Annual Report 2018

AQUALECTRA

Kana ku nos... rumbo pa progreso.

AQUALECTRA

Annual Report

2018

Profile

The Integrated Utility Holding N.V., doing business as Aqualectra (hereinafter "Aqualectra" or "the Group"), is Curaçao's utility company responsible for the production and distribution of power and water as well as for the delivery of accompanying services.

As per December 31, 2018 the Group's workforce consisted of 616 (2017: 608) dedicated employees who provide the manpower needed for the delivery of quality products and services to our customers. As per December 31, 2018, the Group had approximately 82,068 (2017: 81,588) electricity connections and 83,654 (2017: 82,324) 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 2018. The scope of this report comprises the Integrated Utility Holding N.V. and its subsidiaries.

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Passion at work!

2018 at a Glance.

Revenues Water: NAf **116.610** million

Average Water tariff: NAf **10.309**

Workforce: **616** employees

Average Electricity tariff: NAf **0.5527**

Solvency ratio: **40%**

Revenues Electricity: NAf **371.4** million

Number of kWh sold: **654.4** million kWh

Net Profit after tax: NAf **32.5** million

Number of M^3 sold: **10.7** million m^3

EBITDA: NAf **122.4** million

Energy produced from Renewable sources **27%**

Rated by S&P: **BBB+**

Electricity connections: **82,068**

CAPEX: NAf **76** million

Water connections: **83,654**

Balance sheet total: Naf. **912** million

RoE: **11%**

Contribution to Government budget (taxes paid): Naf. **36.9** million

The passion of Luigi

The courage to chase your dream, to strive for the perfection of your talent, to labor with passion to produce the most exquisite pastry, the most dainty sweet delicacies to put a smile of happiness on the faces of those who are celebrating that important event in their lives.

1. Report of the Board of Managing Directors.

1.1 *2018* in review

The year behind us can be considered a year of many achievements and pivotal moments that enabled sustainable change during the years to come. Looking back, we can only be humbly proud and modestly satisfied by the many accomplishments, which could only be obtained through unwavering resilience of Aqualectra's genuinely committed team. This resilience and commitment translated into *passion at work* – the recipe for our modest successes and the driving force for overcoming our challenges.

Starting with a BANG!

January 2, 2018, the very first business day of the year, was a memorable one for the Company. On this date, all notarial deeds were signed and Aqualectra N.V. was incorporated, merging Aqualectra Production and Aqualectra Distribution into one single company. This merger became a reality after years of preparation, in-depth discussions with all stakeholders and many legal challenges that were faced with the same passion we put at work for anything else we wanted to achieve.

Approximately a week later (January 8, 2018), the new Enterprise Resource Planning ('ERP') system we have been preparing, configuring and testing for a little over 18 months was duly implemented. This ERP was acquired from the renowned multinational SAP and was characterized as a so-called big bang implementation. This means that all end-to-end processes were implemented at once and not with a phased approach.

Interdependency between these two projects (the legal merger and the SAP implementation) were monitored closely during the complete implementation period by the project teams and joint steering committee, as the financial foundation of the new company was only designed and configured in SAP. Not implementing SAP would also mean not merging the companies, and vice versa.

However, none of these two great achievements would have been possible without an aligned organizational structure. Parallel to both projects, an Organizational Change Management project team was deployed, which was tasked with the introduction of a new organizational structure that encompasses both the legal merger and the SAP system roles and responsibilities, new job descriptions and the alignment of processes and procedures.
On June 1, 2018 a new organizational structure was implemented, with new and improved job descriptions for all 615 employees, including a more effective performance evaluation approach, based on competences and results.

The above-mentioned endeavors could easily have been categorized as impossible tasks. Without a resilient and committed but above all, passionate team, these accomplishments would indeed have been impossible.
One common denominator in every change process of this magnitude is the chaos that arise amid it all. As Niccolo Machiavelli once said, *'there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things'*.

However, it takes strong leadership and passion at work to recognize the benefits this chaos brings. At times it was about (re-) inventing the wheel, at other it was about discovering untapped potential in team members while sometimes it came down to going back to the reason why we exist and the 'why we do what we do'. Because ultimately, at the core of everything we do and the passion we put at work, lies our drive to significantly contribute to the quality of life of the community we serve.

Never a dull moment

Knowing that change is the only constant, there can never be a dull moment in our day-to-day operations or in the way we conduct business. While very ambitious projects were being completed, we also started the construction of a new diesel power plant called 'Dokweg II-B'. This capacity expansion is needed to continue to comply with Curaçao's energy demand while coping with the decreasing availability of the CRU plant on the Refinery site, given the uncertainties around contracting a new refinery operator before the end of 2019. Very aware of our environment, we made the decision a while ago that each Megawatt added to our fossil fuel production capacity, should be able to be produced with sustainable energy once natural gasses become available in our market. This is why all machines acquired during the past years are dual fuel enabled.

We are also planning to add solar energy to our production mix, through a Photo Voltaic ('PV') plant. The tendering process was conducted during 2018 and we look forward to appointing a preferred bidder and to negotiating terms in 2019.

Furthermore, a vendor was selected to supply the Advanced Meters (for the Advanced Meter Infrastructure (AMI) towards which we are working) to be installed in the coming years and we entered negotiations with this party for a Proof of Concept to be started in 2019. Deploying a smart metering infrastructure perfectly fits the island's ambition to become a smart nation.
Right before the end of 2018, we successfully executed a pilot project powering on a smart streetlight infrastructure for a complete neighborhood. This neighborhood, Julianadorp, is the first of many other neighborhoods to come. Ultimately, all streetlights in Curaçao will be smart. This is also part of Aqualectra's and the island's smart nation ambition.

The cherry on top

Being a capital-intensive company requires the right level of leverage and enough funding to guarantee planned and future investments. On April 3, 2018, we closed a ANG 40 million bridge loan agreement with CIBC First Caribbean Bank, to finance the construction of the Dokweg II-B plant, while working on Aqualectra's complete refinancing.

Shortly after, we started the process to fully refinance the Company. Supported by Deloitte Netherlands, we approached various (local and international) financial institutions and asked for their participation in the process. Their interest was overwhelming. The institutions pleasantly surprised us with their willingness to go the extra mile and think outside of the known boxes.
On November 14, 2018, we signed a Facilities Agreement for ANG 375 million (of which ANG 325 million committed) with Maduro & Curiel's Bank N.V. and First Caribbean International Bank (Cayman) Limited, Curaçao Branch. The first tranche (ANG 160 million) and the credit facilities (ANG 40 million) were respectively disbursed and made available on December 28, 2018.

Everybody on board

Attaining these successes and overcoming the challenges faced throughout 2018, required continuous alignment to ensure everybody is on board. During 2018, a never before seen amount of training was given to the team, at all levels of the organization, to ensure its technical knowledge of processes and procedures is at par. We also introduced a new meeting schedule that includes all employees, to ensure that important information cascades to everyone.

The Unions played an important role in the process. Meetings were frequently held with each Union individually and various meetings were held with all three Unions together. This is proof that the Unions also understand that together we can do so much more than what we can do alone.

One of the topics of conversation and of negotiation during 2018 was a new pension plan. During the month of October this new pension plan was presented to employees and the vast majority chose to move from a Defined Benefit plan to a defined Contribution plan, with retroactive effect to January 1, 2018. This resulted in the release of the Pension Provision held on balance sheet for an amount of ANG 89.2 million. Although considered a one-time effect, this release still strengthens Aqualectra's capital by lowering the negative retained earnings with an equal amount.

Firm steps toward our strategic focus

Our last strategic plan ('A Refreshing Approach') was outlived at the end of 2017. New strategic focal points were discussed and accepted before the end of 2017 but the Board of Managing Directors (BMD) chose not to draft a new strategic plan, given the change processes Aqualectra and our country were about to face. Nevertheless, decisions made throughout 2018 reinforced the strategic direction and priorities chosen. The following actions and decisions can be summed up to support the above-mentioned:

Strategic Priority	Customer Satisfaction
Own assessment	(red)
Actions and decisions in 2018:	- Continuous actions to improve processes and procedures and to clear backlogs after the implementation of SAP; - Introduction of new invoice design with more content to provide customers with more insight in their energy and water consumption; - Focus on contact center performance through various analysis. Improvement projects resulting from these analyses. Improvement projects resulting from these analyses started in 2019; - The implementation of an improved queuing system in branches that ease the day-to-day branch operations and logistics and provide useful insight to management.
Further improvement by:	- Execution of customer satisfaction survey; - Ensure that customer requests are handled in a short and acceptable timeframe; - Enhance customer experience through various touchpoints; - Ensure that backlogs in service orders and invoicing are duly cleared; - Implement KPI and OKR dashboards to increase control; - Improve communication.

Strategic Priority	Financial Viability
Own assessment	(green)
Actions and decisions in 2018:	- Securing funding for CAPEX plan; - Further strengthening of the Company's capital through operational result and release of pension provision; - Maintaining an investment grade S&P rating.
Further improvement by:	- Broaden funding base by issuing a tradable bond; - Ensure timely reporting;Conduct tariff study and ensure under-coverages are recovered; - Execute revenue assurance audit (Internal Audit).

Strategic Priority	Employee and Leadership Development
Own assessment	(orange)
Actions and decisions in 2018:	- Implementing new organizational structure and job descriptions; - Executing various technical skills training sessions; - Negotiating new pension plan that enables employees to be in control of their career planning.
Further improvement by:	- Execution of employee engagement survey; - Further alignment and internalization of processes and procedures; - Skills and company values training; - Embarking on a path to sustainably and permanently change the Company's culture.

Strategic Priority	Product Quality
Own assessment	(orange)
Actions and decisions in 2018:	- Construction of a new plant to add an additional 39MW to the production mix; - Appointing preferred bidder and negotiating the Proof of Concept to deploy an Advanced Metering Infrastructure.
Further improvement by:	- Execute Proof of Concept and subsequently deploy Advanced Metering Infrastructure; - Perform grid audits and execute projects to ensure grid stability; - Perform root cause analysis of interruptions and reduce number of customer interruptions with 12% for Power and 10% for Water; - Ensure that key metrics (CAIDI, SAIFI, ASAI, plant availability ratios, etc.) remain in acceptable ranges.

Strategic Priority	Operational Optimization
Own assessment	(green)
Actions and decisions in 2018:	- Reduction of operational expenses by renegotiation of service and contractors' agreements; - Reduction of personnel expenses by renegotiating pension plan; - Various optimizations of IT systems, processes and policies, mainly due to the implementation of SAP; - Securing high compliance rate with Corporate Governance Code.
Further improvement by:	- Further enhancement of budget control through Funds Management Module (SAP); - Improve performance and logistical processes of warehouses; - Ensure that key policies and procedures are in place and internalized; - Thoroughly assess depreciation policies considering the changes in the production mix; - Execute IT audit (Internal Audit); - Implement KPI and OKR dashboards to increase control.

Strategic Priority	Operational Resilience
Own assessment	(orange)
Actions and decisions in 2018:	- Introducing Risk Officer function and starting with the design of a comprehensive Risk Management plan; - Ensuring enough insurance coverage is in place to mitigate the risk of any calamities or breakdowns; - Maintaining ISO certifications, passing various operational and financial audits and maintaining financial rating.
Further improvement by:	- Implement grid modeling tool for engineering and analysis purposes; - Perform plant and grid audits to identify potential issues, risk and safety hazards.

The bigger picture

Aqualectra is Curaçao's water and electricity company and although we are striving to become operationally resilient and financially stable while putting our customers at the center of everything we do, we cannot overlook over the fact that our island is facing challenges. During 2018, Standard & Poor's ('S&P') changed their 'stable outlook' opinion to 'negative outlook' for Curaçao. In 2019, the rating was lowered from A- to BBB+. These changes impact Aqualectra's rating directly and equally.

The economy has only been contracting during the past years, showing worsening GDP levels and growing unproductivity. The uncertainties around the continuation of the Refinery operations and the lack of much needed fiscal reforms are consistently mentioned (a.o. by S&P) as main reasons for the current economic turmoil.
The financial supervision commission imposed by the Dutch Kingdom is keeping a close eye on the developments and has announced to be advising the Council of Ministers of the Kingdom to give the Government of Curaçao specific instructions to execute fiscal reforms. On one hand these instructions will solve technical budgetary deficits, while on another hand, they may be the cause of further worsening of the social economic conditions of the island, if not accompanied by flanking social policy reforms.

The community's wellbeing ultimately is ours. Although our products are considered inelastic ones, worsening economic developments do impact Aqualectra directly through deterioration of collection of accounts receivable and growing non-revenue percentages. We will continue to monitor these aspects closely and will manage our operations as effective and efficient as possible to avoid tariffs that are higher than necessary.

We also look forward to continuing our contribution to our community through the various initiatives that reflect our corporate social responsibility. During 2018, we have supported the Baseball league, the Children's Museum of Curaçao and allowed our staff to organize and manage the largest corporate softball competition on the island, from which all proceeds are donated to charity.

1.2 Financial results

Aqualectra's financial result for the year 2018 is positive and amounts to ANG 32 million (2017: ANG 30.7 million). These positive results further strengthen the Company's equity and increase Aqualectra's financial resiliency. However, the under-coverage developed during the year on both the fuel and the base component is considerable and weighed heavily on the results from operating activities. Without a one-time release of the pension provision, the operating results would have been negative.

The following table details important financial performance drivers:

(ANG * 1,000)	Dec 31, 2018	Dec 31, 2017	Change in ANG	Change in %
Sales electricity	371,353	365,109	6,244	2%
Sales electricity in mwh	654,390	676,231	(21,841)	-3%
Sales water	116,610	105,922	10,688	10%
Sales water in 1000m^3	10,677	10,693	(16)	0%
Direct cost production and other direct cost of sales	(223,971)	(183,316)	(40,655)	22%
Gross profit	273,208	305,320	(32,112)	-11%
Gross profit margin	55.0%	62.5%		
Operating expenses	210,996	263,906	(52,910)	-20%
Operating profit	62,212	41,414	20,798	50%
Interest expenses, net	(15,539)	(14,818)	(721)	5%
Net result before tax	46,673	26,596	20,077	75%

Excluding the largest noteworthy (financial) event in 2018 (the release of the pension provision), Aqualectra would have reported a loss. The following table depicts an analysis of the profit of Aqualectra, excluding noteworthy events and including the under-coverage developed in 2018:

Noteworthy specific events

(ANG * 1,000)	
Profit for the year (before tax)	**62,212**
-/- Other (post-) employment benefits (net)	(89,159)
+/+ Impact IFRS 9 adoption	27,116
-/- Release of provision obsolete goods	(12,142)
+/+ Estimated undercoverage fuel component	26,993
+/+ Estimated undercoverage base component	80,136
-/- Adjustment in personnel expenses for the purposes of coverage calculation base component	(21,012)
Profit for the year (before tax) - excluding specific events and undercoverage	**74,144**
+/+ Estimated undercoverage fuel component	(15,539)
+/+ Estimated undercoverage fuel component	(13,180)
Profit for the year (after tax) - excluding specific events and undercoverage	**45,425**

The release of the pension provision, addition to the provision bad debts which increased considerably as a result of the implementation of IFRS 9 and a large release in the provision of obsolete goods, are all considered events that are unlikely to recur in the future. At the other hand, under-coverages will be developed in 2019 again, both on base and fuel components.

Management will discuss these deficits with the Regulator. There are, however, some challenges with this that must be mentioned for the sake of prudency:

Fuel component:

- One of the main reasons for this under-coverage is the fact that we coped with billing and invoicing issues for a few months during the year. For these months, the sales numbers were very low, causing higher than accepted NRE and NRW levels. Unlike other items in the fuel component, NRE and NRW are not adjusted ex-post on a monthly basis, but at the end of the year, once the annual report is submitted to the Regulator.

- Another matter that impacted the coverage on the fuel component significantly, is the change from Heavy Fuel Oil to Light Fuel Oil, which was not incorporated in the tariffs from the beginning.

COVERAGE CALCULATION FUEL AND RECOVERY COMPONENT

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
COVERAGE CALCULATIONS FUEL COMPONENT		
Coverage fuel component E	149,855	128,349
Coverage fuel component W	28,674	20,760
Total coverage fuel component	178,529	149,109
Expenses in the fuel component E & W	(205,522)	(169,292)
Total realized expenses in the fuel component E & W	(205,522)	(169,292)
Under-coverage developed during the reporting period	(26,993)	(20,183)
Coverage / (under-coverage) developed during the reporting period (net of Recovery)	(26,993)	(20,183)
OUTSTANDING UNDERCOVERAGE PER THE END OF THE PERIOD		
Beginning balance (excluding regulatory account dec 2010)	(28,293)	(8,110)
Coverage / (under-coverage) developed during the reporting period (net of Recovery)	(26,993)	(20,183)
Total Balance of Prefinancing	(55,286)	(28,293)

Fuel- and recovery component related: all expenses related to the fuel component should be covered and if not 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.

From the table above, Management concludes that ANG 55.3 million is to be covered by the recovery component, developed during 2017 and 2018.

Base component:

- **Ex-ante calculation (impact: ANG 12 million)**
  When setting the base component for the year 2018, the Regulator proposed, and the Minister of Economic Development accepted, that some of Aqualectra's budgeted operational expenses are not considered in their entirety for the base tariff calculation. Other direct costs of sales, Personnel, Repair and maintenance and depreciation expenses were all lowered for base tariff calculation purposes. The impact of this decision was estimated at ANG 12 million upfront. However, the realized expenses in these expense categories met budget and, in some cases, even exceeded budget, causing a large portion of the under-coverage on the base component. In the end, the Repair & Maintenance expenses exceeded what was covered by the base component by ANG 1.3 million. The depreciation expenses, however, exceeded what was covered by ANG 3.1 million. The Regulator's reasoning for lowering these expenses is the fact that they considered the CAPEX budget very ambitious and that Aqualectra would not meet it. This was true, however, the impact on the depreciation expenses of the impairment reversal recorded in the 2017 Financial Statements, was not considered by the Regulator nor the budget.

- **Actual benefits paid on personnel provisions (impact: ANG 21 million)**
  In the ex-post evaluation of the 2017 base tariffs, the Regulator changed the approach when considering the addition to provisions for (post-) employment benefits. Instead of taking the addition, as charged to the Income Statement in accordance with IFRS, the actual benefits paid were considered in the calculation. Following this same reasoning, we considered the actual benefits paid in 2018. This increases the personnel expenses with ANG 21 million. The Regulator took ANG 96.5 million into account when calculating the ex-ante base tariffs. This was already ANG 3.2 million less than the budgeted personnel expenses.
  The realized personnel expenses remained below what was budgeted and below the amount that was considered by the Regulator in the ex-ante calculation. However, when adding the ANG 21 million of benefits paid to the realized personnel expenses, this expense category by-far exceeds what was covered by the base component, causing another large portion of the under-coverage.

- **Realized expenses exceeding budget (impact: ANG 10.8 million)**
  The General expenses and Customer relations services fees exceeded budget and the ex-ante tariff calculation expenses by ANG 10.8 million. It is not known how the Regulator will include these expenses in the ex-post calculation. However, it is causing a substantial portion of the under-coverage.

- **Addition to provision bad debt (impact: ANG 24.6 million)**
  The Regulator included the expenses as budgeted by Aqualectra in the ex-ante calculation. However, the impact of the introduction of IFRS on Aqualectra's income statement was substantial. In fact, without the introduction of IFRS 9, the realized addition would have remained below budget.

The above events consumed the reasonable return (ANG 46.7 million in the ex-ante calculation) in its entirety and even caused an operational loss, which was compensated by the release of the pension provision.
Upon submission of these Financial Statements to the Regulator, both the under-coverage on the fuel and base component will be addressed.

COVERAGE CALCULATION BASE COMPONENT

(ANG * 1,000)	Dec 31, 2018	Budget 2018	Pre-calculation 2018	Realized vs. Budget	Realized vs. Pre-calculation	Dec 31, 2017
Coverage calculations base component						
Coverage base component E	211,826	244,485	231,150	(32,659)	(19,324)	219,099
Coverage base component W	81,397	83,032	83,032	(1,635)	(1,635)	86,408
Total coverage base component	293,223	327,517	314,182	(34,294)	(20,959)	305,507
Realized base Expenses						
Reduction of expenses in base component due to miscellaneous sales	(18,282)	(21,864)	(21,864)	3,582	3,582	(20,869)
Other direct cost of sales	18,449	32,611	31,591	(14,162)	(13,142)	14,024
Personnel costs	111,933	96,445	93,245	15,488	18,688	125,982
Parts, repair and maintenance	60,342	64,000	59,000	(3,658)	1,342	73,475
Customer relations services fees	6,820	5,817	5,817	1,003	1,003	5,716
General expenses	37,500	27,696	27,696	9,804	9,804	26,010
Depreciations	60,143	59,061	57,061	1,082	3,082	49,909
Provision bad debt	39,572	14,965	14,965	24,607	24,607	23,997
Interest expense	-	-	-	-	-	14,818
Income tax	-	-	-	-	-	(4,084)
Total realized base expenses	316,477	278,731	267,511	37,746	48,966	308,978
Weighted Average Cost of Capital	50,941	48,786	46,671	2,155	4,270	-
Total Expenses + WACC	367,418	327,517	314,182	39,901	53,236	308,978
(Under)/over overage on base component	(74,195)	-	-	(74,195)	(74,195)	(3,471)

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.

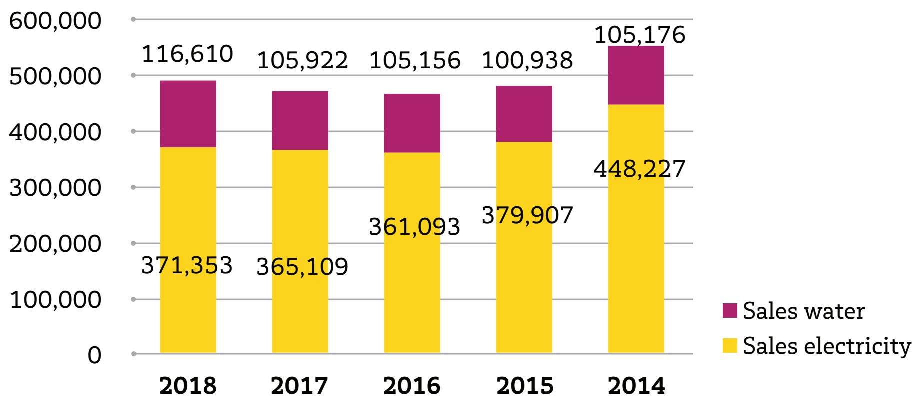
From the table above Management concludes that in 2018 an under-coverage of ANG 74 million was developed in the base component. The factors influencing this under-coverage were primarily:
- The Regulator lowered the operational expenses for the purpose of the ex-ante base component calculation;
- Some expense categories exceeded budget;
- The adoption of IFRS 9;
- Actual benefits paid to (ex-)employees from the employee benefits provisions.

> Sales electricity and water:

Total sales electricity and water combined has increased in 2018 by 3% or ANG 14.3 million as compared to 2017. In 2018, electricity showed a decrease of 3% in the total MWh sold compared to an increase of 8% of the tariff. Water showed a total increase of 10% in sales, this despite the decrease of 0.1% of M3 sold as the tariff showed an increase of 4.2% in 2018 compared to 2017.

SALES ELECTRICITY AND WATER

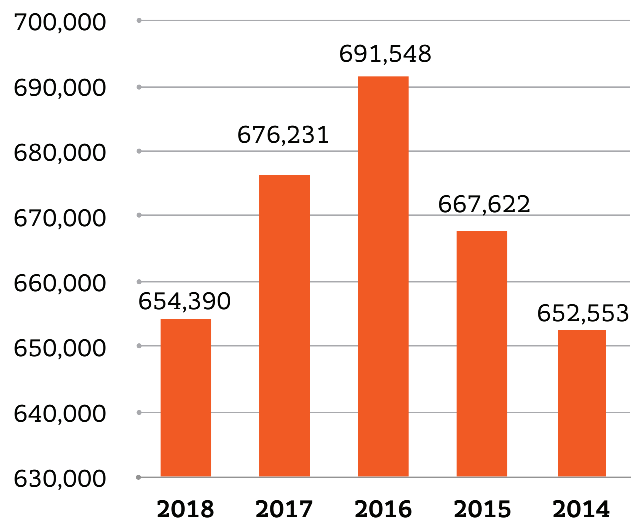
Amounts in ANG x 1,000



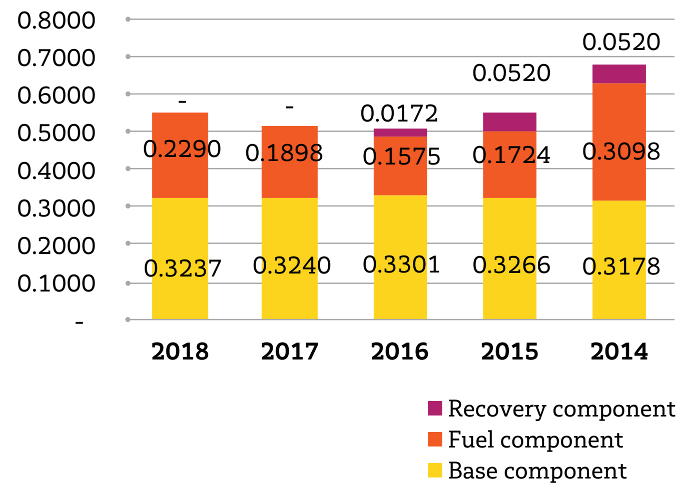
Electricity sales increased by 1% or ANG 3.7 million compared to 2017 despite of the increase in the average tariff for 2018 (ANG 0.5527) by 8% compared to 2017 (ANG 0.5138) offset by decrease of 3% in the MWh's sold.

The base component as stipulated by the Government upon recommendation of the Regulator did not change in 2018. Variance in usage per customer category influences the average annual base rate, which explains the deviation from the approved base components per tariff group. The base component varies for each tariff group. The variance in consumption for each specific tariff group, influences the average base component on an annual basis, as presented in below chart.

SALES ELECTRICITY IN MWh



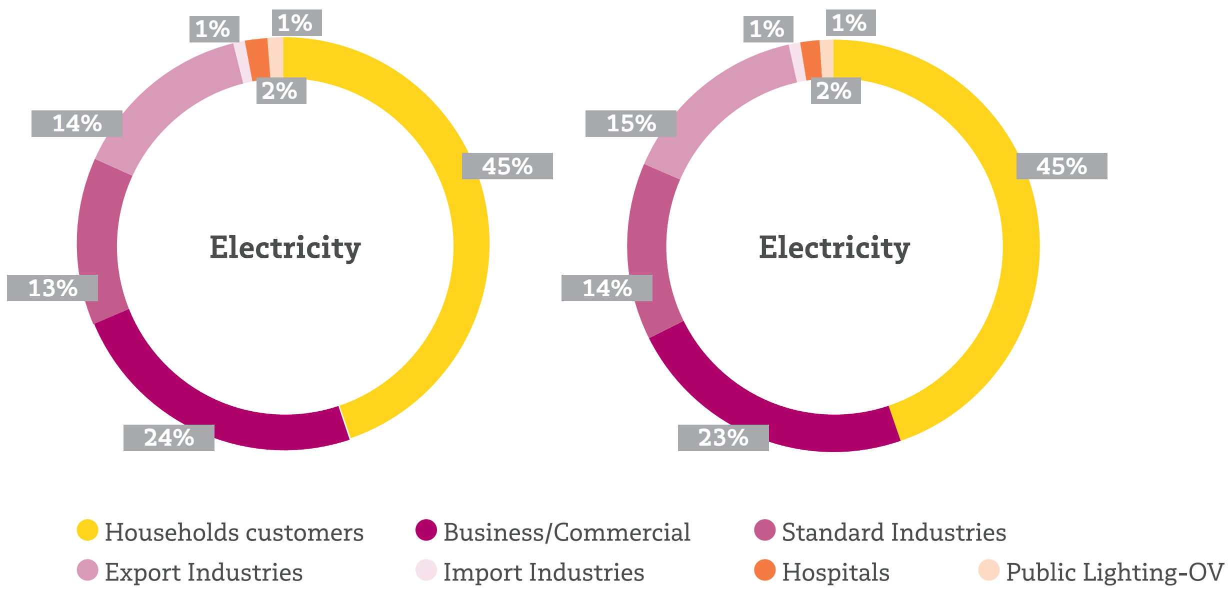
TARIFF STRUCTURE - ELECTRICITY



Below is an illustration of the composition of electricity customers per tariff group based on MWh sold and generated sales in ANG:

ELECTRICITY 2018 (kWh %)

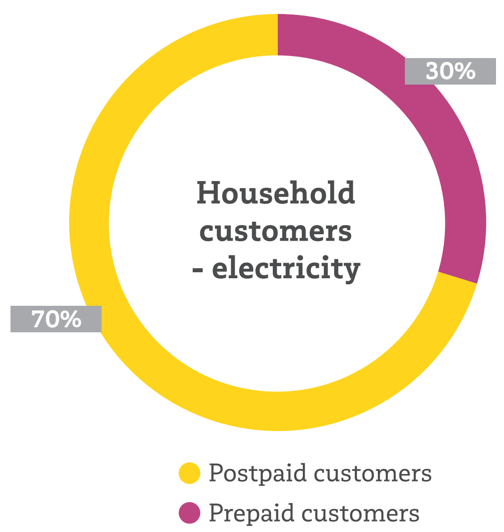
ELECTRICITY 2017 (kWh %)



Household customers consist of prepaid and postpaid customers. The chart below illustrates the amounts of MWh sold to each in 2018 and 2017:

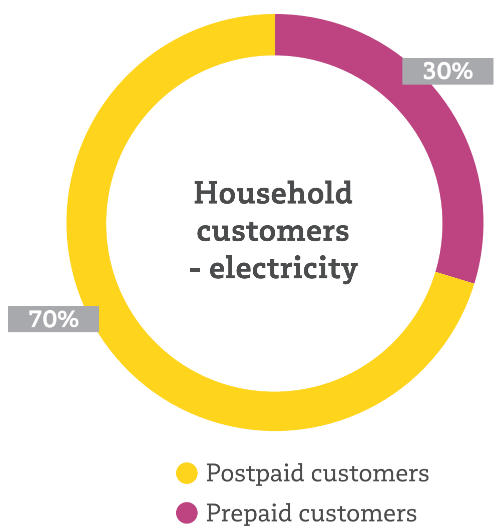
CONSUMPTION HOUSEHOLD CUSTOMERS

Electricity 2018 (kWh %)



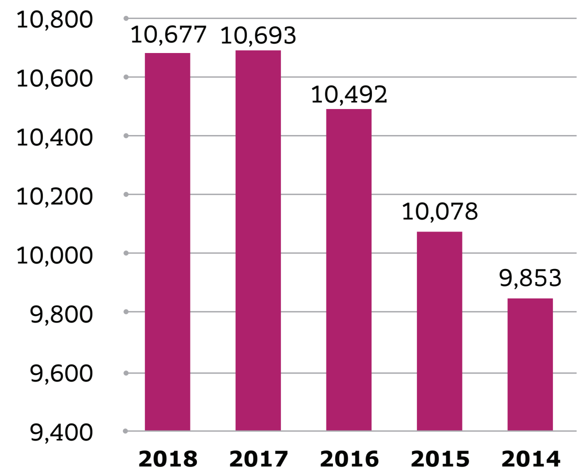
CONSUMPTION HOUSEHOLD CUSTOMERS

Electricity 2017 (kWh %)

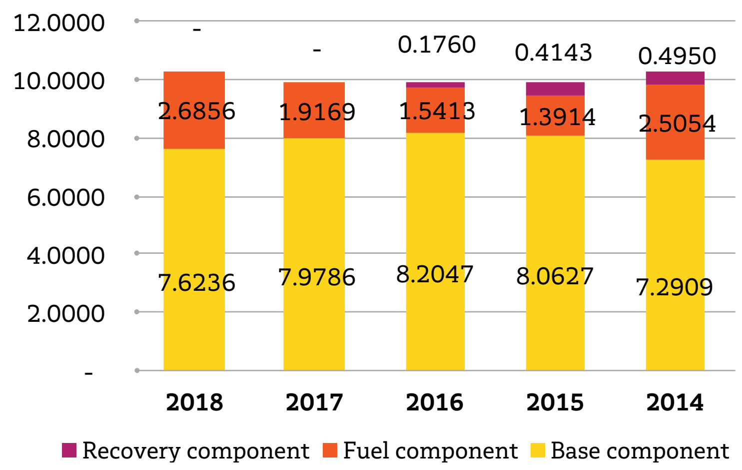


In 2018, water sales decreased by 0.1%, the average rate remained increased with 4.2%.

SALES WATER IN M³



TARIFF STRUCTURE - WATER



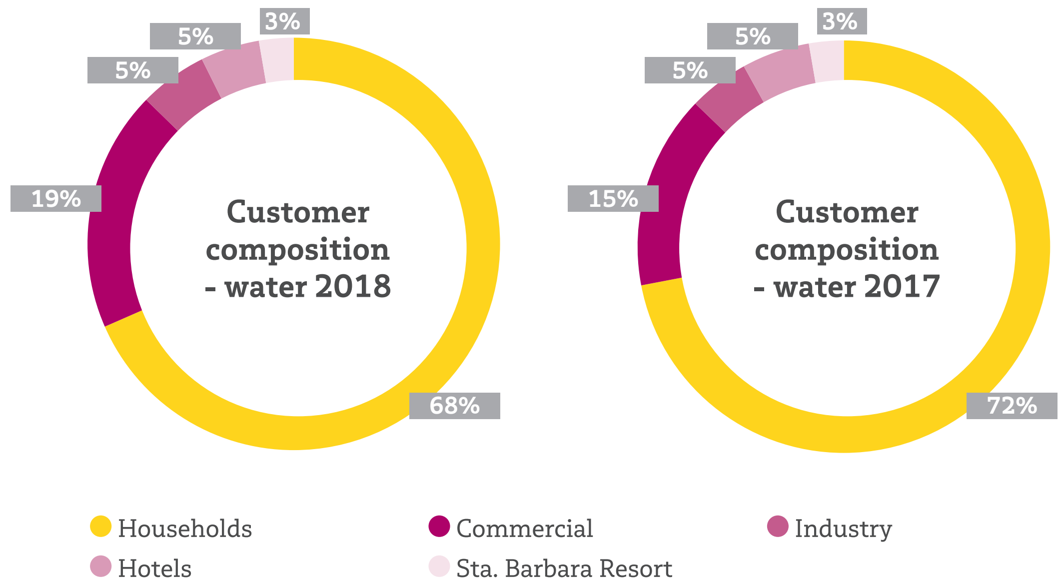
Below is an illustration of the composition of water customers based on M³ sold and generated sales in ANG:

CONSUMPTION PER TARIFF GROUP

Water 2018 (M³ %)

CONSUMPTION PER TARIFF GROUP

Water 2017 (M³ %)



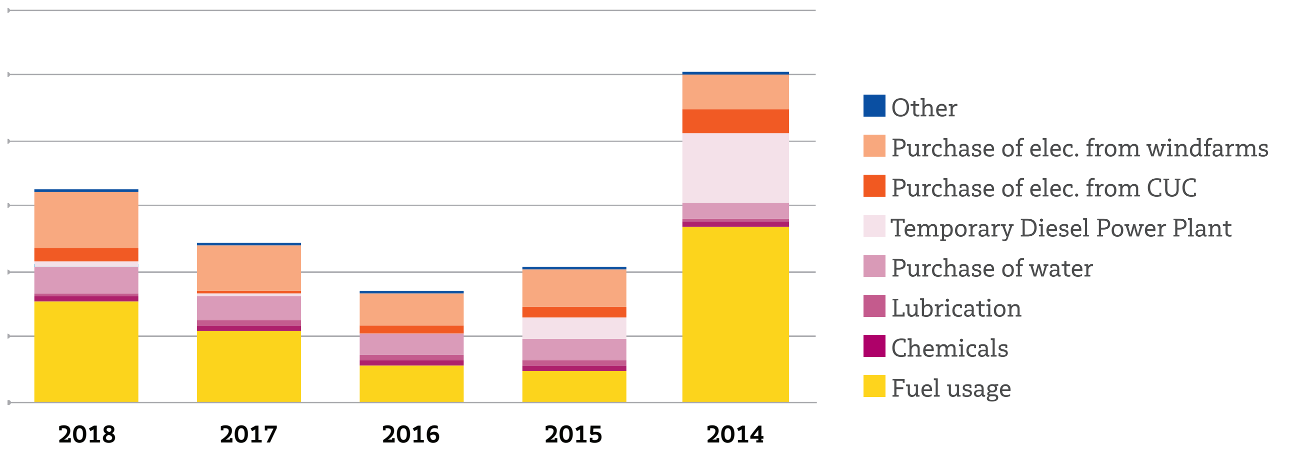
> Direct costs production and other direct costs of sales:

This cost category reflects the usage of fuel, chemicals, lubrication, 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 increase in direct costs of production and other direct costs of sales by 22% or ANG 40.7 million compared to 2017 is due to:

- Increase in Fuel expenses of ANG 21.4 million, primarily due to the significant increase in fuel prices
- Increase in purchase of electricity from windfarm of ANG 9.2 million (2018: ANG 42.7 million and 2017: ANG 33.3 million) as a result of the expansion of the windfarm by mid-2018.
- Increase in lease expenses related to temporary diesel power plant of ANG 4.1 million as a result of lease over the entire year 2018, compared to a few months in 2017.

DIRECT COST OF PRODUCTION AND OTHER DIRECT COST OF SALES

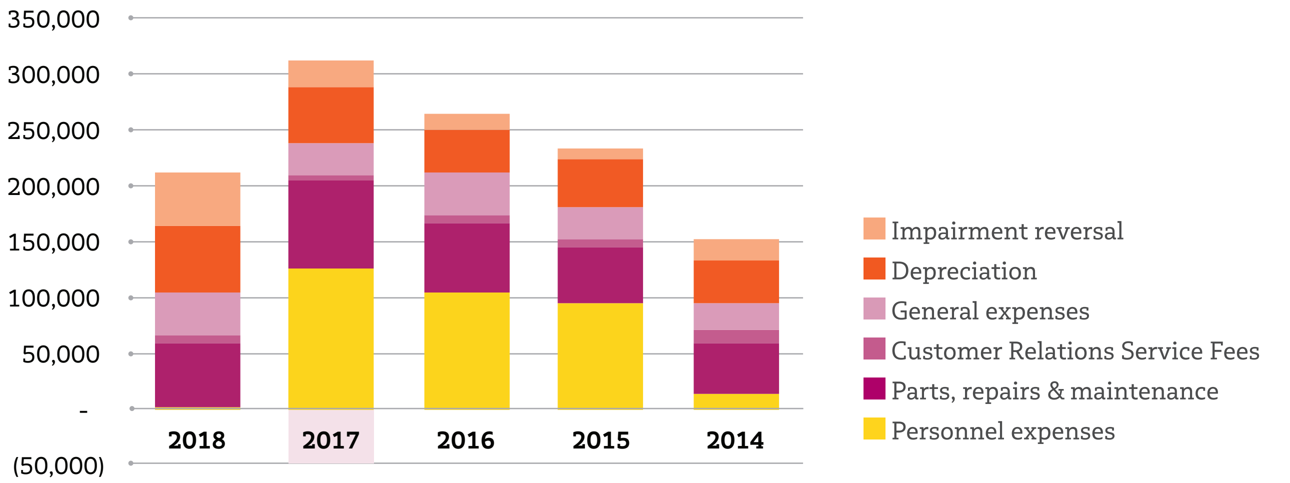
Amounts in ANG x 1,000



> Operating expenses:

OPERATING EXPENSES

Amounts in ANG x 1,000



The total operating expenses decreased by 20% or ANG 53.3 million in 2018 compared to 2017. This decrease is mainly attributable to the following factors:

- **The release of the provision pension** of 89.2 million due to the change from a Defined Benefit plan to a defined Contribution plan
- **The release of the provision for obsolute inventory** of ANG 12.1 million due to a change in estimation method of the provision for obsolute inventory.

The before mentioned decreases were partially offset by:

- **The reversal of impairment** of ANG 48.3 million for the depreciation on electricity and water and also for the impairment on machinery recorded in 2017. The impairment was reversed based on indicators that are judged annually by the BMD. These indicators led to a reversal of the impairment in 2017.
- **The General expenses** increased by ANG 8.5 million primarily due to adjustments made in 2017 for major spare parts and inventory adjustment in other expenses. Furthermore, the consultancy expenses increased with ANG 5.9 million, mainly due to the implementation of the new ERP system.
- **Depreciation expense** increased by ANG 10.2 million due to a substantial error correction of ANG 12.5 million for depreciation in the major spare parts made in 2017. The classification of the inventory items to major spare parts was thoroughly reviewed in 2018. All parts not meeting the IFRS criteria for classification as major spare parts, were reclassed to inventory and the related accumulated depreciation was reversed. However, these parts were deemed obsolete and hence were provided for. The addition to the provision for obsolete items is accounted for under other general expenses. These adjustments were made in 2017. Refer to note 5.3-s and 5.3-t for detail.
- **Provision bad debt** increased by ANG 15.6 million compared to 2017, mainly due to adoption of IFRS 9 in 2018.

Financial position

(ANG * 1,000)	Dec 31, 2018	Dec 31, 2017	Change in ANG	Change in %
Non-current assets	698,135	696,799	1,336	0%
Current assets	213,766	166,610	47,156	28%
Equity	364,903	313,560	51,343	16%
Non-current and current liabilities	546,998	549,849	(2,851)	-1%
Investments	75,362	78,837	(3,475)	-4%

> Non-current assets:

Non-current assets consist of tangible and intangible fixed assets, security deposits and deferred tax assets. The increase in the total non-current assets when comparing its total to 2017 relates to the following:

- Additional investment in the ERP system of ANG 11.4 million partially off-set by amortization expense of ANG 2.3 million.
- Net investment in plant, property and equipment of ANG 64.0 million partially off-set by depreciation expense of ANG 57.9 million.
- Carry-forward losses utilized against profitable income in 2018. This resulted in a decrease of ANG 13.9 million of the deferred tax asset balance.

> Current assets:

Current assets consists of inventories, trade accounts receivables, other receivables and cash & cash equivalents. The increase in current assets of ANG 55.6 million or 33% is due to increase in cash and cash equivalents of ANG 14.5 million, an increase in trade receivable of ANG 31.2 million and an increase in inventory of ANG 8.2 million. The increase in cash and cash e quivalents is detailed in the cash development section below. The increase in trade receivable is due to various billing challenges encountered in the new ERP system that caused delays in billing. Throughout 2018 Aqualectra also put on hold any account deactivation due to non-payment due these billing issues. The increase in the inventory balance is due primarily to a release of the provision for obsolete inventory of ANG 12.1 million.

> Equity:

Equity increased by ANG 51.3 million as result of the reported profit for the year of ANG 32.5 million and other comprehensive income for the year of ANG 5.0 million and two adjustment recorded through equity. One adjustment relates to the adoption of IFRS 9 which resulted in a decrease in the 2017 provision bad debt of ANG 13.8 million and the other adjustment relates the a correction of the provision AOV/BVZ compensation 2017of ANG 5.8 million. Although significant progress has been made in the replenishment of the Accumulated losses, the total Shareholder's equity remains ANG 212.8 million below the initial Paid-in capital and subsequent Share premium.

> Non-current liabilities

The decrease in non-current liabilities of 40% or ANG 176.9 million is due to the following:

- ANG 119.7 million decrease in Provisions, mainly related to the release of the pension provision as a result of the change in the pension plan from a defined benefit plant to a defined contribution plan.
- ANG 213.8 million decrease in the corporate bonds due partial repayment of the bond and reclassification of the remaining balance to current liabilities.
- ANG 156.0 million increase in loans due to the new facility agreement closed in the last quarter of 2018 with MCB and CIBC of ANG 160.0 million was disbursed prior to year-end.

> Current liabilities:

The increase in liabilities of 163% or ANG 176.8 million is due to the following:

- ANG 85.1 million due to reclassification of the corporate bonds as mentioned above.
- ANG 92.5 million increase in trade accounts payable and other liabilities due to various invoices accrued prior to year-end and payables to Wartsila (main contractor for plant related investments and maintenance).

> Investments:

The total net capital expenditures incurred in 2018 was ANG 75.4 million. As noted in the non-current asset section, ANG 64.0 relates to investment in property, plant and equipment and ANG 11.4 related to investment in intangible assets.

Cash flow developments

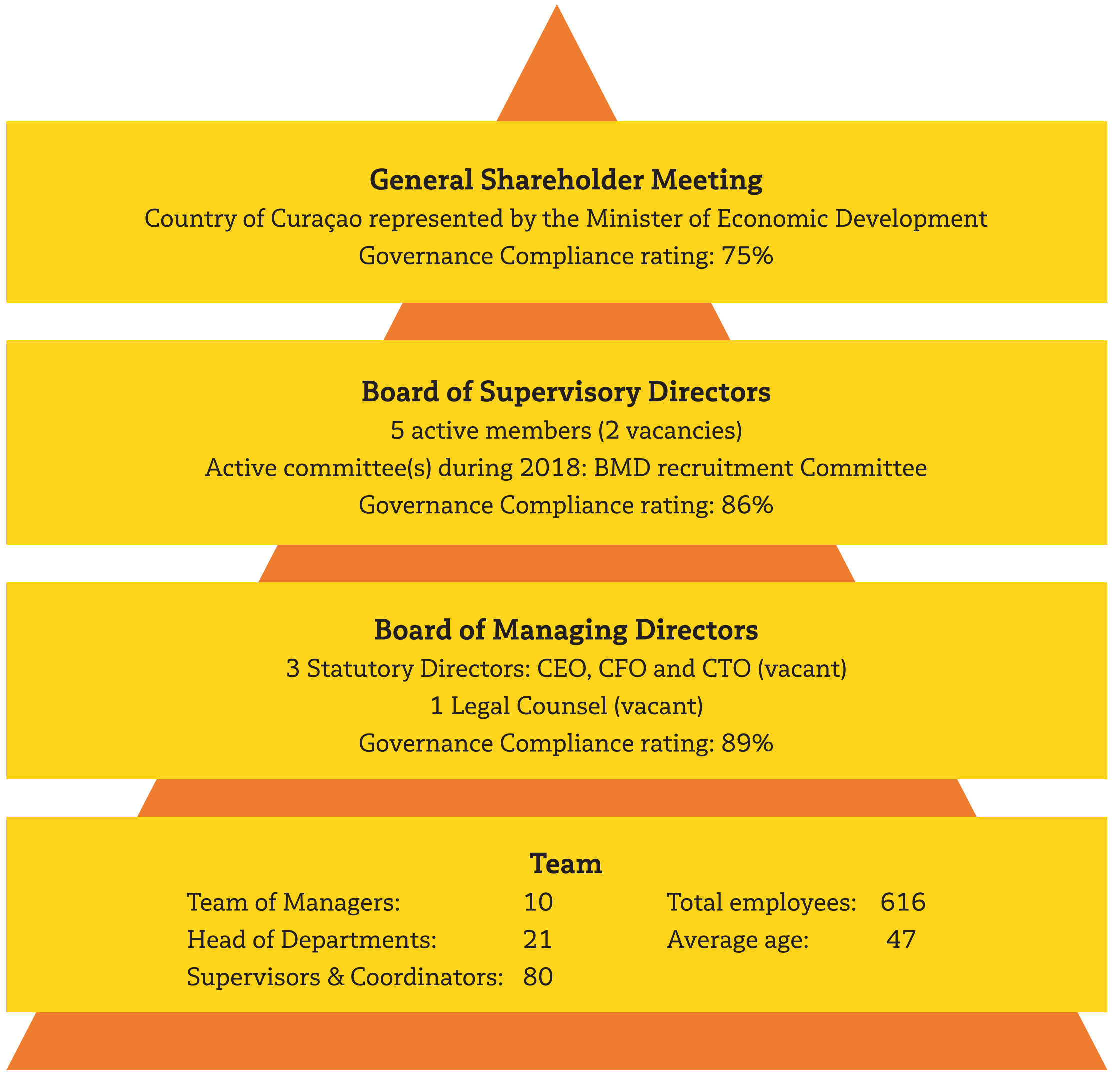
(ANG * 1,000)	Dec 31, 2018	Dec 31, 2017	Change in ANG	Change in %
Operating cash flow	77,054	84,891	(7,837)	-9%
Investing cash flow	(77,467)	(78,837)	1,370	-2%
Financing cash flow	15,727	(25,780)	41,507	-161%
Net change in cash and cash equivalents	15,314	(19,727)	35,041	-178%

Aqualectra's cash and cash equivalents shows an increase in 2018 compared to 2017. The cash flow from operating activities decreased by ANG 7.8 million. The various movement can be noted in the consolidated cash flow statement.

The cash used in Investing activities increased by ANG 3.5 million compared to 2017. There was a shift between the investment in property, plant and equipment versus intangible asset in 2018. The cash flow used in financing activities shows an increase (ANG 43.5 million). This increase is the net effect of the proceeds of new loans of ANG 200.0 million and loan, bond and interest repayments of ANG 182.3 million compared to only loan and bond repayments of ANG 25.8 million made in 2017.

1.3 Corporate governance

Aqualectra's governance structure is depicted as follows:



This structure and the tasks and responsibilities of the various actors are governed by the law (civil code), the Company's bylaws and the Code of Corporate Governance (the code). The Compliance rates indicated above, relate to the level of compliance to the code which requires the BMD and the Board of Supervisory Directors (BSD) to report on their compliance to it.

The passion for *Karnaval*

Not many events in the course of the year are as widely and enthusiastically celebrated as carnival. Yet it is the passion of those who from Lent to Lent put their souls into the preparations which is the fuel that feeds the ultimate burst of energy. It is their dedication which will during those days of feasting result in general euforia.

Strengthening *our team*

The BSD and General Shareholder's Meeting ('GSM') worked diligently throughout 2018 to fill the vacancies in the BMD.

On August 3, 2018, Mr. Darick Jonis was officially appointed as Chief Executive Officer ('CEO'), after acting in this position for 7 years. Mr. Jonis was already a member of the BMD as statutory Chief Operating Officer.
On December 28, 2018, Ms. Neysa Isenia was appointed Chief Financial Officer ('CFO'). Ms. Isenia has been with Aqualectra since 2014 as Interim Manager Administration & Accounting.
The position of Chief Technology Officer ('CTO') remains vacant to date.

The BMD was also strengthened. Mr. Irvin Hanst was officially appointed as Advisor to the CTO (CTO position vacant).
Mr. Rudolf Garmes (Manager Power Supply Chain – 'PSC') was appointed Program Director of ProgResA III in 2017 and during 2018, the position of Manager PSC was occupied by Mr. Jahnastasio Granger and subsequently by Mr. Richen Ferrero. Mr. Granger and Mr. Ferrero are Head of Departments within the PSC Department.
Mr. Daniel Corsen (Manager Water Supply Chain – 'WSC') retired in 2018. Mr. Raichel Leito (former Manager General Affairs) was appointed Manager WSC. The tasks and responsibilities of the position Manager General Affairs were merged with other positions after the new organizational structure was implemented.
Mr. Donald Cijntje (Manager Engineering) also retired in 2018. Mr. Raycelli Seferina (former Manager Facilities Department) was appointed Manager Engineering.
The tasks and responsibilities of the Manager Facilities Department were assigned to the Head of Department Facilities, a new position resorting under the Manager Human Resources & General Affairs.
Mrs. Murielle Cecilia-Belioso (former Manager Internal Audit & Business Risk Control) was appointed Risk Officer, while the position of Internal Audit Manager continued to be occupied on an interim basis by Mrs. Charissa de Cuba.
Lastly, Mrs. Alexis Daou and Mr. Robert Celestina were appointed in the respective positions of Corporate Treasurer and Manager Commercial Affairs.

We would like to take this opportunity to express our heartfelt gratitude to Mr. Corsen and to Mr. Cijntje for their years of service to Aqualectra and wish them all the best in this new life chapter.
To Mr. Granger and Mr. Ferrero, thank you for your input and commitment during the months you served as Manager PSC.
We wish the ones who accepted new positions during 2018 all the best in this new phase of their careers and we look forward to continuing building the Utility of the Future with you.

1.4 Future prospects

When taking a sneak peak in our future plans, we see a constant changing and evolving business, more investments and various challenges. We are aware that our focus on Customer Satisfaction must be further intensified. The year(s) ahead will be pivotal for our Customer Service departments. Aside from improving our processes to serve our customers better, we will also take utility industry trends into account such as consumers becoming pro-sumers, distributed energy resources, smart grids, home automation and water recycling and re-use.

At the same time, Aqualectra will be undergoing a digital transformation. The firm foundation was laid with the implementation of SAP and the start for an AMI. During the year(s) to come, we will continue to build the foundation and walls to construct a digital Aqualectra.

Aqualectra's Capital Expenditure plan will remain ambitious during the coming years. With the construction of a new Headquarter, the commissioning of the AMI, the construction of a new water plant and the addition of more renewable resources to our production mix, Aqualectra is well on its way to becoming the Utility Company of the Future.

The following table depicts Aqualectra's projected financial performance:

SUMMARY OF RATIOS

	CBCS	2017	2018	2019 Budget	2020 FLP	2021 FLP	2022 FLP	2023 FLP	2024 FLP
EBITDA	N/A	91,323	122,378	125,594	128,449	132,757	136,905	141,853	128,833
ROE	N/A	4.30%	11.00%	11.3%	11.4%	10.5%	9.9%	0.095	0.092
DSCR	>1.45	2.86	0.66	1.07	4.7	5.63	5.95	6.3	6.64
ADCR	>1.15	1.17	0.47	0.63	1.09	1.23	1.65	2.19	2.64
DEBT/EBITDA	<8.50	2.69	2.25	2.72	2.57	2.4	2.23	2.06	1.9
SOLVENCY	>30%	36.3%	40.0%	44.8%	48.5%	51.4%	54.3%	0.57	0.596
CURRENT RATIO	>1.00	1.54	0.76	2.07	2.28	2.49	3.02	3.77	4.66

Note: non-compliance of DSCR and ADSCR are related to the large repayments of the CBCS bonds that were refinanced with the new MCB/CIBC loan. The non-compliance of the Current Ratio is due to change in classification of the CBCS bonds as the remaining balance is due at the end of 2019, in conformity with the repayment agreement with the CBCS. After normalizing for these repayments, these ratio's would have remain in compliance with targets.

The challenges are still our macro-economic environment and the pressure the economic turmoil causes on the water and electricity tariffs. The Regulator announced its plans to conduct a tariff study which we welcome as we are of the opinion that a more balanced structure will benefit the community in its entirety.

These external factors challenge us internally to become more flexible and motivate our staff further to continue putting their **passion at work!** Vince Lombardi said it right: 'the only place success comes before work is in the dictionary'. We consider it our responsibility to continue to invest in our staff to ensure that the Company's attitude towards change remains positive, that the commitment level remains intact and that we become more resilient than we are now. All of this will result in more **Passion at work!**

1.5 Words of Appreciation

The year 2018 will surely go into memory lane as a year in which many memorable events took place. None of them would have been possible without the unwavering support of very important pillars of Aqualectra whom truly showed *passion at work*.

Simon Sinek could not have said it better: *'customers will never love a company until the employees love it first'*. Each and every success booked in 2018 and before was the result of the resilience and commitment of our staff, to whom we are truly grateful. We have seen ups and downs and have known good and bad times, but we were always able to count with the ***passion at work***.

We would also like to express our heartfelt gratitude to the members of the BSD and the representative of the GSM (the Minister of Economic Development and members of the Council of Ministers) for their continuing support and for keeping us sharp, always.

To our financiers, suppliers and unions we want to say: 'Thank you!' We are convinced that you could not have been of service to us and/or our employees, without being passionate about your work as well.

To our customers and the community we serve: 'Thank you!' Being loyal to a company that is going through so many changes at once is not easy. We are very much aware that at times, not reaching the high standards of service we strive for, may have caused annoyances. We regret this deeply and offer our sincere apologies to you. However, we are also convinced that you know that these incidents are occasional setbacks that can happen during the temporary, transitional phase we 're in and that everything is for the better.

Our ***passion at work*** leads us to:

> *'Risk more than others think is safe;*
> *Care more than others think is wise;*
> *Dream more than others think is practical;*
> *Expect more than others think is possible.'*
> *- Claude Bissell*

Willemstad, July 1, 2019

The Board of Managing Directors

Mr. D.P. Jonis, MSc. MBA
Chief Excutive Officer

Ms. N. R. Isenia, MSc. RA
Chief Financial Officer

2. Report from the Board of Supervisory Directors.

The passion of *Bert*

To love and live your life in the midst of the fauna and flora you cherish, to care and teach others how to care for the wonders of nature, to share your passion and show others how they too can appreciate and enjoy.

Supervision and advice

The primary task of the Board of Supervisory Directors ('BSD') is to supervise and advise the Board of Managing Directors ('BMD') regarding the implementation of the policies and the strategy set forth by the General Shareholder's Meeting ('GSM') – the Legal Entity of Curaçao.

In this role, the BSD is responsible for assessing whether the decisions taken by the BMD are in compliance with the company's strategic, societal, financial and technical objectives. The BSD also devotes attention during the board meetings to adherence by the BMD to all laws, regulations and internal procedures. Seven (7) meetings were held during 2018 and the key decisions taken, are outlined below:

Discussion and, where needed, approval of:

Projects:

- Approval of an agreement between DAMEN Shipyards and Aqualectra Multi Utility N.V. ('AMU') to deploy a Reverse Osmosis plant to deliver second grade water to DAMEN Shipyards;
- Approval to execute a project to redevelop the electricity grid in the neighborhood Nieuw Nederland and engaging a sub-contractor to execute the work.

Financial matters:

- Approval of the consolidated Financial Statements 2017;
- Approval of the Budget 2019 & Forward Looking Projections 2020-2024;
- Approval of a Facilities Agreement entered into on November 14, 2018 with Maduro & Curiel's Bank N.V. and First Caribbean International Bank (Cayman) Limited, Curaçao Branch;
- Approval of the write-off of bad debts.

Governance related matters:

- Recruitment, selection and appointment of a Chief Executive Officer;
- Recruitment, selection and appointment of a Chief Financial Officer;
- Recruitment, selection and appointment of a Chief Technology Officer.

Other business:

- Approval of the new pension plan;
- Approval of an extension of the agreement with Aggreko for leased generators to complement capacity shortages;
- Approval of an extension of the Water Purchase Agreement with SUEZ;
- Strong focus on commercializing new value-added services through AMU;
- Focus on the development of a high-performance culture as the basis for corporate strategy in upcoming years.

In discussing and approving these matters that the BMD presented to the BSD, the roles and responsibilities as bestowed upon the BSD have been fulfilled.

Compliance with the Corporate Governance Code

The BSD strives to be compliant with the Code Corporate Governance. The following instances of non-compliance to the BSD's tasks and responsibilities have been noted:

Nr	Description	Explanation
1	Timely submission by the BMD (before November 1) and adoption by the BSD of the business plan including operational and capital expenditures budget for the coming year	Budget for the year 2019 was submitted on November 30, 2018 and approved by the BSD on December 24, 2019.
2	Written financial reporting by the BMD to the BSD for a minimum of four (4) times a year	Given the various challenges after the implementation of SAP, financial reports were not submitted to the BSD as frequent as four (4) times a year.
3	Timely submission of adequate information from the BMD to the BSD before (2 weeks before BSD meetings)	The minimum of two weeks before each BSD meeting to submit information was not adhered to by the BMD in all instances.
4	Supervision on a well-considered enterprise risk management (ERM) framework and approach	A risk-based approach was used to prepare the Internal Audit plan for the year 2018. In this regard, the key risks were identified and duly presented to the BSD. However, the risk assessment was not done as part of a well-considered ERM approach but as basis to prepare the Internal Audit Plan. A new Risk Officer was appointed in 2018 and an elaborate ERM approach and plan is being designed.
5	Supervision on timely holding of the GSM	The Code of Corporate Governance does not define what timely means. In conformity with the bylaws, timely is 9 months after the closing of a financial year (thus September 30th at the latest). For all preceding Financial Statements, the definition of the bylaws was applied. The Chairman of the BSD periodically informed the GSM of the importance of complying with the requirement however scheduling of the GSM is the Shareholder's responsibility. Note that during 2018 no GSM were held.
6	Supervision on whether the BMD request the external auditors yearly to provide a management letter, containing recommendations and suggestions to improve the financial management and/or the internal control measures of the company	The Management Letter for 2017 was not obtained as the items included remained the same as the previous year and most of them were envisioned to be solved with the implementation of SAP.
7	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.	Risk matters were discussed during the various BSD meetings. No specific meeting held about the effect of the risk management and control systems.
8	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).	The BSD evaluated its own performance and the performance of the BMD (Mr. Darick Jonis) for 2017 during 2018. This was formally done once, not twice. However, BSD meetings pose a constant evaluation of decisions made by the BMD and the execution of their management tasks.

The following compliance rates were achieved during 2018 by the various instances of governance in the Company:

- Compliance to the Code of Corporate Governance by the GSM: 75%
- Compliance to the Code of Corporate Governance by the BSD: 86%
- Compliance to the Code of Corporate Governance by the BMD: 89%

The BSD will maintain its focus on its own compliance with the governance regulations and will stimulate the BMD and the GSM to maintain and/or improve the current compliance rates.

Composition of the BSD

The members of the BSD are appointed for a term of four years with a maximum of two terms. On December 31, 2018, the BSD consisted of the following Directors:

Name	Function
Mr. S. Coutinho *(September 19, 2017 – 2019)*	Chairman Member of the Recruitment Committee
Mrs. S. Inderson *(November 7, 2017 – 2021)*	Vice-chairman Member of the Recruitment Committee
Mr. R. Bulbaai *(September 19, 2017 – 2021)*	Supervisory Director Member of the Recruitment Committee
Mr. C. Marshall *(October 12, 2018 – 2022)*	Supervisory Director
Mr. R. Rudolph *(August 31, 2018 – 2022)*	Supervisory Director
Mr. A. Davelaar *(January 19, 2015 – 2019)*	Supervisory Director
Mrs. J. Da Silva Goes – Laclé *(March 20, 2019 – 2023)*	Supervisory Director

In accordance with the Code Corporate Governance, members of the BSD are entitled to a financial compensation. During 2018, the following has been paid to the respective Board members:

Amount in ANG

	Name	2018	2017
1	Mr. R. Bulbaai	29,359	8,898
2	Mr. S. Coutinho	28,781	9,094
3	Mr. A. Davelaar	29,359	29,359
4	Mr. D. Evertsz	-	16,851
5	Mrs. S. Inderson	29,359	4,023
6	Mr. F. Metry	-	9,386
7	Mrs. T. Prins	-	6,558
8	Mr. C. Marshall	6,394	-
9	Mr. R. Rudolph	7,712	-
	Total	**130,964**	**84,169**

These amounts are expenses incurred to remunerate the members of the BSD. The net amount disbursed to the Directors is based on a Ministerial Decree adopted by the Government regarding remuneration of the Supervisory Directors of government owned entities.

In accordance with the Code Corporate Governance, all members of the BSD are independent. The principal appointment/position and all other relevant additional positions of each board member have been adequately documented and this is retained in the BSD handbook

The BSD held four (4) regular meetings in 2018. All members of the BSD frequently attended the meetings. All the meetings of the BSD and its committee were attended by the secretary who was responsible for the minutes.

Committees of the BSD

In connection with the recruitment and selection process of the CEO, CFO and CTO initiated by the BSD, a recruitment committee was established. The recruitment and selection processes of the CEO and of the CFO were finalized with the appointment of both by the GSM.
The recruitment and selection process of the CTO has not been concluded yet.

Consolidated Financial Statements and dividend proposal

The BSD herewith submits the consolidated Financial Statements for the year ended December 31, 2018 of Integrated Utility Holding N.V. (d.b.a. Aqualectra) as prepared by the BMD and approved by the BSD. EY Dutch Caribbean audited the Consolidated Financial Statements and its opinion is included in this report.

It is of utmost importance that the Shareholder's Equity is further strengthened to safeguard the Company's financial viability and resiliency. For this reason, and following lawful stipulations and the dividend policy, the BSD advises the GSM not to distribute dividends, even in the event of a profitable operation, until the negative retained earnings is eliminated.

Considering the aforementioned, the BSD advises the GSM to:

1. Accept the consolidated financial statements 2018 as included and approved by the BSD;
2. Approve that no dividend payment will be distributed;
3. Add the positive total comprehensive result for financial year 2018 to the balance of the accumulated losses, resulting in further improvement of the net equity position;
4. Discharge the BMD for their management and the BSD for their supervision during the year under report.

Assertions of the Board of Supervisory Directors

The BSD of Aqualectra approved the consolidated financial statements of 2018 in the board meeting held on August 13, 2019. The external auditor issued for the year 2018 an unqualified opinion with emphasis of matter paragraph on the consolidated financial statements. For the years up and till 2017 the auditor issued an qualified audit opinion on the consolidated financial statements 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 certain matters. For the consolidated financial statements of 2016 and 2017 the external auditor eliminated one of the two qualifications. The company reached an acceptable level of compliance with the financial ratios and all efforts indicate that the company can comply with the obligations forthcoming from the Corporate Bonds. The audit findings and the emphasis of matter that remain can be summarized as follows:

Investment in equity accounted investees

Reference is also made to the consolidated financial statements 2010, where it is disclosed that 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 Refineria di Kòrsou (RDK) for a nil consideration. As a consequence of this decision of the Shareholder, as disclosed in the financial statements 2010 of January 21, 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 particular, the transfer of 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 consolidated financial statements present a misleading position of the Company. On the other hand each board member could be liable in case the consolidated financial statements are not prepared, signed by the BSD and consequently presented for approval to the shareholder and published timely by the Company.

The BSD approved the financial statement of 2010 on January 21, 2014 and on April 9, 2014 this consolidated financial statement was presented to the GSM. The Council of Ministers accepted the qualification as to be issued by the External accountant and instructed the Shareholder to approve the consolidated financial statement with the proposed qualifications as issued by the external auditors. On May 13, 2014 the Shareholder of the Group approved the 2010 consolidated financial statements.

Furthermore, as per October 21, 2014, December 13, 2014, March 21, 2015 and May 28, 2015, the BSD also approved the consolidated financial statements 2011, 2012, 2013 and 2014, respectively with the abovementioned qualifications and also advised the Shareholder to do the same.
The Shareholder approved these consolidated financial statements in the GSM of December 18, 2015. The consolidated financial statement for the year ended December 31, 2015 was also approved by the BSD and GSM, respectively on May 17, 2016 and March 17, 2017. The consolidated financial statements for the year ended December 31, 2016 were approved by the BSD on July 25, 2017 and are yet to be approved by the GSM. Both the auditors' opinions on the consolidated financial statements for the years 2016, 2017 contained same qualification, whereas the auditors' opinion on the financial statements for the year 2018 was an unqualified opinion with an emphasis on abovementioned matter.
The BSD recommends the Shareholder to approve the consolidated financial statement for the year ended December 31, 2018, 2017 and 2016(as the 2017 and 2016 remain unapproved by the GSM), as it did with the previous consolidated financial statements since 2010 with the only remaining qualification/emphasis of matter. The BSD also recommends that the Shareholder approves the consolidated financial statements for the year ended December 31, 2016, based on the approval given by the previous Board of Supervisory Directors on July 25, 2017.
Work is still ongoing to resolve this matter.

Word of Appreciation

Over the course of 2018, Aqualectra successfully dealt with significant challenges while simultaneously working on multiple essential investment projects.

Through all of this, Aqualectra remained focused and dedicated to its central purpose of contributing to the improvement of the quality of life in Curaçao through the excellent supply of water and electricity, accompanied by services. In recognition of Aqualectra's achievements, the BSD would like to thank the BMD and all Aqualectra employees. It is their hard work, dedication, contribution and continuous commitment that made this possible.

Willemstad, August 13, 2019

The Board of Supervisory Directors,

Mrs. S. Inderson
Vice-chairman and Supervisory Director

Mr. R. Bulbaai
Supervisory Director

Mr. C. Marchall
Supervisory Director

Mr. R. Rudolph
Supervisory Director

Mrs. J. Da Silva Goes-Laclé
Supervisory Director

3. Highlights of the year.

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
FINANCIAL DATA		
Operating revenues		
Sales electricity	371,353	365,109
Sales water	116,610	105,922
Sales services	9,216	17,605
Operating expenses		
Total operating expenses Aqualectra N.V.	208,241	260,411
Total operating expenses Holding	2,755	3,495
Results		
Operating profit Aqualectra N.V.	56,308	37,003
Operating profit Holding	5,065	4,411
Operating profit Multi Utility	842	-
Consolidated net profit	32,050	30,680
Financial data		
Working Capital	(68,461)	58,444
EBITDA	122,378	91,323
EBIT	62,212	41,414
EBT	46,673	26,596
Equity	364,903	313,560
Non-current liabilities	266,018	441,683
Current liabilities	282,227	108,166
Financial ratio's		
Debt Service Coverage Ratio	0.66	2.86
Adjusted Debt Service Coverage Ratio	0.47	1.17
Debt/EBITDA Ratio	2.25	2.69
Solvency Ratio	40%	36%
Current Ratio	0.76	1.54
Return on equity	11%	4%

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
OPERATIONAL DATA		
Electricity		
Sales electricity in MWh (excl. RO Fuik and own usage)	654,390	676,231
Electricity intake from production in MWh	505,166	621,572
Electricity intake from CUC in mwh	113,840	74,170
Electricity intake from wind farms in MWh	233,761	169,089
Usage reverse osmosis plants	61,863	59,368
Number of postpaid connections at year end	54,739	53,794
Number of prepaid connections at year end	27,329	27,794
Average usage households per month in KWh	332	344
Average sales tariff households in ANG per KWh	0.6268	0.5465
Average sales tariff in ANG per KWh	0.5527	0.5138
Unaccounted for usage in % of MWh intake	12.10%	11.58%
Water		
Sales water in $1000m^3$	10,677	10,693
Water intake from production in $1000\ m^3$	15,189	14,266
Number of postpaid connections at year end	83,654	82,324
Average usage households per month in m^3	7.8999	8.1485
Average sales tariff households in ANG per m^3	10.0104	9.3697
Average sales tariff in ANG per m^3	10.3092	9.8955
Unaccounted for usage in % of m^3 intake	25.72%	23.70%

The passion of Saeed

The courage to chase your dream, to strive for the perfection of your talent, to labor with passion to produce the most exquisite pastry, the most dainty sweet delicacies to put a smile of happiness on the faces of those who are celebrating that important event in their lives.

The passion to Teach

To share both knowledge and the skills needed to succeed in life.
The commitment to help develop your community through the education of its youth, listening, answering questions, giving advice and guiding. To teach is not just a job.
It is a mission.

4. Consolidated Summary Financial Statements.

4.1 Consolidated Statement of Financial Position

(Amounts in ANG * 1,000)	As at Dec 31, 2018	As at Dec 31, 207 *
ASSETS		
Non-current assets		
Intangible assets	56,682	47,575
Property, Plant and Equipment	595,210	586,992
Other non-current financial assets	34,218	34,631
Deferred tax assets	12,025	27,601
	698,135	696,799
Current assets		
Inventories	37,766	25,778
Trade accounts receivable	88,736	57,575
Other receivables	15,192	21,876
Cash & cash equivalents	72,072	57,608
	213,766	162,837
Total assets	911,901	859,636
EQUITY AND LIABILITIES		
Shareholder's equity		
Share capital	528,000	528,000
Share premium	55,000	55,000
Preferred shares	72,800	72,800
Treasury shares	(72,800)	(72,800)
Accumulated losses	(250,602)	(300,120)
Profit for the year	32,505	30,680
	364,903	313,560
Non-current liabilities		
Corporate bonds IUH N.V.	-	213,863
Financial liabilities	162,809	6,760
Customer deposits	25,332	24,723
Provisions	76,630	196,337
	264,771	441,683
Current liabilities		
Corporate bonds IUH N.V.	97,079	12,002
Trade accounts payable	91,014	33,433
Bank overdrafts	-	850
Other liabilities	94,134	58,108
	282,227	104,393
	911,901	859,636

* Certain amounts shown here do not correspond with the 2017 consolidated Financial Statements and reflect reclassifications for comparative purposes. 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, 2018	For the year ended Dec 31, 2017 *
CONTINUING OPERATIONS		
Revenue from contracts with customers	497,179	488,636
Direct costs production	(205,522)	(169,292)
Other direct cost of sales	(18,449)	(14,024)
Cost of sales	(223,971)	(183,316)
Gross profit	273,208	305,320
Personnel expenses	89,579	90,553
Other (post) employment benefits (net)	(89,159)	35,429
Parts, repairs & maintenance	59,183	77,605
Customer Relations Service Fees	6,820	5,740
General expenses	36,377	29,013
Depreciation and amortization expenses	60,166	49,909
Impairment reversal	-	(48,340)
Provision bad debts	48,030	23,997
Total operating expenses	210,996	263,906
Results from operating activities	62,212	41,414
Interest expenses (net)	(15,539)	(14,818)
Net finance costs	(15,539)	(14,818)
Profit before income tax	46,673	26,596
Income tax	(14,168)	4,084
PROFIT FOR THE YEAR	32,505	30,680
Other comprehensive gains / (losses)		
Actuarial gains / (losses)	6,397	(25,302)
Deferred tax related to the components of other comprehensive results	(1,407)	9,449
Other comprehensive gain / (loss) for the year, net of income tax	4,990	(15,853)
Total comprehensive gain for the year	37,495	14,828

* Certain amounts shown here do not correspond with the 2017 consolidated Financial Statements and reflect reclassifications for comparative purposes. The accompanying notes form an integral part of these consolidated financial statements.

4.3 Consolidated Statement of Changes in Shareholder's Equity

(Amounts in ANG * 1,000)	Share capital	Share premium	Preferred shares	Treasury shares	Accumulated losses	Total Shareholder's equity
Balance at January 1, 2017	528,000	55,000	72,800	(72,800)	(284,267)	298,733
Profit for the year 2016	-	-	-	-	-	-
Profit for the year 2017	-	-	-	-	30,680	30,680
Other comprehensive income for the year 2017	-	-	-	-	(15,853)	(15,853)
Balance at December 31, 2017	528,000	55,000	72,800	(72,800)	(269,440)	313,560
Balance at January 1, 2018	528,000	55,000	72,800	(72,800)	(269,440)	313,560
Effect of adoption of new accounting standards	-	-	-	-	13,848	13,848
Adjusted balance at January 1, 2018	528,000	55,000	72,800	(72,800)	(255,592)	327,408
Profit for the year 2017	-	-	-	-	-	-
Profit for the year 2018	-	-	-	-	32,505	32,505
Other comprehensive income for the year 2018	-	-	-	-	4,990	4,990
Balance at December 31, 2018	528,000	55,000	72,800	(72,800)	(218,097)	364,903

The accompanying notes form 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, 2018	For the year ended Dec 31, 2017*
Cash flow from operating activities		
Profit for the year	32,505	30,680
Adjustments for non-cash items:		
Effect of adoption of new accounting standards	13,848	
Effect of adjustment of Provision AOV/BVZ	-	
Depreciation and amortization expenses	60,166	49,909
Reversal of impairment loss on property, plant and equipment	-	(48,340)
Provision doubtful debts	48,030	23,997
Disposal of property, plant, equipment (net)	-	4,091
Change in provision slow moving inventory	12,142	5,214
Change in deferred tax asset	15,576	(13,533)
Amortization on bond	1,868	2,911
Change in provisions	(114,717)	38,679
Finance cost	13,791	11,907
Total adjustments for non-cash items	50,704	74,835
Change in non-current financial assets	413	(568)
Change in inventories	(24,130)	(3,725)
Change in trade accounts receivable	(61,469)	(5,920)
Change customer deposit	609	(83)
Change in other receivables	(11,038)	(7,124)
Change in trade accounts payable	57,581	(11,508)
Change in other liabilities (excluding interest paid)	31,879	8,303
Total of operational activities	(6,155)	(20,624)
Total cash flow from operating activities	77,054	84,891
Cash flow from investing activities		
Acquisition of property, plant, equipment	(66,067)	(46,089)
Investment intangible assets	(11,400)	(32,748)
Total cash used in investing activities	(77,467)	(78,837)
Cash flow from financing activities		
Proceeds from loans	200,000	-
Repayments of loans	(170,586)	(14,492)
Interest paid	(13,687)	(11,288)
Total cash flow used in financing activities	15,727	(25,780)
Balance at start of year	56,758	76,485
Increase / (decrease)	15,314	(19,727)
Balance at end of year	72,072	56,758
The balance at end of year comprises of:		
Cash & cash equivalents	72,072	57,608
Bank overdraft	-	(850)
Balance at end of year	72,072	56,758

* Certain amounts shown here do not correspond with the 2017 consolidated Financial Statements and reflect reclassifications for comparative purposes. The accompanying notes form an integral part of these consolidated financial statements.

The passion of Serapio

A lifetime passion; to keep alive a traditional form of art and pass it on to the next generation, to teach the pleasure of sharing the joy of music, to use your talents to bring to life the creations of those great musicians who have already departed this world. The wish, the passion, to contribute to your culture.

5. Notes to the Consolidated Summary 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. On January 2, 2018, Kompania di Awa i Elektrisidat N.V and Kompania di Distribushon di Elektrisidat i Awa were legally integrated and become Aqualectra 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 January 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. All 528 shares are paid up in full.

Utilities sector in Curaçao

Concessions

The National Ordinance for Electricity concession ("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 shall be given for a maximum period of 30 years with possibilities for extension.

On July 30, 2012 concessions for the production and distribution of electricity were adopted, granting the Group the certainty of production of power for the coming 30 years. Management initiated discussions and negotiations with the Regulator, Bureau Telecommunicatie en Post (BTP), on various restrictions identified in complying with these requirements. 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 a concession for the production of electricity. A notable change in this concession, compared to the previous concession, is the simplification of various requirements. 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.

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 fuel component must cover the fuel costs and other direct costs of production and sales.

This separation made the application of a rate calculation system that could track changes in fuel costs possible.

Determination of tariffs

The Ordinance for prices ("Prijzenverordening") states that the authority for the determination and the adjustment of electricity and water tariffs, lies with the Government of the Country of Curaçao.

The electricity and water tariff-structure adopted on June 1, 2012 comprises three components, namely:
- the fuel component, which covers the direct costs (includes fuel, chemicals, lubricants and purchase of electricity and water from third parties);
- the recovery component, which covers shortages in the fuel component which developed between January 2011 up to, and including, May 2012;
- the base cost component, which covers the operational costs.

On July 26, 2017, the Council of Ministers approved tariff guidelines, which include a Weighted Average Cost of Capital (WACC) component as part of the base component. The WACC is calculated and stipulated on an annual basis, based on guidelines as set in the tariff guidelines.

Energy policy

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

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

On November 15, 2010, the Regulator presented to the Group and other stakeholders a New Policy Paper ("Beleidsnota") concerning the future regulatory structure for electricity supply in Curaçao.

The intended effect of the policy paper is to lower the tariffs, upgrade the services to the customers, provide choices for the clients and 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.

During 2017, a new Energy policy was drafted and approved by the Council of Ministers on May 16, 2017. This policy introduces an Energy Bureau concept as policy maker, while BTP remains with supervision tasks.

5.2 Significant accounting policies

Basis of preparation

The accompanying consolidated financial statements of the Group are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Netherlands Antillean guilders and all values are rounded to the nearest thousand (ANG'000), except 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 IFRS.

These consolidated financial statements for the year ended 2018 were approved for issue by the Board of Supervisory Directors on

August 13, 2019. The shareholders have the power to amend the consolidated financial statements after the date of issuance.

The consolidated financial statements provide comparative information in respect of the previous period.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights resulting from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.
IUH N.V. has the following subsidiaries (all are incorporated in Curaçao):

	% equity interest	
Name	2018	2017
Aqualectra N.V.*	100%	N/A
Aqualectra Multi Utility Company N.V. (AMU)	100%	100%
Aqualectra Production (KAE N.V.) *	N/A	100%
Aqualectra Distribution (KODELA N.V.)*	N/A	100%
General Engineering & Utility Services N.V. (GEUS)**	100%	100%
Aqualectra Bottling Co. N.V.**	100%	100%
KUMEPE N.V. ***	N/A	100%

* On January 2, 2018, Aqualectra Production and Aqualectra Distribution were legally integrated into a new company, Aqualectra N.V.
** The entities GEUS and Aqualectra Bottling Co. N.V. are still part of the group but they are in liquidation.
*** The entity Kumepe N.V. was liquidated during 2018.

The new legal structure now consists of the holding company (IUH N.V.) and two subsidiaries, namely Aqualectra N.V. and Aqualectra Multi Utility N.V., hereinafter collectively referred to as "The Group". The Group is responsible for the management of the abovementioned companies (with the exception of KUMEPE N.V.). During the year 2018 Aqualectra Bottling and GEUS did not engage in any activities

5.3 Summary of significant accounting policies

a) Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

b) Fair value measurement

The Group holds no financial assets or liabilities that are measured at fair value at December 31, 2018 or December 31, 2017. Fair values of financial instruments measured at amortized cost are disclosed in Note 5.6.19. ‘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 are available to measure fair value, maximizing the use of relevant observable inputs and minimizing 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.

c) 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 occurring on settlement or translation of monetary items are recognized 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 recognized 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 resulting 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 (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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 at the reporting date.

d) Property, plant and equipment

Construction in progres is stated at cost, net accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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. Since commencement of the demolition activities, the provision has been adjusted based on more accurate information gathered internally regarding the expected decommission costs. Depreciation of the capitalized decommissioning cost is calculated by the straight-line method to write off the cost of each asset, or the recoverable amounts, to their residual values over their estimated useful life, taking into account the useful life of the most important components.

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

The cost of work in progress comprises materials, direct labor, service charges and other costs.

Depreciation is calculated on the straight-line basis over their estimated useful life, taking into account the useful life of the most important components as follows:

Buildings	10 to 50 years
Plant and equipment	5 to 33 years
Distribution network	15 to 40 years
Other assets	3 to 50 years

Major spare parts are depreciated in accordance with the category of Plant & Equipment.
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 resulting 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.

e) Property, plant and equipment contributed by customers

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

f) Leases

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

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. During 2018 and 2017, all leases were classified as operating leases. Operating lease payments are recognized as operating expenses in the income statement on a straight-line basis over the lease term.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

g) 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 costs that an entity incurs in connection with the borrowing of funds.

h) Intangible assets

The Group holds intangible assets with finite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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 recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.
An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:
- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Licenses
The Group made upfront payments to purchase licenses related to the ERP system. Separately acquired licenses are shown at historical cost. Licenses 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 licenses over their estimated useful lives.

i) Impairment of non-financial assets
Further disclosures relating to impairment of non-financial assets are also provided in the following notes:
- Disclosures for significant assumptions Note 5.4
- Property, plant and equipment Note 5.6.2
- Intangible assets Note 5.6.1

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 CGU's 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 CGU's 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 the lower of its recoverable amount, and 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.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

j) 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
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (p) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

As at December 31, 2018 and 2017 the group only holds financial assets classified as financial assets at amortized cost (debt instruments).
Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes loans and (trade) receivables, and concession deposit included under other non-current financial assets.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired.
  Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Further disclosure relating to impairment of trade receivables, including contract assets is also provided in Notes 5.5.2 'Credit Risk'.

From a financial point of view, the Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities
Initial recognition and measurement
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 recognised 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, loans and borrowings including bank overdrafts.

Subsequent measurement
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 amortization 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.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

k) Inventories
Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:
- Raw materials (Fuel inventory): purchase cost on a first-in/first-out (FIFO) basis.
- Finished goods (Parts inventory): cost of direct materials including shipping and freight on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

l) 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.

m) 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.

n) 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.

o) Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

- *Onerous contracts*

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

- *Provision for the decommissioning of Mundo Nobo*

The Group records a provision for decommissioning costs of the Mundo 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.

p) Employment benefits
General
Certain employee benefits provisions, except for the provision for vacation leave, are based on actuarial calculations. For the key actuarial assumptions please see note 5.6.13.1. The independent and qualified actuary obtained sufficient information in order to perform the valuations.

Post-employment benefits
All the post-employment benefit plans within the Group are defined benefit plans. With the exception of the pension plan which was changed to a Defined Contribution plan as per January 1, 2018. The post-employment benefit accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing post-employment benefits 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 post-employment benefit obligation is measured as the present value of the estimated future cash outflows using market yield of high quality USD denominated corporate bonds, 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.

Below follows a description of the different post-employment plans applicable to the Group:

APC Pension plan
Certain employees of the Group (ex-civil servants) participate in a pension plan administered at Algemeen Pensioenfonds van Curaçao (APC). The pension plan administered by APC is a multi-employer defined benefit plan. In 2015 certain changes were made to the pension plan effective January 1, 2017. These changes include calculation of the pension as a fixed percentage of the career-average salaries versus average salaries of the last two calendar years of service, and an increase of the pension age to 65. At reporting date there was no information available to use benefit accounting. Therefore the plan is accounted for as if it were a defined contribution plan where the Group's share in the contribution amount is recognized as an expense.

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

Regarding the active members of the plan, sufficient information is available to account for the Companies' proportionate share of the defined contribution 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.

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

Aqualectra VUT
According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, employees have the option of requesting early retirement to the Board of Managing Directors (BMD). The BMD decides whether the employee's request will be honored. Given the changes in Aqualectra's pension plan, all early retirement requests were placed on hold by Management, pending a resolution how this plan will aligned with the new pension age and plan.

AOV/BVZ compensation:
Based on a protocol signed in 2017 and renegotiated in 2018, employees reaching 60 years of age during coming years, up to and including 2023, will have the choice to retire at 60 years or continue working until they reach 65 years of age. This stems from the change of the age at which a citizen of Curaçao is eligible for a general pension grant (Algemene Ouderdomsvoorziening – AOV). In 2013, the lawful age at which a citizen could apply for this grant was changed from 60 to 65 years. Given the strategic goal of Aqualectra to increase efficiency by investing in sophisticated applications and consequently reducing the number of FTE's, it was negotiated with the Unions that the age of 60 will be maintained for the employees of Aqualectra as retirement age. Up to and including 2023, employees reaching 60 years will have the choice to retire or continue working until 65 years of age. Acknowledging the fact that those retiring at age 60, will be disadvantaged as they will only receive the general pension grant when they reach age 65, the BMD agreed with the Unions that the gap will be duly compensated.
The Provision AOV/BVZ compensation aims at bridging the gap caused by:
- The employee not being eligible yet for the general pension grant (AOV);
- The difference in social security premiums which are lawfully lower when reaching age 65;
- Any tax consequences the above may cause.

Provision retirement stimulation:
Based on a protocol signed with the Unions in 2017 and renegotiated in 2018, employees reaching 60 years of age during coming years, up to and including 2023, will have the choice to retire at 60 years or continue working until they reach 65 years of age. This stems from the change of the age at which a citizen of Curaçao is eligible for a general pension grant (Algemene Ouderdomsvoorziening – AOV). In 2013, the lawful age at which a citizen could apply for this grant was changed from 60 to 65 years. Given the strategic goal of Aqualectra to increase efficiency by investing in sophisticated applications and consequently reducing the number of FTE's, it was negotiated with the Unions that the age of 60 will be maintained for the employees of Aqualectra as retirement age. Up to and including 2023, employees reaching 60 years will have the choice to retire or continue working until 65 years of age. As an incentive to motivate this group of employees to choose to retire at 60 (based on Aqualectra's strategic choice to lower the number of FTE's), the BMD negotiated a departure bonus with the Unions. The Provision Retirement Stimulation has been recorded to account for these future expenses.

Medical costs retired employees
Through July 31, 2014 both the active employees and the Group contributed 2% of the total gross salary as compensation for the medical costs of retired employees. Retired personnel contribute 2% of their pension. In accordance with the collective labor agreements of Aqualectra Distribution and Aqualectra Production, retired employees would be compensated to a certain extent for their medical costs.

Effective August 1, 2014, with the implementation of the basic health-care insurance (Basisverzekering Ziektekosten, BVZ), changes were made to the health coverage plan for the retired personnel. The 2% contribution is no longer applicable, and to partially compensate the employees for the additional costs of BVZ effective retirement date, the Group contributes 3% of the retired employee's pension to the "Sociale Verzekeringbank" (SVB).

Other long-term employee benefits
The Group's net obligation in respect of other long-term employee benefits is the amount of future benefit that employees have earned 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 occur.

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. The employees of Integrated Utility Holding N.V. (excluding the CEO) are also entitled to an anniversary bonus linked to the number of years of service

q) Revenue from contracts with customers
Aqualectra is Curaçao's utility company responsible for the production and distribution of power and water as well as for the delivery of accompanying services. Revenue from contracts with customers is recognized when control of the services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer.

There are no significant accounting judgments, estimates or assumptions relating to revenue from contracts with customers.

Water & electricity sales
Aqualectra can recognize the revenu upon usage of electricity or water by the customer. The electricity represents one performance obligation and water another performance obligation which are satisfied over time. The transaction prices differ between water and electricity and are categorized by type of customer. The transaction price is adjusted monthly and made public.

Pagatinu
The amount collected for Pagatinu is recognized as a revenue as soon as the customers pay for the electricity. The customer pays for the electricity in advance and Aqualectra provides the customers with electricity (performance obligation) over time equal to the value of the amount paid. The transaction price is charged based on the amount of kWh sold. The aforementioned is not in line with IFRS 15, however the effect is immaterial.

Connection fees, fines charges and miscellaneous income
Aqualectra can recognize connection fees, as revenue when the corresponding performance obligation is satisfied. Revenue from fines charged and miscellaneous income can be recognized after invoicing to the customer. The performance obligations related to these revenues is the (re) connection of water and/or electricity and the transaction prices are fixed.

Rental of water meters, buildings and poles
The revenue recognition is through passage of time. The performance obligation for the rentals is the rights to use the water meter, buildings and poles and the transaction prices are fixed.

KVA Allowance
Aqualectra can recognize the transaction prices as revenue when the corresponding performance obligation is satisfied which is through passage of time. The performance obligation is installation of the solar panels in order to generate renewable electricity in combination with a connection to the electricity network. A fixed fee is charged per kW(p) periodically.

Services related to streetlights, sales and distribution, Selikor and Aquadesign
Revenue for these services can be recognized after the completion of the service. The revenue of Selikor is recognized after invoicing the customers and of Aquadesign is recognized upon providing ADNV with electricity. The performace obligation is receiving the services to streetlights, installation and removal of spotlights, invoicing of cutomers on behalf of Selikor and the provision of electricity to Aquadesign. The transaction price is fixed.

Several/extraordinary income
Aqualectra can recognize the transaction prices as revenue after the items and/or assets are sold and after the inspection cards are given out by Aqualectra. The transaction prices of the fixed assets and inventory sold by Aqualectra are determined specifically for each item.
The transaction price for the inspection cards is fixed.
Additional disclosure with regard to the group's revenue from contracts with customers is provided in note 5.6.1.

r) 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.

s) Taxes
Current profit tax
Current profit 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 substantively 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 using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- When the deferred tax liability results from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- When the deferred tax asset relating to the deductible temporary difference results from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are 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 substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

t) Changes in accounting policies and disclosures

New standards, amendments and interpretations effective in 2018
The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The introduction of IFRS 15 does not have impact on the Group.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Note that hedge accounting is not applicable to the Group.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings and other components of equity.

The effect of adopting IFRS 9 is, as follows:

(Amounts in ANG * 1,000)	Adjustment	1 Jan 2018
Assets		
Trade receivables	(a)	13,848
Total assets		13,848
Total adjustment on equity		
Retained earnings	(a)	13,848

The nature of this adjustment is described below:

(a) Impairment
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Group recognized an increase in the Group's Trade receivables of ANG 13.8 million which resulted in an increase in Retained earnings for the same amount as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Reconcialiation ending impairment allowences

(Amounts in ANG * 1,000)	Impairment under IAS 39 as at 31 Dec. 2017	Re-measurement	ECL under IFRS 9 as at 1 Jan. 2018
Loans and receivables under IAS 39/ Financial assets at amortized cost under IFRS 9 and contract assets	88,310	(13,848)	74,462

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group did not and still does not measure any financial assets at fair value. The following are the changes in the classification of the Group's financial assets:

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.
IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. A detailed impact assessment of IFRS 16 has not yet been performed, but the expected impact is limited.

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. During 2018 the Risk Management Committee did not engage in risk monitoring activities through the Risk Committee but discussed risk matters in the general setting.

5.4.1 Market risk

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 EURO (EUR).
The following table summarizes the currency risk in respect of recognized financial assets and financial liabilities:

Monetary assets and liabilities by currency of denomination

Foreign currency exposures per December 31, 2018

(Amounts in ANG * 1,000)	USD	EURO
Financial assets		
Cash & cash equivalents	110	15
Financial liabilities		
Trade accounts payable	(20,384)	(1,027)
Total currency of denomination	(20,274)	(1,012)
Total currency in ANG	(36,899)	(2,105)

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

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Total EURO purchase orders made in EURO	1,103	11,385
Total EURO purchase orders made in ANG	2,289	23,279
Average EURO rate	2.0752	2.0447
Foreign exchange (profit)/loss on EURO transactions in ANG	(519)	128
Outstanding EURO trade payables in EUR per year end	1,027	526
Outstanding EURO trade payables in ANG per year end	2,136	1,147
Exchange rate per year end	2.08	2.18

The Group's policy is to regularly review the significant risks resulting from foreign exchange rate exposure and when appropriate, to hedge significant foreign currency transactions at the point the commitment is entered into, by purchasing the foreign currency and / or limiting the period that commitments in foreign exchange rates are exposed to foreign exchange risk.
Cash flow constraints combined with the immateriality of foreign exchange risk per transaction, led to Management's decision to put the aforementioned policies on hold during 2018 and 2017.

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 change of +/-10% in the exchange rate as of December 31, 2018 and as of December 31, 2017.

Carrying amount per Dec. 31, 2018

			Sensitivity analysis of an exchange rate change of:	
(Amounts in * 1,000)			-10% change (*)	+10% change (*)
Outstanding trade accounts payable	EUR 1,027	ANG 2,136	(ANG 214)	ANG 214**
Impact on the profit and loss account			(ANG 214)	ANG 214**

(*) A -10% change means a strengthening of the ANG compared to the EUR: 1 EUR: ANG 1.872/ 1 ANG: EUR 0.5342. A +10% change means a weakening of the ANG compared to the EUR: 1 EUR: ANG 2.288 / 1 ANG: EUR 0.4371.

(**) 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.

The passion of the Operator

The sense of responsibility for providing the energy which your community has a right to count on, the passion for giving impeccable service so that those that depend on your work can be at ease, knowing that your post is well occupied.

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 and short term loans payable with fixed interest rates. The corporate bonds have a floating rate that is capped at 6% with a minimum of 4%. But based on current developments, it is expected that the interest rate will remain at 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:

			Interest rate		
(Amounts in ANG * 1,000)	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017	Remark
Aqualectra N.V.					
Loan Diesel power plant ISLA	2,535	5,072	5.00%	5.00%	Fixed
Loan MJP	13,885	13,885	2.50%	2.50%	Fixed
Current maturities of long term loans	(13,612)	(12,197)			
	2,808	6,760			
Integrated Utility Holding N.V.					
Corporate Bond	97,079	225,865	4%	4%	Fixed
Current maturities	(97,079)	(12,002)			
	-	213,863			
MCB/FCIBC Bank loan facility	160,000	-	3.75%	-	Fixed for 5 years
Total financial liabilities	**162,808**	**220,623**			

5.4.1.3 Tariff risk

The Group is exposed to the volatility of international fuel-price developments, which influence s the direct cost component of the electricity and water tariffs to consumers. The chart below shows the development in average fuel price throughout the year 2018 and 2017.

	Realized 2018	Realized 2017	Variance	% Variance
AVG FUEL PRICES PER UNIT in ANG				
Fuel usage GO - MN	1,025	782	243	31%
Fuel usage MFO - DW	914	587	327	56%
Fuel usage MGO - DW	1,247	0	1,247	0%
Fuel usage IFO DPP ISLA	865	567	298	53%
Fuel usage MDO - DW & KNPL	0	788	(788)	-100%
Fuel usage MDO - DPP ISLA	964	798	166	21%
FUEL USAGE Quantity in ton/m^3				
Fuel usage GO - MN m^3	30,434	38,568	(8,134)	-21%
Fuel usage MFO - DW ton	27,597	79,960	(52,363)	-65%
Fuel usage MGO - DW ton	38,878	-	38,878	0%
Fuel usage IFO DPP ISLA ton	24,760	28,061	(3,301)	-12%
Fuel usage MDO - DW & KNPL m^3	-	14,721	(14,721)	-100%
Fuel usage MDO - DPP ISLA m^3	287	802	(514)	-64%
FUEL USAGE ANG (*1000)				
Fuel usage GO - MN	31,195	30,153	1,042	3%
Fuel usage MFO - DW	25,230	46,933	(21,703)	-46%
Fuel usage MGO - DW	48,479	-	48,479	0%
Fuel usage IFO DPP ISLA	21,413	15,899	5,514	35%
Fuel usage MDO - DW & KNPL	-	11,600	(11,600)	-100%
Fuel usage MDO - DPP ISLA	277	640	(363)	-57%
Total fuel usage in ANG	126,594	105,225	21,369	20%

Since June 1, 2012, as described in note 5.1, the electricity and water rates charged to customers consist 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. The fuel component was introduced as per June 1, 2012 but is deemed to have started retrospectively on January 1, 2011. All shortfalls in the fuel component due to the late implementation are charged via the recovery 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 appears when billing customers for the delivery of electricity and water and of other types of services rendered by the Group. Significant financial difficulties of customers (e.g. the probability that the customer will enter bankruptcy or financial reorganization) and or default payments are considered credit risk indicators.
Credit risk losses result in a provision being created for uncollectible amounts, which is based upon previously established collection patterns and historical analyses.

Credit risk within the Group also results from cash and cash equivalents (note 5.6.8) 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, 2018 the Group has cash balances placed at 8 reputable banking institutions (2017:8).

The credit risk management within the Group entails:

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

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

A high risk group within the 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 the account elsewhere or under another name. Inactive accounts are 100% provided for. The maximum exposure and categorization of the assets which are exposed to credit risk are set out in the table below.

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

December 31, 2018

Days past due	0-30 days	30-60 days	61-90 days	90-180 days	181-365 days	> 365 days	Total
Expected credit loss rate	5.5%	12.9%	27.3%	37.2%	50.1%	100.0%	54.1%
Expected total gross carying amount at default	63,567	10,895	6,454	13,831	11,579	87,179	193,506
Expected credit loss	3,485	1,403	1,760	5,144	5,798	87,179	104,770

TRADE RECEIVABLES

December 31, 2017

Days past due	0-30 days	30-60 days	61-90 days	90-180 days	181-365 days	> 365 days	Total
Expected credit loss rate	5.0%	11.7%	24.8%	33.8%	50.1%	94.4%	48.2%
Expected total gross carying amount at default	55,454	7,458	6,463	10,276	11,146	63,737	154,534
Expected credit loss	2,764	873	1,602	3,474	5,585	60,163	74,462

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 takes the necessary measures to either adapt cash inflows or cash outflows. In broad terms, Management uses long-range projections 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.

With adequate and timely tariff adjustments and prudent reduction in operating expenses, the company is expected to continue turning profit, contributing to a positive operating cash flow. Based on the approved 2018 budget and forward looking projection, the cash flow generated from operations together with third party financing, will guarantee the realization of the necessary investments included in the budget.

The liquidity status as per December 31, 2018 and as per December 31, 2017 is shown below:

LIQUIDITY STATUS

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Funds encumbered > 5 years	-	-
Funds encumbered 1 < years < 5	1,473	1,375
Available cash & cash equivalents at banks	70,599	56,233
Exchange rate per year end	**72,072**	**57,608**

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 to the contractual maturity date. The long term loans and other non-current liabilities amounts include the interest expenses for the remaining period at reporting date.

All amounts are the undiscounted cash flows:

LONG TERM LOANS AND OTHER NON CURRENT LIABILITIES

(Amounts in ANG * 1,000)	At December 31, 2018			At December 31, 2017		
	<1 year	>1 and <5 years	>5 years	<1 year	>1 and <5 years	>5 years
Corporate bonds	102,667	-	-	22,588	85,511	276,479
Loan Isla Dieselcentrale	2,535	-	-	2,537	2,535	-
Loan MJP	7,124	7,396	-	7,124	7,396	-
Loan MCB/FCIB	7,098	95,769	264,443	-	-	-
	119,423	**103,165**	**264,443**	**32,249**	**95,442**	**276,479**

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

(Amounts in ANG * 1,000)	Target	Dec 31, 2018	Dec 31, 2017
Debt service coverage ratio (DSCR)	>1.45	0.66	2.86
Adjusted debt service coverage ratio (ADSCR)	>1.15	0.47	1.17
Debt/EBITDA ratio (D/E)	<8.5	2.25	2.69
Current ratio (CR)	>1.00	0.76	1.54
Solvency ratio (SR)	30%	40.01%	36.31%

The non-compliance of DSCR and ADSCR are related to the large repayments of the CBCS bonds that were refinanced with the new MCB/CIBC loan. The non-compliance of the Current Ratio is due to change in classification of the CBCS bonds as the remaining balance is due at the end of 2019, in conformity with the repayment agreement with the CBCS. After normalizing for these repayments, these ratio's would have remain in compliance with targets.

The passion of Kokoyoko

The gift of creativity, the passion to express yourself, to create beauty and enable others to take pleasure in the products of your talent, to take part in the process of creation and enjoy the result alongside you. That is how happiness is shared.

5.5 Explanatory notes to the statement of financial position

5.5.1 Intangible Assets

The schedule below reflects the acquisitions of intangible assets (licenses and directly attributable cost of preparing the asset for its intended use) during the period:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
INTANGIBLE ASSETS		
Cost Jan 1	47,575	14,827
Accumulated amortization	-	-
Book value January 1	**47,575**	**14,827**
Additions	11,400	32,748
Amortization	(2,293)	-
Cost December 31	58,975	47,575
Accumulated amortization	(2,293)	-
Balance at end of year	**56,682**	**47,575**

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.

Additional investments of ANG 11.4 million were made in 2018 (2017: ANG 32.7 million). The new ERP system was implemented at the start of 2018 at which point amortization commenced.

5.5.2 Property, Plant and Equipment

Below is an overview of the property, plant and equipment as per December 31, 2018 and as per December 31, 2017:

(Amounts in ANG * 1,000)	Cost 1-Jan-18	Accum. depr. 1-Jan-18	Book value 1-Jan-18	Additions 2018	Disposals 2018	Transfers 2018	Reclass/ adjust 2018	Impair-ment Adjustment 2018	Depre-ciation 2018	Disposals accum. depr. 2018	Transfers 2018	Reclass/ adjust 2018	Impairment Adjustment 2018	Cost 31-Dec-18	Accum. depr. 31-Dec-18	Book value 31-Dec-18
Communication network	19,325	18,221	1,104	-	-	-	-	-	(98)	-	-	-	-	19,325	18,319	1,006
Land and Buildings	221,800	137,777	84,023	545	-	336	(61)	-	(8,070)	-	-	-	-	222,620	145,848	76,772
Production Plants	289,070	148,411	140,659	242	-	2,932	(2,239)	-	(12,867)	-	-	-	-	289,982	161,255	128,728
Distribution network	702,982	434,537	268,445	6,012	-	26,387	(2,580)		(31,823)					732,802	466,361	266,441
Metering network	34,230	22,798	11,432	286	-	12,790	-	-	(2,728)	-	-	-	-	47,306	25,526	21,781
Industrial Equipment & Accessories	3,637	2,447	1,190	249	-	608	(165)	-	(298)	-	-	-	-	4,328	2,745	1,583
Other assets	13,101	9,887	3,214	-	-	-	1,770	-	(964)	-	-	-	-	14,871	10,851	4,020
Spare parts	8,768	6,534	2,233	-	-	-	1,247	-	(1,024)	-	-	-	-	10,015	7,559	2,456
Work in progress	74,691	-	74,691	71,445	-	(43,053)	10,659	-	-	-	-	-	-	92,424	-	92,424
	1,367,605	780,613	586,992	78,778	-	-	(12,687)	-	(57,873)	-	-	-	-	1,433,672	838,462	595,210

(Amounts in ANG * 1,000)	Cost 1-Jan-17	Accum. depr. 1-Jan-17	Book value 1-Jan-17	Additions 2017	Disposals 2017	Transfers 2017	Reclass/ adjust 2017	Impair-ment Adjustment 2017	Depre-ciation 2017	Disposals accum. depr. 2017	Transfers 2017	Reclass/ adjust 2017	Impairment Adjustment 2017	Cost 31-Dec-17	Accum. depr. 31-Dec-17	Book value 31-Dec-17
Land & buildings	161,474	77,268	84,206	-	(4,792)	-	(32,418)	-	(5,087)	4,784	15,706	-	-	124,264	61,865	62,397
Plant/Equipment	283,061	127,369	155,692	-	(3,362)	1,332	-	24,700	(13,655)	(1,009)	-	-	(19,061)	305,731	161,094	144,636
Major spare parts	10,447	7,125	3,322	-	(1,678)	-	-	-	590	-	-	-	-	8,768	6,534	2,234
Distribution network	755,866	493,969	261,897	(1,405)	(72,040)	8,475	32,418	92,000	(31,689)	74,008	(15,706)	-	(49,298)	815,314	516,654	298,660
Other assets	94,807	94,022	785	1,213	(62,971)	2,451	-	-	(68)	62,971	-	(5)	-	35,499	31,125	4,374
Work in progress	40,661	-	40,661	67,992	-	(33,964)	-	-	-	-	-	-	-	74,689	-	74,689
	1,346,316	799,753	546,563	67,800	(144,845)	(21,706)	-	116,700	(49,909)	140,754	-	(5)	(68,359)	1,364,266	777,273	586,992

Impairment reversal

In 2017, the carrying value of an impairment originally recorded in 2001 was reversed. The net impact of the reversal was ANG 48.3 million, which is recorded in the statement of comprehensive income. A value in use calculation was performed to determine the recoverable amount of the Groups fixed assets using the approved 2018 budget which includes a 5 year forward looking projection. The enterprise value exceeds the carrying value of the Group's assets by ANG 172.8 million providing sufficient room to reverse the impairment. The impairment reversal was however limited to the difference between the carrying amount of the asset and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. This resulted in the impairment reversal of ANG 48.3 million. An impairment assessment was conducted in 2018 but no significant losses were noted.

Key assumptions applied in the value in use calculation include a discount rate of 7.2% and perpetual growth of 1%.

5.5.3 Other non-current financial assets

'Other non-current financial assets' is specified as follows:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Other non-current financial assets		
Security deposit for concession Aqualectra Production	5,561	5,974
Security deposit for concession Aqualectra Distribution	28,595	28,595
Long term (payable)/ receivable from The Government of Curaçao	(156)	(569)
Total security deposit for concessions	**34,000**	**34,000**
Suspense account security deposit for concessions	155	568
Security deposit for Vida Nova pensionfund	63	63
Balance at end of year	**34,218**	**34,631**

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. A reassessment of the security deposit is to be performed every 3 years. The original amount of the security deposit amounted to ANG 34 million.

The amended concession for the production of electricity issued on June 19, 2014 requires the concession deposit to be adjusted yearly based on the book value of the property, plant and equipment of Aqualectra Production as at December 31 of the preceding year. Consequently, the required security deposit for the production of electricity has been reassessed and results in the amount of ANG 5.6 million as per December 31, 2018. The required security deposit for the distribution of electricity remained unchanged at ANG 28.6 million. As per December 31, 2018 the total required security deposits for the production and distribution of electricity equals ANG 34.2 million (2017: ANG 34.6 million), which results in a payable of ANG 0.2 million (2017: ANG 0.6 million) to the Government of Curaçao.

The payable/receivable to the Government of Curaçao will fluctuate depending on the balance of the required security deposit at year-end.

5.5.4 Inventories

A summary of inventories as per December 31, 2018 and as per December 31, 2017 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Materials and spare parts (net)	29,346	16,858
Fuel and lubricants	7,937	8,315
Water	483	605
Total inventories	**37,766**	**25,778**

The inventory was lowered by a provision for "slow movers", as indicated below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Balance at beginning of the year	(24,808)	(19,592)
Additions	-	(5,216)
Release	12,142	-
Balance at end of the year	**(12,666)**	**(24,808)**

5.5.5 Trade accounts receivable

The composition of trade accounts receivable as per December 31, 2018 and as per December 31, 2017 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Residential Customers	85,307	81,903
Commercial Customers	43,418	31,981
Industrial Customers	31,148	16,863
Street Light Customers	1,552	-
Government Customers	8,778	5,924
Company Usage	-	311
Billing cycle to be invoiced	23,154	15,090
Other	148	(6,186)
	193,506	145,885
Provision for bad debts	(104,770)	(88,310)
	(104,770)	(88,310)
Total trade accounts receivable	**88,736**	**57,575**

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

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Balance at beginning of the year	(88,310)	(75,509)
Effect of adoption of IFRS 9 (note 5.6.6)	13,848	-
Adjusted balance at beginning of the year	(74,462)	(75,509)
Additions	(30,308)	(13,928)
Utilized	-	1,127
Balance at end of the year	**(104,770)**	**(88,310)**

5.5.6 Financial liabilities

Below is a summary of balances regarding all outstanding long-term loans as per December 31, 2018 and as per December 31, 2017:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Loan Meerjarenplan (MJP)	13,885	13,885
Loan Diesel Power Plant ISLA	2,534	5,072
Loan CIBC / MCB facility Tr-1A	160,000	-
	176,419	18,957
Current maturities of long-term loans	(13,610)	(12,197)
Total Financial liabilities	**162,809**	**6,760**

Loan MJP:

In order to finance a comprehensive rehabilitation plan for the water distribution network, it was agreed in 1989 that KABNA would provide funds from the MJP 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.

The passion for Seú

The passionate wish to adapt and embellish one's cultural heritage, to develop and multiply the ways to express the joy of an abundant harvest with music, dance and colorful variations on traditional dress, and share it all with the community as a whole.

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

Loan Diesel Power Plant ISLA
This liability concerns the payment by ISLA for the cost of constructing the Diesel Power Plant (USD 23,000,000). The payment has been recorded as a liability as repayment is covered by the monthly IUH N.V. installments..

Loan CIBC/MCB facility
On November 14, 2018, a facilities agreement was signed with Maduro & Curiel's Bank N.V. (MCB) and CIBC First Caribbean Bank (CIBC) for ANG 375 million (of which ANG 325 is committed). The first tranche of ANG 160.0 million was made available on December 28, 2018. The loan bears interest of 3.75% per annum which is fixed for 5 years. As secured collateral, the banks have deed of mortgage on registered property, deed of pledge of movable assets, deed of pledge of receivables and a declaration of non-disposal and negative pledge. During 2019 only interest of 3.75% will be paid quarterly, hereafter the annual annuities will be paid during March 2020 through December 2028.

5.5.7 Provisions

The provisions as per December 31, 2018 and as per December 31, 2017 can be divided in the following categories:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Provisions employee benefits	70,499	190,037
Other provisions	6,131	6,300
Total provisions	**76,630**	**196,337**

5.5.7.1 Provisions employee benefits

The provision for employee benefits as per December 31, 2018 and as per December 31, 2017 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Provision medical costs retired employees	7,304	8,234
Provision supplementary pension APC (DT)	9,965	11,154
Provision early retirement benefit (VUT)	1,163	1,596
Provision anniversary bonus	14,318	15,549
Provision pension obligations	-	89,159
Provision AOV/BVZ compensation	16,892	26,461
Provision vacation leave	3,386	3,865
Provision retirement stimulation	17,471	34,019
Total provisions	**70,499**	**190,037**

5.5.7.2 Other provisions

Other provisions consists of the provision for decommissioning of the Mundo Nobo Plant. The position of the provision is shown below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Provision decommissioning of Mundu Nobo	6,131	6,300
Total other provisions	6,131	6,300

Provision decommissioning of Mundu Nobo

The Island Government has identified the South coast as an area for tourism development for the Island, and in supporting 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 for calculating the estimation for the costs of decommissioning (most recent year was 2011). The provision was estimated at ANG 17.0 million. This provision has been reduced by actual demolition costs incurred since 2013 and by change in the valuation of the provision. 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.
No demolition costs were incurred in 2018 (2017: ANG 1.4 million).

5.5.8 Trade accounts payable

Below is an overview of the Trade accounts payable per Company as per December 31, 2018 and as per December 31, 2017:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Curoil	17,658	6,954
PDVSA	6,695	1,998
CUC	-	5,522
Local suppliers	21,092	1,383
Foreign suppliers	35,107	1,706
Government institutions	3,395	7,532
Advanced payments received from clients	7,036	4,229
Other accounts received payable	31	4,109
Total accounts payable	91,014	33,433

5.5.9 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 a coupon rate of 4%. The purpose of the issue of the first tranche was to refinance the existing loans and liabilities.

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Current maturity	113,417	12,002
Amortization discount on bonds	(16,338)	-
	97,079	12,002
Non-current maturity	-	252,038
Amortization discount on bonds	-	(38,175)
	-	213,863
Net value Corporate bonds	97,079	225,865

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. The movement in the discount on bonds is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Amortized discount on bonds beginning of the year	38,175	41,086
Amortization current period	(21,837)	(2,911)
Total other provisions	16,338	38,175

5.5.10 Other liabilities

A summary of the main items payable as per December 31, 2018 and as per December 31, 2017 are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Social securities	17,043	2,962
Current maturity long term loans	13,611	9,592
Retirement benefit obligations	1,097	1,097
Accrued interest MJP	2,329	2,201
Accrued expenses Repair and Maintenance	17,854	4,764
Accrued expenses Windfarm	-	3,219
Accrued expenses ERP project	-	5,474
Selikor	7,838	1,633
Regulation and compliance fee	6,871	5,625
Accrued expenses for Repair and Maintenance	8,037	-
Accrued expenses for Stock received	6,974	-
MJP projects	3,098	3,098
Other payables foreign Countries	1,121	1,518
Accrued interest BNA Corporate Bonds	230	-
Other accrued expenses	8,032	16,924
Total Other liabilities	94,134	58,108

5.6 Explanatory notes to the statement of comprehensive income

5.6.1 Revenue from contract with customers

The total revenues are presented below:

December 31, 2018

(Amounts in ANG * 1,000)	Services							
	Water & electricity sales and KVA Allowance	Pagatinu	Connection fees, fines charges and miscellaneous income	Rental of water meters	Rental of buildings and poles	Services related to streetlights, sales and distribution, Selikor and Aquadesign	Other revenue	Total
Revenue from contract with customers	**435,362**	**50,051**	**2,051**	**499**	**207**	**7,896**	**1,113**	**497,179**
Timing of revenues reciognition:								
Services transferred at a point in time	-	-	2,051	-	-	3,267	1,113	6,431
Service transferred over time	435,362	50,051	-	499	207	4,629	-	490,748
Total revenue from contract with customers	435,362	50,051	2,051	499	207	7,896	1,113	497,179

December 31, 2017

(Amounts in ANG * 1,000)	Services							
	Water & electricity sales and KVA Allowance	Pagatinu	Connection fees, fines charges and miscellaneous income	Rental of water meters	Rental of buildings and poles	Services related to streetlights, sales and distribution, Selikor and Aquadesign	Other revenue	Total
Revenue from contract with customers	**418,499**	**48,008**	**4,030**	**494**	**502**	**8,896**	**8,206**	**488,636**
Timing of revenues reciognition:								
Services transferred at a point in time	-	-	4,030	-	-	4,442	8,206	16,678
Service transferred over time	418,499	48,008	-	494	502	4,454	-	471,958
Total revenue from contract with customers	418,499	48,008	4,030	494	502	8,896	8,206	488,636

The passion of Sling

To be aware of your talents, of your creativity, and to use them to inspire others.
To infect others with the passion to recycle refuse and create beauty, to compose music out of discord, to change throwaways into treasures. The passion to teach that beauty of form and sound is everywhere to be found, as is new talent.

5.6.2 Direct costs production

Direct cost production is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Fuel usage	126,594	105,225
Chemicals	4,001	4,037
Lubrication	3,490	3,523
Purchase of water & electricity	18,850	18,272
Other direct cost of production	1,326	938
Purchase of electricity from CUC	8,548	3,800
Purchase of electricity from wind farms	42,713	33,497
Total direct costs production	205,522	169,292

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
IUH DPP element	8,621	8,379
IUH Fuel element	4,264	4,221
IUH Extension element	76	57
Temporary Diesel Power Plant	5,467	1,359
Differences in water levels	21	8
Total direct costs production	18,449	14,024

Direct costs of production includes an amount of ANG 12,961 (2017: ANG 12,657) being the DPP, fuel and extension component of the IUH N.V. agreement between the Group, Refineria ISLA and Rdk N.V. According to this agreement a total fee of USD 12,000 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.

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.

5.6.3 Salaries, social securities and other personnel expenses

Salaries, social securities and other personnel expenses are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Salaries	60,594	53,379
Overtime	6,404	5,462
Social securities	23,500	24,942
Other personnel expenses	(919)	6,770
Total salaries, social securities and other personnel expenses	89,579	90,553

The development in the labor force during 2018 and 2017 was as follows:

Labor force	Aqualectra N.V.	Integrated Utility Holding N.V.	Total
12/31/2017	605	3	608
12/31/2018	615	1	616
Net Increase / (decrease)	10	(2)	8

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Release on provision pension plan	88,276	-
Other (post) employment benefits (net)	883	35,429
Total salaries, social securities and other personnel expenses	89,159	35,429

5.6.4 Parts, repairs 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.

December 31, 2018

(Amounts in ANG * 1,000)	Parts	Services	Other	Total
Electricity	17,971	4,506	-	**22,477**
Water	1,309	4,094	-	**5,403**
Other assets & facilities	13	1,108	-	**1,121**
General	619	34,361	-	**34,980**
Other material usage expense	-	-	3,126	**3,126**
Other service expense	-	-	4,217	**4,218**
Provision for obsolete inventory			(12,142)	**(12,142)**
Total Parts, Repair & Maintenance Expenses	19,912	44,069	(4,799)	59,183

December 31, 2017

(Amounts in ANG * 1,000)	Parts	Services	Other	Total
Electricity	16,935	35,454	-	**52,389**
Water	3,448	8,412	-	**11,860**
Other assets & facilities	1,794	2,292	-	**4,086**
Other material usage expense	-	-	3,922	**3,922**
Other service expense	-	-	166	**166**
Provision for obsolete inventory	-	-	5,182	**5,182**
Total Parts, Repair & Maintenance Expenses	22,177	46,158	9,270	77,605

5.6.5 General expenses

General expenses are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Housing and car fleet	7,323	5,829
Office expenses	4,417	2,672
Insurance and security	7,084	5,719
Consultancy	11,302	5,438
Communications and public relations	3,086	2,838
Regulation and compliance fees	2,500	2,763
Other expenses	345	3,590
Supervision expenses	320	164
Total general expenses	36,377	29,013

Supervision expense includes compensation of the BSD, travel expenses and expenses related to consulting services on behalf of the BSD.

5.6.6 Interest expense (net)

A breakdown of the interest expenses is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Loan Meerjarenplan (MJP)	124	619
Vidanova	-	189
BNA Corporate Bonds	12,481	13,773
Loan Diesel Power Plant ISLA	195	322
Other interest expenses	2,883	284
Total Finance cost	15,683	15,187
Interest income	(144)	(369)
Total finance income	(144)	(369)
Total Financial costs (net)	15,539	14,818

5.6.7 Related parties

Identification 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, the directors, executive officers (key management personnel) and the Vidanova Pension Fund are also considered related parties.

Transactions with key management personnel
Key management are 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 is 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 is included in the consolidated statement of comprehensive income under personnel costs. The remuneration of the BSD is included in the consolidated statement of comprehensive income under general expenses.

Key management, including, the BSD's compensation can be categorized as follows:

(Amounts in ANG * 1,000)	Dec 31, 2018	Dec 31, 2017
Short-term employee benefits	3,149	5,699
Post-employment employee benefits	431	808
Total key management officers' compensation	3,580	6,507

As per December 31, 2018 key management consisted of 1 Chief Executive Officer, 1 Finance Executive and 10 Tier one Managers.

As per December 31, 2017 key management consisted 1 Acting CEO, 1 "Titular" Technical Director and 16 Tier one Managers.

As per December 31, 2018 the BSD consisted of 2 Directors (2017: 2).

Transactions with Vidanova Pension Fund
The Group paid to Vidanova Pension Fund a total amount of ANG 15,671 for the pension plan in 2018 (2017: ANG 11,315).

INDEPENDENT AUDITOR'S Report

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

Opinion

The consolidated summary financial statements of Integrated Utility Holding N.V., which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and related notes, are derived from the complete audited consolidated financial statements of Integrated Utility Holding N.V. for the year ended 31 December 2018.

In our opinion, the accompanying consolidated summary financial statements are consistent, in all material respects, with the audited consolidated financial statements 2018 of Integrated Utility Holding N.V., in accordance with the notes to the consolidated summary financial statements.

Consolidated Summary Financial Statements
The consolidated summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon
We expressed an unmodified audit opinion on the consolidated financial statements in our report dated 20 August 2019. The consolidated summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

Management's Responsibility for the Consolidated Summary Financial Statements Management is responsible for the preparation of the consolidated summary financial statements in accordance with the notes to the consolidated summary financial statements.

Auditor's responsibility
Our responsibility is to express an opinion on whether the consolidated summary financial statements which are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing, including the Standard on Auditing (ISA) 810 (Revised), Engagements to report on summary financial statements.

Curaçao, 11 September 2019

Ernst & Young Accountants

/s/ C. Smorenburg

Colophon

Group Companies

Aqualectra N.V.*
Aqualectra Production (KAE N.V.)*
Aqualectra Distribution (KODELA N.V.)*
General Engineering & Utility Services N.V. (GEUS)
Aqualectra Multi Utility Company N.V. (AMU)
Aqualectra Bottling Co. N.V.

* On January 2, 2018, Aqualectra Production and Aqualectra Distribution were legally integrated into a new company Aqualectra N.V.

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Board of Managing Directors

Mr. Darick P. Jonis MSc. MBA	Chief Executive Officer
Mrs. Neysa R. Schoop-Isenia MSc. RA	Chief Financial Officer

Board of Supervisory Directors

Mr. S. Coutinho *(September 19, 2017 – 2019)*	Chairman
Mrs. S. Inderson *(November 7, 2017 – 2021)*	Vice-chairman
Mr. R. Bulbaai *(September 19, 2017 – 2021)*	Supervisory Director
Mr. C. Marshall *(October 12, 2018 – 2022)*	Supervisory Director
Mr. R. Rudolph *(August 31, 2018 – 2022*	Supervisory Director
Mr. A. Davelaar *(January 19, 2015 – 2019)*	Supervisory Director
Mrs. J. Da Silva Goes – Laclé *(March 20, 2019 – 2023)*	Supervisory Director

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