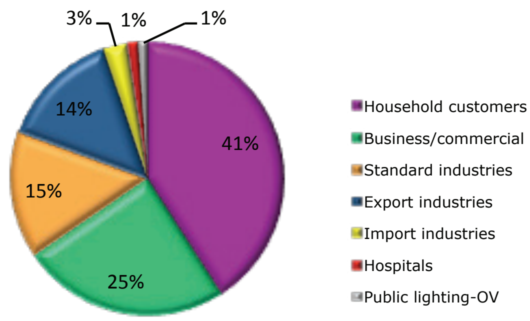
Despite the 2% decrease in Megawatt hours (MWhs) sold in 2013, electricity sales increased by 6% compared to 2012 as a result of the increase in the tariff.
As depicted in the above chart, the electricity tariff is higher in 2013 due to the recovery component. MWhs sold to household customers and the business sector decreased by approximately 1% and 2%, respectively.

Below is a comparative illustration of the composition of electricity customers based on MWhs sold.

Customer composition - Electricity 2013

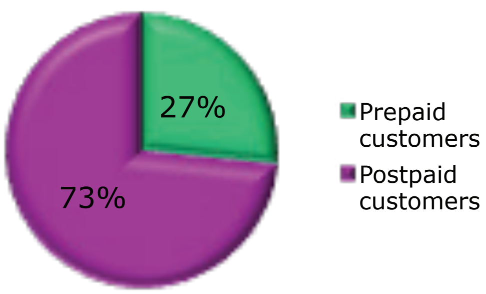


Customer composition - Electricity 2012

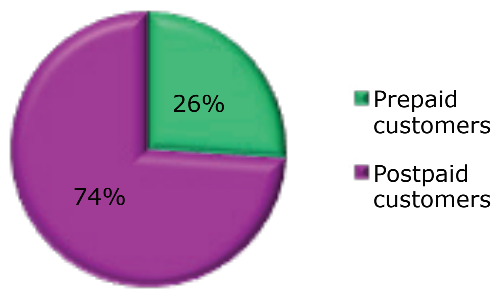


Household customers consists of pre-paid and post-paid customers.
The below chart illustrates amounts of MWh sold to each:

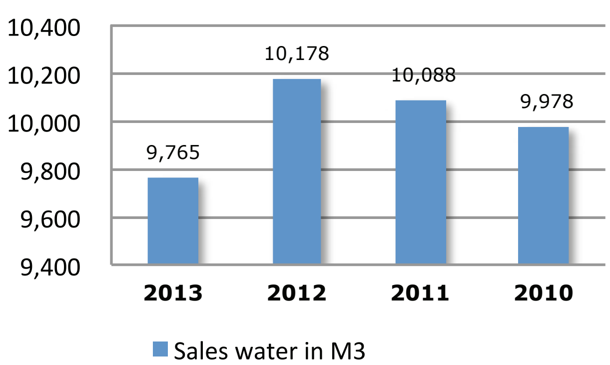
Household customer - Electricity 2013



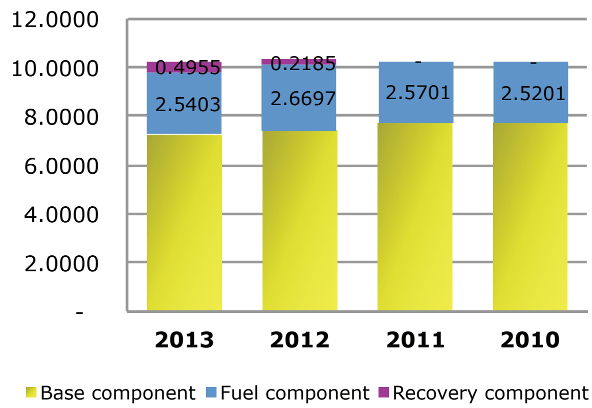
Household customer - Electricity 2012



Sales water in M^3

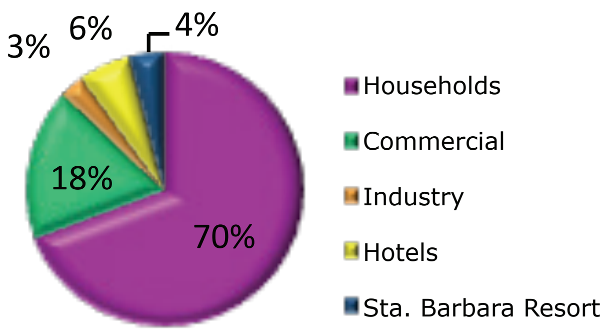


Tariff structure - water

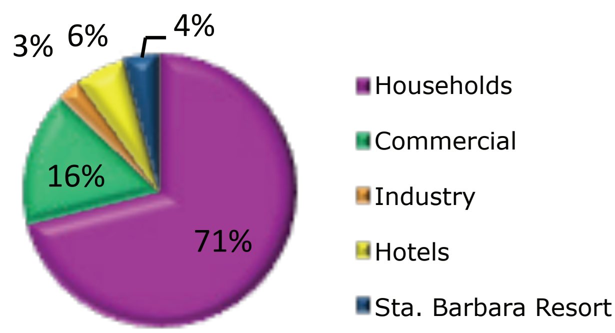


Despite the overall increase in the water tariff, water sales revenue decreased by 8% or ANG 8.9 million due to a 4% decrease in cubic meter (M^3) sold and a 0.3% decrease in the average water tariff. The decrease in M^3 sold is mainly a result of a decrease of approximately 15% of M^3 sold to the businesses sector while M^3 sold to household customers increased by approximately 1%. Below is a comparative illustration of the composition of water customers based on M^3 sold.

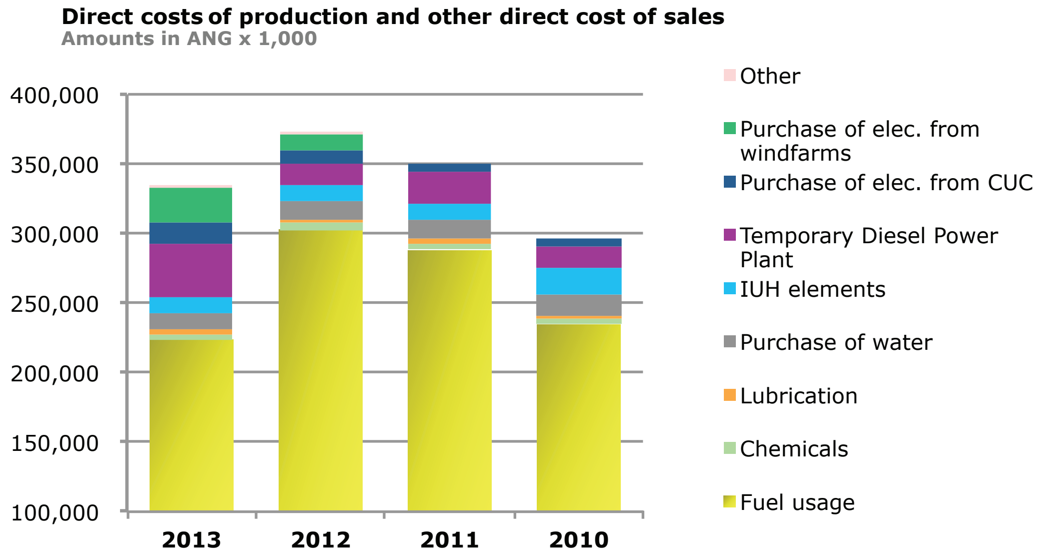
Customer consumption - Water 2013



Customer composition - Water 2012



Direct costs of production and other direct costs of sales:



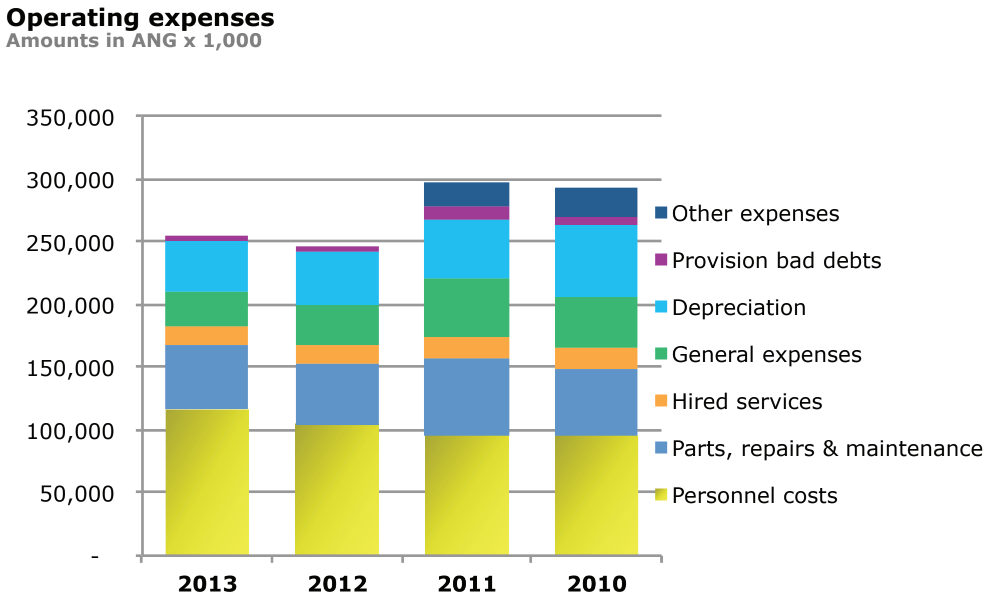
This cost category reflects the usage of fuel, chemicals, lubrication and also the purchase of electricity and water from third parties, IUH-agreement expenses, expenses for the temporary rent of electricity production units and other direct costs of sales. The decrease in direct costs of production and other direct costs of sales by 10% or ANG 38.5 million compared to 2012 is due to:

- Lower realized costs of fuel in 2013 (ANG 223.8 million) compared to 2012 (ANG 302.9 million), resulting from less consumption of higher cost fuel at the Mundo Nobo plant due to its dismantling which started in 2013 in addition to the overall decrease in fuel prices of all but one fuel type in 2013 as compared to 2012. Please see note 5.4.1.3, "Tariff risk".
- Decrease in the average tariff of water purchased from Aqua Design N.V. (currently Aeonics) resulting in a cost reduction of ANG 1.9M to ANG 10.8 million (2012: ANG 12.7 million) due to a new contract.

The above-mentioned increases were partially offset by:

- An increase of ANG 24.5 million in lease expenses of temporary electricity production units (2013: ANG 39.0 million versus 2012: ANG 14.5 million). This increase came as a result of the replacement of the 22 megawatt (MW) Aggreko plant with a modern 56 MW Aggreko plant to ensure continuity of the delivery of electricity while the Mundo Nobo plant is being dismantled and the construction of the new plant in underway.
- An increase in purchase of electricity from Curaçao Utilities Compagny (CUC) and the wind farms at Tera Còrá and Playa Canoa of ANG 18.6 million (2013: ANG 41.1 million versus 2012: ANG 22.5 million). Cost per kilowatt hour (kWh) from these production units is lower than the cost of own production. These costs are included in the other direct cost of sale.

Operating expenses:



The total operating expenses increased by 3% or ANG 7.8 million in 2013 compared to 2012. This increase is mainly attributable to the following factors:

- Personnel expenses of ANG 116.5 million in 2013, increased by ANG 11.4 million from the recorded ANG 105.1 million in 2012. This increase is mainly attributable to the introduction of the basic health-care insurance Basisverzekering Ziektekosten (BVZ) as of February 1, 2013. As the collective labor agreements provide for healthcare benefits with wider coverage at a lower cost to employees as compared to BVZ, the unions opposed its implementation and the Group did not implement this new health care insurance until August 1, 2014. This resulted in the Group taking for its own account, 100% of the BVZ premium while also paying for the healthcare expenses under the existing labor agreements throughout 2013. Personnel costs have shown an increasing trend over the past 4 years leading management to take measures to reduce these costs in future years to an acceptable level.

- Parts, repairs & maintenance expenses and hired services amounted to ANG 66.6 million in 2013 (2012: ANG 62.6 million). The ANG 4.0 million (6%) increase is mainly a result of additional maintenance activities at the different electricity and water production units. Major backlog maintenance was performed in 2011 leading to lower than normal maintenance costs in 2012.

The above-mentioned increases were partially offset by:

- General expenses regards the costs related to housing & car fleet, office expenses, communication & PR, insurances and security, consultancy and other sundry and miscellaneous expenses. In 2013 a total of ANG 28.4 million was recognized as general expenses, which is a decrease of ANG 4.3 million (13%) compared to 2012 (ANG 32.7 million). The decrease of the general expenses in 2013 is mainly due to (i) a decrease in other expenses related to coverage for warehousing and purchasing expenses and, (ii) a decrease in consultancy expenses.

- Depreciation expenses amount to ANG 40.5 million in the year under report (2012: ANG 43.0 million). This is a decrease of ANG 2.5 million compared to 2012. Depreciation costs are realized based on the amount of assets on the balance sheet during the year under report.

- Provision bad debt expenses amounts to ANG 3.3 million in 2013 (2012: ANG 4.0 million).

Interest expense:

The increase in interest expense of 10% or ANG 2.4 million is due to interest on the new Curoil loan.

1.3. Financial position

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012 Restated*	Change in ANG	Change in %
Non-current assets	615,075	627,489	(12,414)	-2%
Current assets	235,494	199,973	35,521	18%
Equity	144,710	71,360	73,350	103%
Non-current and current liabilities	705,859	756,102	(50,243)	-7%
Investments	34,920	27,462	7,458	27%

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made. Please see note 5.2.v.

Non-current assets:

Non-current assets consist of tangible and intangible fixed assets, security deposit and deferred tax assets. The decrease in non-current assets of 2% or ANG 12.4 million is primarily due to a ANG 8.3 million decrease in property plant and equipment and a ANG 4.1 million decrease in deferred tax assets.

Current assets:

Current assets consist of inventories, trade accounts receivables, other receivables and cash & cash equivalents. The increase in current assets of ANG 35.5 million or 18% is primarily due to a receivable of ANG 24.0 million from the Government of Country Curaçao for shares issued in 2013 but not paid up as of year-end.

Equity:

Equity increased by ANG 73.4 million as a result of the 58 additional shares issued at par to the Government of Curaçao in 2013 and effects of IAS 19 through other comprehensive income of ANG 21.2 million offset by the reported loss of ANG 5.8 million.

Non-current and current liabilities:

The decrease in non-current and current liabilities of 7% or ANG 50.2 million is primarily due to the settlement of the deposit payable of ANG 34 million by means of the issuance of shares to the Government of Curaçao as noted above.

Investments:

A total amount of ANG 34.9 million has been invested in 2013 of which ANG 19.5 million by Aqualectra Production and ANG 15.4 million by Aqualectra Distribution. The invested amounts are mainly related to the following projects:

Aqualectra Production

- *New power plant - 35 MW DPS Dokweg II:* Construction of the new power plant commenced in 2013 and is expected to be fully operational in the first quarter of 2015.

Aqualectra Distribution

- *Electricity and water metering:* Consists of projects related to direct client connections, all activities related to network extensions, upgrades and new installations as well as projects related to meter replacement due to their lifecycle.
- *Restructuring High Voltage Grid 30 kilo Volt (kV) cable Zegoe – Tera Corá:* Replacing of the damaged 30 kV transmission cable connection between substation Zegoe and substation Tera Cora.
- *New 66 kV "onderstation" Dokweg:* This project was required in order to be able to transport the generated power of the new Dokweg plant into the Grid and in view of future extensions of grid on the 66 kV level.
- *Water transportation line grid Sta. Barbara: A* project to handle the water production expansion of RO Fuik to be transported to the Tra'i Seru Reservoir.
- *Water transportation line Martha Koosje:* This project was required to make a new transport pipe connection between pumping station Papaya and the watertank Fontein.
- *Execution of special projects electricity and water:* The SCADA (Supervisory Control and Data Acquisition) upgrading was initiated in 2013 for engineering purposes.

1.4. Regulatory environment

Aqualectra's operations are governed to a high degree by governmental regulations.

Tariff stipulation

Reference is made to note 5.1 of the consolidated financial statement where the tariff structure, and the historical and current tariff calculation method are explained.

In December 2009 Bureau Telecommunication and Post (BTP) was appointed as the regulator and policy and tariff setting advisor for the Government. In 2011, the Government adopted the policy paper "Beleidsnota regulering elektriciteitsvoorziening Curaçao 2011 – 2015" presented by the regulator.

The Board of Managing Directors (BMD, Management) opposed the principles as presented in the policy paper but has abided by them since they were formally approved and set forth in the concessions issued in 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. Out of this exercise came that:

1) The savings that were and could be realized on the general expenses 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.

With the aforementioned results in hand, the Group approached the regulator early 2012 with the request to reconsider the level of the tariffs for water and electricity. The regulator at that time was in the process of analyzing and redesigning the tariff structure for water and electricity. Considering the urge of the Group 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 negotiations with the regulator, he 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. The monthly adjustment in the tariff was introduced as per June 1, 2012. The second phase, being the redesign of the base component, is ongoing.

Regulatory account

Based on a resolution of the Executive Council of the Island Government of Curaçao of November 8, 2002, 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 were 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 subsequently cancelled by the Government on April 6, 2011. The balance of the under coverage of the direct cost up to and including 2010 is referred to as the regulatory account. Aqualectra continues to recognize the regulatory account of ANG 104.1 million and Management still seeks compensation with the regulator and the Government hereof. As of the year 2011, the under coverage of direct costs is recovered differently in the tariff through the application of the new tariff structure previously mentioned.

In the table below an overview of the total amount of under coverage direct costs as of 2006 till 2010 is presented:

Development "regulatory account" A	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**

Concessions

In 2011 the process for the preparation and adoption of new concessions for electricity production and distribution started and were finalized in 2012. Management identified various compliance issues with the new concessions and requested the regulator for consultation on these matters. An amended concession was issued by the Minister of Finance on June 19, 2014, agreed to by the council of Ministers on June 11 of the same year and formalized on November 6, 2014. This new concession substitutes the concession adopted in 2012. This sequence of events is shown in note 5.8.

1.5. Corporate Governance

In accordance with the "Stock Register" of IUH, the following information about the ownership of the Company can be disclosed:

Common Shareholder

- As of June 1, 1998 a total number of 470 issued common shares (nr. 1 to nr. 470) has been paid for by the "Eilandgebied Curaçao". The total amount paid regards ANG 525 million.
- As of September 6, 2001 the total number 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").
- As of January 31, 2013, an additional 58 common shares were issued (nr. 471 to nr. 528) to the Government of Curaçao ("Land Curaçao").

Legal and governance structure of the Group

This report regards the consolidation of the following companies into the report of IUH.

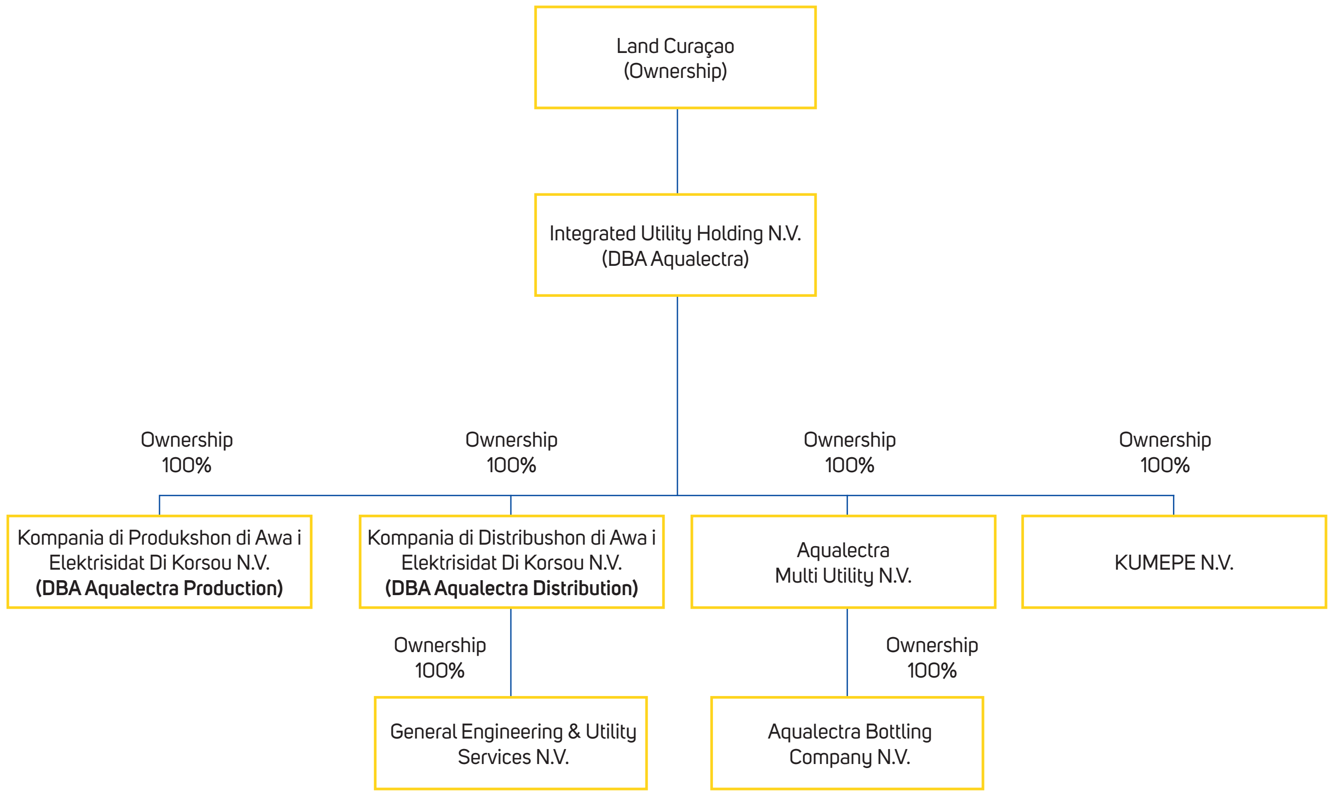
Name	% equity interest
Aqualectra Production (KAE N.V.)	100%
Aqualectra Distribution (KODELA N.V.)	100%
General Engineering & Utility Services N.V. (GEUS)*	100%
Aqualectra Multi Utility Company N.V. (AMU)	100%
Aqualectra Bottling Co. N.V.**	100%
KUMEPE N.V.	100%

* GEUS is 100% subsidiary of Aqualectra Distribution

** Aqualectra Bottling Co N.V. is 100% subsidiary of AMU

All above noted entities are hereinafter collectively referred to as "the Group".

The following diagram depicts the company structure as per December 31, 2013.



Board of Managing Directors

Since October 2011, the Group is being managed by a Board of Managing Directors (BMD) consisting of the only one Statutory Managing Director (the Chief Operating Officer) who was appointed by the Board of Supervisory Director (BSD) effective October 4, 2011 as Acting Chief Executive Officer.

Clause of 7 of the articles of incorporation of IUH regulates the management and control of the Group. In this clause it is stipulated that all management actions with regard to the Aqualectra group of Companies are subject to supervision of the BSD.

As of December 18, 2011 new bylaws were incorporated for IUH and its subsidiaries. In these bylaws, the BSD has the supervision over the management of all subsidiaries and Management has to inform on the progress and actions 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 28, 2009.

In 2012 the BSD reviewed and changed the portfolios and titles of the managing directors in consultation with and by resolution of the General Shareholders Meeting (GSM). The recruiting of 2 Directors started in May 2012 but the process has been put on hold and the structure was, therefore, never implemented.

On November 15, 2014, the BMD presented a proposal to the BSD for a new organizational structure and a new BMD structure consisting again of 3 directors with a rearranged portfolio. The BSD approved this new structure. Approval of the shareholder remains pending.

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 community 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.

Integrated 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 Integrated Resource Planning (IRP). The primary objective of the Enterprise Resource Plan was aimed at the realization of the corporate objectives of the Group derived from the IRP which dictates the future demand. In general, capacity- and efficiency deficiencies drive the Group's resource needs, which are identified in the Group's periodic update of its IRP.

The utility industry worldwide is in transformation 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 includes solar, wind, Seawater Air Conditioning (SWAC) technology.
- Application of distributed generation concepts for power generation.
- Water production based on reverse osmoses 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 Information Technology (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 in order to include the latest developments. This led 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 responsibilities:

Strategic Area's			
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

A Turnaround plan was devised by Aqualectra to address these areas and change the Group's established direction up until 2012. In addition to the investments highlighted in note 1.3, which are referred to as Phase I (2013), the following investments are planned in Phase II (2014-2016):

- Expansion of alternative generation capacity (Wind farm with 15 MW and installation of distributed Photovoltaic (PV) power generation capacity).
- Install new 18,000 M^3 per day Reverse Osmosis Plant. Location to be determined.
- Demolition of all remaining existing plants at Mundu Nobo.
- Reconditioning of current land for possible future developments.
- Building of a new facility.
- Implementation of smart grid technology.

This turnaround plan and other actions will enable Aqualectra to face the challenges posed by the changing market requirements. For the longer term a tactical plan is being developed in order to realize the strategic ambitions as stated in the strategic plan "A Refreshing Approach".

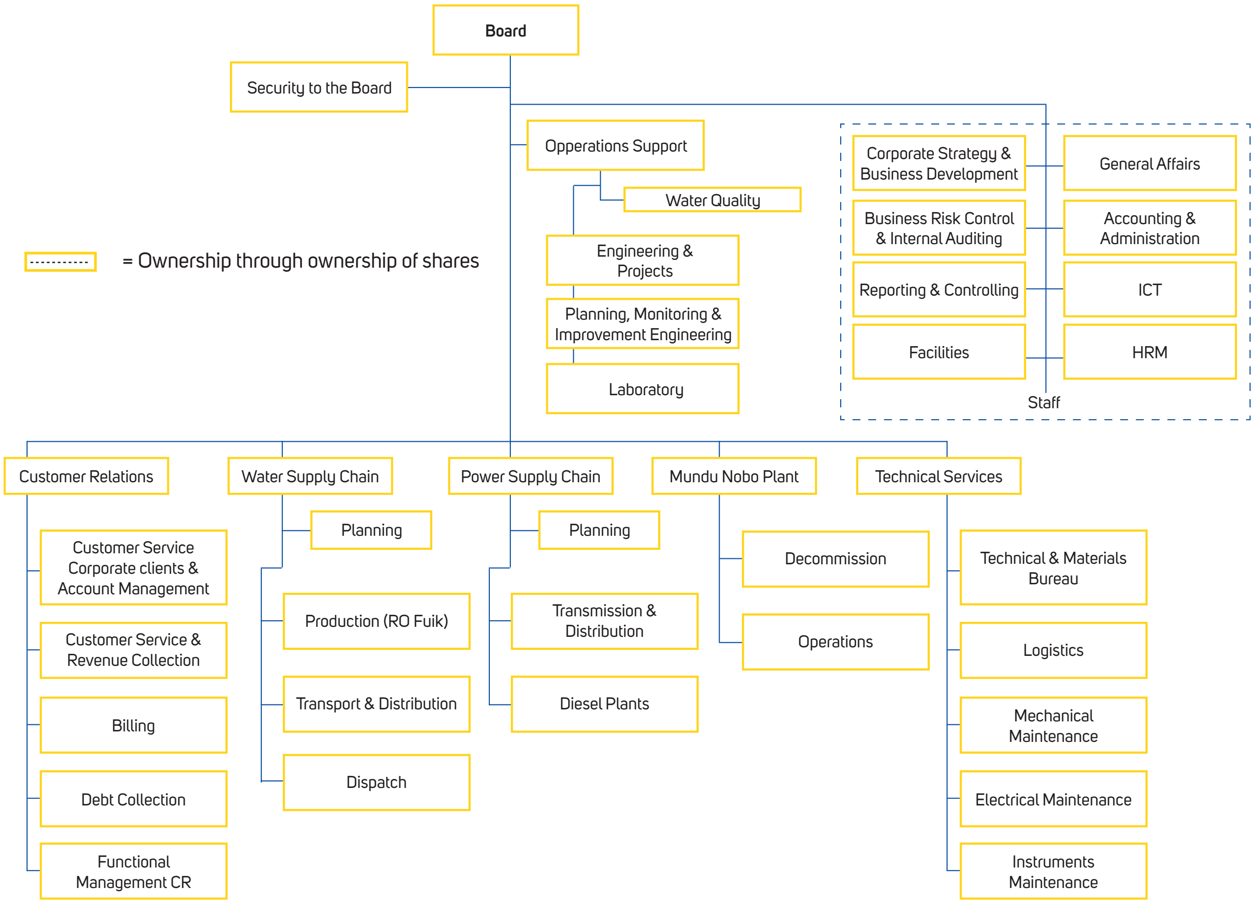
Business planning and consolidated budget:
Every year a business plan and a consolidated budget, including a 5 year forward looking projection, are drafted and submitted for approval to the BSD. This business plan includes corporate Key Performance Indicators, for the year ahead. In order to be effective 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 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 various KPI scores per result area, which, in fact, represents 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 conditions that apply as well as the 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, shareholders and public entities have to play in the deployment of policy. Management considers it its duty too to support the Government, its Shareholder and the BSD 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. These areas are (i) Customer Relations, (ii), Power Supply Chain, (iii) Water Supply Chain, (iv) Mundo Nobo Plant, (v) Technical Services, (vi) Operation Support, (vii) Business Risk Control & Internal Audit, (viii) Facilities Management, (ix) ICT, (x) General affairs, (xi) Corporate Strategy and Business Development, (xii) Legal and Communication, (xiii) Human Resource Management, (xiv) Administration & Accounting, (xv) Reporting & Controlling. Please see to the "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. For every area also KPI's are in place, which will be the input for the yearly assessment and appraisal of middle management and staff.

Reporting:
Periodic reporting (monthly or quarterly and annually) of each policy area is applied, in which the realization of the KPI's is placed against the planned or projected KPI's per policy area.
Management also reports periodically to the BSD about the realization vis a 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 2013 Aqualectra has gone through the following process of monitoring, reporting and compliance:

- One audit of the financials 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 for water laboratoria;
- 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 undergone with satisfactory results.

1.6. Compliance with the Corporate Governance Code

The IUH N.V. BSD appointed by Aqualectra General Meeting of Shareholders (GMS), supervises policies pursued by the BMD. Management considers it as its duty to sustain the Government, the Shareholders and the BSD as much as possible in this important task by complying completely and proactively through our 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.

Besides the above-mentioned points, the BMD identified the following specific points for improvements:

Section of the Code of Corporate Governance paragraph	Description	Subject	Remarks
3	Board of Managing Directors	***Business-wide goals and strategy***	
		• Timely submittal of business goals, strategy and general policy to the GSM for approval..	• Due to delays in internal reporting, these reports have not been submitted timely to the GSM. Full compliance is expected in 2015.
4	Shareholder	***Selection, appointment of BSD- and BMD members and compensation of members***	
		• Installation of an entity responsible for advising an assisting the Government with the selection, appointment and remuneration of the members of the BSD and the BMD.	• No activities to mention on this matter in 2013.
5	Remaining principle	***Financial reporting***	
		• 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 financial statements of 2011 and 2012 were issued in 2014, the current external auditors did not attend any GSM during 2013. The preceding external auditor (KPMG) did however, attend one BSD meeting during 2013 where the 2010 financial statements were discussed.
		• Review performance of the external auditor and presentation of the conclusions to the GSM.	• Throughout the audit phase of 2013, the performance of the external auditor 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.

Subject and items of the Code of Corporate Governance paragraph	Remarks
Tasks and operational model	
Timeliness of information delivery to the BSD.	During 2013 the BMD had a significant challenge to obtain required information for internal reporting on a timely manner resulting in certain delays. Delays with the issuance of the preceding financial statements are the reason for the backlog. Significant progress has been made in 2014 to eliminate the backlog and achieve timely internal reporting.
Corporate objectives and Strategy	
Timely submission of business plan including operational and capital expenditure (CAPEX) budget.	The final business plan 2013 was submitted and approved on June 7, 2013. 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 changes in the composition of the BSD and revisions requested to the business plan in order to achieve certain budget cuts.
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 the 2010 through 2013 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 by the BSD on May 13, 2014 followed by the approval of the 2011 and 2012 financial statements on October 21, 2014 and December 13, 2014, respectively. Despite the above, Management has committed to clear its backlog and to 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 the mentioned circumstances in the Group, 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 the past period(s) the BMD ensured however -at all times- that the most key information was sent in time, to avoid significant disturbances in the BSD's monitoring role.
Quarterly reports and Risk reporting	Due to mentioned circumstances in the Group, management was not able to provide all information on a timely basis. Written and unwritten risk matters were all presented to the BSD during the BSD meetings. Nevertheless management is committed to comply with timely reporting starting in 2015 and forward. During the past period(s) the BMD ensured however -at all times- that the most key information was sent 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. Evaluation of the BMD for the years 2012-2014 took place at the end of 2014. It should be noted that Management, functioning as acting CEO of the Group, has not been receiving any additional compensation since being appointed.

1.7. Corporate Citizenship

Corporate Social Responsibility (CSR)
Aqualectra has a firm believe that its CSR policy should 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 that by doing this, it will honor a triple bottom line: People, Planet, Profit.

Small contributions to sporting, religious or cultural events:
Aqualectra regularly receives requests from the general public for small contributions to sporting, religious or cultural events. At the end of 2013 Aqualectra 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 2014.

Aqualectra deemed it as its corporate social responsibility to sustain major sport activities or sport organizations. During 2013 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 40,000 which is ANG 10,000 less than 2012.

Furthermore Aqualectra engaged together with RBC bank in the Blue Water Project Curaçao, which consisted of three sub-projects. The annual project 2013 started on World Water Day, March 22. The total sponsorship costs equaled ANG ANG. 68.374.

An additional ANG. 14.870 was granted in 2013, to various sport and non- profit organizations.

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 effort and energy to make this water and electricity available for the community. The reason for this consciousness building 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, several excursions to the Group's production plants and technical facilities were organized for schools and interest groups (including tourists and universities) by our Communication department, during which the production process of water and the generation processes of electricity were 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 these regarding the environmental aspects that the organization has control over and on which it can be expected to have an influence.

By continuing with the ISO 14001: 2004 standard in 2013, 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.

1.8. 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 new tariff setting structure introduced per June 2012. With the application of a fuel clause in the tariffs, a full fuel pass trough is in fact applicable. Nevertheless, monitoring the fuel price volatility will remain of high importance for Aqualectra.

Fuel diversity:
Aqualectra is a firm believer in the value of fuel diversity in order to help stabilize fuel costs as well as to maintain and improve overall system reliability. With the renewed wind farm at Tera Còrá and Playa Canoa in 2009, 18% of the total energy demand of Curaçao is provided through alternative (wind) energy with a total capacity of 30 MW.

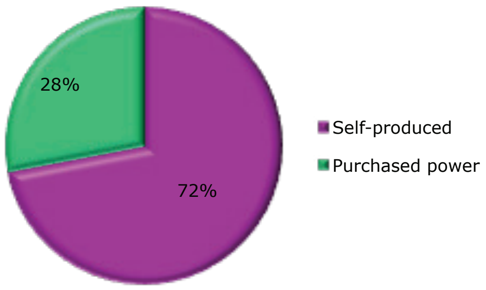
Corporate objectives:
As stated before, good governance in corporate settings includes transparency, accountability, compliance and adherence to legal principles and procedures. Ultimately the citizen will judge the Group by its performance in terms of (i) quality, (ii) reliability, (iii) least environmental 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 to reach these corporate objectives (mission).

Infrastructure:
Aqualectra's investment actions are aimed at replacing the existing production units for water and electricity as well as expansion of the total capacity of these production units and grid 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 2017. Within this time frame the following investments have been identified:

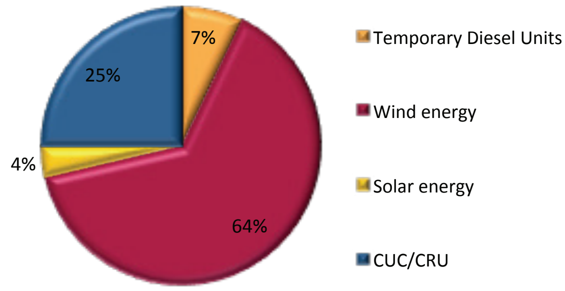
- Expanding and renewing the total capacity of electricity generating units in 2015. In 2015, the total demand for electricity is expected to be between 115 MW and 140 MW. Significant investments have been made in 2013 as discussed in note 1.3 and have continued throughout 2014.
- Renewing and expanding 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.
- Increase of energy generated by the wind farms with an additional 15 MW through an amendment of the current Power Purchase Agreement (PPA).

The road map to realize these investments has already been presented to the BSD 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 production facility will be phased out after the above-mentioned investments have been realized.
The expected generation capacity of the Group in 2015 will consist of self-produced and purchased capacity in the following proportions and purchased capacity mix is expected to be as follows:

Expected generation capacity 2015



Expected purchase capacity mix 2015



Systems:
It is important for the Group to realize the necessary improvements and upgrading of the applied systems. The primary systems that will be improved and upgraded in the period 2014 through 2016 are:

- SCADA system (Supervisory Control & Data Acquisition). This regards the upgrading and improvement of the Group's dispatch and control centre.
- AMR/AMI systems (Automatic Meter Reading and Advanced Metering Infrastructure). This 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). This 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). This r egards 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. This creates the opportunity to reduce personnel costs.
On November 15, 2014, the BMD presented a proposal to the BSD for a new organizational structure and a new BMD's structure consisting again of 3 directors with a rearranged portfolio. Plans for a new office facility are being discussed to centralize all corporate operations. And the integration of business processes and information/ operation systems within the Group, which has been an ongoing process, will also continue.

Financing:
In order to realize the above-mentioned corporate objectives, 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) relatively less cost of fuel because of more wind- and heavy fuel oil generation of electricity, (ii) relatively less personnel costs, because of less personnel due to process automation and (iii) relatively less maintenance costs, because of an acceptable and rational overcapacity, 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, this because of the amount of capital expenditure needed for the refinancing of Aqualectra.

Currently the Group is pursuing endeavors to realize its financing strategy for the aforementioned roadmap of necessary investments and business improvement actions. We refer the reader to in note 5.8 for an update on the more recent events regarding the financing of the required investments.

Continuous improvement:

Furthermore, Aqualectra will continue its pursuit of operational excellence through 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 the Group's 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 2013:

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 here on, Management was instructed to eliminate the causes of the qualification by the external auditor. The causes of the qualification, which are still causes of the qualification of the 2013 audit opinion are as follows:

- *CUC share transfer*

Management has been trying to solve this matter and has done its utmost to resolve this issue with the parties involved but could not 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. This matter still remains unresolved. All relevant information has been disclosed in note 5.5.18.6 "contingent assets".

- *IUH Corporate Bonds*

Management has been trying to solve this matter but could not come to a satisfactory solution. Therefore this qualification remains standing in all subsequent financial statements. For further information on this, Management refers to note 5.8 "subsequent events" of these financial statements where further developments on the steps taken by Management are disclosed.

Management acknowledges that the financial statements 2013 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 a period extension for the submittal of the 2013 financial statements from the shareholder. These extension periods have also expired. The late submittal stems from the significant delays in the issuance of the 2010 financial statements as noted above.

Willemstad, April 21, 2015

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 Company over the year 2013.

In accordance with the "Stock Register" of Integrated Utility Holding N.V. (IUH N.V.), no changes were made to the legal structure of the Company. An additional 58 shares were however issued on January 31, 2013 to the Government of Curaçao ("Land Curaçao").

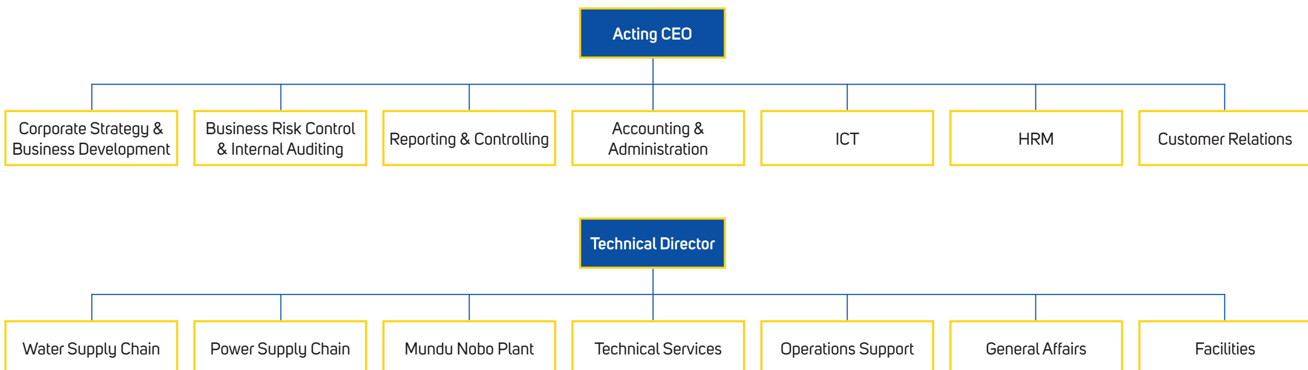
2.2. Corporate Governance

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 (BMD). 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. The BSD considers, the specific requests stipulated by the Shareholders that have to be executed or reported on too.

Key decisions reached by the BSD with respect to the BMD in 2013, are highlighted below:

- Effective January 17, 2013, the BSD appointed a "Titular" Technical Director for the Group. The Technical Director replaces the Industrial Director and maintained the same role and responsibility. The remaining general and organizational support departments have been assigned to the Acting CEO who previously held the position of Executive Technical Director. The division of responsibility over the various management areas, can be depicted as follows:



Responsiblities over the corporate department are split between the two directors.

This division was approved by means of a resolution of the General Shareholders Meeting (GSM).

- With the recruitment process put on hold, Management assessed in late 2013 the BMD structure and composition, in order to start the recruitment process and fulfill the vacancies in the BMD. While under review by the BSD, the recruitment process was put on hold.

On November 15, 2014, the BMD presented a proposal to the BSD for a new organizational structure and a new BMD structure consisting again of 3 directors with a rearranged portfolio. The BSD approved this new structure. Approval by the shareholder remains pending.

2.3. Compliance to the Corporate Governance Code

Based on a detailed assessment of the BSD 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 capital expenditure (CAPEX) budget for the coming year	The 2013 budget was approved by the BSD June 7, 2013. This was not in accordance with the Corporate Governance Code and/or the existing Article of Incorporation of IUH N.V.. The delay was due to changes in the composition of the BSD and requested revisions of the business plan in order to achieve certain budget cuts.
Supervision on: well considered Enterprise Risk Management (ERM)	During 2013 risk meetings were postponed due to the absence of formal appointments of Risk Committee members. General risks were discussed during the BSD meetings which is not in accordance with well-considered ERM as required by the Corporate Governance Code.
Supervision on: timely holding of the General Shareholders meeting	During 2013 there was one GSM (in Dutch: Algemene Vergadering van Aandeelhouders AVA) and no Extraordinary GSM (BAVA). Various topics were discussed and resolutions were adopted. The annual report 2012 was not addressed in these meetings since the finalization of this report was delayed beyond 2014. Subsequently, the 2013 report is also delayed beyond 2014.
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.	For the year ending December 31, 2013, the BMD did not prepare a well-structured and well-documented risk assessment for the BSD to discuss. Various risk topics were however addressed in the various BSD meetings. These resulted in, among other things, assignments to the Business Risk Control & Internal Audit departments.
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 2013 in which the functioning of BSD and BMD were discussed due to change of members of the BSD. Evaluation of the BMD took place in 2014.
Other BSD committees *Audit committee:*	No audit committee meetings were held in 2013 due to the various changes in the composition of the BSD.
Change of BSD members	Mr. O R.A. Treurniet and Mr. W.J. Christiaans were discharged of their duties on February 8, 2013. Six new members were added to the BSD during 2013. Reference is made to note 2.6. The reader is referred to note 2.6 for further detail.
Secretary of the BSD	The secretary function was fulfilled in 2013 by Mr. I Moenir Alam and Mrs M. Belioso-Cicilia until the appointment of Mr. J Hellmund as the secretary of the BSD on September 8, 2013
Retirement schedule for the BSD members	The retirement schedule put in place in 2012 was adjusted in 2013 based on the changes in the composition of the BSD and was adopted by the BSD 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 (check)list is checked against the requirement of the Code as adopted by the Government.

Checklist	Compliance			
	Document Description	**Yes**	**No**	**Explanation**
1	Agenda BSD meetings 2013	√		No minimum meeting frequency has been established by the BSD for 2013. 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 2013 exceeding the minimum requirement.
2	Policy plan		√	The final business plan 2013 was submitted and approved in June 2013. 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 changes in the composition of the BSD and requested revisions to the business plan in order to achieve certain budget reductions.
3	Business plan 2013		√	The final business plan 2013 was submitted and approved in June 2013. 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 changes in the composition of the BSD and requested revisions of the business plan in order to achieve certain budget cuts.
4	Annual plan including budget and investment plan 2013		√	The final business plan 2013 was submitted and approved in June 2013. 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 changes in the composition of the BSD and revisions requested to the business plan in order to achieve certain budget cuts.
5	Financial and annual report 2012		√	The financial report was approved late, on December 13, 2014 by the BSD. The financial report has not yet been approved by the GSM. Explanation for the delay in approval is available. Consequently, the financial and annual report 2013 are also delayed.
6	BSD report 2012		√	The BSD report 2012 was included in the 2012 financial report. However, the report was approved late, on December 13, 2014. Explanation for the occurred delay in approval is available. Consequently, the financial and annual report 2013 are also delayed.
7	Management letter 2012 External Accountant		√	Management Letter 2012 has not yet been issued. Most important findings with regard to deficiencies in internal controls have however been discussed with both the BSD and the BMD. The BMD agreed with management that all management letter points reported since 2011 will be addressed by the BMD in 2015.
8	Minutes BSD meetings 2013		√	The BSD has met on numerous occasions in 2013 exceeding the minimum requirement as stated in the by-laws and in the Corporate Governance Code. Not all meetings were properly minutized or signed.
9	Organizational chart 2013	√		

Checklist	Compliance			
	Document Description	**Yes**	**No**	**Explanation**
10	Profile BSD	√		A profile sketch of the BSD is included in the Regulations Board of Supervisory Director. The profile sketch has not been evaluated or approved by the GSM (AVA).
11	Regulations BSD	√		These regulations were adapted in 2013 in order to comply with the Corporate Governance Code.
12	Regulations BMD	√		These regulations were adapted in 2011 in order to comply with the Corporate Governance Code.
13	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 regulations for these committees.
14	Dividend and reserve's policy		√	These policies are to be established and approved by the GSM.
15	Resignation schedule BSD		√	The shareholder adopted a retirement schedule for the BSD members on May 13, 2014.
16	Corporate bylaws	√		These were adapted in 2011 in order to comply with the Corporate Governance Code.
17	Meeting schedule of the BSD 2013		√	The BSD has met on several occasions in 2013 exceeding the minimum requirement as stated in the by-laws and in the Corporate Governance Code. No meeting schedule was formally agreed to by the BSD for 2013.
18	Audit committee 2013		√	The audit committee was not fully functional during 2013 and did not fulfill all its responsibilities with regard to the 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, then former external auditor did however meet with the BSD to dicuss the 2010 financial statements.
19	Agenda of any other committee meetings 2013		√	See explanation under 13
20	Minutes of any other committee meetings 2013	√		Not applicable since there were no other committees.
21	Overview of additional functions occupied by BSD members 2013		√	The BSD is in the process of inventorying this requirement in order to comply. This was completed in 2014.
22	Self-evaluation results by the BSD 2013		√	This has not been performed during 2013 due to changes (discharge and resignation) in the composition of the BSD in late 2012 and early 2013.
23	Compensation of the BSD in 2013	√		Not separately approved by the GSM. However, compensation of the BSD is included in the articles of incorporation which were updated in 2011 and therefore approved by the GSM.

2.5. Annual financial report and dividend proposal

We herewith submit the consolidated annual report 2013 of IUH N.V. doing business as (DBA) Aqualectra, as drawn up by the BMD and approved by our BSD. EY Dutch Caribbean has audited the consolidated financial statements for the year that ended December 31, 2013; its opinion is included in this annual report.

Based on the Integrated Resource Planning, the new strategic direction established in Aqualectra's strategic plan "A Refreshing Approach", addresses all the necessary actions in the relevant strategic areas. These actions are necessary in order to guarantee the supply of electricity and water to the island of Curaçao. The BSD 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 BSD fully supports these objectives and the way Management is complying with its targets in order to finally realize these objectives.

The projected (budgeted) return on equity of 27.6% for 2013 has not been achieved. The negative results, due primarily to undercovarge of the base component, are the main cause.

It is of utmost importance to strengthen the shareholder's equity of Aqualectra despite of the losses incurred in the past years and the reporting year 2013 in order to secure the necessary financing and to be able to contribute to the required investments. 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 operation of the Group.

Considering the aforementioned, the BSD advises to:
1. Accept the financial statements 2013 as included and approved by the BSD;
2. Approve that no dividend payment to the common shareholders will be distributed for the coming 5 years;
3. Add the total comprehensive result for financial year 2013 to the balance of the accumulated losses;
4. Discharge the BMD for their management and the BSD for their supervision during the year under report.

2.6. Composition of the Board of Supervisory Directors

On December 31, 2013 the BSD of IUH N.V. consisted of the following Directors:

	Name	Function
1	Mr. M.F. Willem (as of February 27, 2013)	Chairman
2	Mr. R.H. Doest (as of June 30, 2011)	Director
3	Mr. A.A. Hamoud (as of February 27, 2013)	Director
4	Mrs. T. Prins (as of March 25, 2013)	Director
5	Mr. D.G. Rosaria (as of March 25, 2013)	Director
6	Mr. H. R. Haile (as of August 19, 2013)	Director
7	Mr. D.E. Evertsz (as of September 11, 2013)	Vice Chairman

- In addition to the above noted Directors, the following individuals were members of the BSD during 2013:
  > Mr. R.A. Treurniet – Director (as of November 29, 2010 till February 8, 2013)
  > Mr. W.J. Christiaans – Director and Member of Audit Committee (as of December 7, 2011 till February 8, 2013)

Mr. R.A. Treurniet and Mr. W.J. Christiaans were discharged of their duties on February 8, 2013.

- Subsequent changes in the Board of Supervisory Directors
  > Mr. D.G. Rosaria resigned on March 26, 2014.

- In his place the following Director has been appointed:
  > Mr. A.A. Davelaar (as of January 19, 2015).

In accordance with the articles of incorporation of IUH N.V., members of the BSD 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. Treurniet (as of November 29, 2010 till February 8, 2013)	2,000
2	Mr. R.H. Doest (as of June 30, 2011)	12,250
3	Mr. W. J. Christiaans (as of December 7, 2011 till February 8, 2013)	2,000
4	Mr. M.F. Willem (as of February 27, 2013)	12,500
5	Mr. A.A. Hammoud (as of February 27, 2013)	10,000
6	Mrs. T. Prins (as of March 25, 2013)	9,000
7	Mr. D.G. Rosaria (as of March 25, 2013)	9,000
8	Mr. H. R. Haile (as of August 19, 2013)	4,000
9	Mr. D.E. Evertsz (as of September 11, 2013)	3,000

The BSD would like to point out that none of its members have any other relationship with IUH N.V. and are therefore independent. All members of the BSD frequently attended the meetings of the Supervisory Board. The BSD would like to address a special word of thanks to the BMD 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 BSD of Aqualectra approved the financial statement of 2012 in the board meeting held on December 13, 2014. Consistent with the 2010 and 2011 financial statements, the external auditor issued a qualified opinion based on matters for which the BMD and the BSD 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:

a) Corporate bonds IUH

The Company was not in compliance with some covenants of the Offering Circular of the bonds as per December 31, 2013 as disclosed in the notes to the consolidated financial statements, "Corporate Bonds Integrated Utilities Holding N.V. ("IUH or the Company"). Further, reference was made to the "General accounting policies" regarding the delicate liquidity position of the Company and its subsidiaries (together the "Group") which may affect the Company's 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.

b) Investment in equity accounted investees

Reference is also made to the financial statements 2012, where it is disclosed that as per year end 2012 there was an ongoing discussion between the Company and the Company's shareholder ("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 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.

None of the undersigned members of the BSD were appointed during the fiscal years when the various decisions were reached affecting the financial position of the Company in terms of not adapting tariffs on time, the transfer of Curaçao CUC 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 BSD 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 BSD and presented for approval to the shareholder and published timely by the Company.

The BSD approved the financial statement of 2010 on March 25, 2014 and on April 9, 2014 this financial statement was presented to the General Shareholders Meeting (GSM). The Council of Ministers accepted the qualification as to be issued by the External auditor 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 and December 13, 2014, the BSD also approved the Financial Statements 2011 and 2012, respectively with the above-mentioned qualifications and also advised the Shareholder to do the same. It is expected that the Shareholder will shortly provide her approval to the Financial Statements 2011 and 2012 with the above-mentioned qualifications.

2.8. Subsequent events

a) Corporate Governance Compliance audit:

In order to ensure the compliance with the Corporate Governance Code, the BMD and the BSD engaged law office Van Eps Kunneman & Van Doorne for a Corporate Governance compliance audit in 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 by 2015.

b) Restructuring of the Corporate legal structure:

In the BSD 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 concerning 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 is completed, the final step in the organizational restructuring will be effectuated.

Though the current members of the BSD 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 IUH 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, April 21, 2015

On behalf of 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*
Mr. A.A. Davelaar *Director*	

3. HIGHLIGHTS OF THE YEAR

(Amounts in ANG * 1,000)	December 31, 2013	December 31, 2012 Restated *
FINANCIAL DATA		
Operating revenues		
Sales electricity	490,272	464,477
Sales water	101,533	110,450
Sales services	15,124	16,514
Operating expenses		
Total operating expenses Production	108,361	110,173
Total operating expenses Distribution	141,884	153,596
Results		
Operating profit / loss Production	(41,801)	(77,926)
Operating loss / profit Distribution	56,458	33,763
Operating profit Holding	2,059	10,170
Consolidated net loss	(5,837)	(45,366)
Financial data		
Working Capital	(180,920)	(263,517)
EBITDA	57,254	13,559
EBIT	16,795	(29,422)
EBT	(9,695)	(53,470)
Equity	144,710	71,360
Long term liabilities	289,445	292,612
Short term liabilities	416,414	463,490
Financial ratio's		
Debt Service Coverage Ratio	1.31	0.31
Adjusted Debt Service Coverage Ratio	0.75	0.16
Debt/EBITDA Ratio	7.15	45.43
Solvency Ratio	0.17	0.09
Current Ratio	0.57	0.43
Return on equity	0.14	0.10
OPERATIONAL DATA		
Electricity		
Sales electricity in MWh (excluding RO Fuik)	671,759	688,050
Electricity intake from production in MWh	551,241	685,217
Electricity intake from CUC in MWh	144,437	77,567
Electricity intake from wind farms in MWh	119,843	62,681
Usage reverse osmosis plants	24,883	26,600
Number of postpaid connections at year end	52,725	52,195
Number of prepaid connections at year end	23,350	22,216
Average usage households per month in kWh	337	348
Average sales tariff households in ANG per kWh	0.7336	0.7007
Average sales tariff in ANG per kWh	0.7013	0.6623
Unaccounted for usage in % of MWh intake	13.57%	12.63%
Water		
Sales water in 1000M^3	9,765	10,179
Water intake from production in 1000 M^3	13,514	13,788
Number of postpaid connections at year end	76,522	75,030
Average usage households per month in M^3	8.2	8.7
Average sales tariff households in ANG per M^3	9.9	9.9
Average sales tariff in ANG per M^3	10.3	10.3
Unaccounted for usage in % of M^3 intake	27.68%	26.35%

* The comparative figures have been adjusted based on a new calculation method for unaccounted usage. In this new calculation, RO Fuik is excluded from the sales electricity in MWh.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Consolidated Statement of Financial Position

(Amounts in ANG * 1,000)	As at Dec 31, 2013	As at Dec 31, 2012 Restated *	For details See notes
ASSETS			
Non-current assets			
Intangible assets	6,552	6,552	5.5.1
Property, Plant and Equipment	512,271	520,506	5.5.2
Other non - current financial assets	34,000	34,000	5.5.3
Deferred tax assets	62,252	66,431	5.5.4
	615,075	**627,489**	
Current assets			
Inventories	30,270	32,097	5.5.5
Trade accounts receivable	115,693	108,460	5.5.6
Other receivables	49,160	18,280	5.5.7
Cash & cash equivalents	40,371	41,136	5.5.8
	235,494	**199,973**	
Total assets	**850,569**	**827,462**	
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	528,000	470,000	4.2/ 5.5.9
Share premium	55,000	55,000	4.2/ 5.5.9
Preferred shares	72,800	72,800	5.5.10
Treasury shares	(72,800)	(72,800)	5.5.10
Accumulated losses	(432,453)	(408,274)	4.3
Loss for the year	(5,837)	(45,366)	4.2
	144,710	**71,360**	
Non-current liabilities			
Financial liabilities	59,556	43,236	5.5.11
Customer deposits	23,462	22,732	5.5.12
Provisions	206,427	226,644	5.5.13
	289,445	**292,612**	
Current liabilities			
Trade accounts payable	85,032	119,939	5.5.14
Corporate bonds IUH	249,801	246,824	5.5.15
Bank overdrafts	15,883	16,168	5.5.16
Other liabilities	65,698	80,559	5.5.17
	416,414	**463,490**	
	850,569	**827,462**	

* Certain amounts shown here do not correspond to the 2012 financial statements and reflect adjustments made. Please see note 5.2.v.

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, 2013	For the year ended Dec 31, 2012 Restated*	For details See notes
CONTINUING OPERATIONS			
Sales electricity & water	591,805	574,927	5.6.1
Direct cost production	(292,646)	(349,609)	5.6.2
Other direct cost of sales	(42,250)	(23,807)	
Services & other income	15,124	16,514	
Gross profit	**272,033**	**218,025**	
Personnel costs	116,482	105,137	5.6.3
Parts, repairs & maintenance	51,970	47,445	5.6.4
Hired services	14,614	15,191	
General expenses	28,377	32,654	5.6.3
Depreciation expenses	40,459	42,981	5.5.2
Provision bad debts	3,336	4,039	5.5.6 / 5.5.7
Total operating expenses	**255,238**	**247,447**	
Results from operating activities	**16,795**	**(29,422)**	
Interest expenses net	(26,490)	(24,048)	5.6.5
Net finance costs	**(26,490)**	**(24,048)**	
Loss before income tax	**(9,695)**	**(53,470)**	
Income tax	3,858	8,104	5.6.6
Loss for the year	**(5,837)**	**(45,366)**	
Other comprehensive gain / (loss)			
Actuarial gains / (losses)	29,223	47,748	
Deferred tax related to the components of other comprehensive loss	(8,036)	4,466	
Other comprehensive gain / (loss) for the year, net of income tax	**21,187**	**52,214**	
Total comphrehensive gain/ (loss) for the year	**15,350**	**6,848**	

* Certain amounts shown here do not correspond with the 2012 financial statements and reflect adjustments made. Please see note 5.2.v.

The accompanying notes are 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	Loss for the year	Total equity	For details See notes
Balance at January 1, 2012	**470,000**	**55,000**	**72,800**	**(72,800)**	**(369,629)**	**(90,859)**	**64,512**	
Loss for the year 2011					(90,859)	90,859	0	4.2
Loss for the year 2012	0	0	0	0	0	(48,669)	(48,669)	4.2
Other comprehensive gain for the year 2012					55,517	0	55,517*	4.2
Balance at December 31, 2012	**470,000**	**55,000**	**72,800**	**(72,800)**	**(404,971)**	**(48,669)**	**71,360**	
Changes in accounting policies	0	0	0	0	(3,303)	3,303	0	5.2
Balance at December 31, 2012 (restated*)	**470,000**	**55,000**	**72,800**	**(72,800)**	**(408,274)**	**(45,366)**	**71,360**	
Balance at January 1, 2013	**470,000**	**55,000**	**72,800**	**(72,800)**	**(408,274)**	**(45,366)**	**71,360**	
Issuance of common shares	58,000	0	0	0	0	0	58,000	
Loss for the year 2012	0	0	0	0	(45,366)	45,366	0	
Loss for the year 2013	0	0	0	0	0	(5,837)	(5,837)	4.2
Other comprehensive loss for the year 2013	0	0	0	0	21,187	0	21,187	4.2
Balance at December 31, 2013	**528,000**	**55,000**	**72,800**	**(72,800)**	**(432,453)**	**(5,837)**	**144,710**	

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

4.4. Consolidated Statement of Cash Flows

(Amounts in ANG * 1,000)	For the year ended Dec 31, 2013	For the year ended Dec 31, 2012 Restated *	For details See notes
Cash flow from operating activities			
Loss for the year	(5,837)	(45,366)	4.2
Adjustments for non-cash items:			
Depreciations on fixed assets & major spare parts	40,459	42,981	5.5.2
Provision doubtful debts	3,336	4,039	5.5.6/5.5.7
Disposals in property, plant and equipment (net)	2,696	5,597	5.5.2
Change in deferred tax asset	4,179	(11,316)	
Amortization on bond	2,977	2,803	
Total adjustments for non-cash items	**53,647**	**44,104**	
Change in inventories	1,827	3,004	
Change in trade accounts receivable	(8,666)	(26,688)	
Change customer deposit	730	479	
Change in other receivables	(32,783)	(2,706)	
Change in trade accounts payable	(34,907)	47,044	
Change in other liabilities (excluding interest paid)	11,248	59,065	
Change in provisions	970	14,667	
Total of operational activities	**(61,581)**	**94,865**	
Total cash flow (used in) / from operating activities	**(13,771)**	**93,603**	
Cash flow from investing activities			
Acquisition of property, plant, equipment (net)	(34,920)	(27,462)	5.5.2
Other non - current financial assets	0	(34,000)	
Investment intangible assets	0	(6,552)	5.5.1
Total cashused in investing activities	**(34,920)**	**(68,014)**	

Cash flow from financing activities			
New loan	33,639	0	
Common capital issued	58,000	0	
Repayments of loans and movement in current maturities	(14,782)	(2,348)	
Other long term liabilities	(2,537)	(2,537)	
Interest paid	(26,109)	(23,744)	
Total cash flow from / (used in) financing activities	**48,211**	**(28,629)**	
Balance at start of year	24,968	28,008	
Increase	(480)	(3,040)	
Balance at end of year	**24,488**	**24,968**	
The balance at end of year comprises of:			
Cash & cash equivalents	40,371	41,136	5.5.8
Bank overdraft	(15,883)	(16,168)	5.5.16
Balance at end of year	**24,488**	**24,968**	

* Certain amounts shown here do not correspond with the 2012 financial statements and reflect adjustments made. Please see note 5.2.v.

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

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1. General

Corporate information

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 N.V. The principal activities of the Group are described in the "Profile". 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. 470 shares were issued to the Island territory of Curaçao on June 1, 1998 with an additional 58 shares issued on Janury 31, 2013 to the Government of Country Curaçao who became the legal successor of the Island territory of Curaçao and the shareholder of the Group after the restructuring of the Netherlands Antilles on October 10, 2010.

The 470 shares were paid up in full by means of the contribution of the KODELA (Aqualectra Distribution) and KAE (Aqualectra Production) shares. This created a share premium of ANG 55 million. Of the 58 shares issued in 2013, 34 were paid up in full by means of a settlement of the concession security deposit payable to the Country of Curaçao of ANG 34 million at December 31, 2012. The remaining 24 shares were paid up during the year 2014.

Utilities sector in Curaçao

Concessions

The National Ordinance for Electricity Concessions ("Landsverordening Elektriciteitsconcessies") states that the building, construction or 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 permission has been granted by the Government. Furthermore, the ordinance states that the concession will be given for a maximum period of 30 years with possibilities for extension.

On July 30, 2012, new concessions for the production and distribution of electricity were adopted, granting the Group the certainty of continuing production of power for the coming 30 years. The concessions required the Group to make a security deposit of ANG 34 million at the inception of the concessions, which is adjusted yearly based on the total cost of all property, plant and equipment on the balance sheet at year-end. Besides the financial requirements, the concessions also have technical requirements that the Group must adhere to. Management initiated discussions and negotiations with the regulator, Bureau Telecommunicatie and Post (BTP), on various restrictions identified in complying with these requirements. Negotiations are still ongoing in order to explain the level of reasonableness of the concessions. The reader is referred to the subsequent event note 5.8. for disclosure regarding the amendent made to the concessions in 2014.

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.

Calculation 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 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 she is in favor of tariffs that will allow the Company to comply with all its obligation including its capital investments. The resolution also mentions that tariffs for water and electricity may be changed as a consequence of increases in the fuel prices. Furthermore, it is indicated that the price increases will 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 of Managing Directors (BMD) engaged in legal proceedings 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 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. Tariffs decreased starting April 2011 and direct costs increased starting July 2011. The Group approached the regulator in early 2012 with the request to reconsider the level of the tariffs for water and electricity. As a result, the adjustment of 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 have lowered to a certain extent the pressure on the cash flow and improved 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 the execution of investment plans. The combination of these actions in conjunction with other measures should enable Management to achieve a sound/ financial position. We refer the reader further to the paragraph 'Financial Position of the group' in note 5.2.c.

The tariff structure for electricity and water adopted on June 1, 2012 comprises three components, namely:

- the fuel component, which covers the direct costs (including fuel, chemicals, lubricants and purchase of electricity and water from third parties);
- the recovery component, which covers shortages in the fuel component that 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, calculation 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.

In 2009, the Group was notified by the Government that BTP was appointed as the regulator.

BTP presented to the Group and other stakeholders a new Policy Paper ("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. BTP made amendments to the policy paper in February 2011 based on comments from the BMD and the policy paper is being implemented and will continue to be implemented in the coming years.

5.2. Summary of significant accounting policies

a) Basis of preparation
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. The Consolidated Financial Statements are presented in Netherlands Antilian guilders and all values are rounded to the nearest thousand (ANG'000), exept when otherwise indicated.

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 that ended in 2013 were approved for issuing by the Board of Supervisory Directors (BSD) on April 21, 2015. The shareholders have the power to amend the financial statements after the date of issuance.

b) 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.

	% equity interest	
Name	**2013**	**2012**
Aqualectra Production (KAE N.V.)	100%	100%
Aqualectra Distribution (KODELA N.V.)	100%	100%
General Engineering & Utility Services N.V. (GEUS)*	100%	100%
Aqualectra Multi Utility Company N.V. (AMU)	100%	100%
Aqualectra Bottling Co. N.V.**	100%	100%
KUMEPE N.V.	100%	100%

* GEUS is 100% subsidiary of Aqualectra Distribution

** Aqualectra Bottling Co N.V. is 100% subsidiary of AMU

All the above listed entities are hereinafter collectively referred to as "the Group".
The Group is responsible for the management of the above-mentioned companies (with the exception of KUMEPE N.V.). During the year 2013 and 2012 KUMEPE N.V. did not engage in any activities.

c) 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 5.4.3. 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 of December 31, 2013, the Group has a working capital deficiency of ANG 180.9 million (ANG 263.5 million as per December 2012), and incurred a net loss before taxes for the year that ended on December 31, 2013 of ANG 9.7 million (ANG 53.5 million as per December 31, 2012). Cash flow used in operating activities amounted to ANG 16.5 million over the year 2013 (ANG 88.0 million generated over the year 2012). 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 up until June 1, 2012. 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 made a profit of approximately ANG 13.7 million before taxes in 2014. The group has budgeted a profit of approximately ANG 33.6 million before taxes for 2015. The effects of the aforementioned and forecast results are disclosed in note 5.4.3., "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 the subsequent years including 2013. Regarding this, the reader is referred to note 5.4.4., "Capital risk".

Because of the aforementioned facts and circumstances, the financial position of the Group is delicate and warrants close attention of Management and BSD and may cast doubt on the possibility of the Group to continue as a going concern. In order to safeguard the continuity of the business, some actions have been taken in the past years and more are planned for the 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 presented to among others the BSD, 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 (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 the regulator and the Government of Curaçao on the need for the recovery of any fuel under coverage in electricity and water tariffs caused by the lack of the necessary tariff adjustments and the need to recover undercovarege caused by the base component.
- Continue to inform the regulator and the Government of Curaçao on the need to recover the balance in the regulatory account of ANG 104 million due to lack of timely adjustments through 2010. For more details we refer the readerto note 5.5.18.6. The Group will significantly improve its financial position if it obtains this recovery. This amount will 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 was, in the end, to be not considered an essential requirement, hence the volume of hiring was reduced.
- Reassessment of order levels for stock items was performed and where considered acceptable these other levels were adapted.
- Rationalization of overtime declaration and improvement of work planning.
- Centralization of tasks, leading to synergy, efficiency and lower cost levels.
- A petition for a general abolishment of import duties for equipment and machinery 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 of phase II of the Next Step project
- Postponement of the ERP-system implementation initially budgeted at ANG 65 million over a 5 year period. The reader is referred to note 5.5.1.

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

Management assertion

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

1. The management turnaround plan and financing of the necessary investments which are imperative in realizing the above-mentioned plan. The reader is referred to the liquidity projection in note 5.4.3. This is a key assumption that Management has worked out in a business plan in order to provide sufficient comfort to the local financial institutions.
2. Arrangement with the regulator regarding the recovery of the under coverage related both the fuel and the base component.
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 undercoverage on fuel and base component 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 aforementioned plan as it is supported by the most important stakeholders (Government of Curaçao, BSD and employees) of the Group.
Furthermore, it is in the best interest of the community of Curaçao that the Group overcomes this period of difficulty. As the only supplier of water and electricity 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 electricity and water.

The consolidated financial statements have therefore been prepared on a going concern basis by Management, that is assuming that the Group will be able to meet its financial obligations in the foreseeable future as disclosed in note 5.4.3. as far as the conditions mentioned before are met.

d) Current versus non-current classification

The Group presents assets and liabilities in the statement of its financial position based on a current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or;
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

e) Fair value measurement

The Group holds no financial assets or liabilities that are measured at fair value as per December 31, 2013 or December 31, 2012 . Fair values of financial instruments measured at amortised cost are disclosed in Note 5.5.19., "Fair values".

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible for the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

f) Foreign currencies

Functional and presentation currency

The Group's consolidated financial statements are presented in Netherlands Antillean Guilders (ANG), which is also the parent company's and its subsidiaries' functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (that is, translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange on the reporting date.

g) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of 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 Mundu Nobo plant are included in property, plant and equipment. These capitalized expenses are based upon estimations performed by an independent expert. In 2013, the provision was adjusted internally based on more accurate information gathered regarding the decommission costs once the demolition of the Mundu Nobo plant commenced. Depreciation hereon is calculated as described above.

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 materials, direct labor (Aqualectra Distribution), services charges and 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.

h) 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/ any 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 is shown as deferred credit in the case where construction has not yet started.

i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

j) 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.

k) Intangible assets

Licences

Separately acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognized.

l) Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that the 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 costs of disposal and its value in use. Recoverable amount 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 of disposal, recent market transactions are taken into account. 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 companies 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 CGUs 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, nor 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.

m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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 classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The group only holds financial assets categorized as loans and receivables as at December 31, 2013 and 2012.

All financial assets are recognized initially at fair value plus transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade accounts receivable, other receivables, cash and cash equivalents and other non-current financial assets. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. The losses arising from impairment are recognized in the statement of profit or loss.

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.

Impairment of financial assets carried at amortized cost

A provision for impairment of financial assets 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 financial asset. 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 financial asset is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. 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. When a financial asset is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

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

n) 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 the 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.

o) 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.

p) 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.

q) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium.

r) 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 Mundu Nobo**

The Group records a provision for decommissioning costs of the 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 consolidated statement of comprehensive income 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 see note 5.5.13.1. 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 Curaçao (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 up 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 in accordance with 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.

APC Early retirement benefit (Vrijwillige Uitdiensttreding 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 last 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 BMD. The BMD 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 the consolidated statement of comprehensive income 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 number 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 2013, KUMEPE N.V. was not yet operational.

Subsequent to year-end, management 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. The reader is, in this regard, refered to note 5.6.3 ,"operating expenses" and note 5.8, "subsequent events".

s) 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 customer's 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.

t) 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 the consolidated statement of comprehensive income 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 the consolidated statement of comprehensive income as interest expenses by using the effective interest method.

u) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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 consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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 substantivally enacted at reporting date. 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 the 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.

v) Changes in accounting policies and disclosures

New standards, amendments and interpretations effective in 2013

The Group applied, for the first time, IAS 19 Employee Benefits (Revised 2011) which require restatement of previous financial statements. Several other amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

The nature and the impact of each new standard and amendment is described below:

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. IFRS 13 defines fair value as an exit price. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in note 5.5.19 including fair value hierarchy.

IAS 19 Employee Benefits (Revised 2011)

The Group applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. The opening statement of financial position of the earliest comparative period presented (January 1, 2012) and the comparative figures have been accordingly restated.

IAS 19 (Revised 2011) changes, among other things, the accounting for defined benefit plans. The key change that impacted the Group, consists of the following:

- The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. In view of this change, the Group's net result for the year that ended on December 31, 2012 increased by ANG 3.3 million with a consequential OCI loss. There was no impact on the overall equity of the Group.

IAS 19 (Revised 2011) also requires more extensive disclosures. These have been provided in note 5.5.13. IAS 19 (Revized 2011) has been applied retroactivelywith the following permitted exception:

- Sensitivity disclosures for the defined benefit obligation for a comparative period (year that ended on December 31, 2012) have not been provided.

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. The Group finds it reasonable to expect that these will 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.

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 January 1, 2018, with earlier application permitted. Retroactive 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 February 1, 2015. The adoption of IFRS 9 is expected to 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.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

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 recognize 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 July 1, 2014. The Group is currently assessing the full impact of these amendments.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or a modified retroactive application is required for annual periods beginning on or after January 1, 2017 with earlier adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

5.3. 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 revenue, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 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 the 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 5.5.13.1.

With the introduction of the basic health-care insurance effective February 1, 2013, which was implemented by the Group in August of 2014, the future Medical Expenses will be greatly impacted as of December 31, 2014.

Other key assumptions for obligations are based in part on current market conditions. Additional information is disclosed in note 5.5.13.1.

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. Up until December 31, 2012 an independent valuation expert provided an estimation of these costs. The provision as of December 31, 2013 has been adjusted based on costs incurred during 2013, external quotations and internal estimates.

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 tariff level for electricity and water, 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 tests 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) is 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 and the 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 the reader to note 5.5.2.

5.4. 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 BSD 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 2013 the Risk Management Committee did not engage in 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. During 2013 the Group Audit Committee was not functional. Various tasks assigned to the Group Audit Committee were fulfilled by the BSD.

5.4.1. Market risks

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

5.4.1.1. 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 EUROS (EUR).

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

Monetary assets and liabilities by currency of denomination		
Foreign currency exposures per December 31, 2013	USD	EURO
(Amounts in ANG * 1,000)		
Financial assets		
Cash & cash equivalents	2,077	0
Financial liabilities		
Trade accounts payable	(13,420)	(1,001)
Total currency of denomination	(11,343)	(1,001)
Total currency in ANG	**(20,644)**	**(2,513)**

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	0
Financial liabilities		
Trade accounts payable	(6,185)	(825)
Total currency of denomination	-4,108	(825)
Total currency in ANG	**(7,477)**	**(1,980)**

There is a fixed exchange rate between the Netherlands Antillean Guilder (ANG) and the USD of ANG 1.82 to USD 1.00, which mitigates the foreign exchange rate exposure of the transactions and positions of the Group in USDs.

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:

Foreign exchange risk		
(Amounts in ANG * 1,000)	**Dec 31, 2013**	**Dec 31, 2012**
Total EURO purchase orders made in EURO	4,402	4,113
Total EURO purchase orders made in ANG	10,550	9,669
Average EURO rate	2.3966	2.3508
Foreign exchange (profit)/loss on EURO transactions in ANG	16	-155
Outstanding EURO trade payables in EUR per year end	1,001	825
Outstanding EURO trade payables in ANG per year end	2,513	1,980
Exchange rate per year end	**2.51**	**2.40**

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 risks per transaction, led to Management's decision to put the aforementioned policies on hold during 2013 and 2012.

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, 2013 and 2012. 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 215,000 (2012: ANG 198,000).
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 215,000 (2012: ANG 198,000).

	Carrying amount per Dec. 31, 2013		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	0,3984	2,51	0,4427	2,259	0,3622	2,761
Exchange rate change			(0,0443)	0,251	0,0362	(0,2510)
Outstanding trade accounts payable	EUR 1.001	ANG 2.513		(ANG 251)		ANG 251 **
Impact on the profit and loss account				(ANG 251)		ANG 251 **

(*)-10% change means a strengthening of the ANG compared to the EUR: 1 EUR: ANG 2.15757 / 1 ANG: EUR 0.4635)

+10% change means a weakening of the ANG compared to the EUR:

1 EUR: ANG 2.63703 / 1 ANG: EUR 0.3792

(**) 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.

	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	0,463	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 **

(*) -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.

5.4.1.2. 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. 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 Group has long term loans payable with fixed interest rates. The corporate bonds have a floating rate that is capped at 6% with a minimum of 4%. As the loan portfolio consists of loans with a fixed interest rate, effects of development in interest rates have no impact on the Group.

An overview of the Group's interest bearing long term loans is presented in the table below.

	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Remark
(Amounts in ANG * 1,000)			Interest rate		
Aqualectra Production					
Loan Diesel power plant ISLA	15,219	17,756	5.00%	5.00%	Fixed
Loan Curoil	30,815	0	6.00%		Fixed
Current maturities of long term loans	(12,286)	(2,537)			
	33,748	**15,219**			
Aqualectra Distribution					
Loan SPU	13,885	13,885	2.50%	2.50%	Fixed
Loan VIDA NOVA	0	134	8.00%	8.00%	Fixed
Current maturities	(4,337)	(3,220)			
	9,548	**10,799**			
Integrated Utility Holding N.V.					
Corporate Bond	300,045	300,045	6%	6%	Fixed
Scadta Loan	17,385	18,285	5%	5%	Fixed
Current maturities	(1,125)	(1,067)			
	316,305	**317,263**			
Total financial liabilities	**359,601**	**343,281**			

5.4.1.3. Tariff risk

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 average fuel prices throughout the years 2013 and 2012.

	Realized 2013	Realized 2012	Variance	% Variance
AVG FUEL PRICES PER UNIT in ANG				
Fuel usage IFO - MN	1,142	1,214	(72)	-6%
Fuel usage GO - MN	1,490	1,505	(15)	-1%
Fuel usage MFO - DW	1,119	1,197	(78)	-7%
Fuel usage IFO DPP ISLA	1,075	1,147	(72)	-6%
Fuel usage MDO - DPP ISLA	1,585	1,612	(27)	-2%
Fuel usage MDO - DW & KNPL	1,589	1,473	116	8%
FUEL USAGE Quantity in ton/M³				
Fuel usage IFO - MN ton	65,069	103,096	(38,027)	-37%
Fuel usage GO - MN M³	35,615	53,890	(18,275)	-34%
Fuel usage MFO - DW ton	52,813	53,167	(354)	-1%
Fuel usage IFO DPP ISLA ton	32,882	26,618	6,264	24%
Fuel usage MDO - DW & KNPL M³	676	688	(12)	-2%
Fuel usage MDO - DPP ISLA M³	588	898	(310)	-35%
FUEL USAGE ANG (*1000)				
Fuel usage IFO - MN	74,277	125,155	(50,878)	-41%
Fuel usage GO - MN	53,075	81,104	(28,029)	-35%
Fuel usage MFO - DW	59,082	63,645	(4,563)	-7%
Fuel usage IFO DPP ISLA	35,349	30,531	4,818	16%
Fuel usage MDO - DW & KNPL	1,071	1,109	(38)	-3%
Fuel usage MDO - DPP ISLA	936	1,323	(387)	-29%
Total fuel usage in ANG	**223,790**	**302,867**	**(79,077)**	

Since June 1, 2012, as described in note 5.1, the electricity and water rates charged to customers consists of:

- A fuel component which is intended to cover fuel expenses, expenses for purchasing water and electricity from external sources, expenses for chemicals and lubricants, expenses for electricity used for water production and expenses related to non-revenue electricity and water (NRE & NRW).
- A base component which is intended to cover all expenses which are not related to the fuel component.
- A recovery component which is a temporary component. This fuel component was introduced as per June 1, 2012 but is deemed to have started retroactively as of January 1, 2011. All shortfalls in the fuel component due to the late implementation of required adjustments is charged via the recovery component.

The change in the tariff structure has introduced risks which Management categorizes and manages as follows:

1. Fuel- and recovery component related: all expenses related to the fuel component should be covered and if not covered these will be recovered via the recovery component. Management monitors these expenses and their coverage on a monthly basis and also monitors developments in the recovery component. The chart below shows the developments throughout the reported period.

COVERAGE CALCULATION FUEL AND RECOVERY	Dec 31, 2013	Dec 31, 2012
(Amounts in ANG * 1,000)		
Coverage calculations fuel component		
Coverage fuel component E	229,106	243,226
Coverage fuel component W	24,806	27,175
Total coverage fuel component	**253,912**	**270,401**
Expenses in the fuel component E & W	(283,173)	(345,824)
Interest expenses CUROIL	(7,937)	(5,984)
Total realized expenses in the fuel component E & W	**(291,110)**	**(351,808)**
Undercoverage developed during the reporting period	**(37,198)**	**(81,407)**
Recovery component E	48,451	14,036
Recovery component W	4,839	2,224
Recovered during the reporing period	**53,290**	**16,260**
Coverage/(undercoverage) developed during the reporting period (net of recovery)	**16,092**	**(65,147)**
Outstanding undercoverage per the end of the period		
Beginning balance (excluding regulatory account Dec 2010)	(65,147)	0
Coverage/(undercoverage) developed during the reporting period (net of recovery)	16,092	(65,147)
Total balance of prefinancing	**(49,055)**	**(65,147)**

From the chart above Management concludes that ANG 49 million is yet to be covered by the recovery component. Management also noted that undercoverage continued to develop in the fuel component throughout 2013, this mainly results from water purchases from third parties and from interest expenses related to the CUROIL loan, not being covered.

2. Base component related: all expenses related to the base component should be covered: Management monitors these developments. The chart below shows the developments throughout the reported period.

COVERAGE CALCULATION BASE COMPONENT	Dec 31, 2013	Dec 31, 2012
(Amounts in ANG * 1,000)		
Coverage calculations fuel component		
Coverage fuel component E	193,560	200,154
Coverage fuel component W	70,723	75,519
Total coverage fuel component	**264,283**	**275,673**
Realized base Expenses		
Other direct cost of sales	51,140	27,042
Personnel costs	116,178	104,882
Parts, repair and maintenance	51,962	47,439
Hired services	14,614	15,191
General expenses	28,096	32,446
Depreciations	40,313	42,834
Provision bad debt	3,336	4,039
Interest expense	26,490	24,048
Income tax credit	(3,858)	(8,104)
Total realized base expenses	**328,271**	**289,817**
Coverage on base component	**(63,988)**	**(14,144)**

These figures do not reconcile with the comprehensive income statement because Aqualectra Multi Utility Company (AMU) is not included, and also because reclassifications occur between "Direct Cost of Sales" and "Other Direct Cost of Sales".

From the chart above Management concludes that ANG 64 million is uncovered. Effective January 1 2014, the base component for water and electricity has been increased and discussions with the regulator are ongoing to find a structural approach to achieve full coverage of the expenses pertaining to the base component.

5.4.2. 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 when billing customers for delivering electricity and water and other types of services rendered by the Group. Significant financial difficulties of customers (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 5.5.8) 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, 2013 the Group has cash balances placed at 8 reputable banking institutions (2012:7).

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 (discontinuation of the delivery of electricity and water or change of the 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, 2013		Dec 31, 2012	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Industrial & large commercial	36,165	11,960	37,697	12,023
Commercial	17,572	15,855	15,115	15,397
Households	46,977	5,866	49,167	4,218
Government	6,048	31,493	7,537	2,103
Standing orders	3,542	0	4,534	0
New accounts	112	0	51	0
Inactive	43,426	0	36,790	0
Other	2,960	-733	2,625	1,348
Balance of receivables	156,802	64,441	153,516	35,089
Clients' payments in transit	(975)	0	(4,456)	0
Billing cycle to be invoiced	21,803	0	19,904	0
Gross receivables	**177,630**	**64,441**	**168,964**	**35,089**
Less allowance for doubtful debts	(61,937)	(20,295)	(60,504)	(18,380)
Net receivables	**115,693**	**44,146**	**108,460**	**16,709**
Less customer deposits	(23,462)	0	(22,732)	0
Receivables net of customer deposits	**92,231**	**44,146**	**85,728**	**16,709**

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 from (re)opening on 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, 2013	
	Trade receivables	Other receivables
Neither past due nor impaired	36,067	9,152
Past due but not impaired	79,626	34,994
Individually impaired	61,937	20,295
Gross	**177,630**	**64,441**
Less allowance	(61,937)	(20,295)
Net receivables	**115,693**	**44,146**
Customer deposits	(23,462)	0
Receivables net of customer deposits	**92,231**	**44,146**

(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)	0
Receivables net of customer deposits	**85,728**	**16,709**

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, 2013	
	Trade receivables	Other receivables
Past due up to 60 days	53,180	0
Past due more than 60 days	26,446	34,994
	79,626	**34,994**

(Amounts in ANG * 1,000)	December 31, 2012	
	Trade receivables	Other receivables
Past due up to 60 days	45,268	0
Past due more than 60 days	27,154	12,975
	72,422	**12,975**

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 analysis of all accounts with balances above ANG 300,000 for which a 50% provision has been applied is performed, to determine whether an additional provision is required;
d. A 36% provision is applied to all balances for which a payment agreement has been made.

Other receivables:

a. Other receivables which are outstanding more than 3 (three) years are 100% impaired;
b. Other receivables which are outstanding more than 2 (two) years but less than 3 (three) years are 80% impaired;
c. Other receivables which are outstanding more than 1 (one) year but less than 2 (two) years are 75% impaired.

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

5.4.3. 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 measure 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 BSD. 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, 2014**	**Dec 31, 2015**	**Dec 31, 2016**	**Dec 31, 2017**	**Dec 31, 2018**
(Amounts in ANG * 1,000)					
Opening balance	24,488	6,188	(21,840)	(45,992)	(62,541)
Operating proceeds	71,596	93,622	89,529	100,137	105,221
Cashflow investments in net working capital	16,176	(4,075)	9,233	(537)	(942)
Cashflow investments	(60,953)	(79,594)	(84,373)	(86,175)	(80,955)
Cashflow financing activities	(43,732)	(37,981)	(38,541)	(29,974)	(34,887)
Capital injection	24,000	0	0	0	0
Past due/due on demand	(25,387)	0	0	0	0
Increase/decrease in cash balances	**(18,300)**	**(28,028)**	**(24,152)**	**(16,549)**	**(11,563)**
Balance at end of year	**6,188**	**(21,840)**	**(45,992)**	**(62,541)**	**(74,104)**

As depicted in the above noted liquidity projection, the Group's liquidity position is projected to deteriorate significantly. In 2014 a past due amount equal to ANG 25.4 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 the Group's fuel supplier, confirms how the lack of adequate and timely tariff adjustments have affected the Group's cash flow and how 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, regards the significant investments in fixed asset that exceed cash inflow in the form of new loans to source these investments. The significant capital investments projected to be made relate to the new power production plant with related distribution infrastructure and a new sea water reverse osmosis plant as a result of the closing of the Mundu Nobo power plant. Investment in the new power plant commenced in 2013 and was funded with the Company's own cash flow. The remaining investments are necessary in order to guarantee a more efficient production of water and electricity.

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 undercoverage up until 2010 of ANG 104 million as depicted in the regulatory account as per December 31, 2010. Recovery of at least part of the undercovareges of the base component since the introduction of the new tariff structure as of June 1, 2012 are not included in the projected years either.

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

- Granting of the remaining recovery which is estimated at ANG 104 million due to lack of timely adjustments as accounted for in the regulatory accounts up to and including 2010.
- Granting of a portion of the undercoverage caused by the base component.
- Securing the necessary external funding in order to finance the planned investments.

Actions taken by Management:

- Continue to inform the regulator and the Government of Curaçao about the need to recover the balances to be compensated in the amount of ANG 104 million as accounted for in the regulatory accounts and about the need to recover a portion of the undercovarge in the base component estimated at ANG 61 million in 2013 and ANG 15 million in 2014. The Group will significantly improve its financial position if it obtains this recovery.
- Perform daily cash-flow projection and prioritize payments while making informal agreements with creditors of past due amounts 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 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 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 due to the monthly tariff adjustment which will guarantee that the Group receives coverage for the fluctuations in the fuel prices.

The liquidity status as per December 31, 2013 and 2012 is shown below:

Liquidity status	**Dec 31, 2013**	**Dec 31, 2012**
(Amounts in ANG * 1,000)		
Funds encumbered > 5 years	1,943	1,943
Funds encumbered 1 < years < 5	3,407	4,410
Available cash & cash at banks	19,138	18,615
Total credit facilities	**24,488**	**24,968**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The following table analyzes 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 towards 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, 2013**			**At December 31, 2012**		
(Amounts in ANG * 1,000)						
	<1 year	**≥1 and ≤5 years**	**>5 years**	**<1 year**	**≥1 and ≤5 years**	**>5 years**
Loan Isla Dieselcentrale	3,240	11,691	2,603	3,578	12,198	5,336
Loan MJP	1,556	6,095	7,567	1,556	7,651	7,610
Loan Vida Nova	0	0	0	131	131	0
Loan Scadta	1,793	7,173	14,840	1,793	7,173	16,483
	6,589	**24,959**	**25,010**	**7,058**	**27,153**	**29,429**

5.4.4. Capital management

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. 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 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, 2013	Dec 31, 2012
(Amounts in ANG * 1,000)		
Debt service coverage ratio (DSCR)	1.31	0.31
Compliance DSCR ratio	>1.45	>1.45
Adjusted debt service coverage ratio (ADSCR)	0.75	0.16
Compliance ADSCR	>1.15	>1.15
Debt/EBITDA ratio (D/E)	7.15	45.43
Compliance D/E ratio	<8.5	<8.5
Current ratio (CR)	0.57	0.43
Compliance CR	>1.00	>1.00
Solvency ratio (SR)	0.14	0.09
Compliance SR	>0,30	>0,30

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 losses over the past years. 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 some of the financial cournants.

5.5. Explanatory notes to the statement of financial position

5.5.1. Intangible Assets

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

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Intangible assets		
Balance at beginning of year	6,552	0
Licences purchased during the period	0	6,552
Amortization on intangible assets	0	0
Balance at end of year	6,552	6,552

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Intangible assets purchased during the period		
Computer software	6,552	0
Balance at end of year	6,552	0

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 consolidated statement of income

In 2013, the SAP implementation was put on hold and no additional licenses were acquired. A third party was engaged in 2014 to perform a cost of ownership assessment which was used to determine a course of action. Based on this assessment, the decision has been made to proceed with the implementation of SAP in the near future. The remaining required SAP investment totals approximately ANG 40.6 million and spans a period of 3 years.

As the new ERP system has not been put to use, no amortization charge has been recorded to date.

5.5.2. Property, Plant and Equipment

Below is an overview of the property, plant and equipment as per December 31, 2013 and 2012:

(Amounts in ANG * 1,000)	Cost Jan 1, 2013	Accum. depr. Jan 1, 2013	Book value Jan 1, 2013	Additions 2013	Disposals 2013	Transfers 2013	Depreciations 2013	Disposals accum. depr. 2013	Cost Dec 31, 2013	Accum. depr. Dec 31, 2013	Book value Dec 31, 2013
Production											
Land & buildings	47,740	25,529	22,211	0	0	0	(1,733)	0	47,740	27,262	20,478
Plant/Equipment	778,487	569,642	208,845	0	(40,330)	192	(10,424)	40,330	738,157	539,736	198,613
Major spare parts	38,470	31,975	6,495	0	(1,298)	0	(498)	0	37,172	32,473	4,699
Other assets	38,624	35,939	2,685	0	(1,398)	0	(568)	0	37,226	36,507	719
Work in progress	1,050	0	1,050	19,466	0	(192)	0	0	20,516	0	20,324
	904,371	**663,085**	**241,286**	**19,466**	**(43,026)**	**0**	**(13,223)**	**40,330**	**880,811**	**635,978**	**244,833**
Impairment loss	(53,453)	0	(53,453)	0	0	0	0	0	(53,453)	0	(53,453)
Total Production	**850,918**	**663,085**	**187,833**	**19,466**	**(43,026)**	**0**	**(13,223)**	**40,330**	**827,358**	**635,978**	**191,380**
Distribution											
Land & buildings	52,727	24,106	28,621	0	0	106	(1,209)	0	52,833	25,315	27,518
Distribution network	765,303	411,270	354,033	130	0	15,722	(25,880)	0	781,155	437,150	344,005
Other assets	65,548	60,696	4,852	0	0	898	0	0	66,446	60,696	5,750
Work in progress	38,378	0	38,378	15,323	0	(16,726)	0	0	36,975	0	36,975
	921,956	**496,072**	**425,884**	**15,453**	**0**	**0**	**(27,089)**	**0**	**937,409**	**523,161**	**414,248**
Impairment loss	(94,000)	0	(94,000)	0	0	0	0	0	(94,000)	0	(94,000)
Total Distribution	**827,956**	**496,072**	**331,884**	**15,453**	**0**	**0**	**(27,089)**	**0**	**843,409**	**523,161**	**320,248**
Multi Utility											
Land & buildings	657	351	306	0	0	0	(59)	0	657	410	247
Plant/Equipment	968	498	470	1	0	0	(87)	0	969	585	384
Other assets	102	94	8	0	0	0	(1)	0	102	95	7
Work in progress	5	0	5	0	0	0	0	0	5	0	5
Total Multi Utility	**1,732**	**943**	**789**	**1**	**0**	**0**	**(147)**	**0**	**1,733**	**1,090**	**643**
Total	**1,680,606**	**1,160,100**	**520,506**	**34,920**	**(43,026)**	**0**	**(40,459)**	**40,330**	**1,672,500**	**1,160,229**	**512,271**

(Amounts in ANG * 1,000)	Cost Jan 1, 2012	Accum. depr. Jan 1, 2012	Book value Jan 1, 2012	Additions 2012	Disposals 2012	Transfers 2012	Depreciations 2012	Disposals accum. depr. 2012	Cost Dec 31, 2012	Accum. depr. Dec 31, 2012	Book value Dec 31, 2012
Production											
Land & buildings	47,655	23,762	23,893	0	0	85	(1,767)	0	47,740	25,529	22,211
Plant/Equipment	758,344	559,311	199,033	0	0	20,143	(10,331)	0	778,487	569,642	208,845
Major spare parts	37,915	29,806	8,109	0	0	555	(2,169)	0	38,470	31,975	6,495
Other assets	38,595	33,123	5,472	0	0	29	(2,816)	0	38,624	35,939	2,685
Work in progress	13,879	0	13,879	7,983	0	(20,812)	0	0	1,050	0	1,050
	896,388	**646,002**	**250,386**	**7,983**	**0**	**0**	**(17,083)**	**0**	**904,371**	**663,085**	**241,286**
Impairment loss	(53,453)	0	(53,453)	0	0	0	0	0	(53,453)	0	(53,453)
Total Production	**842,935**	**646,002**	**196,933**	**7,983**	**0**	**0**	**(17,083)**	**0**	**850,918**	**663,085**	**187,833**
Distribution											
Land & buildings	51,733	22,879	28,854	0	0	994	(1,227)	0	52,727	24,106	28,621
Distribution network	761,212	387,572	373,640	0	0	4,091	(23,698)	0	765,303	411,270	354,033
Other assets	64,828	59,871	4,957	0	0	720	(825)	0	65,548	60,696	4,852
Work in progress	30,284	0	30,284	19,470	(5,571)	(5,805)	0	0	38,378	0	38,378
	908,057	**470,322**	**437,735**	**19,470**	**(5,571)**	**0**	**(25,750)**	**0**	**921,956**	**496,072**	**425,884**
Impairment loss	(94,000)	0	(94,000)	0	0	0	0	0	(94,000)	0	(94,000)
Total Distribution	**814,057**	**470,322**	**343,735**	**19,470**	**(5,571)**	**0**	**(25,750)**	**0**	**827,956**	**496,072**	**331,884**
Multi Utility											
Land & buildings	683	292	391	0	(26)	0	(59)	0	657	351	306
Plant/Equipment	961	411	550	7	0	0	(87)	0	968	498	470
Other assets	100	92	8	2	0	0	(2)	0	102	94	8
Work in progress	5	0	5	0	0	0	0	0	5	0	5
Total Multi Utility	**1,749**	**795**	**954**	**9**	**(26)**	**0**	**(148)**	**0**	**1,732**	**943**	**789**
Total	**1,658,741**	**1,117,119**	**541,622**	**27,462**	**(5,597)**	**0**	**(42,981)**	**0**	**1,680,606**	**1,160,100**	**520,506**

The collateral pledged for the Scadta loan for the amount of ANG 18 million encumbered the premises and buildings situated at Pater Euwensweg and at 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 Mundu Nobo which is further specified in note 5.5.13.2.

Impairment loss

An impairment review was performed for the year 2013 and 2012 and as a result of this impairment review, the Group determined that its property, plant and equipment are not impaired as of December 31, 2013 and 2012.

Accelerated Depreciation

In 2012, Management and the BSD of the Group formalized the plans for the closure of the Mundu Nobo plant and during 2013 Management started the dismantling of Mundu Nobo. Production at the Mundu Nobo plant has been 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 and 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 Mundu Nobo plant, accelerated depreciation has been applied to all fixed assets that will be disposed or demolished. Additional depreciation is therefore recorded in the 2013 figures amounting to ANG 941,408. The reader is referred to note 5.5.13.2 "Other provisions" for additional disclosure regarding the demolition of the Mundu Nobo plant.

5.5.3. Non-current financial assets

The concessions for electricity production and distribution adopted on July 30, 2012 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. to the amount of ANG 58 million (see to note 5.5.9). The concession deposit due as of December 31, 2012 was settled against ANG 34 million of the total ANG 58 million in shares issued.

The security deposit is specified as follows:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Non-current financial assets		
Security deposit Aqualectra Production	11,512	11,512
Security deposit Aqualectra Distribution	22,488	22,488
Balance at end of year	34,000	34,000

5.5.4. 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 against the difference between the fiscal and commercial carrying value of fixed assets.

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Tax loss carry-forward	48,449	52,628
Difference fiscal and commercial value property, plant and equipment	13,803	13,803
Balance at end of year	**62,252**	**66,431**

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 190.7 million at December 31, 2013 (2012: ANG 191.3 million), ANG 62.9 million (2012: ANG 78.0 million) relates to pre-unity tax losses.

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

Below is a summary of this estimation:

- Tax losses amounting to ANG 14.0 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 56.1 million within the fiscal unity, which are deemed to expire in 2021 and 2022, have been released because of uncertainty in assessing future taxable profit beyond 2018.
- Deferred tax totaling ANG 104.0 million is expected to be recovered within the upcoming 12 month period.

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

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Balance at beginning of year	66,431	53,860
Recognition in profit or loss	3,858	8,104
Recognition in other comprehensive income	(8,037)	4,467
Balance at end of year	**62,252**	**66,431**

Carry forward losses are due to expire as follows:

(Amounts in ANG * 1,000)	
Period	**Amount**
2014-2018	80,142
2019-2022	110,536
Total	**190,678**

5.5.5. Inventories

A summary of stocks as per December 31, 2013 and 2012 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Aqualectra Production		
Materials and spare parts (net)	8,721	8,205
Fuel and lubricants	7,394	12,157
Water	176	363
Total Aqualectra Production	**16,291**	**20,725**
Aqualectra Distribution		
Materials and spare parts (net)	13,032	10,302
Water in reservoirs	397	601
Total Aqualectra Distribution	**13,429**	**10,903**
Aqualectra Multi Utility		
Materials and spare parts (net)	550	469
Total Aqualectra Multi Utility N.V.	**550**	**469**
Total inventories	**30,270**	**32,097**

The stock was lowered by a provision for slow movers as indicated below:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Balance at beginning of the year	**(9,613)**	**(8,952)**
Additions	(133)	(699)
Utilized	227	38
Balance at end of the year	**(9,519)**	**(9,613)**

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

5.5.6. Trade accounts receivable

The composition of trade accounts receivable as per December 31, 2013 and 2012 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Government institutions	6,048	7,537
Business & industrial customers	53,737	52,812
Households	117,845	108,615
	177,630	**168,964**
Provision for bad debts	(61,937)	(60,504)
	(61,937)	**(60,504)**
Total trade accounts receivable	**115,693**	**108,460**

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

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Balance at beginning of the year	**(60,504)**	**(53,515)**
Additions	(1,433)	(6,990)
Utilized	0	1
Balance at end of the year	**(61,937)**	**(60,504)**

Accounts receivables due to Aqualectra Distribution have been assigned to MCB Bank N.V. as collateral against bank overdraft facilities (see note 5.5.16).

5.5.7. Other receivables

The other receivables consist as per December 31, 2013 and 2012 of the following items:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Aqualectra Production		
Prepaid insurance premiums	972	1,571
Other receivables (net)	3,141	4,688
	4,113	**6,259**
Aqualectra Distribution		
Services public lighting	0	(146)
General Debtors	17,613	9,926
Other account receivables (incl. balance GEUS)	741	4
	18,354	**9,784**
Integrated Utility Holding N.V.		
Receivable from shareholder	24,000	0
Other receivables - CUC	2,563	2,039
Receivable USBZ	0	0
	26,563	**2,039**
Aqualectra Multi Utility N.V.		
Other receivables	130	198
	130	**198**
Total other receivables	**49,160**	**18,280**

The above-mentioned 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, 2013	Dec 31, 2012
Balance at beginning of the year	**(18,380)**	**(21,327)**
Release/(Additions)	(1,903)	2,951
Utilized	(12)	(4)
Balance at end of the year	**(20,295)**	**(18,380)**

5.5.8. Cash & cash equivalents

The cash and cash equivalents as per December 31, 2013 and 2012 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Aqualectra Production		
Cash at banks and on hand	17,174	5,712
	17,174	**5,712**
Aqualectra Distribution		
Cash at banks and on hand	17,588	28,915
Cash movements in transit	620	-364
	18,208	**28,551**
Integrated Utility Holding N.V.		
Cash at banks	**4,367**	**6,436**
Aqualectra Multi Utility N.V.		
Cash at banks and on hand	**622**	**437**
Total cash & cash equivalents	**40,371**	**41,136**

Included in the total amount of cash and cash equivalents is ANG 11.7 million (2012: ANG 9.5 million) which is not at free disposition of the Group. This amount consists of:

- A time deposit of ANG 1.9 million for coverage of one month IUH N.V. payment, in case of default (2012: ANG 1.9 million);
- A time deposit account with the amount of ANG 9.8 million (2012: 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 2013 and 2012.

As per December 31, 2013 there are bank guarantees amounting to:

- ANG 1.4 million in favor of 'Inspectie der Invoerrechten en Accijnzen and/or Douane Curaçao' (2012: ANG 1.3 million);
- ANG 20,000 in favor of 'Landsontvanger' (2012: ANG 20,000);
- ANG 9.3 million in favor of Aggreko Intl.: Projects for the rent of generators (2012: ANG 3.6 milllion).

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

5.5.9. 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 with an additional 58 shares issued to the Government of Country Curaçao on January 31, 2013.

The 470 shares are paid up in full by means of the contribution of the KODELA (Aqualectra Distribution) and KAE (Aqualectra Production) shares. This resulted in a share premium of ANG 55 million.

Of the 58 shares issued in 2013, 34 were paid up in full by means of a settlement of the concession security deposit payable to the Country of Curaçao of ANG 34 million at December 31, 2012. We refer the reader to note 5.5.17. The remaining 24 shares are not paid up as of December 31, 2013. Consequently, a receivable in the amount of ANG 24 million is presented in other receivable in the consolidated statement of financial position. The shares issued in 2013 were issued at par value.

During 2013 and 2012 additional 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.

5.5.10. Preferred shares and treasury shares

Preferred stock relates to a total of 7,000 shares with 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% and were issued for the financing of future investments in general.

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

Upon the repurchase of the preferred shares and through date, no decision has been made with regard to the retirement of these shares. Hence, the repurchase of the shares is presented as a contra-equity account – Treasury shares.

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

5.5.11. Financial liabilities

Below is a summary of balances regarding all outstanding long term loans as per December 31, 2013 and 2012, specified per group entity:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Aqualectra Distribution		
Loan Meerjarenplan (MJP)	13,885	13,885
Loan Vida Nova Pension Fund (Building)	0	134
Current maturities of long-term loans	(4,337)	(3,220)
	9,548	**10,799**
Integrated Utility Holding N.V.		
Loan Scadta	17,385	18,285
Current maturities of long-term loans	(1,125)	(1,067)
	16,260	**17,218**
Aqualectra Production		
Loan Diesel Power Plant ISLA	15,219	17,756
Loan Curoil	30,815	0
Current maturities of long-term loans	(12,286)	(2,537)
	33,748	**15,219**
Total Financial liabilities	**59,556**	**43,236**

Aqualectra Distribution

a) 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 loan Meerjarenplan (MJP) 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.

b) Loan Vidanova Pension Fund (Building Pater Euwensweg 1):

In order to finance the office building situated at 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 with monthly 8.00% annuities of ANG 43,6778 with final payment made in March 2013. Vidanova Pension Fund disposed of the first mortgage on the office building at Pater Euwensweg 1.

Integrated Utility Holding N.V.

a) 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 BSD terminated these agreements 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 149,446.

Aqualectra Production

a) 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 monthly IUH N.V. installments. For further information we refer the reader to note 5.5.18.5 "Contingent liabilities".

5.5.12. Customer deposits

The table below reflects the balance of customer deposits as per December 31, 2013 and 2012.

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Balance at beginning of the year	**22,732**	**22,253**
Additions during the year	734	479
Released during the year	(4)	0
Balance at end of the year	**23,462**	**22,732**

For each new connection, customers have to pay a deposit that is presented as a refundable amount on the statement of financial position of Aqualectra Distribution.

5.5.13. Provisions

The provisions as per December 31, 2013 and 2012 can be divided in the following categories:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Provisions employee benefits	192,170	209,644
Other provisions	14,257	17,000
Total provisions	**206,427**	**226,644**

5.5.13.1. Provisions employee benefits

The provision for employee benefits as per December 31, 2013 and 2012 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Provision medical costs retired employees	131,887	177,662
Provision supplementary pension APC (DT)	10,929	11,299
Provision early retirement benefit (VUT)	1,056	721
Provision anniversary bonus	14,768	15,377
Provision pension obligations	27,508	575
Provision vacation leave	6,022	4,010
Total provisions	**192,170**	**209,644**

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	2013	2012	Applicable for
Discount rate	4.25%	4.00%	All actuarial provisions
Rate of return on plan assets	4.25%	4.00%	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	1.30%	2.50%	Medical cost
Future pension increases	1.50%	1.50%	VUT and pension
Future compensation increases	1.65%	1.65%	VUT, DT and pension
Salary increases (career)	2.25%	2.25%	All except medical cost
Salary increases (inflation)	1.65%	1.65%	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, 2013	DT Dec. 31, 2013	VUT Dec. 31, 2013	Anniversary bonus Dec. 31, 2013
Liability recognized in the consolidated statement of financial position				
Present value of obligations	131,887	10,929	1,055	14,768
Provision	**131,887**	**10,929**	**1,055**	**14,768**
Movement in provisions				
Provisions at the beginning of year	177,662	11,299	721	15,377
Expenses	13,377	506	21	1,405
Contributions paid	(4,038)	(600)	(647)	(2,291)
Actuarial losses/(gain) recognized in the consolidated statement of comprehensive income	(55,114)	(276)	960	277
Provisions at end of year	**131,887**	**10,929**	**1,055**	**14,768**
Amounts recognized in the consolidated statement of comprehensive income				
Current service costs	6,115	63	3	796
Interest costs	7,262	443	18	609
Contributions by participants	(979)	0	0	0
Expenses recognized in consolidated comprehensive income	**12,398**	**506**	**21**	**1,405**
Present value of the obligations				
Present value of the obligations at the beginning of year	177,662	11,299	721	15,377
Interest costs	7,262	443	18	609
Current service costs	6,115	63	3	796
Benefits paid	(4,038)	(600)	(647)	(2,291)
Actuarial loss/(gain) on obligation	(55,114)	(276)	960	277
Present value of the unfunded obligations at the end of year	**131,887**	**10,929**	**1,055**	**14,768**
Fair value of the plan assets				
Contributions by the employer	(3,059)	(600)	(647)	(2,291)
Contributions by the participants	(979)	0	0	0
Benefits paid	4,038	600	647	2,291
Present value of the plan assets at the end of year	**0**	**0**	**0**	**0**
Development of deficit in the plan				
Present value obligations	131,887	10,929	1,055	14,768
Deficit in the plan	**131,887**	**10,929**	**1,055**	**14,768**

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, 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 comprehensive 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)	0	0	0
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	0	0	0
Present value of the plan assets at the end of year	**0**	**0**	**0**	**0**
Development of deficit in the plan				
Present value obligations	177,662	11,299	721	15,377
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 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. See note 5.6.3.

A sensitivity analysis on the present value of the obligation as per December 31, 2013 and December 31, 2012 is presented below. The sensitivity analysis shows the effect on the obligations based on a 0.50% (2012: 0.25%) change in the discount rate or 1.00% in the inflation rate.

Medical expenses retired employees 2013	Basis	Deviation in discount rate		Deviation in medical expenses	
(Amounts in ANG * 1,000)					
Discount rate	4.25%	3.75%	4.75%	4.25%	4.25%
Inflation	1.30%	0.80%	1.80%	0.30%	2.30%
Effect on present value of the defined benefit obligation	131,887	10,208	(9,108)	(18,126)	22,543

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

The following sensitivity analysis shows the effect of a change in life expectancy of a male or female participant by 1 year on the medical cost of retired employees obligation:

Assumption Sensitivity Level	Life expectancy of male participant		Life expectancy of female participant	
(Amounts in ANG * 1,000)	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on medical cost of retired employees obligation	3,026	(3013)	2441	(2473)

The average duration of the medical cost of retired employees obligation at the end of the reporting period is as follows:

Company	Average duration
Aqualectra Distribution	13.7 years
Aqualectra Production	16.2 years
IUH N.V.	25.0 years

Provision supplementary pension APC (DT)

In 1943 the Government guaranteed civil servants a pension that amounts to up 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 with the APC pension arrangement. As per National Decree of July 12, 1995 it is stipulated that the last 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 Curaçao" (APC, formerly Algemeen Pensieonfonds van de Nederlandse Antillen, APNA). 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, 2013 is presented below. The sensitivity analysis shows the effect on the unfunded obligations based on a 0.50% change in the discount rate or 1.00% in the inflation rate.

Supplementary pension APNA (DT)	Basis	Deviation in discount rate		Deviation in pension indexation	
(Amounts in ANG * 1,000)					
Discount rate	4.25%	3.75%	4.75%	4.25%	4.25%
Pension indexation	1.50%	1.50%	1.50%	0.50%	2.50%
Future salary indexation	1.65%	1.65%	1.65%	1.65%	1.65%
Effect on present value of the defined benefit obligation	10,929	479	(531)	(1,055)	1,235

The following sensitivity analysis shows the effect of a change in life expectancy of a male or female participant by 1 year on the supplementary pension APC (DT) obligation:

Assumption Sensitivity Level	Life expectancy of male participant		Life expectancy of female participant	
(Amounts in ANG * 1,000)	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on supplementary pension APC (DT) obligation	383	(380)	67	(68)

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 regarding the above-mentioned 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.

The average duration of the supplementary pension APC (DT) obligation at the end of the reporting period is as follows:

Company	Average duration
Aqualectra Distribution	10.5 years
Aqualectra Production	8.7 years

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 BMD to retire from service at the age of 55, under certain conditions such as employment with the Group for at least 20 years. The BMD 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 BMD is obliged to honor such a request. A provision has been formed for both groups of employees.

A sensitivity analysis on the present value of the unfunded obligation as per December 31, 2013 has been performed and showed that a 0.50% positive or negative modification in the discount rate or the inflation rate would result in the following movements.

Provision Early retirement pension APNA (VUT)	Basis	Deviation in discount rate		Deviation in pension indexation	
(Amounts in ANG * 1,000)					
Discount rate	4.25%	3.75%	4.75%	4.25%	4.25%
Inflation	1.50%	1.50%	1.50%	1.00%	2.00%
Effect on present value of the defined benefit obligation	1,055	6	(6)	0	0

The average duration of the early retirement benefit (VUT) obligation at the end of the reporting period is as follows:

Company	Average duration
Aqualectra Distribution	0.8 years
Aqualectra Production	1.5 years

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, 2013 is presented below. The sensitivity analysis reflected below shows the effect on the unfunded obligations based on a 0.50% 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	4.25%	3.75%	4.75%	4.25%	4.25%
Inflation (inflation & career inflation)	1.65%	1.65%	1.65%	1.15%	2.15%
DBO AP in ANG 1,000	14,768	460	(435)	(448)	470

The average duration of the anniversary bonus obligation at the end of the reporting period is as follows:

Company	Average duration
Aqualectra Distribution	6.3 years
Aqualectra Production	5.7years

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, 2013	Dec 31, 2012
Provision for vacation leave		
Balance at beginning of year	4,010	3,363
Change in provision	2,012	647
Balance at end of year	**6,022**	**4,010**

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 among other things 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, 2013	Dec 31, 2012
Net Pension Asset NOT recognized in the consolidated statement of financial position		
Present value of funded obligations	218,036	178,549
Fair value of plan assets	(191,231)	(185,637)
Net Pension Asset	**26,805**	**(7,088)**
Movement in present value of the Defined Benefit Obligation (DBO)		
Defined Benefit Obligation at the beginning of the year	178,549	164,156
Expenses	17,728	15,799
Benefits paid	0	(537)
Actuarial gains on obligation	21,759	(869)
Defined Benefit Obligation at the end of the year	**218,036**	**178,549**
Amounts recognized in the consolidated statement of comprehensive income		
Current service costs	10,181	8,970
Interest costs	7,547	6,829
Expected return on plan assets	(7,760)	(7,519)
Additional charges	1,573	1,560
Expenses	11,541	9,840
Contributions by participants	(3,286)	(3,309)
Expenses recognized in the statement of comprehensive income	**8,255**	**6,531**
Actual return on plan assets		
Expected return on plan assets	7,760	7,519
Actuarial less on plan assets	(10,403)	(9,581)
Actual return on plan assets	**(2,643)**	**(2,062)**
Present value of the funded obligations		
Present value of the funded obligations at the beginning of the year	178,549	164,156
Interest costs	7,547	6,829
Current service costs	10,181	8,970
Benefits paid	0	(537)
Actuarial gain on obligation	21,759	(869)
Present value of the funded obligations at the end of the year	**218,036**	**178,549**
Fair value of the plan assets		
Fair value of the plan assets at the beginning of the year	(185,636)	(179,855)
Expected return on plan assets	(7,760)	(7,519)
Actuarial losses on plan assets	10,403	9,581
Additional charge	1,573	1,560
Contributions by the employer	(6,525)	(6,631)
Contributions by the participants	(3,286)	(3,309)
Benefits paid	0	537
Fair value of the plan assets at end of the year	**(191,231)**	**(185,636)**
Development of deficit in the plan		
Present value funded obligations	218,036	178,549
Fair value of plan assets	(191,231)	(185,636)
Deficit/(Surplus) in the plan	**26,805**	**(7,087)**

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 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 0.50% change in the discount rate or 1.00% in the pension indexation.

VIDANOVA Pension	Basis	Deviation in discount rate		Deviation in inflation rate		Deviation in pension indexation	
(Amounts in ANG * 1,000)							
Discount rate	4.25%	3.75%	4.75%	4.25%	4.25%	4.25%	4.25%
Pension Indexation	1.50%	1.50%	1.50%	1.50%	1.50%	0.50%	2.50%
Inflation	1.50%	1.50%	1.50%	1.00%	2.00%	1.50%	1.50%
Present value of the defined benefit obligation	218,036	14,909	(13,449)	(2,332)	2,426	(26,476)	32,078

The following sensitivity analysis shows the effect of a change in life expectancy of a male or female pensioner by 1 year on the defined benefit pension plan obligation:

Assumption Sensitivity Level	Life expectancy of male pensioners		Life expectancy of female pensioners	
(Amounts in ANG * 1,000)	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on defined benefit pension plan obligation	2,241	(2,190)	2,690	(2,671)

The average duration of the defined benefit pension plan obligation at the end of the reporting period is as follows:

Company	Average duration
Aqualectra Distribution	13.0 years
Aqualectra Production	13.0 years
IUH N.V.	13.2 years
GEUS	13.1 years

The contributions for the DBO plan in the year 2014 are estimated at ANG 10,301,000.

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

	Medical costs retired employees				
	2013	2012	2011	2010	2009
Defined benefit obligation	131,887	177,662	208,711	164,549	128,546
Fair value of plan assets	0	0	(182)	(145)	(116)
Surplus/(deficit)	131,887	177,662	208,529	164,404	128,430

	Pension APC (DT)				
	2013	2012	2011	2010	2009
Present value of defined benefit obligation	10,929	11,299	17,816	19,444	18,518
Fair value of plan assets	0	0	0	0	0
Surplus/(deficit)	10,929	11,299	17,816	19,444	18,518

	Early retirement benefit (VUT)				
	2013	2012	2011	2010	2009
Present value of defined benefit obligation	1,056	721	783	1,142	1,436
Fair value of plan assets	0	0	0	0	0
Surplus/(deficit)	1,056	721	783	1,142	1,436

	Defined benefit pension plan				
	2013	2012	2011	2010	2009
Present value of defined benefit obligation	218,036	178,549	164,156	174,533	174,928
Defined benefit obligation	191,231	185,637	(179,855)	(184,713)	(168,015)
Surplus/(deficit)	409,267	364,186	(15,699)	(10,180)	6,913

5.5.13.2. Other provisions

Other provisions is comprised of the following categories:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Provision decommissioning of Mundu Nobo	14,257	17,000
Total other provisions	**14,257**	**17,000**

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Provision for the decommissioning of the Mundu Nobo Plant		
Balance at beginning of year	17,000	17,000
Used during 2013	(697)	0
Change in valuation of provision	(2,046)	0
Balance at end of year	14,257	17,000

Provision decommissioning of Mundu Nobo

The Island Government has identified the South coast as an area for tourism development for the Island, and in embracing these efforts Management has subsequently created a provision for the decommissioning of the Mundu Nobo plant. Over the years, an independent valuation expert was engaged in forming the estimation for the costs of decommissioning every 2 years (most recent year was 2011). The provision was estimated at ANG 17 million.

During 2013 Management has started the dismantling of the Mundu Nobo plant. Total demolition costs incurred in 2013 amounted to ANG 0.7 million which has been recorded as a reduction of the provision. The demolition of the obsolete (not in use) plants continued in 2014 and will proceed in 2015. Based on actual costs incurred in 2013 and projected costs to complete the dismanteling, demolition and clean-up of Mundu Nobo, the provision decommissioning of Mundu Nobo has been reduced to ANG 14.3 million as of December 31, 2013. The provision does not take into account possible proceeds from the sale of the dismantled equipment on the scrap market as the residual value cannot yet be determined reliably. The position of this provision and the movements in its corresponding asset, is shown in the table below:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Provision decommissioning Mundu Nobo recognized in the consolidated statement of financial position		
Provision decommissioning at the beginning of the year	17,000	17,000
Adjustment in conformity with internal analysis	(2,743)	0
Balance provision decommissioning at the end of the year	**14,257**	**17,000**
Value of decommissioning Mundu Nobo asset		
Provision decommissioning	14,257	17,000
Cumulative depreciation	(14,257)	(15,607)
Balance decommissioning asset at the end of the year	**0**	**1,393**
Expenses related to decommissioning Mundu Nobo asset		
Depreciation	0	2,149
Expenses recognized relating to decommissioning Mundu Nobo asset	**0**	**2,149**
Cumulative depreciation decommissioning asset		
Cumulative depreciation at the beginning of the year	15,607	13,458
Depreciation during the the year	0	2,149
Adjustment in conformity with internal analysis	(1,350)	0
Cumulative depreciation at the end of the year	**14,257**	**15,607**

5.5.14. Trade accounts payable

Below is an overview of the Trade accounts payable per Company as per December 31, 2013 and December 31, 2012:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Aqualectra Production		
Curoil	30,889	80,925
PDVSA	13,308	6,133
Consultants	10	31
Local contractors	648	847
Local suppliers	2,740	134
Foreign suppliers	7,552	6,391
Government institutions	0	280
Other accounts payable	3,590	2,026
	58,737	**96,767**
Aqualectra Distribution		
CUC	2,084	1,709
Consultants	304	681
Local contractors	1,602	1,773
Local suppliers	3,784	2,719
Foreign suppliers	4,609	403
Insurance companies	0	257
Government institutions	10,269	10,246
Advanced payments received from clients	3,450	3,330
Other accounts payable	0	1,835
	26,102	**22,953**
Aqualectra Multi Utility N.V.		
Other accounts payable	193	219
	193	**219**
Total accounts payable	**85,032**	**119,939**

5.5.15. Corporate Bonds IUH N.V.

On December 28, 2009 the Group issued through the Central Bank of Curaçao and St. Maarten 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 bonds are classified as current liabilities as of December 31, 2013 and 2012 due to non-compliance with the applicable financial covenants as disclosed in note 5.4.4 "Capital management".

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

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Corporate bonds	300,045	300,045
Amortized discount on bonds	(50,244)	(53,221)
Net value Corporate bonds	**249,801**	**246,824**

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Balance at beginning of year	53,221	56,024
Amortization current period	(2,977)	(2,803)
Balance at end of year	**50,244**	**53,221**

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.

5.5.16. Bank overdraft

Aqualectra Production has credit facilities with various banks amounting to a total of ANG 17.8 million in 2013 (2012: ANG 18.3 million). On December 31, 2013 ANG 12.1 million (2012: ANG 16.2 million) of this facility was in use by the Group.

Aqualectra Distribution has credit facilities with various banks amounting to a total of ANG 4.0 million in 2013 (2012: ANG 5.0 million). On December 31, 2013, ANG 3.7 million (2012: ANG 0) 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, 2013 and 2012:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Aqualectra Production		
Bank overdraft	12,138	16,168
Aqualectra Distribution		
Bank overdraft	3,745	0
Total Bank overdraft	**15,883**	**16,168**

The average annual interest rate during 2013 was 6.27% (2012: 6.34%).

5.5.17. Other liabilities

A summary of the main items payable as per December 31, 2013 and 2012 are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Aqualectra Production		
Accrued vacation pay	755	798
Social securities	1,571	2,007
Current maturity long term loans	12,286	2,537
Early retirement benefit obligations ('Aqualectra VUT')	1,630	988
Other accrued expenses	5,823	2,056
Other payables foreign countries	3,876	0
Miscellaneous	1,777	1,056
	27,718	**9,442**
Aqualectra Distribution		
Social securities	2,749	1,847
Services public lighting	4,043	0
Current maturity long term loans	4,337	3,220
Accrued interest	911	517
Selikor	9,352	13,744
Other accrued expenses	7,330	4,397
Deposit received from APC	2,000	2,000
Miscellaneous	10	372
MJP projects	3,094	3,094
	33,826	**29,191**
Integrated Utility Holding N.V.		
Social securities	24	597
Accrued interest	0	0
Other accrued expenses *	2,859	40,117
Current maturity long term loans	1,125	1,067
	4,008	**41,781**
Aqualectra Multi Utility N.V.		
Social securities	6	5
Other accrued expenses	140	140
	146	**145**
Total Other liabilities	**65,698**	**80,559**

* As disclosed in note 5.5.3, the security deposit payable of ANG 34 million at December 31, 2012 was offset in 2013 against share capital upon the issuance of additional shares on January 31, 2013. See also note 5.5.9.

5.5.18. Commitments and Contingencies

5.5.18.1. Operating lease commitments

The operating lease rentals are payable as follows:

(Amounts in ANG * 1,000)	At December 31, 2013			At December 31, 2012		
	<1 year	≥1 and ≤5 years	>5 years	<1 year	≥1 and ≤5 years	>5 years
Desalination Plant Aquadesign	8,973	60,128	0	12,567	85,030	0
Temporary Diesel Power Plant Aggreko	48,815	2,910	0	44,602	51,725	0
Wind park Playa Canoa and Tera Còrá	28,281	132,581	132,581	25,367	133,857	159,098
Vehicles	3,103	1,361	0	1,725	2,027	0
Digital Copiers, Printers and, Scanners	281	0	0	105	7	0
	89,453	**196,980**	**132,581**	**84,366**	**272,646**	**159,098**

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 5.6.2).

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 Mundu 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.

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, 2013. 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 lease is an operational lease.

Purchase contract Wind Turbine Farm Tera Còrá II

In 2009 Aqualectra Distribution entered into a power purchase agreement with NuCuraçao Windparken B.V. for Wind Turbine Farm Tera Còrá II. The contract has a duration of 15 years and will end in 2024. Aqualectra should purchase during the 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 2013. The total commitment as per December 31, 2013 is based on the remaining terms of the lease agreements.

5.5.18.2. Other commitments

At 31 December 2013, the Group had commitments relating to the following:

Contract party	Purpose of contract	Contract period		Commitments in remaining contract p eriod	At December 31, 2013		
(Amounts in ANG * 1,000)		Start	End		< 1 year	≥1 and ≤5 years	> 5 years
Electricity and water technical activities							
Local supplier	Purchase of electricity	1999	2024	293,444	28,281	132,581	132,582
Local contractor	Purchase of water	1995	2018	85,030	16,776	68,254	0
Local supplier	Purchase of electricity		2014	69,195	59,590	9,605	0
Foreign supplier	Maintenance of power plant - materials	2014	2018	30,838	4,762	26,076	0
Foreign supplier	Maintenance of power plant - hired services	2014	2018	93,486	15,105	78,381	0
Local suppliers	Hiring of trouble-shouting services	2010	2015	12,724	4,480	8,244	0
				584,717	**128,994**	**323,141**	**132,582**
Customer Relations activities							
Local contractor	Distribution bill payments activities	2013	2014	1,515	1,515	0	0
Local contractor	Electricity and water cut-off and reconnection activities	2012	2015	2,460	1,230	1,230	0
Local contractor	Delivery of invoices activities		2014	3,400	3,400	0	0
Local landlord	Rent of Building		2014	50	50	0	0
Local landlord	Rent of Building		2014	50	50	0	0
Local landlord	Rent of Building		2013	20	20	0	0
				7,495	**6,265**	**1,230**	**0**
ICT-products and services							
Local contractors	Lease Printers	2010	2014	281	281	0	0
Local contractor	Hire of communication means	2013	2014	277	277	0	0
Foreign contractors	Licence fees	2013	2014	971	971	0	0
				1,529	**1,529**	**0**	**0**
Facilities							
Local contractors	Lease of cars		2014	111	111	0	0
Local contractors	Lease of cars	2008	2014	612	612	0	0
Local contractors	Lease of cars	2009	2014	749	749	0	0
Local contractors	Lease of cars	2010	2014	555	555	0	0
Local contractors	Lease of cars	2011	2015	879	573	306	0
Local contractors	Lease of cars	2012	2016	990	375	615	0
Local contractor	Lease of cars	2013	2017	66	20	46	0
Local contractors	Lease of cars	2013	2018	503	108	395	0
				4,465	**3,103**	**1,362**	**0**
Local contractor	Maintenance of air conditioning	2013	2014	19	19	0	0
Local contractor	Maintenance of drip irrigation	2013	2014	19	19	0	0
Local contractor	Elevator maintenance	2013	2014	15	15	0	0
Local contractor	Office cleaning	2013	2014	706	706	0	0
Local contractor	Pest control	2013	2014	48	48	0	0
Local contractor	Garbage collection	2013	2014	26	26	0	0
				833	833	0	0
	Total facilities			**5,299**	**3,936**	**1,362**	**0**
General affairs							
Local contractor	Employ security	2013	2014	579	579	0	0
Local contractor	Employ security	2013	2014	345	345	0	0
Local contractor	Employ security	2013	2014	500	500	0	0
				1,424	**1,424**	**0**	**0**

5.5.18.3. Legal claim contingency

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 IUH 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 BMD, the BSD 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.

5.5.18.4. L/C Guarantee

As per December 31, 2013 there are letters of credit (L/C's) issued for the following amounts:

- ANG 9.3 milliom (2012: ANG 5.3 million) in favor of Aggreko International Projects Ltd. This L/C is related to the rent of generators (see note 5.5.18.1);
- ANG 1.4 million in favor of 'Inspectie der Invoerrechten en Accijnzen and/or Douane Curaçao' (2012: ANG 1.3 million);
- ANG 20,000 in favor of 'Landsontvanger' (2012: ANG 20,000).

5.5.18.5. Contingent Liabilities

a) Early Retirement Benefit (VUT)

According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, employees have the option of requesting the BMD 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 BMD 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 BMD is obliged to honor such a request. For these employees insured at APC a provision has been formed.

b) 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 from the former and the 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 between to the former and the 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 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 regarding the above-mentioned 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.

c) 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 will 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 was equal to USD 12,000,000 to be 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 RDK. The amount mentioned increases yearly with the consumer price index.

d) CUC - Electricity purchase

CUC and Aqualectra Distribution entered into a Power Purchase Agreement on April 28, 1999, so 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 will be provided to Aqualectra Distribution at no charge other than applicable 'Fuel Payments'.

According to the 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 will be USD 0.02 (Sept. 30, 1997). Such price will 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.

5.5.18.6. Contingent Assets

a) 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 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 Curaçao has allowed the Group to allocate the unrecovered amounts of the fuel and other direct costs in a so called Regulatory Account. The table below shows a breakdown of the original amount of the undercoverage, the recovered amount through the surcharge in the tariffs and the compensated amount by the Energy Fund referred to in the section below. In the table below the under coverage of the year 2010 has been processed anticipating that the Government of (the) Country Curaçao will approve the allocation of the remainder undercoverage 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)	0	0
2005	18	(1)	(17)	0
2006	26	(17)	(6)	3
2007	13	0	(2)	11
2008	74	0	0	74
2009	7	0	0	7
2010	9	0	0	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 use of the Regulatory Account is to settle the deficit against future utility tariffs. The Government of (the) Country Curaçao agreed in 2005 to include a surcharge in the tariffs to gradually settle the above-mentioned amounts of undercoverage on the fuel and other direct costs.

In a resolution dated November 17, 2008, the Island Council determined that, as from that date, the Group can recover the under coverage from 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 was 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. Consequently, in 2012 changes in the tarrif setting structure were introduced one of which was the monthly adjustment of the direct cost component of the electricity and water tariffs.

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.

b) 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 by compensating the Group for insufficient coverage of tariffs incurred in 2005 and 2006 due to oil price changes and changes in the other direct costs.

The Group received a total of ANG 22,650,000 from the Energy Fund in 2006. Of this amount, ANG 7,790,000 covered the period from January through September 2005, ANG 8,950,000 covered the period from October through December 2005 and ANG 5,910,000 covered the period from January through March 2006. The Group also received an amount of ANG 2,200,000 from the remainder of the Energy Fund to minimize the tariff increase in 2007.

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 the full amount of undercoverage in 2015 and 2016.
An uncompensated balance of ANG 21,200,000 remained of which ANG 1,600,000 regards the period of January through September 2005 and ANG 19,600,000 regards the period April through December 2006.

This uncompensated balance of ANG 21,200,000 was recorded as a receivable. However, since the funds in the Energy Fund are depleted and the Government of (the) Country 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 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 reducing the uncompensated balance to ANG 2,900,000 to date.

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.

c) 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 some 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 a result of a surplus at year-end. In any other case the surplus will only be realized upon 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, 2013, based on actuarial calculations, the present value of the funded obligations exceeds fair value of the plan assets by ANG 26,805,000 (2012: fair value higher by ANG 7,086,000).

d) Curaçao Utilities Company N.V. (CUC N.V.) shares
The Minister responsible for IUH N.V. adopted a resolution in January 2011 in which was stated that IUH had to transfer the CUC Holdings shares to RDK without any compensation. The transfer of the shares was effected on January 19, 2011. Subsequently, 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 Ministers 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 considered a reasonable estimation of the fair value of the shares transferred as of January 19, 2011. The Council of Ministers approved this valuation on February 20, 2013. A shareholder's resolution remains to be adopted to formalize the above mentioned. Management has been in deliberation with both the Government and the shareholders 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 RDK 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. The management of both companies has retained legal and financial advisors to assist in the process of reaching a settlement agreement. Management is pursuing the solution of this matter as part of the financial restructuring of the Group.

5.5.19. Fair Values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(Amounts in ANG * 1,000)	Carrying amount		Fair value		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2013		Dec 31, 2012
Financial assets					
Security deposit	34,000	34,000	10,483	A	12,754
Financial liabilities					
Interest bearing loans and borrowings	296,291	296,884	290,174		293,934
- Fixed rate borrowings	46,490	50,060	39,097	B	46,302
- Corporate bonds IUH	249,801	246,824	251,077	B	247,632

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

A. Fair value of non-current security deposit is estimated by discounting at applicable market interest rate of similar deposits in the market.
B. Fair value of unquoted 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.

Management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at December 31, 2013:

			Fair value measurement using		
(Amounts in ANG * 1,000)	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Loans and receivables					
Security deposits	December 31, 2013	10,483	-	10,483	-
Liabilities for which fair values are disclosed:					
Interest bearing loans and borrowings					
Fixed rate borrowings	December 31, 2013	39,097	-	39,097	-
Corporate bonds IUH	December 31, 2013	251,077	-	251,077	-

5.6. Explanatory Notes to the Consolidated Statement of Comprehensive Income

5.6.1. Sales Electricity and Water

Since June of 2012 the regulator adopted the tariff-structure of electricity and water to consumers comprising of three components, namely:

- the fuel component, which covers the direct costs (including fuel, chemicals, lubricants and purchase of electricity and water from third parties);
- the base component, which covers the operational costs and finance costs;
- the recovery component, which covers shortages in the fuel component which developed between January 2011 through May 2012;

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 to make the sales work budget neutral to the actual fuel costs. See also note 5.1 for additional information.

Unaccounted usage for water distribution at the end of 2013 is 27.68% (2012: 26.35%). This is an increase during 2013 of 5.0%. Unaccounted usage for electricity distribution at the end of 2013 is 13.57% (2012: 12.63%*). During 2013 the unaccounted usage decreased with 7%. 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.

* The reader is referred to note 3, "Highlights", for explanation for the change made to the comparative figure.

5.6.2. Direct cost production

Direct cost production is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Fuel usage	223,790	302,867
Chemicals	3,886	4,457
Lubrication	3,196	3,283
Purchase of water & electricity	10,838	12,737
IUH DPP element	7,712	7,525
IUH Fuel element	4,161	4,139
IUH Extension element	36	66
Temporary Diesel Power Plant	39,027	14,535
Total direct cost production	**292,646**	**349,609**

Direct cost of production includes an amount of ANG 11,909,000 (2012: ANG 11,730,000) being the DPP, fuel and extension component of the IUH N.V. agreement between the Group, Refineria ISLA and RDK. 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 the reader to also note 5.5.18.5 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 5.5.18.1, are reported as part of the direct cost production.

5.6.3. Operating expenses

Personnel costs and general expenses are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2012	Dec 31, 2011
Personnel costs		
Salaries	66,230	63,939
Overtime	4,933	4,527
Social securities	42,408	34,251
Other personnel expenses	2,911	2,420
Total personnel costs	**116,482**	**105,137**
General expenses		
Housing and car fleet	6,706	6,801
Office expenses	3,008	3,083
Insurance and security	6,002	6,594
Consultancy	6,842	8,277
Communications and public relations	2,232	2,125
Regulation and compliance fees	3,671	3,287
Other expenses	(84)	2,487
Total general expenses	**28,377**	**32,654**

* 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 effective collective labor agreements in which the health-care benefits are provided at no cost to employees and with a wider coverage, the transition to BZV did not occur on its effective date but occured on August 1, 2014 instead. Adjustments to the provision medical expenses will therefore occur in 2014.

In addition to the expenses incurred for actual employee healthcare costs covered by the healthcare benefits included in the effective collective labor agreements, the Group also took for its own account 100% of the BVZ premium. As such, included in the 2013 social securities, are both the employee and the employer portion of the BVZ premium.

The development in the labor force during 2013 and 2012 was as follows:

Labor force	Aqualectra Production	Aqualectra Distribution	Aqualectra Multi Utility Company	Integrated Utility Holding N.V.	Total
12/31/12	296	428	6	4	734
12/31/13	290	426	6	2	724
Net Increase/(Decrease)	**(6)**	**(2)**	**0**	**(2)**	**(10)**

5.6.4. 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, 2013	Dec 31, 2012
Aqualectra Production		
Repairs and maintenance electricity production units		
Parts used	6,275	6,552
Hired services used	14,856	10,650
	21,131	17,202
Repairs and maintenance water production units		
Parts used	679	943
Hired services used	663	519
	1,342	1,462
Repairs and maintenance combined (electricity & water) production units		
Parts used	412	1,590
Hired services used	1,013	1,739
	1,425	3,329
Repairs and maintenance other assets and facilities		
Parts used	7,517	2,719
Hired services used	751	899
	8,268	3,618
Total parts and hired services Aqualectra Production	**32,166**	**25,611**
Aqualectra Distribution		
Operation and maintenance electricity distribution network		
Parts used	6,129	7,714
Hired services used	5,446	5,907
	11,575	13,621
Operation and maintenance water distribution network		
Parts used	2,317	2,370
Hired services used	3,008	3,617
	5,325	5,987
Operation and maintenance other assets and facilities		
Parts used	1,986	1,418
Hired services used	910	802
	2,896	2,220
Total parts and hired services Aqualectra Distribution	**19,796**	**21,828**
Aqualectra Multi Utility N.V.		
Hired services used	8	6
Total parts, repairs and maintenance	**51,970**	**47,445**

5.6.5. Interest expenses (net)

A breakdown of the interest expenses is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2013	Dec 31, 2012
Finance costs		
Aqualectra Production	(9,775)	(7,727)
Aqualectra Distribution	(855)	(752)
Aqualectra Utility Holding N.V.	(15,873)	(15,586)
Total finance cost	**(26,503)**	**(24,065)**
Finance income		
Aqualectra Production	2	9
Aqualectra Distribution	11	8
Total finance income	**13**	**17**
Net finance costs (net)	**(26,490)**	**(24,048)**

5.6.6. 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, 2013	Dec 31, 2012
Current income tax	0	0
Movement deferred tax asset	(3,858)	(8,104)
Income tax (expense)/income	**(3,858)**	**(8,104)**

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

(Amounts in ANG * 1,000)		Dec 31, 2013		Dec 31, 2012
Loss for the period		(5,837)		(45,366)
Income tax	39.79%	(3,858)	14.27%	(8,104)
Income before tax		**(9,695)**		**(53,470)**
Income tax using the domestic rate	27.50%	(2,666)	27.50%	(14,704)
Permanent tax difference	12.29%	(1,192)	(13.23%)	6,600
Total income tax expense/(income)	39.79%	**(3,858)**	14.27%	**(8,104)**

5.7. Related Parties

Identity of related parties

Note 5.2 provides the information about the Group's structure including the details of its subsidiaries. In addition to the subsidiaries, directors, executive officers (key management personnel) and Vidanova Pension Fund are also 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 BSD is included in the consolidated statement of comprehensive income under personnel costs.

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

(Amounts in ANG * 1,000)	2013	2012
Short-term employee benefits	3,659	3,664
Post-employment employee benefits	563	536
Total key management officers' compensation	**4,222**	**4,200**

As per December 31, 2013 key management consisted of 1 Acting CEO, 1 "Titular" Technical Director and 10 Tier 1 Managers. As per December 31, 2012 key management consisted of 1 Acting CEO and 13 Tier 1 Managers.
As per December 31, 2013 the BSD consisted of 7 Director (2012: 5).

Transactions with VIDANOVA Pension Fund

The Group paid to Vidanova Pension Fund a total amount of ANG 10,056,000 for the pension plan in 2013 (2012: ANG 10,028,000).

The long term building loan from Vidanova with an outstanding balance of ANG 134,000 as of December 31, 2012 was fully paid off during 2013. See note 5.5.11.

The outstanding balance of the Scadta Loan, of which Vidanova Pension Fund is one of the lenders amounts to ANG 17,385,000 at December 31, 2013 (2012: ANG 18,285,000). See note 5.5.11 for additional detail on the loan.

5.8. Subsequent events

Corporate bonds IUH N.V.

The transfer of the CUC Holding N.V. shares to RdK in January 2011 at no consideration 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) on the short term 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 BSD 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 would 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 the Bank's concern regarding the Group's financial position. The Bank 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 in 2014, the 2010, 2011 and 2012 financial statements were also submitted.

Concession amendment

On June 9, 2014 the Minister of Finance provided Aqualectra with a draft of a proposed amended concession for the production of electricity. On June 11, 2014 the Government adopted this new concession. A 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.

Investment projects

New facilities

Management is currently seeking a property located at Schouwburgweg as part of the commitment of the government to grant IUH a leasehold land of comparable size to the land of the Scadta Peninsula (old Amstel land at the Rijkenseenheid Boulevard) that was designated for the construction of a new Operational Center and Technical Services Facility for the Group ptrior to the termination of the related agreements in 2011. Upon termination of the agreements, the Group was held liable for all expenses incurred by Scadta in the development of the land, amounting to ANG 18.8 million, which was recorded in the 2011 consoldiated statement of income. The granting of the new property will positively impact the Group's equity. Management intends to construct a new office at this location as part of the organizational remodelling. In this matter the assets at Pater Euwensweg and Rector Zwijsenstraat will be vacated and put up for sale.

New diesel plant

Construction on the new diesel plant at Dokweg (Dokweg III) that will replace the Mundu 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 termsheet. Based on this term sheet a Head of Agreement has been drafted especially for the matters in the term sheet which are out of the 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 share 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 the Council of Ministers. Upon approval, the facility agreement can be formalized after which 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 commenced in 2013 and the plant became operational in the first quarter of 2015. The Group funded this investment from its own cashflow and with capital injection from the shareholder.

Basic healthcare insurance

As disclosed in note 5.5.3, the introduction of the basic health-care insurance (BVZ) system, effective February 1, 2013, resulted in a significant increase in healthcare costs for the Group. In addition to the expenses incurred for actual employee healthcare costs covered by the healthcare benefits included in the then effective collective labor agreements, the Group also took for its own account 100% of the BVZ premium while not making use of the coverage offered by this insurance.

As the collective labor agreements provide for healthcare benefits with wider coverage at a lower cost to employees as compared to BVZ, the labor unions rejected its implementation throughout 2013. BVZ was implemented within the Group on August 1, 2014 after management reached an agreement with two of the three unions. The third union initiated court proceedings which, they lost.

Management is currently in discussions with the Sociale Verzekeringsbank (SVB), for reimbursement of a portion of the BVZ premiums paid till July 2014 as certain medical costs covered by BVZ where covered by the Group during this period.

With the implementation of BVZ, the operations of subsidiary GEUS will terminate. This decision was reached by the BSD 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 for pensioners. GEUS is in the process of being dissolved.

To supplement the coverage as provided by BVZ, the Group entered into an insurance contract in 2014 which covers the upgrading of the hospital classes of its employees. The Group also entered into a contract with Renovo in 2014 to provide health and safety services to the Aqualectra workforce and services related to additional medical provision not covered by BVZ that the employees are entitled to under their labor agreements.

Aqualectra Bottling

The 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 distributer. 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 processes of dissolving the company.

Future projections

The Group prepares a budget and forward looking projection on a yearly basis. In the most recent approved budget (2015), 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 crucial 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, Human Resource policy and strategic training and development plans are all aspects that are considered by Management and have been included in the budget of 2015.

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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 2013, 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 2013 as disclosed in notes 5.4.4, 5.5.15 and 5.8 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 5.8 '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 31 December 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 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, 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.

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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 2013 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 2013.

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 2013 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 5.8 '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, 21 April 2015
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for Ernst & Young Accountants

E.R. Statius van Eps CPA

Notes

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