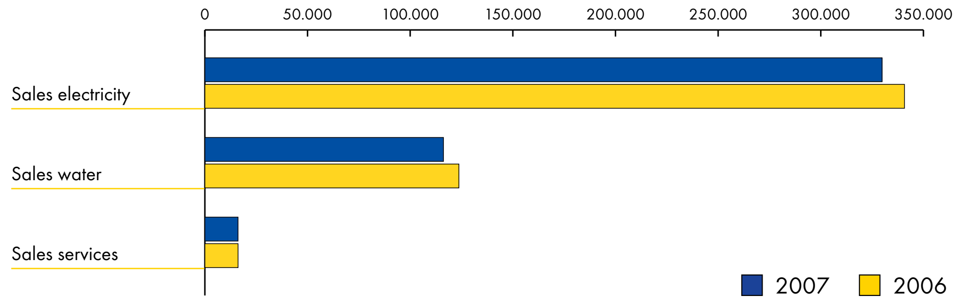
AQUALECTRA

August 14, 2008   2008-23835

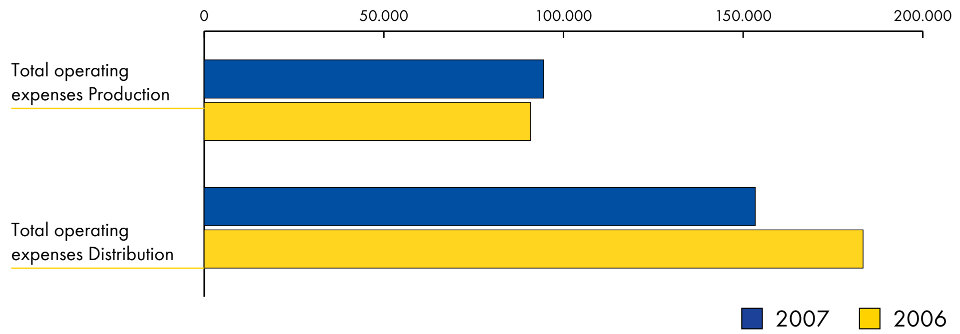
CONSOLIDATED ANNUAL REPORT 2007

CONTENTS

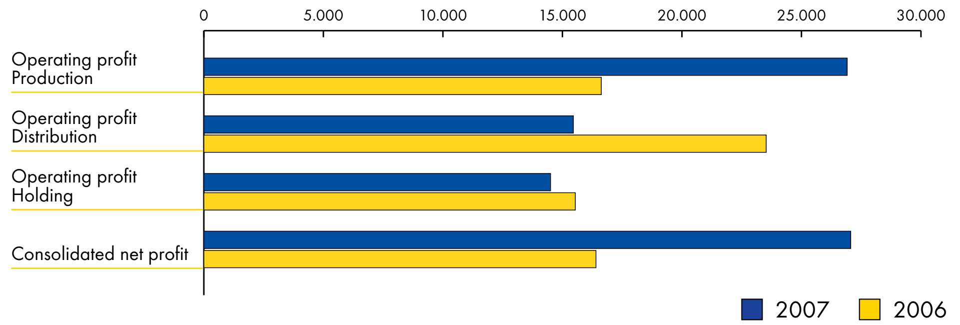
FINANCIAL DATA (ANG x 1,000)	Dec 31, 2007	Dec 31, 2006
Operating revenues		
Sales electricity	329,860	340,761
Sales water	116,212	123,737
Sales services	16,156	16,168



Operating expenses		
Total operating expenses Production	94,474	90,850
Total operating expenses Distribution	153,360	183,377



Results		
Operating profit Production	26,915	16,626
Operating profit Distribution	15,459	23,525
Operating profit Holding	14,504	15,540
Consolidated net profit	27,062	16,404



KEY FIGURES

FINANCIAL DATA (ANG x 1,000)	Dec 31, 2007	Dec 31, 2006
Working Capital	2,213	9,893
EBITDA	105,638	100,969
EBIT	56,684	55,563
EBT	34,495	28,986
Equity	332,694	319,890
Long term liabilities	361,533	390,230
Short term liabilities	157,955	146,987
Financial ratios		
Debt Service Coverage Ratio	1.33	1.39
Adjusted Debt Service Coverage Ratio	0.92	0.97
Debt/EBITDA Ratio	1.90	2.49
Solvency Ratio	39.17%	37.20%
Current Ratio	1.02	1.06
Return on equity	8.46%	4.43%

OPERATIONAL DATA	Dec 31, 2007	Dec 31, 2006
Electricity		
Sales electricity in MWh	626,580	615,278
Electricity intake from production	608,243	588,517
Electricity intake from CUC	192,077	199,275
Electricity intake from wind farms	42,940	47,524
Number of postpaid connections at year end	42,236	41,694
Number of prepaid connections at year end	17,698	16,975
Average usage households per month in KWh	364	389
Average sales tariff households in ANG per KWh	0.5376	0.5240
Average sales tariff in ANG per KWh	0.5047	0.4849
Unaccounted for usage in % of MWh intake	13.97%	14.75%
Water		
Sales water in 1000m^3	9,120	8,763
Water intake from production	13,068	12,304
Number of postpaid connections at year end	68,709	67,425
Average usage households per month in m^3	8.5	8.5
Average sales tariff households in ANG per m^3	12.67	12.56
Average sales tariff in ANG per m^3	12.6000	12.5870
Unaccounted for usage in % of m^3 intake	29.98%	28.73%

1. GENERAL

1.1. MANAGEMENT REPORT

FINANCIAL PERFORMANCE

As in 2006 the year 2007 was a challenging year for Aqualectra (later referred to as 'the Company'). In the 2007 financial statements a net result after tax of ANG 27.1 million (2006: ANG 16.5 million) and earnings before taxes of ANG 34.5 million (2006: ANG 29.4 million) were recorded.

DEVELOPMENT SALES

In 2007 realized sales of water and electricity were higher than the year before (4% and 2% respectively). This increase in quantity sold was mainly due to better economic development of the island compared to 2006 and was also the result of a more effective water and electricity revenue protection program performed by the Company.

APPLICABLE TARIFFS

The applicable tariffs of Aqualectra for the supply of electricity and water for the community of Curaçao are based on an all inclusive tariff. Each applied tariff consists of a base component and a direct costs component. This direct costs component consists of fuel costs and other direct costs of production and sales. This separation allowed a rate calculation system to be developed that could track changes in fuel costs. The tariff structure is based on the resolution of the Executive Council of the Island Government of November 8, 2002. In the aforementioned resolution of the Executive Council, the following matters have been inter alia decided:

- The set-up and tariff structure for water and electricity as of 2002;
- The level of the applicable tariffs for water and electricity for the years 2003 and 2004;
- That the Company is allowed to realize a yearly return on equity of 8%;
- That the regulatory account as of 2002 starts with a total amount to be recovered of ANG 15.4 million regarding 2001;
- That the increase or decrease of the regulatory account will be quarterly monitored and evaluated and yearly verified based on the audited financial report of the Company;
- That, if the fuel and other direct costs are not fully covered through the direct costs component of the applied tariff due to the increase of the fuel costs of the production compared to the level of fuel costs of 2002, the Company is allowed to charge the under coverage to the consumers retrospectively.

In November 2005, the Executive Council resolved that until December 31, 2006 Aqualectra will not be allowed to recover any increase of energy cost by increasing the applied direct costs component. Furthermore, the Executive Council determined that as of the last increase in 2005 up to December 31, 2006 all under coverage of direct costs must be carried by an Energy Fund, funded by the Island Government with ANG 45 million. However, by the second quarter of 2006 when the compensation to Aqualectra of the under coverage of the direct costs was due, the Energy Fund was depleted.

As a result of the increasing prices of fuel products and the fact that the Energy Fund was already depleted, Aqualectra submitted its proposal for the electricity and water tariff increase to the Island Government in January 2007. Because of untimely decision making by the Island Government on the afore-mentioned request, on June 13, 2007 Aqualectra out of sheer necessity requested the Netherlands Antilles Court of Law to judge in this case Aqualectra's right to adjust the tariffs of electricity and water. On June 22, 2007 the Court of First Instance Curaçao sentenced positively Aqualectra's right in question and on July 4, 2007 the Island Government adopted the tariff increase for water and electricity according to the advice of the Department of Economic Affairs (DEZ) of April 27, 2007. The adopted tariff increase also became effective on July 4, 2007.
Due to untimely decision-making regarding the adjustment of the direct costs component of the tariff, the Company has been placed in a position of pre-financing fuel costs, which in the end has lead to postponement of- or delay in planned investment activities and necessary maintenance activities.

The average tariff for electricity and water realized in 2007 were ANG 0.5047/KWh (2006: ANG 0.4849/KWh) and ANG 12.6000/m^3 (2006: ANG 12.5870/m^3). The 2007 budgeted average tariff for electricity and water were ANG 0.5315/KWh and ANG 13.9719/m^3. The differences between the realized and the budgeted average electricity and water tariffs were mainly attributable to the delayed tariff increase approvals by the Island Executive Council.

REVENUES WATER AND ELECTRICITY

The total realized revenues for water and electricity in 2007 (ANG 446.0 million) was ANG 18.4 million lower than in the year 2006 (ANG 464.4 million). In 2007 more sales and higher tariffs were recorded compared to 2006 for both water and electricity. Nevertheless, fewer revenues were recorded in 2007 compared to 2006. The reasons for the decreased revenues is the fact that in 2006 a total amount of ANG 47 million as the compensation for the under coverage of the direct costs is recorded as revenue. However, the Energy Fund was depleted in the year 2006.

DIRECT COSTS

This cost item consists of the cost of fuel usage, chemicals, lubrication, intake of electricity and water from third parties and other direct cost of production. The increasing trend of the price of crude oil and its impact on the cost of fuel continued in 2007. The total direct costs recorded for production and sales in 2007 (ANG 177,123 million) is ANG 4,778 million higher than in 2006 (ANG 172,345 million). The major drivers for this cost increase were the increase of total fuel costs on one hand: ANG 122.0 million in 2007 compared to ANG 109.9 million in 2006 (an ANG 12.1 million increase). On the other hand, the decrease (ANG 6.8 million) of the other costs of sale in 2007 (ANG 17.5 million) compared to 2006 (ANG 24.3 million) offsets above mentioned increase of direct costs slightly.

DEVELOPMENT REGULATORY ACCOUNT

After the reimbursement of the under coverage of the fuel costs and other direct costs over the period January – March 2006, the Energy Fund was depleted. For the period April 2006 onwards the under coverage of fuel costs and other direct costs has not been compensated to Aqualectra. During the year 2007, the under coverage of the years 2003/2004 (ANG 11.8 million), 2005 (ANG 1.6 million) and partially of the year 2006 (ANG 1.6 million) were recovered through the tariffs.

The total of the remaining under coverage of the fuel costs and other costs of the year 2006 and for the year 2007 to be charged to customers amounts to ANG 29.3 million, as specified in the table below:

	Amount under coverage in ANG
To be compensated to Aqualectra for 2006	17,931,774
To be compensated to Aqualectra for 2007	11,395,440
Total amount to be compensated to Aqualectra at year end 2007	**29,327,214**

The above mentioned total amount of ANG 29.3 million has been treated in the financial statements as a contingent asset and is as such not reflected in the financial performance of the Company.

The above mentioned amount of ANG 29.3 million to be compensated to Aqualectra is exclusive the under coverage results on the fixed tariffs for the year 2005 onward, since Aqualectra and the Department of Economic Affairs have not reached an agreement yet on the portion that should be included in the regulatory account.

DEVELOPMENT OPERATING EXPENSES

The total operating expenses for 2007 (ANG 228.3 million) declined by ANG 24.1 million compared to 2006 (ANG 252.4 million). This decrease is mainly attributable to the following factors:

Personnel expenses totaled ANG 79.6 million in 2007: an increase by ANG 4.0 million from the recorded ANG 75.6 million in 2006. This increase is mainly attributable to additional contribution to the provision for medical expenses of retired personnel based on actuarial calculations. Furthermore, no exceptional increase of direct personnel expenses were recorded in the year under report.

Operational and maintenance expenses include the cost items: material usage, repair and maintenance and hired services. This total cost item amounted to ANG 53.9 million in the year under report (2006: ANG 57.5 million). This ANG 3.6 million decrease is mainly a consequence of less repair & maintenance of the production assets and also of less hired services with regard to the investments in the distribution assets due to the pre-financing of direct costs.

General expenses amount to ANG 33.5 million, an increase of ANG 5.9 million compared to 2006 (ANG 27.6 million). Notable is the fact that in 2006 there were incidental recordings related to insurance benefits received and clean up actions of prior year’s settlement accounts; these recordings contributed to a decrease of approximately ANG 5.0 million. Elimination of these incidental benefits from the 2006 figures, would result in an increase of ANG 0.9 million.

Depreciation expenses amount to ANG 48.9 million (2006: ANG 45.4 million) in the year under report. This is an increase of ANG 3.5 million compared to 2006. This increase is mainly attributable to more depreciation costs expensed as a consequence of the realized investments in the year before.

Provision bad debt expenses amount to ANG 12.3 million (2006: ANG 46.2 million) in the year under report. This is a decrease of ANG 33.9 million compared to the year before. The 2006 provision for bad debt costs consisted of a total amount of ANG 33.8 million that was provided for because of the depletion of the Energy Fund and an amount of ANG 12.4 million that was provided for bad debt of several clients and other receivables.

The 2007 provision bad debts costs of ANG 12.3 million consist of:

- ANG 14.5 million which is entirely intended for bad debt of several clients; compared to 2006 a higher amount of the outstanding debt became inactive contributing to this additional provision for bad debts.
- Furthermore, in 2007 ANG 2.2 million was received from the Energy fund; in the 2007 figures this amount has been recorded as a release from the provision which was formed in 2006.

CORPORATE GOVERNANCE

Good governance in corporate settings includes transparency, accountability, compliance and adherence to legal principles and procedures. Of course, the citizen will ultimately judge the Company by its performance in terms of price, reliability of the supply and service quality. Nevertheless, governance issues are also critical and considerations of good governance apply to the Company very much as they do to the society as a whole. Through a process of monitoring, reporting and compliance, the adherence to good governance within Aqualectra is assessed. Throughout the year 2007 Aqualectra has gone through the following process of monitoring, reporting and compliance:

- Three reviews and one audit of the financials of the corporation conducted by the external auditors PwC and KPMG.
- Two reviews conducted by KPMG on behalf of the consortium of lenders related to the progress and compliance of the investment program.
- Four audits conducted by Lloyds Netherlands of which two related to the compliance with the ISO 14001 environmental management standards and two related to the compliance with the ISO 9001/2000 management standards.
- Regular internal audits performed by the internal audit department.

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

CORPORATE CITIZENSHIP BY CONTINUATION OF ENVIRONMENTAL STANDARDS

The Company is ever conscious of the impact that its operations can have on the overall environment and the community it serves. Aqualectra continues to make every effort to minimize this possible negative impact effectively. By obtaining the ISO 14001 in 2005, the Company explicitly specifies in its business processes the actual requirements for an environmental management system and adheres to those environmental aspects which the organization has control over and which it can be expected to have an influence on.
By continuation of the ISO 14001 standard in 2007, the Company proactively shows the community it serves, that it wishes to:

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

PERFORMANCE (OPERATIONAL) AUDIT

In the first quarter of 2007 the Final Report on the operational audit performed by Vantage Inc. was presented to the Company. After careful examination of- and internal consultation about this Final Report, the auditor has been informed that a great part of the recorded audit findings as well as the recommendations presented by the auditor did not reflect the reality of the Company and that the auditor did not completely comply with the agreed upon procedures according to the Terms of Reference.

Despite several discussions with the auditor concerning the discrepancies mentioned above, the Company still did not reach an agreement with the auditor in the year under report, reason why both Aqualectra and the auditor assigned their legal representatives to work out a suitable solution for both parties.

OTHER IMPORTANT MILESTONES AND DEVELOPMENTS

Investments:

A total amount of ANG 35.5 million of investments has been realized in 2007. These investments have been realized in:

Production	ANG 2.8 million
Distribution	ANG 32.6 million
Other	ANG 0.1 million
Total	**ANG 35.5 million**

The extension of the Diesel Power capacity was planned for 2007. Unfortunately, due to cash flow constraints as a consequence of the delayed electricity and water tariff increase, this project was postponed. In 2007 the construction of two water tanks at Kintjan was completed. Furthermore, several electricity and water grid restructuring projects were started of which some were finalized per year end. The installation of two 66 kV cable connections between the Dokweg power plant and substation Montagne was accelerated. This project is intended to be finalized in the second half of the year 2008.

MARUBENI AS NEW PREFERRED SHAREHOLDER

In July 2006 Mirant Corporation (NYSE: MIR) announced a strategic plan to enhance shareholder value. The elements of Mirant's plan were 'inter alia' the commencement of a bidding process to divest Mirant's Caribbean assets, including Mirant's interest in Aqualectra and CUC-Holding N.V. In April 2007 Mirant announced that it had entered an agreement with Marubeni Caribbean Power Holdings Corporation for the sale of the preferred shares of Aqualectra. The sale transaction was completed on August 9, 2007. Marubeni adopted the same terms and conditions as per the Preferred Stock Purchase Agreement with Mirant.

FUTURE PROSPECTS

Fuel oil volatility:

Fuel oil price volatility and the coverage of all fuel and other direct costs continue to be a major risk for the Company. Aqualectra will monitor these variables closely and will take proper and prompt actions when required.

Energy policy:

Ultimately, a proper balance between price, profit and quality should be pursued. This can be achieved by developing an energy policy through which decisions within the energy sector can be made and perceived by the society as credible, legitimate and fair. Aqualectra has extended its commitment to be a major valuable contributor in shaping the Curaçao Energy Policy.

Update UP2020:

In 2008 and the years to come, Aqualectra and the society we serve, will be exposed to the everlasting increase of fuel expenses. Assessment of these developments and evaluation of the associated risks are key factors to enable Aqualectra to continue to render her services to the community. Considering this, plan 2020 will be updated in 2008. Major milestones within the plan 2020 are being discussed and planned in order to go into operation in the years to come, resulting in the envisioned infrastructural efficiency and more fossil fuel independency. The implemented policy aimed at cost rationalization and continuous improvement is yielding the expected results. Nevertheless, the challenge that Aqualectra will be facing in the coming years is a consistent adherence to the implementation of the subsequent phases of plan 2020. Therefore, the year 2007 was dedicated to the necessary preparation of the envisioned investments to be realized throughout the years 2008 – 2011.

Continuous improvement:

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

Let us, once again, thank our many stakeholders, partners, shareholders, lenders, management and staff, suppliers and contractors, customers and the government authorities for their cooperation, support and understanding during the year. We look forward to their continued support as the Company continues to try to deliver on its mandate to provide safe, reliable, and efficiently produced power and water supply for all those who want it.

Willemstad, July 29, 2008

On behalf of the Board of Managing Directors,

Mr. A.C. Casperson
Act. President of the Board of Managing Directors

1.2. REPORT OF THE SUPERVISORY BOARD

On May 20, 1998 the Island Territory transferred all shares of Kompania di Produkshon di Awa i Elektrisidat N.V. (KAE) as well as Kompania di Distribushon di Awa i Elektrisidat N.V. (KODELA) to Integrated Utility Holding (IUH) N.V. In January 2001, the trading name Aqualectra was introduced. As from that date the names Aqualectra (IUH), Aqualectra Production (KAE) and Aqualectra Distribution (KODELA) are being used. On September 6, 2001 the Island Territory transferred the legal title to any and all issued and outstanding shares (current common shares) in the capital of Aqualectra (IUH) to Stichting Implementatie Privatisering (STIP). On December 19, 2001 preferred convertible stock was issued, sold and transferred to Mirant Inc.

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

PLENARY MEETINGS OF THE SUPERVISORY BOARD

The Supervisory Board met on 6 occasions in 2007 to discuss and treat such matters as:

- The interim and full year report.
- Audit committee reports.
- Budget.
- Approval several investment projects.
- Progress report investments.
- Status operational audit.
- Other corporate issues.

Members of the Supervisory Board and the Board of Managing Directors also consulted together in subcommittees of the Supervisory Board.

AUDIT-/BUDGET COMMITTEE

Members:

Mr. S.J. Suriel; replaced during the year by Mr. E.E. Capella

Mr. K.T. Covington

Mrs. J.M. Krijger

AUDIT COMMITTEE MEETINGS

The audit committee met twice in 2007 to discuss and treat amongst others, issues related to the following topics:

- Annual financial report 2006 and interim financial report 2007;
- Business Risk Control and Internal Audit activities;
- Management letters by external auditors;
- Corporate treasury;
- Revenue and accounts receivable reports.

The external auditors KPMG Accountants B.V. and PricewaterhouseCoopers N.A. were also represented at the meetings of the audit committee regarding the annual financial report 2006 and the Management Letters 2006. On behalf of IUH N.V. most meetings were attended by both the Tier 1 Managers of Finance, the Manager Internal Audit Department and the Manager Customer Relations. The second audit committee meeting was opened by the acting President of the Board of Managing Directors.

BUDGET COMMITTEE MEETING

The budget committee met once in 2007, to discuss and to treat the consolidated budget 2008.
On behalf of IUH N.V. this meeting was attended by a Tier 1 Manager of Finance and the acting President of the Board of Managing Directors.

ANNUAL FINANCIAL STATEMENTS AND DIVIDEND PROPOSAL

We herewith submit to you the consolidated annual report 2007 of Integrated Utility Holding N.V. (D.b.a. Aqualectra) as drawn up by the Board of Managing Directors and approved by our Supervisory Board of Directors. PricewaterhouseCoopers N.A. has audited the consolidated financial statements for the year ended December 31, 2007; its opinion is included in this annual report.

Based on the long term utility plan (plan 2020) all the necessary investments in order to guarantee the supply of electricity and water to the island of Curaçao were identified. In order to finance the identified investments and to refinance the existing debt, Aqualectra has entered into a loan agreement on December 24, 2002 with a consortium consisting of 24 local and international financial institutions arranged by National Investment Bank Curaçao N.V. The above-mentioned loan agreement has been structured based on the assumption that the financial performance of Aqualectra must improve for the coming years and that Aqualectra as of the year 2006 and further, must be able to finance the identified investments out of its own cash flows.
This loan agreement was also based on the resolution dated November 8, 2002 of the Executive Council of the Island Government of Curaçao, in which the following matters have been 'inter alia' resolved:

- The set-up and tariff structure for water and electricity as of 2002;
- The level of the applicable tariffs for water and electricity for the years 2003 and 2004;
- That the Company is allowed to realize a yearly return on equity of 8%;
- That the regulatory account as of 2002 starts with a total amount to be recovered of ANG 15.4 million regarding 2001;
- That the increase or decrease of the regulatory account will be quarterly monitored and evaluated and yearly verified based on the audited financial report of the Company;
- That, if the fuel and other direct costs are not fully covered through the direct costs component of the applied tariff due to the increase of the fuel costs of the production compared to the level of fuel costs of 2002, the Company is allowed to charge the under coverage to the consumers retrospectively.

As of 2003, with exception of the year 2005 and 2007 in which years a return on equity of 12.8% respectively 8.5% has been realized, this projected return (8%) on equity has not been realized, mainly because the fuel and other direct cost coverage has not been allowed by the Island Government.

In order to guarantee the reliability of the supply of water and electricity, the future investment plan of Aqualectra still needs to be considered and financed, reason why it is not advisable to pay out dividends to the Common Shareholder at this stage. Considering the afore-mentioned we advise you:

1. To accept the financial statements as included and approved by the Supervisory Board of Directors;
2. To approve no dividend payment to the common shareholders;
3. To add the result (after tax) for financial year 2007 to the balance of the retained earnings;
4. To discharge the Board of Managing Directors for their management and the Supervisory Board of Directors for their supervision during the year under report.

COMPOSITION OF THE SUPERVISORY BOARD

On December 31, 2007 the Supervisory Board of Integrated Utility Holding N.V. consisted of the following Directors:

Name	Function
Mrs. S.C.F. Römer	President
Mr. F.B.M. Kunneman	Director
Mr. O.A. Martina	Director
Mrs. J.M. Krijger-Rodrigues Conduto	Director
Mr. E.E. Capella	Director
Mr. K. Covington	Director
Mr. T. Fukuda	Director

In 2007 the following changes have taken place in the Supervisory Board:

Assignments	Name	Function
August 23, 2007	Mrs. S.C.F. Römer	President
September 3, 2007	Mr. A. Wilson	Alternate Director for Mr. T. Fukuda
September 7, 2007	Mr. E.E. Capella	Director
September 27, 2007	Mr. T. Fukuda	Director

Resignations	Name	Function
August 13, 2007	Mr. R.J. Suriel	President
August 13, 2007	Mr. D. Gray II	Director
August 13, 2007	Mr. G. Berry	Director

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

Willemstad, August 14, 2008

On behalf of the Supervisory Board,

Mrs. S.C.F. Römer
President of the Supervisory Board

1.3. HIGHLIGHTS OF THE YEAR

FINANCIAL DATA (ANG x 1,000)	Dec 31, 2007	Dec 31, 2006
Operating revenues		
Sales electricity	329,860	340,761
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Number of prepaid connections at year end	17,698	16,975
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Average sales tariff households in ANG per KWh	0.5376	0.5240
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Unaccounted for usage in % of MWh intake	13.97%	14.75%
Water		
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Water intake from production	13,068	12,304
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Average usage households per month in m^3	8.5	8.5
Average sales tariff households in ANG per m^3	12.67	12.56
Average sales tariff in ANG per m^3	12.6000	12.5870
Unaccounted for usage in % of m^3 intake	29.98%	28.73%

2. BUSINESS REPORT

2.1. CUSTOMER RELATIONS

Aqualectra realized total sales of electricity of 626,580 MWh in 2007. Compared to the year before this was an increase of 2%. 41% of the sales were billed to the household customer group. 59% was billed to the commercial and industrial group. At year end 2007 the total electricity connections grew to 66,769 accounts. This is an increase in accounts of 2%. The average electricity sales per month were 789 KWh per connection. The average household sale per month was 361 KWh.

ELECTRICITY	Dec 31, 2007	Dec 31, 2006
Electricity sales in MWh		
Households	259,814	253,395
Business	162,683	162,679
Standard industry	89,034	90,783
Export industry	85,046	78,030
Import industry	5,996	6,688
AMU	8,550	8,448
Hospitals	7,899	7,877
Public lightning	7,558	7,378
Total sales electricity	**626,580**	**615,278**
Connections		
Households postpaid	42,236	41,694
Households prepaid	17,698	16,975
Business	6,615	6,434
Standard industry	155	151
Export industry	50	48
Import industry	11	11
AMU	2	2
Hospitals	2	2
Total amount of connections	**66,769**	**65,317**

Furthermore, Aqualectra realized total sales of water of 9,120,000 m^3 in 2007. Compared to the year before this was an increase of 4%. 70% of the sales of water were billed to the household group. 30% were billed to the commercial and industrial group. At year end 2007 the total amount of water connections has grown to 68,709. This is an increase in accounts of approximately 2%. The average water sales per month were 11 m^3 per connection. The average household sale per month was 8.5 m^3.

WATER	**Dec 31, 2007**	**Dec 31, 2006**
Water sales in 1,000 m^3		
Households	6,380	6,275
Business	1,442	1,479
Industries	304	314
Cruise ships	85	60
Refineria Isla	570	344
AMU	339	291
Total sales water	**9,120**	**8,763**
Connections		
Households	63,182	62,006
Business	5,463	5,361
Industries	38	35
Cruise ships	3	3
Refineria Isla	1	1
AMU	22	19
Total amount of connections	**68,709**	**67,425**

2.2. PRODUCTION

ELECTRICITY PRODUCTION

The total electricity demand (including the SWRO plant at Sta Barbara) in 2007 from the distribution grid was 734,256 MWh (2006: 724,295 MWh). This is an increase of 1%. Also in 2007 a total of 25,676 MWh has been supplied to the SWRO plant at Mundo Nobo (2006: 25,743 MWh). The total demand has increased with 1%.

TOTAL DEMAND ELECTRICITY	2007		2006		2007 - 2006	
	MWh	in %	MWh	in %	Variance	in %
Total supply to electricity distribution grid	734,256	97%	724,295	97%	9,961	1%
Total supply to Aqua Design	25,676	3%	25,743	3%	(67)	0%
Total demand	**759,932**	**100%**	**750,038**	**100%**	**9,894**	**1%**

In 2007:

- 80% of the demand was supplied by the production power plant at Mundo Nobo and the diesel power plants of Dokweg and Isla (2006: 78%);
- 25% of the demand was supplied by CUC (2006: 27%);
- 6% of the demand was supplied by the wind farms (2006: 6%);
- 11% of the total production and intake was utilized for own use (2006: 11%).

TOTAL PRODUCTION AND INTAKE ELECTRICITY	2007		2006		2007 - 2006	
	MWh	in %	MWh	in %	Variance	in %
Total production Mundo Nobo	231,055	30%	245,938	33%	(14,883)	(6%)
Total production diesel plants	377,188	50%	342,579	45%	34,609	10%
Total production	608,243	80%	588,517	78%	19,726	3%
Total intake CUC	**192,077**	**25%**	**199,275**	**27%**	**(7,198)**	**(3%)**
Total intake wind farm Playa Canoa	36,430	5%	40,718	5%	(4,288)	(10%)
Total intake wind farm Tera Cora	6,510	1%	6,806	1%	(296)	(4%)
Total intake wind farms	42,940	6%	47,524	6%	(4,584)	(9%)
Total production and intake	**843,260**	**111%**	**835,316**	**111%**	**7,944**	**1%**
Own use	(83,328)	(11%)	(85,278)	(11%)	1,950	(2%)
Total production and intake (net)	**759,932**	**100%**	**750,038**	**100%**	**9,894**	**1%**

WATER PRODUCTION

The total water demand in 2007 from the distribution grid was 12,491,490 m^3 (2006: 11,968,940 m^3) which is an increase of 4%. Also in 2007, a total amount of 576,542 m^3 was supplied to CUC (2006: 335,397 m^3). The total demand has increased with 6%.

TOTAL DEMAND WATER	2007		2006		2007 – 2006	
	m^3	in %	m^3	in %	Variance	in %
Total supply to water distribution grid	12,491,490	96%	11,968,940	97%	522,550	4%
Total supply to CUC	576,542	4%	335,397	3%	241,145	72%
Total demand	**13,068,032**	**100%**	**12,304,337**	**100%**	**763,695**	**6%**

In 2007:

- 25% of the demand was supplied by the production plants at Mundo Nobo (2006: 28%);
- 40% of the demand was supplied by the SWRO plant at Sta Barbara (2006: 38%);
- 40% of the demand was supplied by the SWRO plant at Mundo Nobo (2006: 40%);
- 5% of the total production and intake was utilized for own use (2006: 6%).

TOTAL PRODUCTION AND INTAKE WATER	2007		2006		2007 – 2006	
	m^3	in %	m^3	in %	Variance	in %
Total production Mundo Nobo	3,248,962	25%	3,493,462	28%	(244,500)	(7%)
Total intake from SWRO Sta. Barbara	5,280,053	40%	4,684,904	38%	595,149	13%
Total intake from Aqua Design SWRO plant	5,231,816	40%	4,862,342	40%	369,474	8%
Total production and intake	13,760,831	105%	13,040,708	106	720,123	6%
Own use	(692,799)	(5%)	(736,371)	(6%)	43,572	(6%)
Total production and intake	**13,068,032**	**100%**	**12,304,337**	**100%**	**763,695**	**6%**

FUEL USAGE

The total fuel usage decreased with approximately 2% compared to 2006. IFO usage at the steam boilers decreased with 21% while gas oil usage at the gas turbines increased with 57%. On the other hand approximately 15% more fuel was used at the diesel power plant at Isla due to higher production.

FUEL USAGE	2007		2006		2007 - 2006	
	Tons	in %	Tons	in %	variance	in %
IFO Mundo Nobo	78,614	41%	99,062	50%	(20,448)	(21%)
Gas oil Mundo Nobo	27,306	14%	17,427	9%	9,879	57%
MDO Koningsplein	62	0%	374	0%	(312)	(83%)
MFO Dokweg	38,635	20%	38,631	20%	4	0%
MDO Dokweg	116	0%	186	0%	(70)	(38%)
AFO Isla	0	0%	0	0%	0	0%
MDO Isla	539	0%	514	0%	25	5%
IFO Isla	46,982	25%	40,823	21%	6,159	15%
Total Fuel Usage AP	**192,254**	**100%**	**197,017**	**100%**	**(4,763)**	**(2%)**
Purchase Pitch from MWh CUC by AD (barrel)	298,468		309,660		(11,192)	(4%)

MAINTENANCE ACTIVITIES

Based on maintenance action plans for 2007, the necessary maintenance activities have been executed in the year under report. Nevertheless, due to cash flow constraints as a result of the delay in the approval of the requested electricity and water tariff increase, delays in the necessary maintenance activities of different production objects in 2007 were the result. As a consequence of this situation, several unplanned corrective maintenance activities had to be performed.

PROGRESS INVESTMENTS

For the year 2007 approximately ANG 16.7 million was budgeted for investment projects of which approximately ANG 14.6 million was budgeted for the expansion of the Diesel Power capacity. Due to the previously mentioned cash flow constraints this expansion project has been postponed. Execution of this expansion project is now planned for the year 2008/2009.

2.3. DISTRIBUTION

ELECTRICITY

Operations & Maintenance

The regular maintenance of the 66 kV and the 30 kV transmission grids as well as the maintenance of the wind farm park at Tera Cora were executed as planned in the year under report. A total of 176 medium voltage 12 kV transformer stations underwent their regular inspection and maintenance; this total amount is slightly less than the planned 200 transformer stations. These inspection and maintenance activities are now planned for execution in the year 2008. Also the 12 kV overhead lines underwent their annual preventive maintenance. The necessary curative and preventive maintenance activities were realized on the low voltage (127/220 volt) distribution grid.

WATER

Water quality

In order to guarantee the quality of the stored and the supplied drinking water up to standard, the sampling- and inspection program were executed as planned in the year under report. There were no major problems recorded with regard to the water quality. The "Water Platform Netherlands Antilles and Aruba" in alliance with KIWA and VEWIN in the Netherlands is fully functional; several workshops and seminars especially regarding the legionella issue, bio fouling and security were organized and attended. The outcome of these workshops and seminars will be implemented in the years ahead.

Operations & Maintenance

The regular maintenance of the transport lines, pumping stations and reservoirs were executed as planned in the year under report. Cleaning and inspection of the water tanks were realized according to schedule and the inspection results were better than expected. Activities related to the reduction of the water losses e.g. metering, water audits and balancing, were realized according to plan and contributed to the overall reduction of the "Non Revenue Water". In 2007 a significant reduction of the total amount of trouble calls, was realized as well. This result is for a great part attributable to the fact that the distribution grid at the eastern part of the island is being operated with a lower pressure than the year before.

PROGRESS INVESTMENTS

Following is an overview of the most important investment projects with regard to electricity and water which were realized or are in progress as per year end 2007:

Electricity

Finalized projects:

- Replacement of two 30/12kV distribution transformers in substation Parera;
- Replacement of the 12kV switchgear in substation Tera Cora;
- 12 kV cable connections Goetoeweg phase 1.

Projects in progress:

- Implementation of GIS phase 2;
- Reactive power compensation Phase 1;
- Construction of 30/12 kV substation at Santa Barbara;
- Installation of two 66 kV cable connections between the Dokweg power plant and substation Montagne.

Water

Finalized projects:

- Construction of new water tanks (2 x 4,000 m^3) at Kintjan;
- Renewal of main pipelines in the area of Cocorie;
- Renewal of main pipelines in the area of Scherpenheuvel;
- Restructuring of the service pipelines at Brokopondostraat, Montezumaweg, Kanga-Dein, Sta Martha and Montezumaweg.

2.4. HUMAN RESOURCES

GENERAL HRM ACTIVITIES

Trade Unions

In the year under report the SESKA organization was officially recognized as a trade union, representing the staff employees of Aqualectra Distribution. Negotiations for a new collective labour agreement for this group of personnel will start in 2008.

Performance Management and Accountability (PM&A)

In the year under report further implementation of the PM&A policy was executed. This program will be continued in the years 2008 and 2009.

Strategic Workforce Planning

In the year under report the assessment of the strategic workforce planning was executed. This assessment includes the (re)description of the different existing jobs and the mid-term capacity plans per business unit, per department, covering 2008 through 2011. Presentations to the internal stakeholders have taken place. The actual implementation of the SWP is planned to start in the second quarter of 2008 and will continue up to 2011.

Development Workforce

Workforce	Holding	Production	Distribution	Bottling Co.	Total
31-12-2002	6	308	429	n/a	743
31-12-2003	6	300	423	n/a	729
31-12-2004	6	293	438	n/a	737
31-12-2005	6	293	427	n/a	726
31-12-2006	5	285	416	2	708
31-12-2007	5	290	410	2	707
Increase/decrease vs 31-12-2006	**0**	**+5**	**-6**	**0**	**-1**

Outflow 2007

	Holding	Production	Distribution	Bottling Co.	Total
Pension VIDANOVA	0	4	6	n/a	10
Pension APNA	0	1	2	n/a	3
Pension/medically unfit	0	0	1	n/a	1
Early Retirement Plan (VUT)	0	2	4	n/a	6
Own request	0	0	4	n/a	4
Decease	0	1	0	n/a	1
Termination labour agreement	0	0	4	n/a	4
Total	**0**	**8**	**21**	**0**	**29**

Inflow 2007

	Holding	Production	Distribution	Bottling Co.	Total
01-12-2007/ 31-12-2007	0	13	15	0	28

3. CONSOLIDATED FINANCIAL STATEMENTS

3.1. CONSOLIDATED BALANCE SHEET

(Amounts in ANG * 1,000)	Dec 31 2007	Dec 31 2006	For specs See notes
ASSETS			
NON-CURRENT ASSETS			4.4.1
Property, Plant, Equipment and Work in progress	563,304	574,353	4.4.1.1
Financial assets	84,042	80,314	4.4.1.2
Deferred tax assets	46,510	48,385	4.4.1.3
	693,856	**703,052**	
CURRENT ASSETS			4.4.2
Inventories	26,547	25,650 *	4.4.2.1
Trade accounts receivable	65,164	74,814	4.4.2.2
Other receivables	20,689	23,462 *	4.4.2.3
Cash & cash equivalents	47,768	32,954	4.4.2.4
	160,168	**156,880**	
	854,024	**859,932**	
EQUITY AND LIABILITIES			
Capital & reserves			4.4.3
Share capital	525,000	525,000	
Accumulated losses	(217,525)	(221,591)*	
Income for reported year	27,062	16,481 *	
	334,537	**319,890**	
LONG TERM LOANS AND OTHER NON-CURRENT LIABILITIES			4.4.4
Long term loans Distribution	20,383	21,966	4.4.4.1
Long term loans Holding	101,155	148,588	4.4.4.2
Other long term liabilities	27,904	30,441	4.4.4.3
Convertible preferred stock	72,800	72,800	4.4.4.4
Deferred tax liability	4,798	5,778	4.4.4.5
Provisions	136,547	113,482	4.4.4.6
	363,587	**393,055**	
CURRENT LIABILITIES			4.4.5
Trade accounts payable	55,573	45,241	4.4.5.1
Bank overdraft	6,694	10,790	4.4.5.2
Other liabilities	93,633	90,956	4.4.5.3
	155,900	**146,987**	
	854,024	**859,932**	

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

* Adjusted for comparison purposes

(Amounts in ANG * 1,000)	2007	2006	For specs See notes
OPERATING REVENUES			
Sales electricity & water	446,072	464,498	4.5.1
Direct cost production	(159,850)	(148,117)	4.5.2
Other direct cost of sales	(17,377)	(24,228)	
Revenue wind farm	651	2,292	
Services & other income	15,505	13,876	
Gross profit	**285,001**	**308,321**	
OPERATING EXPENSES			4.5.3
Personnel costs	79,643	75,629 *	
Material usage	9,294	9,303	
Repair & Maintenance	15,016	16,851	
Hired services	29,611	31,327	
General expenses	33,486	27,634	
Depreciation on fixed assets	46,540	43,752	
Depreciation on other assets	2,414	1,654	
Provision bad debts	12,312	46,200	
Total operating expenses	**228,316**	**252,350**	
OPERATING RESULT			
Operating profit	56,685	55,971	
Income from associates	5,919	2,664	
Interest expense	(28,108)	(29,241)	4.5.4
Net profit before tax	**34,496**	**29,394**	
Profit tax expense	(7,434)	(12,913)*	4.5.5
Net profit	**27,062**	**16,481**	

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

* Adjusted for comparison purposes

3.3. CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(Amounts in ANG * 1,000)	2007	2006	For specs See notes
EFFECT ASSET CEILING ADJUSTMENT			
Defined Benefit Pension Plan – Asset Ceiling Adjustment	1,650	7,054 *	4.4.4.6
	1,650	**7,054**	
ACTUARIAL (GAINS)/ LOSSES			
Provision medical expenses retired employees	15,156	0	4.4.4.6
Provision supplementary pension APNA (DT) and early retirement benefit (VUT)	1,579	223	4.4.4.6
Defined benefit pension plan	(277)	(6,646)*	
	16,458	**(6,423)**	
MOVEMENTS IN PROVISION			
Provision medical expenses retired employees	846	91,226	4.4.4.6
Provision supplementary pension	0	(791)	
	846	**90,435**	
(DEFERRED) TAX ITEMS DIRECTLY TO OR FROM EQUITY			
Provision medical expenses retired employees	(5,521)	(31,473)	
Defined benefit pension plan	(473)	(141)*	
Provision supplementary pension APNA (DT) and early retirement benefit (VUT)	(545)	(77)	
	(6,539)	**(31,691)**	
Net loss recognized directly in equity	**12,415**	**59,375**	5.4

* Adjusted for comparison purposes

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006	For specs See notes
CASH-FLOW FROM OPERATING ACTIVITIES			
Net profit	27,062	16,481*	
Depreciations on fixed assets	46,540	43,752	
Depreciations on other assets	2,414	1,654	
Deferred tax asset / liability	895	(19,993)	
Financial assets	(3,728)	(2,623)	
Inventories	(897)	3,037*	4.4.2.1
Adjustment for depreciation on inventories	(2,414)	(1,654)	
Trade accounts receivable	9,650	(471)	4.4.2.2
Other receivables	2,773	9,802	4.4.2.3
Trade accounts payable	10,332	(14,987)	4.4.5.1
Other liabilities (excluding interest paid)	29,012	30,897*	4.4.5.3
Provisions	23,065	96,828	4.4.4.6
	144,704	**162,723**	
CASH-FLOW FROM INVESTING ACTIVITIES			
Property, plant, equipment	(35,491)	(32,487)	
	(35,491)	**(32,487)**	
CASH-FLOW FROM FINANCING ACTIVITIES			
Loan repayments and movements in current maturities	(49,016)	(44,069)	
Other long term liabilities	(2,537)	(2,537)	
Interest paid	(26,335)	(24,694)*	
Adjustments in equity	(12,415)	(59,375)*	
	(90,303)	**(130,676)**	
Balance at start of year	22,164	22,603	
Increase (decrease)	18,910	(439)	
Balance at end of year	**41,074**	**22,164**	4.4.2.4
THE BALANCE AT END OF YEAR COMPRISES OF			
Cash & cash equivalents	47,768	32,954	
Bank overdrafts	(6,694)	(10,790)	
Balance at end of year	**41,074**	**22,164**	

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

* Adjusted for comparison purposes

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1. GENERAL

Integrated Utility Holding NV (Aqualectra) was incorporated on September 12, 1997 in Curaçao NA. 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 this Holding.
The headquarters of Aqualectra is located at Rector Zwijssenstraat 1, Curaçao N.A.

The objectives of the Company 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 Company.

The share capital consists of 600 common shares valued at ANG 1,000,000 each and 7,000 preferred shares valued at ANG 1 each. 525 common shares have been issued whilst 7,000 preferred shares have been issued.

These consolidated financial statements were approved for issue by the Board of Directors on July 29, 2008.

4.2. GENERAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

a. Critical accounting estimates and assumptions

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

Provision bad debts

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

Provision employee benefits

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

Also, for the calculation of the provision Future Medical Expenses a critical assumption is the indexation rate used. The indexation rate represents the expected inflation rate corrected for a medical technology index. Changes in the indexation rate can have material effects on the provision as is shown in the sensitivity analysis in note 4.4.4.6.

Other key assumptions for obligations are based in part on current market conditions.
Additional information is disclosed in note 4.4.4.6.

Cumulative tax losses to be compensated with future taxable profits

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

b. Critical judgments in applying the entity's accounting policies

Impairment test Property, Plant and Equipment

The Company performs yearly an impairment test on its property, plant and equipment. In order to assess the fair value of the property, plant and equipment, the present value of future generated cash flows (recoverable value of the assets) needs to be calculated. To calculate the future generated cash flows, assumptions and judgments are made with regard to future profits, investments, interest rates and the capitalization rate based on the available information about the business, technological and operational outlook. Significant changes in these assumptions may have a significant impact on the present value of future generated cashflows and therefore on the fair value of the property, plant and equipment.

International Financial Reporting Standards

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

Reporting currency

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

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NEW STANDARDS

a. Standards, amendments and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of Consolidated Financial Statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments.

b. Standards, amendments and interpretations effective in 2007 but not relevant for the Company

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2007 but they are not relevant to the Company's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial Reporting in hyperinflationary economics';
- IFRIC 8, 'Scope of IFRS 2';
- IFRIC 9, 'Re-assessment of embedded derivatives';
- IFRIC 10, 'Interim financial reporting and impairment' prohibits a certain treatment of the impairment loss recognized in an interim period on goodwill, investments in equity instruments and financial assets.

c. Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2008 or later periods, but the Company has not adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. It is expected that this standard will have an impact on the Company's financial Statements, as the acquisition, construction or production of a qualifying assets is primarily financed through debt instruments.
- IFRS 8, 'Operating segments '(effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Since the Company has no equity or debt instruments which are traded in a public market nor is it in the process of filing the Consolidated Financial Statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market this standard is currently not applicable to the Company.
- IFRIC 12, Service Concession Arrangements (effective 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services;
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the

amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Management does not expect this interpretation to have any effect on the Financial Statements of the Company, as the asset ceiling is set at zero.

d. Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 1, 2008 or later periods but are not relevant for the Company's operations:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions (effective January 1, 2008);
- IFRIC 13, 'Customer loyalty programmes' (effective 1 July, 2008).

BASIS OF CONSOLIDATION

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

AQUALECTRA HOLDING HAS THE FOLLOWING SUBSIDIARIES:

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

Aqualectra Production, Aqualectra Distribution (which has been consolidated with GEUS) and Aqualectra Multi Utility Company N.V. (which has been consolidated with Aqualectra Bottling Co. N.V.) have been consolidated into the financial figures. Aqualectra is responsible for the management of the abovementioned companies (with exception of KUMEPE N.V.). During the year 2007 KUMEPE N.V. did not employ activities.

ASSOCIATES

Investments in associates are accounted for by the equity method. Associates are entities over which the Company generally has between 20% and 50% of voting rights or over which the Company has significant influence but no control.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges.

PROPERTY, PLANT, EQUIPMENT AND WORK IN PROGRESS

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

Major spare parts related to plant and equipment items are stated at historical cost less depreciation. Depreciation of these major spare parts is calculated on the straight-line method to write off the cost of the major spare parts, or the recoverable amounts, to their residual values over their estimated useful life, taking into account the useful life of the plant and equipment item they are related to.

Work in progress consists of property, plant and equipment under construction and is stated at cost. The cost of work in progress comprises of materials, direct labour, services charges and other costs.

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of an asset is greater than its estimated recoverable amount, which is the higher of an asset's net selling price and value in use.

LEASES

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

INVENTORIES

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

TRADE ACCOUNTS RECEIVABLE

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

CASH AND CASH EQUIVALENTS

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 balance sheet, bank overdrafts are included in borrowings in current liabilities.

SHARE CAPITAL

Common shares are classified as equity. The convertible preferred shares are classified as liabilities (see borrowings). Dividends on common shares are recognized in equity in the period in which they are declared.

LOANS

Borrowings are recognized initially at receipt of the proceeds, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings.

Preferred shares, which are redeemable on a specific date or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as long-term liabilities. Payments on these preferred shares are separately presented in the income statement as interest expenses.

DEFERRED TAX ASSETS / LIABILITY

Deferred tax liability is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment and tax losses carried forward. Currently enacted tax rates are used in the determination of deferred income tax. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

PROVISIONS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

EMPLOYEE BENEFITS

APNA Pension plan

The employees of the Company (ex civil servants) participate partially in a pension plan administered at Algemeen Pensioenfonds van de Nederlandse Antillen (APNA). The pension plan administered by APNA is a multi employer defined benefit plan giving right to the participant to a pension calculated as a fixed percentage of the average salaries of the last two years of service taking into account a franchise. At balance sheet date there was no information available regarding a possible liability of the Company resulting from possible increases of the premiums in the future.

APNA 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 APNA pension agreement. As per National Decree of July 12, 1995 it was stipulated that the legal entity that employs the person concerned is responsible for payment of the supplementary pension.

The provision for APNA Supplementary pension ('Duurtetoeslag') is based on an actuarial calculation. Up to the financial statements 2005, all actuarial gains and losses have been accounted for in the income statement.

As of 2006 all actuarial gains and losses are immediately recognized in the period in which they occur through the statement of recognized gains and losses, instead of being recognized in the income statement. For the principal actuarial assumptions please refer to paragraph 4.4.4.6.

APNA Early retirement benefit ('VUT')

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

The provision is based on an actuarial calculation. As of 2006 all actuarial gains and losses are immediately recognized in the period in which they occur through the statement of recognized gains and losses, instead of being recognized in the income statement. For the principal actuarial assumptions please refer to paragraph 4.4.4.6.

Vidanova pension plan

The Company participates in a multi employer defined benefit plan (Vidanova) in which it is compulsory for all employees to participate if and when they comply with all the required conditions.

The pension plan is generally funded by payments from employees and by the employers taking into account recommendations of independent qualified actuaries. A level premium contribution is charged as an advance for the Defined Benefit plans.

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

A surplus, a positive difference between the contributions and the yearly expenses, can be used to cover eventual shortfalls in the future resulting from back service.

From January 1, 2006 onwards:

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

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

The Company adopted the accounting policy for the treatment of actuarial gains and losses, as is allowed by the amendment to IAS 19 Employee Benefits, issued in February 2005. Actuarial gains and losses are immediately recognized in the period in which they occur through the statement of recognized gains and losses based on the Statement of Recognized Income and Expense (SORIE) approach, instead of being deferred making use of the corridor approach. This treatment results in a more faithful representation of the pension plan in the balance sheet and reflects the results of economic events in the period in which they occur.

Since the asset ceiling has been set at zero, no assets have been recognized in the balance sheet. At December 31, 2007, based on actuarial calculations, the fair value of the plan assets exceeds the present value of the funded obligations by ANG 24,324,000 (2006: ANG 22,684,000).

For the principal actuarial assumptions please refer to paragraph 4.4.4.6.

Medical costs retired employees

According to the collective labour agreements of Aqualectra Distribution and Aqualectra Production, retired employees will be compensated to a certain extent for their medical costs. Both the active employees of the Aqualectra Companies and the employer contribute 1.5% of the total gross salary as compensation for the medical costs of retired employees. Retired personnel contribute 2% of their pension. In the year 2005 a separate legal entity, KUMEPE N.V., was incorporated in which these rights will be administered. Up until 2007 KUMEPE N.V. was not yet operational.

IFRS requires that the provision for these costs is based on actuarial calculations. The independent actuary obtained sufficient information to make mentioned calculations.

Management-negotiations with labour unions have led to amendments in the collective labour agreements regarding the health coverage plan for the retired personnel and the financing (structure) of mentioned plan. The actuarial calculation is based on the articles of the labour agreement regarding the coverage and financing of the medical costs for retired employees.

Up till December 2005:
The Companies' contributions to the medical costs for retired employees were charged to the income statement in the year to which they related.

From January 1, 2006 onwards:
Since the year 2006 there are no uncertainties regarding the extent that the future medical costs for retired personnel will be borne by Aqualectra. Therefore, based on IAS 8 paragraph 5, the actuarially calculated provisions were recognized in full in the financial year 2006.

The Company adopted the accounting policy for the treatment of actuarial gains and losses, as is allowed by the amendment to IAS 19 Employee Benefits, issued in February 2005. Actuarial gains and losses are immediately recognized in the period in which they occur through the statement of recognized gains and losses, instead of being deferred making use of the corridor approach. This treatment results in a more faithful representation of the health plan in the balance sheet and reflects the results of economic events in the period in which they occur.

For the principal actuarial assumptions please refer to paragraph 4.4.4.6.

TRADE ACCOUNTS PAYABLE

Trade accounts payable are stated at nominal value, unless otherwise mentioned.

OTHER ASSETS AND LIABILITIES

Other assets and liabilities are stated at nominal value, unless otherwise mentioned.

REVENUE RECOGNITION

Sales are recognized upon delivery of products and customer acceptance, if any or on the performance of services. Sales are shown net of discounts and after eliminating sales within the Aqualectra-group. Other revenues earned by the Aqualectra-group are recognized on the following basis:

Interest income	- on effective yield basis
Dividend income	- when the Aqualectra-group's right to receive payment is established

INTEREST EXPENSES

Interest expenses on borrowings are expensed in the period to which they relate.

PROFIT TAX

Profit tax expenses are recognized based on the best estimate of the weighted average annual profit tax rate expected for the full financial year. The estimated average annual tax rate used is 34.5%.

4.3. FINANCIAL RISK MANAGEMENT

The Company'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 Company's overall risk management is aimed at minimizing the potential adverse effects of these risks on the financial performance of the Company.

4.3.1. MARKET RISKS

4.3.1.1. FOREIGN EXCHANGE RISK

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

The Company 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).

There is a fixed exchange rate between the Netherlands Antillean Guilder (ANG) and the USD of ANG 1.78 to the USD, which thus mitigates the foreign exchange rate exposure of the transactions and positions of the Company in USD's.

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

(Amounts * 1,000)	Dec 31, 2007	Dec 31, 2006
Total EURO purchase orders made in EURO	10,279	6,955
Total EURO purchase orders made in ANG	25,831	16,056
Average EURO rate	2.5130	2.3085
Foreign exchange loss on EURO transactions in ANG	552	223
Outstanding EURO trade payables in ANG per year end	3,004	1,786
Outstanding EURO trade payables in EUR per year end	1,123	778
EURO holdings in bank accounts in ANG	23	14
Exchange rate per year end	2.6747	2.3929

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

Cash flow constraints combined with the materiality of foreign exchange risk per transaction, led to management's decision to bypass aforementioned policies during 2007.
The following sensitivity analysis of the outstanding position of the trade accounts payable in EURO as per year-end to movements against the EURO assumes a -10% exchange rate change and +10% exchange rate change from the foreign exchange level on December 31, 2007. A –10% exchange rate change, which represents a strengthening of the ANG against the EURO, will have a positive impact on the outstanding trade accounts payable and the profit and loss of ANG 300,369. While a +10% exchange rate change, which represents a weakening of the ANG against the EURO, will negatively impact the outstanding trade accounts payable and the profit and loss with ANG 300,369.

	Carrying amount as per Dec 31, 2007		Sensitivity analysis of an exchange rate change of: -10% change (*)		+10% change (*)	
	In EUR	In ANG	In EUR	In ANG	In EUR	In ANG
Exchange rate per year end	0.3739	2.6747	0.4154	2.40723	0.3399	2.9422
Exchange rate change			(0.0415)	(0.2675)	(0.0340)	0.2675
Outstanding trade accounts payable in EURO per year end	1,123,000	3,003,688		(300,369)		300,369(**)
Impact on the profit and loss account				(300,369)		300,369(**)

(*) '-10% change means a strengthening of the ANG compared to the EUR: (1 EUR: ANG 2.40723/ 1 ANG: EUR 0.4154)
'+10% change means a weakening of the ANG compared to the EUR: (1 EUR: ANG 2.94217/ 1 ANG: EUR 0.3399)
(**) Interpretation of effect:
Amount in brackets "(....)" means a decrease of the outstanding trade accounts payable amount in the Balance Sheet and a decrease of the foreign exchange expenses in the Income Statement.

4.3.1.2. INTEREST RATE RISK

The interest rate risk of the Company 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 Company.

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

In managing interest rate risk, management monitors developments in the Company's loan rates and keeps abreast of interest rates both locally and internationally. The possibility of loan restructuring exists, but management has opted to not yet use these potentials during 2007 as the impact on the Company's interest expenses were considered not to be material.

			Interest rate		
(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Remark
Aqualectra Distribution					
Loan SPU	269	311	10.50%	10.50%	Fixed
Loan MJP	26,312	26,312	2.50%	2.50%	Fixed
Loan VIDA NOVA	2,245	2,575	8.00%	8.00%	Fixed
Maturities of long term loans	(8,443)	(7,232)			
	20,384	**21,966**			

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006	Interest rate Dec 31, 2007	Dec 31, 2006	Remark
Aqualectra Holding					
Loan RDK N.V.	6,728	7,339	9.00%	9.00%	Fixed
Loan NIB USD portion	38,042	61,190	6.70%	6.20%	3m USD LIBOR +3.0%
Loan NIB ANG portion	76,457	95,571	8.00%	8.00%	Fixed
Loan KFW	15,856	19,821	7.90%	8.40%	6m USD LIBOR +3.0%
Loan KFW	595	1,784	5.60%	6.10%	6m USD LIBOR +0.7%
Maturities of long term loans	(36,523)	(37,117)			
	101,155	**148,588**			
Total long term loans	**121,539**	**170,554**			

A sensitivity analysis has been performed reflecting the effect that changes in the interest rate of the two LIBOR based loans (the NIB USD Tranche loans and the KFW-loans) could have on the Company. The analysis is shown below.

NIB USD Tranche A & B loans

The sensitivity analysis assumes a -0.5% change and a +0.5% change of the 3 months LIBOR rate compared to the average interest rate for the year 2007 on the average outstanding principal amount of the NIB USD Tranche A & B loans. A -0.5% change of the interest rate will lead to a slight decrease of the interest expenses of ANG 19,000 on the profit and loss account. While a +0.5% change of the interest rate will have a slight increase of the interest expenses of ANG 19,000 on the profit and loss account.

KFW-loans

The sensitivity analysis assumes a -18.0% change and a +18.0% change of the 6 months LIBOR rate compared to the average interest rate for the year 2007 on the average outstanding principal amount of the KFW-loans. A -18.0% change of the interest rate will have a positive impact of ANG 178,000 on the profit and loss account. While a +18.0% change of the interest rate will have a negative impact of ANG 178,000 on the profit and loss account.

Note

The -0.5% / +0.5% change of the interest percentage for the NIB USD Tranche A & B loans and the -18.0% / + 18.0% change of the interest percentage for the KFW-loans are based on the average historic change of these percentages over a 5 (five) year period.

			Interest rate		Realized interest	Sensitivity analysis	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	- 0.5% change	+0.5% change
(Amounts in ANG * 1,000)							
Loan NIB USD Tranche A	31,156	38,487	6.70%	6.20%			
Loan NIB USD Tranche B	20,855	25,763	6.65%	6.15%			
	52,011	**64,249**	**6.68%**	**6.18%**	**3,526**	**(19)**	**19**

			Interest rate		Realized interest	Sensitivity analysis	
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	- 0.5% change	+0.5% change
(Amounts in ANG * 1,000)							
Loan KFW	16,451	21,605	5.19%	5.38%	1,256	(178)	178

4.3.1.3. TARIFF RISK

Tariff risk can be defined as the probability that due to fluctuations in the purchase prices of the direct costs component, the electricity and water tariffs to consumers are not sufficient to cover these.

The Company is exposed to the volatility of international fuel-price developments, thus influencing the direct cost component of the electricity and water tariffs to consumers.

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

The regulatory account of the Company comprises the balance of the under- and over coverage on the direct costs components and the base component. The balance as of December 31, 2007 regards the under coverage on the direct costs component, meaning the extent to which the Company has pre-financed increases in the direct costs component of the electricity and water tariff.

Management regularly monitors the development in fuel prices and the price of relevant fuel derivatives and their consequences for the liquidity and the position of the regulatory account of the Company. This can result in management formally submitting its requests for electricity and water tariff adjustments to the Island Executive Council whenever this is necessary.

Delays in decision making by the Island Executive Council with regard to electricity and water tariff increases and / or the Island Executive Council honoring lower increases for the electricity and water tariffs than requested by the Company, could lead to a significant increase in the regulatory account of the Company thus leading to a weaker financial position of the Company.

As the prices of fuel and fuel-derivatives steadily increased during 2007 and it is expected that during 2008 these prices will continue to increase, it is anticipated that the tariffs for water and electricity will further increase.

During 2007 all fuel types used with the exception of IFO and Gasoil delivered by Curoil were based on the market price. It is expected that the price for IFO and Gasoil delivered by Curoil will also be market price based. Below is a sensitivity analysis of the effect of the price increase for IFO and Gasoil based on the average 2007 market prices for these two products on the electricity and water tariff.

(Amounts in ANG * 1,000)	Realized Dec 31, 2007	Average 2007 market price	Increase	% Increase
AVG FUEL PRICES PER UNIT in ANG				
Fuel usage IFO - MN	409	630	221	54%
Fuel usage GO - MN	1,093	1,130	37	3%
Fuel usage MFO - DW	671	671	0	0%
Fuel usage IFO DPP ISLA	623	623	0	0%
Fuel usage MDO - KNPL	876	876	0	0%
Fuel usage MDO - DPP ISLA	1,088	1,088	0	0%
FUEL USAGE QUANTITY				
Fuel usage IFO - MN ton	79,114	79,114	0	0%
Fuel usage GO - MN m^3	32,187	32,187	0	0%
Fuel usage MFO - DW ton	38,606	38,606	0	0%
Fuel usage IFO DPP ISLA ton	44,692	44,692	0	0%
Fuel usage MDO - KNPL	219	219	0	0%
Fuel usage MDO - DPP ISLA	427	427	0	0%
FUEL USAGE ANG				
Fuel usage IFO - MN	32,358	49,807	17,449	54%
Fuel usage GO - MN	35,180	36,371	1,191	3%
Fuel usage MFO - DW	25,913	25,913	0	0%
Fuel usage IFO DPP ISLA	27,856	27,856	0	0%
Fuel usage MDO - KNPL	192	192	0	0%
Fuel usage MDO - DPP ISLA	465	465	0	0%
Total fuel usage in ANG	**121,963**	**140,603**	**18,640**	**15%**

Coverage calculations direct costs	Realized 2007	Full charge of increase in fuel costs
Coverage		
Coverage direct cost component E	122,810	136,817
Coverage direct cost through energy fund E	1,320	1,320
Coverage direct cost component W	40,171	44,803
Coverage direct cost through energy fund W	880	880
Total coverage direct costs	**165,181**	**183,820**

Coverage calculations direct costs	Realized 2007	Full charge of increase in fuel costs
Direct costs		
Total direct cost production	(159,850)	(178,490)
Total other direct cost of sale	(17,377)	(17,377)
Wind farm Tera Kora	651	651
Total direct costs	**(176,576)**	**(195,216)**
Coverage -/- direct costs	(11,395)	(11,395)
Energyfund invoiced PY's	(2,200)	(2,200)
Coverage -/- direct costs (adjusted for Py's)	(13,595)	(13,595)

	Realized average direct cost component	Average direct cost component with increased fuel costs	Increase	% increase
Electricity	0.1960	0.2213	0.0253	12.9%
Water	4.4047	4.7113	0.3066	7.0%

In the abovementioned sensitivity analysis only the fuel increase and its effect on the electricity and water tariff in case the IFO and Gasoil price would have been based on market price has been calculated. As per December 31, 2007 the realized under coverage of the year 2007 is approximately ANG 13,4 million (refer to the table above). This under coverage amount has not been passed through in the sensitivity analysis. As stated in paragraph 4.4.5.4. Commitments and contingencies, the realized under coverage for the year 2007 will be allocated to the regulatory account.

It can be concluded that, with all other variables remaining unchanged (including allocation of the realized under coverage for the year 2007), if the prices for IFO and Gasoil delivered by Curoil would have been based on the market price (IFO: ANG 630/ton and Gasoil: ANG 1,130/m^3) the fuel costs would have been ANG 18.6 million higher than the realized amount of ANG 121.9 million, which is a 15% increase in the fuel costs of production. If this fuel increase was charged to clients, the direct cost component of the electricity and water tariff would have increased with 12.9% and 7% respectively.

4.3.2. CREDIT RISK

For the Company, 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 Company due to the financial failure by the counterparty.

Credit risk within the Company mainly arises from the course of business of billing customers for delivering electricity and water and other types of services rendered by the Company. Significant financial difficulties of customers (e.g. the probability that the customer will enter bankruptcy or financial reorganization) and or default payments are considered as credit risk indicators.

Credit risk losses result in a provision being created for uncollectible amounts, which is based upon previously established collection patterns and aging analyses.

The credit risk management within the Company 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).

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

(Amounts in ANG * 1,000)	December 31, 2007		December 31, 2006	
	Trade receivables	Other receivables (*)	Trade receivables	Other receivables (*)
Industrial & large commercial	32,051	7,529	27,966	7,821
Commercial	21,159	8,304	17,682	9,096
Households	36,901	921	35,971	2,283
Government	2,049	30,244	5,762	24,775
Standing orders	2,452	0	2,551	0
New accounts	4,052	0	5,294	0
Inactive	22,761	0	18,446	0
Other	0	3,409	0	21,202
Balance of receivables	**121,425**	**50,407**	**113,672**	**65,177**
Clients' payments in transit	(8,612)	0	(1,914)	0
Billing cycle to be invoiced	16,742	0	18,728	0
Gross receivables	**129,555**	**50,407**	**130,486**	**65,177**
Less allowance for doubtful debts	(46,063)	(31,181)	(38,068)	(43,010)
Less customer deposits	(18,328)	0	(17,604)	0
Net receivables	**65,164**	**19,226**	**74,814**	**22,167**

(*) Amounts are including receivables from related parties.

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

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

	December 31, 2007		
(Amounts in ANG * 1,000)	Trade receivables	Other receivables	Receivables from related parties
Neither past due nor impaired	44,757	2,423	0
Past due but not impaired	38,735	15,326	1,477
Individually impaired	46,063	31,181	0
Gross	**129,555**	**48,930**	**1,477**
Less Allowance	(46,063)	(31,181)	0
Customer deposits	(18,328)	0	0
	(64,391)	(31,181)	0
Net	**65,164**	**17,749**	**1,477**

(Amounts in ANG * 1,000)	Trade receivables	December 31, 2006 Other receivables	Receivables from related parties
Neither past due nor impaired	50,928	1,372	0
Past due but not impaired	41,490	19,318	1,477
Individually impaired	38,068	43,010	0
Gross	**130,486**	**63,700**	**1,477**
Less Allowance	(38,068)	(43,010)	0
Customer deposits	(17,604)	0	0
	(55,672)	(43,010)	0
Net	**74,814**	**20,690**	**1,477**

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

(Amounts in ANG * 1,000)	Trade receivables	December 31, 2007 Other receivables	Receivables from related parties
Past due up to 30 days	0	1,170	0
Past due up to 60 days	6,631	1,789	0
Past due more than 60 days	32,104	12,367	1,477
	38,735	**15,326**	**1,477**

(Amounts in ANG * 1,000)	Trade receivables	December 31, 2006 Other receivables	Receivables from related parties
Past due up to 30 days	0	1,170	0
Past due up to 60 days	8,750	1,586	0
Past due more than 60 days	32,740	16,562	1,477
	41,490	**19,318**	**1,477**

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

Trade accounts receivable (excluding government accounts):

a. As mentioned earlier the inactive accounts group is considered to be a high risk group. Total balances which are outstanding are considered 100% impaired;
b. Other groups of trade accounts receivable which have outstanding balances of more than 4 (four) months are considered 50% impaired;
c. Specific client accounts which are not yet overdue more than 4 (four) months but for which the Company has sufficient indication of uncollectability of these accounts, are also impaired.

Other receivables:

a. Other receivables which are outstanding more than 2 (two) years are 100% impaired;
b. Other receivables which are outstanding more than 1 (one) year but less than 2 (two) years are 30% impaired.

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

4.3.3. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Company 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 Company's aim is to maintain sufficient cash and lines of credit to be able to comply with its obligations. In this, management applies the necessary measurements to either adapt cash inflows or cash outflows.

In broad terms management uses long-range projection for a maximum of five years, which has been approved by the Company's Board of Directors. A three year extract from the budget is shown below:

Forecasted liquidity per 31 December

(Amounts in ANG * 1,000)	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010
Opening balance	41,074	73,113	86,419
Operating proceeds	112,355	106,500	129,182
Cash outflow for investments	(40,876)	(45,564)	(84,675)
Payments for debts	(39,440)	(47,630)	(26,502)
Increase in cash balances	32,039	13,306	18,005
Balance at end of year	**73,113**	**86,419**	**104,424**

The Company updates the cash flow planning for a period of 12 months, on a weekly basis and uses this cash flow planning for control purposes.

The liquidity status as per December 31, 2007 is shown below:

Liquidity status per 31 December

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Funds encumbered > 5 years	1,881	1,857
Funds encumbered 1 < years > 5	39,416	25,061
Available cash & cash at banks	(223)	(4,754)
Total credit facilities	**41,074**	**22,164**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The table below analyses the Company'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 balance sheet 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 balance sheet date. All amounts are the undiscounted cash flows.

LONG TERM LOANS AND OTHER NON CURRENT LIABILITIES

	At 31 December 2007			At 31 December 2006		
(amounts in ANG * 1,000)	**<1 year**	**≥1 and ≤5 years**	**>5 years**	**<1 year**	**≥1 and ≤5 years**	**>5 years**
Loan NIB USD part	14,445	27,785	-	15,764	42,229	-
Loan NIB ANG part	24,605	64,396	-	26,135	89,002	-
Loan RdK	1,192	7,111	-	1,247	8,303	-
Loan KFW	5,477	13,112	-	6,410	18,675	-
Loan Isla Dieselcentrale	4,001	14,735	20,903	4,128	15,242	24,396
Loan MJP	0	0	41,745	0	0	41,469
Loan SPU	73	268	-	73	292	-
Loan Vida Nova	524	2,228	-	524	2,752	-
	50,317	**129,635**	**62,648**	**54,280**	**176,495**	**65,865**

CURRENT LIABILITIES

	At 31 December 2007			At 31 December 2006		
(amounts in ANG * 1,000)	**<1 year**	**≥1 and ≤5 years**	**>5 years**	**<1 year**	**≥1 and ≤5 years**	**>5 years**
Trade accounts payable	55,573	-	-	45,241	-	-
Other liabilities	45,101	13,838	(*)	43,860	13,705	(*)
	100,674	**13,838**	**-**	**89,101**	**13,705**	**-**

(*) Note:
The other liabilities include the expected cash flows for the periods less than one (1) year and between one (1) year and five (5) years with regard to the payment of the preferred dividend related to the preferred shares (refer to 4.4.4.4 Convertible preferred stock).

As per December 31, 2007 preferred shareholder Marubeni Caribbean does not any more posess the right (but not the obligation) to require the Company to purchase all, but no less than all, of its preferred Stock as stipulated in the original agreement. Furthermore, as per December 31, 2007 the Company does not have the intention to exercise its right to purchase the preferred stock. This can be considered a perpetual situation, reason why the cash flows for the period after five (5) years has not been calculated and included in the table above.

4.3.4. CAPITAL RISK

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

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

The chart below 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)	Dec 31, 2007	Dec 31, 2006
Debt service coverage ratio (DSCR)	1.33	1.39
Compliance DSCR ratio	> 1.65	> 1.50
Debt/EBITDA ratio (D/E)	1.90	2.49
Compliance D/E ratio	< 4	< 4
Solvency ratio (SR)	39.17%	37.20%
Compliance SR	> 35.00%	> 45.00%

Direct movements of ANG 12,415,000 (ANG 59,375,000 in 2006) occurred in capital reserves as a result of the IAS 19 valuation of the participation in the medical expenses for retired employees, the provision for supplementary pension (duurte toeslag), the provision for early retirement benefit (VUT) and the defined benefit pension plan. See paragraph 3.3 for a breakdown of these movements.

4.3.5. FAIR VALUE

The carrying amounts of the Company's financial assets and liabilities at the balance sheet dates approximated their fair value.

4.4. EXPLANATORY NOTES TO THE BALANCE SHEET

4.4.1. NON CURRENT ASSETS

4.4.1.1. PROPERTY, PLANT, EQUIPMENT AND WORK IN PROGRESS

Below an overview of the property, plant, equipment and work in progress as per December 31, 2006 and 2007:

(ANG * 1,000)		Initial cost 1 Jan '06*	Accum. Depr. 1 Jan '06*	Book value 01 Jan '06*	Investments 2006	Depreciations 2006	Book value 31 Dec '06	Initial cost 31 Dec '06	Accum. Depr. 31-Dec-06
Production	Land & buildings	39,838	16,075	23,763	3,003	1,237	25,529	42,841	17,312
	Plant/Equipment	624,931	441,205	183,726	59,631	14,228	229,129	684,562	455,433
	Major spare parts	17,221	14,547	2,674	5,642	3,439	4,877	22,863	17,986
	Other assets	17,836	15,565	2,271	395	751	1,915	18,231	16,316
	Work in progress	68,068	0	68,068	(62,473)	0	5,595	5,595	0
		767,894	487,392	280,502	6,198	19,655	267,045	774.092	507,047
	Impairment loss	(30,000)	0	(30,000)	0	0	(30,000)	(30,000)	0
	Total Production	**737,894**	**487,392**	**250,502**	**6,198**	**19,655**	**237,045**	**744,092**	**507,047**
Distribution	Land & buildings	81,258	33,306	47,951	365	2,071	46,245	81,622	35,377
	Distribution network	563,013	236,090	327,092	37,562	18,608	346,046	600,744	254,698
	Other assets	52,307	38,029	14,110	840	3,418	11,532	52,979	41,447
	Work in progress	39,963	0	39,963	(14,049)	0	25,914	25,914	0
		736,541	307,425	429,116	24,718	24,097	429,737	761,259	331,522
	Impairment loss	(94,000)	0	(94,000)	0	0	(94,000)	(94,000)	0
	Total Distribution	**642,541**	**307,425**	**335,116**	**24,718**	**24,097**	**335,737**	**667,259**	**331,522**
Multi Utility	Plant/Equipment	0	0	0	1,533	0	1,533	1,533	0
	Other assets	0	0	0	38	0	38	47	9
	Total Multi Utility	**0**	**0**	**0**	**1,571**	**0**	**1,571**	**1,580**	**9**
	Total	**1,380,435**	**794,817**	**585,618**	**32,487**	**43,752**	**574,353**	**1,412,931**	**838,578**

* Adjusted for comparison purposes

(ANG *1,000)		Initial cost	Accum. Depr.	Book value	Investments	Depreciations	Book value	Initial cost	Accum. Depr.
		1 Jan' 07*	1 Jan' 07*	1 Jan' 07*	2007	2007	31 Dec '07	31 Dec '07	31 Dec '07
Production	Land & buildings	42,841	17,312	25,529	781	921	25,389	43,622	18,233
	Plant/Equipment	684,562	455,433	229,129	-2,308	14,625	212,186	682,244	470,058
	Major spare parts	22,863	17,986	4,877	3,879	2,308	6,448	26,742	20,294
	Other assets	18,231	16,316	1,915	252	707	1,460	18,483	17,023
	Work in progress	5,595	0	5,595	226	0	5,821	5,821	0
		774,092	507,047	267,045	2,820	18,561	251,304	776,912	525,608
	Impairment loss	-30,000	0	-30,000	0	0	-30,000	-30,000	0
	Total Production	**744,092**	**507,047**	**237,045**	**2,820**	**18,561**	**221,304**	**746,912**	**525,608**
Distribution	Land & buildings	81,622	35,377	46,245	317	2,484	44,078	81,939	37,861
	Distribution network	600,744	254,698	346,046	19,718	20,276	345,488	620,462	274,974
	Other assets	52,979	41,447	11,532	3,893	5,064	10,361	56,878	46,517
	Work in progress	25,914	0	25,914	8,657	0	34,571	34,571	0
		761,259	331,522	429,737	32,585	27,824	434,498	793,850	359,352
	Impairment loss	-94,000	0	-94,000	0	0	-94,000	-94,000	0
	Total Distribution	**667,259**	**331,522**	**335,737**	**32,585**	**27,824**	**340,498**	**699,850**	**359,352**
Multi Utility	Land & buildings	0	0	0	654	54	600	654	54
	Plant/Equipment	1,533	0	1,533	-1,499	76	-42	34	76
	Other assets	47	9	38	931	25	944	978	34
	Total Multi Utility	**1,580**	**9**	**1,571**	**86**	**155**	**1,502**	**1,666**	**164**
	Total	**1,412,931**	**838,578**	**574,353**	**35,491**	**46,540**	**563,304**	**1,448,428**	**885,124**

* Adjusted for comparison purposes

A significant part of the property, plant, equipment and work in progress of Aqualectra Production and Aqualectra Distribution are encumbered with a first mortgage and a right of pledge in favor of National Investment Bank (NA) N.V. to an amount of USD 116,000,000.

The annual average depreciation rates are as follows:

Buildings	varying from 2 to 20%
Plant & machinery	varying from 31/3 to 20%
Distribution network	varying from 31/3 to 12%
Furniture & fixtures	varying from 5 to 20%
Vehicles	varying from 10 to 331/3%

4.4.1.2. FINANCIAL ASSETS

The table below shows the composition of the financial assets as per December 31, 2007:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Curaçao Utility Company Holdings N.V.	78,878	72,958
Long term deposits concerning Curacao Utility Company Holdings N.V.	5,164	7,356
Total	**84,042**	**80,314**

CURAÇAO UTILITY COMPANY HOLDINGS N.V.

Aqualectra Holding has a 49% common participation in Curaçao Utility Company Holdings N.V. (CUC Holdings) relating to 100% of the class A shares with a nominal value of USD 19.6 million (ANG 35.3 million). CUC Holdings owns 100% of Curacao Utility Company (CUC), which company is mainly in charge of the BOO operations on the premises of ISLA refinery, which commercial operation commenced in June 2003. The total issued common capital amounts to USD 40 million. Aqualectra Holding also acquired 100% of non-voting class-C shares in CUC Holdings, with a nominal value of USD 8 million (ANG 14.4 million).

The total profit of CUC Holdings for the period January 1, 2007 to December 31, 2007 amounts to ANG 12,081,000 (ANG 5,556,000 per December 31, 2006). The revenue for the period January 1, 2007 to December 31, 2007 amounts to ANG 78,558,000 (ANG 83,460,000 in 2006) and assets and liabilities total ANG 393,044,000 (ANG 416,123,000 per December 2006) and ANG 247,223,000 (ANG 282,383,000 per December 2006) respectively. Aqualectra's share in CUC Holdings' profit for the period January 1, 2007 to December 31, 2007 amounts to ANG 5,919,000 (compared to ANG 2,664,000 for the period 2006) and Aqualectra's share in CUC Holdings' equity as per December 31, 2007 amounts to ANG 78,878,000 (this compared to ANG 72,958,000 at the same period in 2006).

LONG TERM DEPOSITS CONCERNING CURAÇAO UTILITY COMPANY HOLDINGS N.V.

To finance other sponsor obligations for CUC Holdings, Aqualectra Holding granted security deposits for the following L/C's as per December 31, 2007:

	Amount in ANG
Inter sponsor agreement	1.81 million
Cash collateral deposit	3.35 million
	5,16 million

For further information regarding these letters of credits we refer to note 4.4.5.4 (re: L/C guarantee).

4.4.1.3. DEFERRED TAX ASSETS

Deferred tax assets are attributable to cumulative tax losses for which it is probable that future taxable profit will be available to be utilized against these and the difference between the fiscal and commercial carrying value of fixed assets. The tax losses will expire in a period of ten years commencing in the year in which the fiscal loss was incurred. The deferred tax asset expected to be recovered after more than 12 months is ANG 29,660. The estimation of the future taxable profits that can be utilized against these tax losses is based on management's income forecast.

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Balance at beginning of year	48,385	29,648
Change in deferred tax asset	(1,875)	18,737
Balance at end of year	**46,510**	**48,385**

* Adjusted for comparison purposes

The change in deferred tax asset for the year 2007 consists of (ANG *1000):

- Aqualectra Holding : ANG (17)
- Aqualectra Production : ANG (5,488)
- Aqualectra Distribution : ANG 3,630

4.4.2. CURRENT ASSETS

4.4.2.1. INVENTORIES

A summary of stocks as per December 31, 2007 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
AQUALECTRA PRODUCTION		
Materials & spare parts	6,147	7,287*
Fuel & lubricants	4,768	5,440
Water	483	381
Total Aqualectra Production	**11,398**	**13,108**
AQUALECTRA DISTRIBUTION		
Stock in warehouse	14,000	11,837*
Subtotal Aqualectra Distribution	14,000	11,837
Water in reservoirs	899	689
Total Aqualectra Distribution	**14,899**	**12,526**
AQUALECTRA MULTI UTILITY		
Materials & spare parts	250	16
Total Aqualectra Multi Utility	**250**	**16**
Total inventories	**26,547**	**25,650**

* Adjusted for comparison purposes

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

A write down of ANG 6,799 (2006: ANG 9,956) was expensed during the period.

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

4.4.2.2. TRADE ACCOUNTS RECEIVABLE

The composition of Trade accounts receivable as per December 31, 2007 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Government institutions	2,049	5,534
Business & industrial customers	32,492	28,147
Households	95,014	96,805
	129,555	130,486
Customer deposits	(18,328)	(17,604)
Provision for bad debts	(46,063)	(38,068)
Total trade accounts receivable	**65,164**	**74,814**

Trade debtors are valued at the actual billing amounts for electricity and water. A provision has been formed for doubtful debts. Customers have to pay a deposit for each new connection, which remains as amounts repayable on the balance sheet of Aqualectra Distribution.

4.4.2.3. OTHER RECEIVABLES

Specification as per December 31, 2007:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
AQUALECTRA PRODUCTION		
Prepaid insurance premiums	1,462	1,295
Other receivables	1,090	3,881
	2,552	**5,176**
AQUALECTRA DISTRIBUTION		
Services public lightning	7,273	4,188
Damage costs and other services to be billed	977	1,777*
Other receivables	8,155	10,631
	16,405	**16,596**
AQUALECTRA HOLDING		
Other receivables	1,690	1,690
	1,690	**1,690**
AQUALECTRA MULTI UTILITY		
Other receivables	42	0
	42	**0**
Total Other receivables	**20,689**	**23,462**

* Adjusted for comparison purposes

ENERGY FUND 2005/2006

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

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

In the year 2006 Aqualectra received ANG 22.65 million from the Energy Fund which covers the periods January through September 2005 (ANG 7.79 million), October through December 2005 (ANG 8.95 million) and January through March 2006 (ANG 5.91 million). In the year 2007 Aqualectra received an amount of ANG 2.2 million from the remainder of the Energy Fund to minimize the tariff increase in 2007.

The remaining, still to be compensated, under coverage for the above mentioned period amounts to ANG 21.2 million, which regards the period January through September 2005 (ANG 1.6 million) and the period April through December 2006 (ANG 19.62 million). This amount is recorded as a receivable. However, since the funds in the Energy Fund are depleted and the Island Government does not have the necessary funds to compensate Aqualectra for the under coverage, the total outstanding amount has been provided for. In anticipation of the written approval of the Island Government this amount has been allocated to the Regulatory Account and will be compensated through future usage of electricity and water. Of the above mentioned amount of ANG 21.2 million, ANG 3.3 million (ANG 1.6 million for the period January through September 2005 and ANG 1.7 million for the year 2006) has been recovered through the tariffs in the year 2007.

IFRS does not allow recognition of the amounts in the Regulatory Account. Therefore, the amount in the Regulatory Account is treated as a contingent asset (Paragraph 4.4.5.4. Commitments & contingencies).

4.4.2.4. CASH & CASH EQUIVALENTS

The specification cash and cash equivalents as per December 31, 2007 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
AQUALECTRA PRODUCTION		
Cash at banks and on hand	2,738	1,324
Other cash items	996	0
	3,734	**1,324**
AQUALECTRA DISTRIBUTION		
Cash at banks and on hand	15,031	6,001
Other cash items	(823)	(549)
	14,208	**5,452**
AQUALECTRA HOLDING		
Cash at banks	**29,820**	**26,062**
AQUALECTRA MULTI UTILITY		
Cash at banks and on hand	**6**	**116**
Total cash & cash equivalents	**47,768**	**32,954**

Included in the total amount of cash and cash equivalents is ANG 24.8 million which is not at free disposition of the Company. This amount consists of:

- a total amount of ANG 17.8 million due to excess cash deposits (2006: ANG 15.1 million) and
- a total amount of ANG 3.3 million due to cash collateral deposit (2006: ANG 0) and
- a total amount of ANG 1.2 million which is a cash reservation for medical costs for retired employees (2006: ANG 1.0 million) and
- a total amount of ANG 1.8 million which is a time deposit for coverage of one month IUH Payment, in case of default (2006: ANG 1.8 million).

The Company is entitled to draw from the excess cash deposits if:

- the proposed drawdown will be applied towards the financing of approved investments for a financial year provided and to the extent that such approved investments cannot be financed out of the projected cash flow for investment for that financial year;
- the technical advisor has certified that it has satisfactorily reviewed the proposed drawdown and that the proposed drawdown is in accordance with the planning of the approved investments for that financial year;
- no default is continuing or would result from the proposed drawdown.

The average rate of interest on the excess cash deposits during 2007 was 4.6% per year. The interest rate is fixed for three months.

The ANG 1.2 million cash reservation is intended for medical costs for retired employees. The settlement of the medical costs cash reservation will be executed on the date that the separate legal entity (Kumepe N.V.) (which has been incorporated to administer the rights of the retired employees) becomes operational.

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

4.4.3. EQUITY

Please refer to § 5.4 for a detailed specification of shareholders' equity.

COMMON SHARE CAPITAL

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

The share capital was paid up by means of the contribution of the KODELA (Aqualectra Distribution) and KAE (Aqualectra Production) shares. The pay up in full of the 470 shares placed through the contribution of KODELA and KAE has created a share premium of ANG 55 million. During 2007 there were no movements in the capital and share premium.

Per December 31, 2006 a first time provision for medical costs for retired employees was recognized in the balance sheet, based on actuarial calculations. Since this provision is based on changes in estimation related to earlier years, the full amount of the provision was recognized by debiting the retained earnings as per December 31, 2006. This deduction of the retained earnings (before the restatement in 2007) amounted to ANG 59,753,000, consisting of a provision for Aqualectra Distribution amounting to ANG 42,291,000 and a provision for Aqualectra Production amounting to ANG 17,462,000. In 2007 a restatement of ANG 408,000 was done on the comparative figure in order to present the expenses related to the pension plan in accordance with IAS 19 as calculated actuarially (refer to paragraph 3.3).

The Company adopted the accounting policy for the treatment of actuarial gains and losses allowed by the amendment to IAS 19 Employee benefits, issued in February 2005. Actuarial gains and losses are immediately recognized in the period in which they occur through the statement of recognized gains and losses as shown in paragraph 3.3. These movements arose from the provision for medical costs for retired employees, the provisions for supplementary pension APNA (DT), early retirement benefit APNA (VUT) and the defined pension benefit plan.

4.4.4. LONG TERM LOANS AND OTHER NON-CURRENT LIABILITIES

Below a summary of balances regarding all outstanding long term loans as per December 31, 2007, specified per company:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Aqualectra Distribution		
Loan SPU	269	311
Loan MJP	26,312	26,312
Loan VIDA NOVA	2,245	2,575
Current maturities of long term loans	(8,443)	(7,232)
	20,383	**21,966**
Aqualectra Holding		
Loan RDK N.V.	6,728	7,339
Loan NIB Tranche A	38,042	61,190
Loan NIB Tranche B	76,457	95,571
Loan KFW	16,451	21,605
Current maturities of long term loans	(36,523)	(37,117)
	101,155	**148,588**
Total long term loans	**121,538**	**170,554**

4.4.4.1. LONG TERM LOANS DISTRIBUTION

Loan SPU (VIDANOVA Pension fund):

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

Loan MJP (soft loan):

In order to finance a comprehensive rehabilitation plan for the water distribution network, it was agreed in 1989 that KABNA would provide funds from the "MJP meerjarenplan" of which approximately 50% was to be donated. For the remaining 50% a loan agreement was signed in November 1991 for a maximum amount of ANG 39 million. Because funding by KABNA was stopped in 1996, only ANG 26.3 million was drawn. After a grace period of 8 years, repayment was scheduled to start in December 2000 by 22 annual annuities. Up till now no repayments have been made. No securities were pledged to this loan. Interest was fixed at 2.5% per annum.

Loan VidaNova (Building Pater Eeuwensweg 1)

In order to finance the office building situated at the Pater Eeuwensweg 1, Aqualectra Distribution entered into a mortgage loan of ANG 3,600,000 with VidaNova Pension Fund as of April 1, 2003. Repayments started as of September 2003 and will continue through March 2013, with monthly 8.00% annuities of ANG 43,677.93. Vida Nova Pension Fund disposes of the first mortgage on the office building at the Pater Eeuwensweg 1.

4.4.4.2. LONG TERM LOANS HOLDING

Loan RDK N.V.

The repayment of the loan of USD 5 million (ANG 9,100,000) plus the prepaid interest by RdK of USD 541,000 started in January 2004, by 10 years monthly installments. This loan was formalized on August 8, 2003. No securities were pledged to this loan. Interest has been fixed at 9% per annum.

Loan NIB

Aqualectra Holding, as the 'Borrower" and Aqualectra Production and Aqualectra Distribution as the 'Guarantors' obtained in December 2002 a USD 114,887,640 (the equivalent of ANG 209.1 million) loan facility from a consortium of local and international lenders led by National Investment Bank (NA) N.V. The facility is structured in two tranches (A and B). The purpose of the USD 68,820,225 (ANG 125.3 million) tranche A (drawn down in 2002) is to refinance and extend the existing USD 61,552,359 senior debt of the Borrower and the Guarantors and to finance USD 7,267,866 working capital requirements.

The purpose of the USD 46,067,415 (ANG 83,8 million) tranche B (drawn down in 2003) is to finance 77% of the USD 59,860,000 investments in 2003.

The facility is senior secured, dual currency (USD and ANG) and structured as a 9-year term loan, with a grace period in 2003, limited required repayments in 2004 and 2005, followed by full straight-line repayment over 6 years. The new maturity date for the USD loan has been changed to March 15, 2013.

Following is an overview of the facility amount per tranche and per currency:

	USD	ANG	TOTAL (ANG VALUE)
Tranche A	26, 499,993	75, 330, 013	123,560,000
Tranche B	17, 738,770	50, 424, 987	82,709,550
Total	**44,238,763**	**125,755,000**	**206,269,550**

As per December 31, 2007 the total outstanding balance of the loans is ANG 114,499,025 (USD 62,911,552), of which ANG 31,352,299 (USD 17,226,537) is the short term outstanding.

The interest rate for the USD amount is the sum of LIBOR and the applicable margin. This margin is 3.00% per annum for the period up to June 1, 2004. Thereafter the applicable margin will be determined once every year for the following four quarters as of June 15, so for the first time on June 15, 2004, depending on the level of the debt/EBITDA ratio, as defined below:

Debt/ EBITDA < 2.0 : Applicable margin: 2.25% per annum
Debt/ EBITDA >2.0/ < 3.0 : Applicable margin: 2.50% per annum
Debt/ EBITDA > 3.0 : Applicable margin: 3.00% per annum

In order to mitigate the risk of the floating LIBOR rate as mentioned above, Aqualectra has entered on the draw down date of tranche A into an interest rate hedging arrangement with National Investment Bank (N.A.) N.V. as a hedge provider for the tenor of the facility in respect of 100% of the interest costs of the USD amount of tranche A. The maximum interest rate has been hedged in this respect at 6.7% per annum. According to the facility agreement Aqualectra has entered into interest rate hedging arrangements with the hedge provider for the tenor of the facility in respect of 100% of the interest costs of the USD amount of tranche B.

According to the loan facility, the interest rate for the ANG amount is set at 8% per annum, fixed for the first 5-years. The interest rate for the ANG amount for the subsequent period will be subject to negotiations in light of market rates prevailing at that time.

Aqualectra Holding provided the following securities for this facility:

- First priority mortgage in the amount of USD 116,000,000;
- Power of attorney to establish a first priority mortgage in the amount of USD 10,000,000;
- First priority pledge of all issued shares in the Guarantors;
- First priority pledge of the shares of the Borrower in CUC Holdings N.V.;
- First priority disclosed pledge of all intra-Group receivables of the Obligors;
- First priority undisclosed pledge of receivables of the Obligors;
- First priority undisclosed pledge of receivables of KODELA (shared with Maduro & Curiels Bank N.V.);
- First priority non-possessory pledge of tangible assets of the Obligors;
- First priority disclosed pledge of all rights under insurance policies of the Obligors;
- First priority disclosed pledge of all rights under performance bonds and guarantees provided by suppliers in connection with the investment in reverse osmosis water production plants;
- First priority disclosed pledge of the Cash Deposit Account;
- Second priority disclosed pledge of the USD deposit held by the Borrower with National Investment Bank (NA) N.V.

The other covenants for the facility include:

- Confirmation from the government that the tariffs for water and electricity at all times will be such that Aqualectra can fully service its debt obligations and finance reasonable required investments;
- The right to recommend one member of the Supervisory Board;
- No change of management and Supervisory Board without prior written approval;
- No dividend payments (except for dividend payments to Marubeni), no additional borrowings and no change of ownership.

Loan KFW

On January 17, 2002 the Company concluded with Alstom Energietechnik GmbH, Frankfurt, Germany, a contract for the supply of a new 66KV transmission system on the island of Curaçao and related services for the purpose of the construction of said transmission system. The total contract price was USD 20,021,005.
In order to finance this project, export credit guarantee was necessary, for which the official German Export Credit Agency (HERMES) had covered a portion of the total project costs. Based on this coverage the Company entered on the same date as mentioned above, into a loan agreement with Kreditanstalt für Wiederaufbau (KfW) from Frankfurt, Germany for USD 20,021,005 plus the coverage fees of USD 1,760,000. Total loan amount is USD 21,781,005.

Based on the obtained coverage, the loan is structured in two separate agreements:

• Loan 9950	USD 18,513,854	covered by HERMES
• Loan 9951	USD 3,267,151	no coverage
• Total loan amount	USD 21,781,005	

Each agreement was separated in 2 tranches (A and B):

- Tranche A was assigned to the credit element (project costs) and
- Tranche B was assigned to the payable HERMES fees.

Below an overview of the loan structure:

(Amounts in USD)	Loan 9950	Loan 9951	Total
Tranche A	17,017,854	3,003,151	20,021,005
Tranche B	1,496,000	264,000	1,760,000
Total	**18,513,854**	**3,267,151**	**21,781,005**

As per December 31, 2007 the outstanding amount is ANG 16,451,183 and the short term outstanding is ANG 4,558,764.

Repayment for loan agreement #9950 and #9951 is to be effected in 17 and 10 equal consecutive semi annual installments respectively. The first installment was due on November 30, 2003 (or 6 months after readiness for operation of the project) and the last installment is due in November 2011.

The interest rate for loan 9950 is based on the USD-LIBOR plus a margin of 0.700% per annum. The interest rate for loan 9951 is based on the USD-LIBOR plus a margin of 3.000% per annum. For both loans is agreed that the mentioned variable interest rate can be changed over to a fixed interest rate equal to the aggregate of KfW effective funding costs in the US capital market for maturities matching as closely as possible the scheduled maturity of such loan amount on the envisaged conversion date plus the above mentioned margins.
As mentioned above the loan 9950 is partially secured by HERMES coverage, while no other securities have been pledged to loan 9951.

4.4.4.3. OTHER LONG TERM LIABILITIES

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 installments. For further information we refer to paragraph 4.4.5.4 Commitments and contingencies.

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Long term liability to Refineria ISLA	30,441	32,978
Current maturities of long term liability	(2,537)	(2,537)
Total other long term liabilities	**27,904**	**30,441**

4.4.4.4. CONVERTIBLE PREFERRED STOCK

1st and 2nd tranche funding

Preferred stock relates to a total of 7,000 shares having a nominal value of ANG 1.- per share at a purchase price of ANG 10,285.71 per share issued at December 19, 2001 (the first tranche closing date) in accordance with the Preferred Stock Purchase Agreement. The preferred shares bear a cumulative preferred dividend of 16.75%. Preferred stock has been issued for the financing of future investments in general.

The purchaser, Mirant, agreed to buy at the First Tranche Closing, December 19, 2001, 2,800 issued shares of Preferred Stock for the total amount of ANG 29,120,000. On September 30, 2002 Mirant agreed to buy at the second Tranche closing the remaining 4,200 issued shares of Preferred Stock for the total amount of ANG 43,680,000. During 2007 Mirant sold its holdings of Aqualectra's preferred shares to Marubeni Corporation.

The Preferred Stock Purchase Agreement between the Company and Marubeni states that of the purchase price ANG 1.00 per share should be allocated to nominal share capital of the Company and ANG 10,170.4286 per share should be allocated to the Preferred Stock share premium of the Company. Given the nature of the 7,000 preferred shares, these shares bear a cumulative preferred dividend, the entire amount of the purchase price of USD 5,714.2857 per share is presented as long term liabilities.

Conversion of Preferred Stocks

The Purchaser may elect to convert all, but not less than all, of its Preferred Stocks into Common Stock at any time. Every one hundred shares of Preferred stock shall convert into that number of shares of Common Stock and shall equal the nominal value of such one hundred shares of Preferred Stock plus the premium reserve of such one hundred shares of Preferred Stock, less ANG 17,142.86, such total divided by the nominal value of one share of Common Stock. No excess amount shall be converted from Preferred Stock to Common Stock, and shall instead be contributed to premium reserve on the Common Stock.

Should the Purchaser close on all First Tranche Shares and Second Tranche Shares, then all such Preferred Shares shall be convertible into 70 shares of Common Stock. Should the Purchaser close on only the First Tranche Shares, than the First Tranche Shares shall be convertible into 28 shares of Common Stock.

Call Option

At any time the Company has the right (but not the obligation) to purchase from Marubeni all, but not less than all, of the shares of Preferred Stock then held by Marubeni. Concurrently with the closing of the purchase of Marubeni's Preferred Stock hereunder, the Common Stock Option, if then held by Marubeni, shall be revoked automatically and without further action.

The purchase price for the Preferred Stock to be purchased by the Company will be equal to USD 6,578.02 per share, plus all accrued and unpaid dividends thereon, if exercised before the second anniversary of the First Tranche Closing or if exercised on or after the second anniversary of the First Tranche Closing Date.

Put Option

The right (but not the obligation) by Marubeni Caribbean to require the Company to purchase all, but not less than all, of its Preferred Stock as stipulated in the original agreement, has been cancelled.

4.4.4.5. DEFERRED TAX LIABILITY

This liability concerns profit tax due in the future as a consequence of differences between commercial and fiscal methods of profit determination through accelerated depreciation of tangible fixed assets, calculated against the nominal rate. The tax rate amounts to 34.5%. Also see note 4.4.5 for additional information.

4.4.4.6. PROVISIONS

The provisions as per December 31, 2007 can be divided in the following categories:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Provisions employee benefits	135,722	112,462
Other provisions	825	1,020
Total provisions	**136,547**	**113,482**

Provisions employee benefits

The provisions for employee benefits comprise the following category provisions:

- provision medical costs retired employees;
- provision supplementary pension APNA (DT) and early retirement benefit (VUT);
- provision anniversary bonus;
- provision vacation leave.

The provision for employee benefits as per December 31, 2007 can be specified as follows:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Provision medical costs retired employees	119,476	97,089
Provision supplementary pension APNA (DT) and early retirement benefit (VUT)	10,390	9,545
Provision anniversary bonus	3,390	3,368
Provision vacation leave	2,466	2,460
Total provisions	**135,722**	**112,462**

Provision medical costs retired employees

According to the collective labour agreements of Aqualectra Distribution and Aqualectra Production retired employees will be compensated to a certain extent for their medical costs. Provisions have been made for this obligation by debiting the retained earnings in 2006 and totals ANG 119,476,000 as of December 31, 2007 (ANG 97,089,000 per 2006).

The calculations are based upon actuarial assumptions which are shown below:

	2007	2006
Discount rate at December 31	6.25%	6.25%
Rate of return on plan assets	7.10%	7.10%
Inflation	3.0%	2.9%
Future Medical expenses increases	4.0%	4.0%
Mortality:		
Male	GBM 1995-2000; -1	
Female	GBV 1995-2000; -1	
Age difference spouse	male is 4 years older than female	
Marital status	100%	

The position of the provision medical costs retired employees is shown below:

(Amounts in ANG * 1,000)	**Dec 31, 2007**	**Dec 31, 2006**
Liability medical costs retired employees recognized in the balance sheet		
Present value of unfunded obligations	119,476	97,089
Fair value of plan assets	0	0
Unrecognised past service gain	0	0
Liability medical costs retired employees premiums	**119,476**	**97,089**
Movement in liability medical costs retired employees		
Liability medical costs retired employees at the beginning of year	97,089	0
Expenses	8,163	8,242
Contributions paid	(1,778)	(2,379)
Actuarial (gains) and losses recognized in the statement of total recognized gains and losses	16,002	91,226
Liability medical costs retired employees at end of year	**119,476**	**97,089**
Amounts recognized in the income statement		
Current service costs	2,157	2,461
Interest costs	6,006	5,781
Expected return on plan assets	0	0
Additional charges	0	0
Past service costs	0	0
Expenses recognized in the income statement	**8,163**	**8,242**
Present value of the unfunded obligations		
Present value of the unfunded obligations at the beginning of year	97,089	0
Interest costs	6,006	5,781
Current service costs	2,157	2,461
Benefits paid	(1,778)	(2,379)
Actuarial (gain) loss on obligation	16,002	91,226
Present value of the unfunded obligations at end of year	**119,476**	**97,089**
Fair value of the plan assets		
Fair value of the plan assets at the beginning of year	0	0
Expected return on plan assets	0	0
Actuarial (gain) losses on plan assets	0	0
Additional charge	0	0
Contributions by the employer	1,778	2,379
Contributions by the participants	780	551
Benefits paid	(2,558)	(2,930)
Fair value of the plan assets at end of year	**0**	**0**

Development of surplus/ (deficit) in the plan		
Present value unfunded obligations	(119,476)	(97,089)
Fair value of plan assets	0	0
Surplus/ (deficit) in the plan	**(119,476)**	**(97,089)**

The expenses have been included in other personnel expenses in the income statement.

Sensitivity analysis on the present value of the unfunded obligation:

The following sensitivity analysis has been made for the present value of the unfunded obligations, based on a 1% change in the indexation percentage. Based on an indexation percentage of 5%, the net effect on the present value of the unfunded obligation is an increase of approximately ANG 15,124,000. Based on an indexation percentage of 3%, the net effect on the present value of the unfunded obligation is a decrease of approximately ANG 13,238,000. The change in expected benefits paid is not material.

		Base case	
Indexation sensitivity	**+1%**	**4%**	**-1%**
(Amounts in ANG * 1,000)			
Present value of unfunded obligations sensitivity	134,600	119,476	106,238
Net effect of a 1% change in indexation %	15,124	0	-13,238

PROVISION SUPPLEMENTARY PENSION APNA (DT)

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

The provision for pension allowance as accounted for at balance sheet date is based on the former plan and is excluding a possible liability of the employer in relation with the compensation for the difference in allowance according to the former and changed plan.
The provision supplementary pension as per December 31, 2007 is based on an actuarial calculation.

Currently, Aqualectra has a difference of opinion with APNA as to the calculation of the supplementary pension premiums. The difference of opinion concerns the calculation-method used for pension increases. APNA is of the opinion that all pension increases can be fully charged to Aqualectra as supplementary pension increases. Aqualectra is of the opinion that there is no legal basis for this methodology. Aqualectra and APNA are in the process of resolving this issue; however as per issuance of these Consolidated Financial Statements no resolution has been reached. The actuarial calculation of the current provision for supplementary pension is consistent with the calculation method of 2006. If APNA can prove a legal basis for their calculation method, this would result in a higher provision. Based on actuarial calculations approaching APNA's methodology the provision for supplementary pension at year end would be approximately ANG 14,703,000, which is ANG 6,621,000 higher than the actuarial calculation consistent with the method of 2006 of ANG 8,082,000.

The principal actuarial assumptions used in the calculations were as follows:

	2007	2006
Discount rate at December 31	6.25%	6.25%
Rate of return on plan assets	7.10%	7.10%
Inflation	3.0%	2.9%
Future pension increases	3.0%	2.9%
Future compensation increases	3.0%	2.9%
Mortality:		
Male	GBM 1995-2000; -1	
Female	GBV 1995-2000; -1	
Age difference spouse	male is 4 years older than female	
Marital status	100%	

PROVISION EARLY RETIREMENT BENEFIT (VUT)

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

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

The provision for early retirement is only presented for employees insured at APNA. The obligation resulting from early retirement of non-APNA insured employees is presented as a liability at retirement date.

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

The principal actuarial assumptions used were as follows:

	2007	2006
Discount rate at December 31	6.25%	6.25%
Rate of return on plan assets	7.10%	7.10%
Inflation	3.0%	2.9%
Future pension increases	3.0%	2.9%
Future compensation increases	3.0%	2.9%
Mortality:		
Male GBM 1995-2000; -1		
Female	GBV 1995-2000; -1	
Age difference spouse	male is 4 years older than female	
Marital status	100%	
VUT participation probability	2.5% for Aqualectra Distribution and 15% for Aqualectra Production	

The position of the provision supplementary pension APNA (DT) and early retirement benefit (VUT) is shown below:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Provision supplementary pension APNA (DT) and early retirement benefit APNA (VUT) recognized in the balance sheet		
Present value of unfunded obligations	10,390	9,545
Fair value of plan assets	0	0
Unrecognised past service gain	0	0
Provision supplementary pension APNA (DT) and early retirement benefit APNA (VUT) premiums	**10,390**	**9,545**
Movement in provision supplementary pension APNA (DT) and early retirement benefit (VUT)		
Provision supplementary pension APNA (DT) and early retirement benefit APNA (VUT) at the beginning of year	9,545	9,825
Expenses	696	742
Contributions paid	(1,430)	(1,245)
Actuarial (gains) and losses recognized in the statement of total recognized gains and losse	1,579	223
Provision supplementary pension APNA (DT) and early retirement benefit APNA (VUT) at end of year	**10,390**	**9,545**
Amounts recognized in the income statement		
Current service costs	134	158
Interest costs	562	584
Expected return on plan assets	0	0
Additional charges	0	0
Past service costs	0	0
(Income) / expenses recognized in the income statement	**696**	**742**
Actual return on plan assets		
Expected return on plan assets	0	0
Actuarial (gains) and losses on plan assets	0	0
Actual return on plan assets	**0**	**0**
Present value of the unfunded obligations		
Present value of the unfunded obligations at the beginning of year	9,545	9,825
Interest costs	562	584
Current service costs	134	158
Benefits paid	(1,430)	(1,245)
Actuarial (gain) loss on obligation	1,579	223
Present value of the unfunded obligations at end of year	**10,390**	**9,545**
Fair value of the plan assets		
Fair value of the plan assets at the beginning of year	0	0
Expected return on plan assets	0	0
Actuarial (gain) losses on plan assets	0	0
Additional charge	0	0
Contributions by the employer	1,430	1,245
Contributions by the participants	0	0
Benefits paid	(1,430)	(1,245)
Fair value of the plan assets at end of year	**0**	**0**
Development of surplus/ (deficit) in the plan		
Present value unfunded obligations	(10,390)	(9,545)
Fair value of plan assets	0	0
Surplus/ (deficit) in the plan	**(10,390)**	**(9,545)**

The expenses have been included in social securities in the income statement.

PENSION OBLIGATIONS (NET ASSET NOT RECOGNISED IN THE BALANCE SHEET)

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

No liability is recognized in the balance sheet in respect of the defined benefit pension plan as the present value of the defined benefit obligation at the balance sheet date is less than the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Furthermore, no net plan asset is recognized in the balance sheet as the asset ceiling is set at zero.

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

The principal actuarial assumptions used were as follows:

	2007	2006
Discount rate at December 31	6.25%	6.25%
Rate of return on plan assets	7.10%	7.10%
Inflation	3.0%	2.9%
Future pension increases	3.0%	2.9%
Future compensation increases	3.0%	2.9%
Mortality:		
Male	GBM 1995-2000; -1	
Female	GBV 1995-2000; -1	
Age difference spouse	male is 4 years older than female	
Marital status	100%	

Below a table is included that explains the value of the defined benefit plan.

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Net Pension Asset NOT recognized in the balance sheet		
Present value of funded obligations	172,404	154,465
Fair value of plan assets	196,728	177,149
Net Pension Asset NOT recognized in the balance sheet	**24,324**	**22,684**
Movement in present value of the Defined Benefit Obligation		
Defined Benefit Obligation at the beginning of the year	154,465	151,045
Expenses	18,508	18,761
Benefits paid	(213)	(213)
Actuarial (gains) and losses recognized in the statement of total recognized gains and losses	(356)	(15,128)
Defined Benefit Obligation at the end of the year	**172,404**	**154,465**
Amounts recognized in the income statement		
Current service costs	8,339	8,779
Interest costs	10,169	9,982
Expenses	18,508	18,761
Expected return on plan assets	(13,055)	(12,313)
Additional charges	1,308	1,306
Past service costs	0	0
Contributions	(2,712)	(2,722)
(Income) / expenses recognized in the income statement	**4,049**	**5,032**
Actual return on plan assets		
Expected return on plan assets	13,055	12,313
Actuarial gains (and losses) on plan assets	(92)	(8,464)
Actual return on plan assets	**12,963**	**3,849**
Present value of the funded obligations		
Present value of the funded obligations at the beginning of year	154,465	151,045
Interest costs	10,169	9,982
Current service costs	8,339	8,779
Benefits paid	(213)	(213)
Actuarial (gain) loss on obligation	(356)	(15,128)
Present value of the funded obligations at end of year	**172,404**	**154,465**
Fair value of the plan assets		
Fair value of the plan assets at the beginning of year	177,149	166,655
Expected return on plan assets	13,055	12,313
Actuarial gain / (losses) on plan assets	(92)	(8,464)
Additional charge	(1,308)	(1,306)
Contributions by the employer	5,425	5,442
Contributions by the participants	2,712	2,722
Benefits paid	(213)	(213)
Fair value of the plan assets at end of year	**196,728**	**177,149**
Development of surplus/ (deficit) in the plan		
Present value unfunded obligations	172,404	154,465
Fair value of plan assets	196,728	177,149
Surplus/ (deficit) in the plan	**24,324**	**22,684**

The expenses have been included in social securities in the income statement.

In 2007 a restatement of ANG 408,000 was done on the comparative figure of the retained earnings in order to present the expenses related to the pension plan in accordance with IAS 19 as calculated actuarially (refer to paragraph 3.3).

PROVISION ANNIVERSARY BONUS

According to the collective labour agreement of Aqualectra Distribution and Aqualectra Production employees are entitled to an anniversary bonus linked to the amount of years of service. A provision has been formed for this purpose.

The position of the provision anniversary bonus is shown below:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
PROVISION ANNIVERSARY BONUS		
Balance at beginning of year	3,368	3,400
Change in provision	22	(32)
Balance at end of year	**3,390**	**3,368**

PROVISION VACATION LEAVE

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

The position of the provision vacation leave is shown below:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
PROVISION LEAVE PAY		
Balance at beginning of year	2,460	2,172
Change in provision	6	288
Balance at end of year	**2,466**	**2,460**

OTHER PROVISIONS

The other provisions comprise the following category provisions:

- provision for environmental clean up of the Rif premises;
- provision for decommissioning of the Rif Diesel Plant.

PROVISION ENVIRONMENTAL CLEAN UP RIF PREMISES

Half of the costs of the environmental clean up of the Rif premises have to be borne by Aqualectra. For this purpose a provision of ANG 825,000 has been formed. Currently there is no indication that this provision will lead to cash outflow on the short term.

The position of the other provisions is shown below:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Provision for environmental clean up of the Rif premises		
Balance at beginning of year	825	825
Change in provision	0	0
	825	**825**
Provision for decommissioning of the Rif Diesel Plant		
Balance at beginning of year	195	195
Change in provision	(195)	0
	0	195
Balance at end of year	**825**	**1,020**

4.4.5. CURRENT LIABILITIES

4.4.5.1. TRADE ACCOUNTS PAYABLE

Below an overview of the Trade accounts payable per Company as per December 31, 2007:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Aqualectra Production		
Curoil	13,970	7,742
PDVSA	10,981	8,693
Other accounts payable	5,299	6,260
	30,250	**22,695**
Aqualectra Distribution		
CUC	5,189	2,858
PDVSA	7,804	9,787
Other accounts payable	12,295	9,901
	25,288	**22,546**
Aqualectra Bottling		
Other accounts payable	35	0
	35	**0**
Total accounts payable	**55,573**	**45,241**

4.4.5.2. BANK OVERDRAFT

Aqualectra Production has credit facilities with various banks amounting to a total of ANG 7,250 million. On December 31, 2007 ANG 2,097,992 of this facility was drawn on. Aqualectra Distribution has credit facilities with various banks amounting to a total of ANG 6 million. On December 31, 2007 ANG 4,595,655 of the facilities were overdrawn.

Accounts receivable from Aqualectra Distribution have been assigned to the banks as collateral against these facilities. Furthermore, a first mortgage of USD 9 million on the Dokweg power station, fiduciary ownership/lien on generator and negative pledge on stock has been assigned.

Below an overview of this liability per Company as per December 31, 2007:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Aqualectra Production		
Bank overdraft	2,098	2,273
Aqualectra Distribution		
Bank overdraft	4,596	8,517
Total Bank overdraft	**6,694**	**10,790**

The annual interest rate during 2006 and 2007 varied from 7.5% to 11.75%.

4.4.5.3. OTHER LIABILITIES

A summary of the main items payable as per December 31, 2007 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Aqualectra Production		
Employee benefit obligations	1,162	939
Social securities	1,343	1,205
Accrued interest	96	119
Current maturity long term loans / liabilities	2,537	2,537
Early retirement benefit obligations	957	1,130
Other accrued expenses	113	990
Other payables (foreign Countries)	746	1,442
Miscellaneous	945	1,139
	7,899	**9,501**
Aqualectra Distribution		
Social securities	3,443	1,728
Current maturity long term loans	8,443	7,232
Accrued interest	11,580	10,893
Early retirement benefit obligations	928	667
Other accrued expenses	7,754	7,394
Deposit received from APNA	2,000	2,000
Miscellaneous	(657)	517
MJP projects	3,094	3,094
	36,585	**33,525**
Aqualectra Holding		
Social securities	76	85
Accrued interest	6,551	6,878
Other accrued expenses	5,998	3,847
Current maturity long term loans	36,523	37,117
	49,148	**47,927**
Aqualectra Multi Utility		
Social securities	1	3
	1	**3**
Total Other liabilities	**93,633**	**90,956**

4.4.5.4. COMMITMENTS & CONTINGENCIES

COMMITMENTS

Car lease agreements

Aqualectra has lease agreements with several car dealers for the lease of company cars. These lease agreements have different terms as per year-end December 2007. The total commitment as per December 31, 2007 based on the remaining terms of the lease agreements amounts to ANG 4,017,981 (ANG 4,860,109 in 2006). This amount can be specified as follows:

Commitments up till one year: ANG 832,202 (ANG 243,790 in 2006);
Commitments between one and five years: ANG 3,185,779 (ANG 4,616,319 in 2006);
Commitments older than five years: ANG 0.

Contracts with suppliers and contractors

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

Contract party	Purpose of contract	Contract period		Commitments in contract period
		Start	End	
Electricity and water technical activities				
Several local contractors	Hire of electrical and water maintenance/ trouble shooting teams and incident room workers	2007	2010	6,950,000
Local contractor	Hire of communication means	2007	2010	480,000
Local contractor	Maintenance of Wind farm Tera Cora	2008	2008	150,000
Local contractor	Purchase of electricity	2000	2015	3,300,000
Local contractor	Purchase of water	1995	2012	13,750,000
Investment projects				
Foreign supplier	Delivery of 66 kV cables trace Dokweg/ Montagne incl. supervision work	2007	2008	11,500,000
Local contractor	Lay down of 66 kV cable for trace Dokweg-Montagne	2008	2008	6,550,000
Foreign supplier	Delivery of 6 capacitor banks	2007	2008	1,800,000
Several local contractors	Restructuring service pipelines	2007	2008	2,550,000
Customer relations activities				
Local supplier	Lease of couverter machines	2006	2011	486,301
Local supplier	Delivery of electricity/water bills	2005	2008	8,100,000*
Local supplier	Electricity and water meter reading activities	2007	2010	3,600,000*
Local supplier	Money transportation activities	2008	2009	200,000
Several local suppliers	Bill payment service	2006	2009	6,932,568*
Several local suppliers	Electricity prepayment though vending system	2001	2009	4,783,713*
Local supplier	Temporary cashiers	2008	2011	1,312,351
ICT-products and services				
Local supplier	Technical support for the database management system	2007	2008	207,000
Foreign supplier	Delivery, support and license of software products	2007	2008	251,000
Several local suppliers	Lease and technical support for office machines (printer/copiers)	2007	2008	367,000

* Amounts mentioned are management estimates as the exact commitments in the contract period will depend on the realized number of transactions.

CONTINGENT LIABILITIES:

L/C guarantee

As at December 31, 2007 there was one current letter of credit (L/C's) amounting to ANG 1.81 million (2006: ANG 7.4 million). This L/C is related to the financing of the Loan to CUC (see note 4.4.1.2). On April 30, 2007, IUH NV entered into a Cash Collateral and Securities Account Control Agreement with BNP Paribas, pursuant to the Third amendment to the Contingent Equity Contribution Agreement dated November 30, 2000. The Cash Collateral Deposit shall serve as Supplemental Debt Service Reserve. The remaining L/C matures on December 13, 2013 and the Cash Collateral Deposit will be released as CUC complies with certain contract conditions.

Early Retirement Benefit (VUT)

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

Supplementary pension

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

Currently, Aqualectra has a difference of opinion with APNA as to the calculation of the supplementary pension premiums. The difference of opinion concerns the calculation-method used for pension increases. APNA is of the opinion that all pension increases can be fully charged to Aqualectra as supplementary pension increases. Aqualectra is of the opinion that there is no legal basis for this methodology. Aqualectra and APNA are in the process of resolving this issue; however as per issuance of these Consolidated Financial Statements no resolution has been reached. The current provision for supplementary pension is consistent with the calculation method of 2006. If APNA can prove a legal basis for their calculation method, this would result in a higher provision. Based on actuarial calculations approaching APNA's methodology the provision for supplementary pension at year end would be approximately ANG 14,703,000, which is ANG 6,621,000 higher than the actuarial calculation consistent with the method of 2006 of ANG 8,082,000.

Diesel power plant on the ISLA premises

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

Pursuant to a side letter of June 26, 2001, Isla and Aqualectra agreed to investigate the option of buying a new power unit instead of improving and refurbishing the MPPP.

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

The initial annual aggregate IUH payment is equal to USD 12,000,000 and is paid in monthly installments. The IUH payment covers in addition to the construction costs of the diesel plant also a fuel and extension component (as stated in the contract). The annual IUH payments have already commenced and will continue pursuant to the contract until December 2019.

CUC-electricity purchase

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

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

Special IUH purchase rights

On December 31, 2015 IUH will, without any further action, acquire all the Class B common stock and any other equity interest (other than Class A common stock and Class C special non-voting shares) of Curacao Utility Company Holdings N.V. In consideration thereof IUH has to pay to Curacao Energy Company Ltd. an amount of USD 400,000 on a yearly basis until December 31, 2015. These payments, for which accruals have been made in the Financial Statements, will be settled with future dividend payments. A formal commencement date for the payments has yet to be agreed upon.

Claim by a potential business partner

A potential business partner filed a claim against Aqualectra Multi Utility N.V. and Integrated Utility Holding N.V. for presumed missed results regarding the Bottling Company N.V. The potential business partner claims that Aqualectra ceased the negotiations with said company and is of the opinion that this is against the agreement both companies had. Aqualectra denies the charges. The total claim amounts to ANG 55.5 million, plus statutory interest as of March 28, 2005. An eventual financial obligation related to this claim has not been included in these consolidated financial statements. The case is still in court and a final verdict is not expected before the end of 2008.

Curacao Utilities Company N.V. (CUC)
As per December 31, 2007 the following contingent liabilities related to CUC can be identified:

Disputed invoices of PDVSA
PDVSA has invoiced CUC for fuel used during periods when CUC failed to supply utilities and suffered liquidated damages. The Utility Supply Agreement limits CUC's exposure to those damages while the Fuel Supply Agreement ensures alternate fuels available at no costs from PDVSA. CUC is disputing these invoices and will seek arbitration if necessary.

Legal claim environmental issues and health consequences
CUC is involved in a legal claim that has been filed by Stichting Humanitaire Zorg Curaçao, Stichting Schoon Milieu op Curaçao and a number of individuals living westwards from the refinery against ISLA (Curaçao) S.A., Refineria di Korsou N.V., CUC, the Island Territory and the Legal Entity the Netherlands Antilles regarding environmental issue and health consequences. CUC was excluded from the hearing due to the fact that it was shown that CUC is in compliance with its Nuisance License. There is a panel of experts advising the court and the outcome is expected to be known before the end of 2008.

Arbitration claim Mitsubishi Heavy Industries(MHI)
MHI is claiming the L/C amount that CUC received upon calling the USD 7.3 million, the USD 1 million retainage, USD 2.2 million other claims and their legal costs (refer also to the contingent assets of CUC).

The outcome nor proper estimates of the above-mentioned CUC contingencies are known yet to the management of CUC. Therefore, the management of CUC has not accrued for these items in the December 31, 2007 financial statements. The outcome of these issues could possibly impact Aqualectra's share in the profit and equity of CUC-Holdings in due time.

CONTINGENT ASSETS

Regulatory account
The basic tariff for water and electricity is fixed and is meant to cover the operational costs (excluding fuel costs), such as cost of personnel, depreciation, costs of financing, maintenance and the costs related to the provision for bad debts and the return on equity agreed upon with the government of the Island territory of Curaçao.
The fuel component as reflected in the fuel clause is variable and is meant to cover costs of fuel and other direct costs. The fuel component is subject to changes dependent on the developments of the oil prices and the other direct costs. Up until June 2005 adjustments were calculated on a quarterly basis.

The Island Government has allowed Aqualectra to allocate the unrecovered amounts of the fuel and other direct costs in a so called Regulatory Account. In the table underneath is a breakdown of the original amount of the under coverage, the recovered amount through the surcharge in the tariffs and the compensated amount by the Energy Fund. In the table below the under coverage of the year 2007 has been processed anticipating that the Island Government will approve the allocation of the under coverage of the year 2007 to the Regulatory Account.

(Amounts in ANG * million)

Years	Original amount	Recovered through tariffs	Compensated by Energy Fund	Balance to be compensated
2003-2004	41	41	0	0
2005	18	1	17	0
2006	26	2	6	18
2007	13	0	2	11
Total	**98**	**44**	**25**	**29**

The above mentioned balance of ANG 29 million does not include the coverage results on the fixed tariffs for the year 2005 onwards, since Aqualectra and the Department of Economic Affairs have not reached an agreement on the division of the coverage results between Aqualectra and the Consumers.

The appropriation to the Regulatory Account is to settle the deficit against future utility tariffs. The Island Government agreed in 2005 to include a surcharge in the tariffs to gradually settle above mentioned amounts of under coverage on the fuel and other direct costs. Per year there will be a settlement (pay back) of approximately ANG 15 million.

Pension premium asset

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

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

The calculation of the presented figures for employee benefits has been based on actuarial calculations in accordance with IFRS. Since there is no asset ceiling study available, on which possible economic benefits resulting from the funded assets can be determined, no assets have been recognized in the balance sheet.
At December 31, 2007, based on actuarial calculations, the fair value of the plan assets exceeds the present value of the funded obligations by ANG 24,324,000 (2006: ANG 22,684,000).

Sta. Barbara

Aqualectra and Santa Barbara Utilities N.V. ('Santa Barbara') entered into an agreement for the production and supply of water and electricity on March 10, 2004. According to this agreement Aqualectra shall at its own expense construct, operate and maintain a Reverse Osmosis (RO) facility. For the construction of the RO facility Santa Barbara has transferred land to Aqualectra for no consideration other than entering into the said agreement. Santa Barbara also grants Aqualectra a right of use on other land for a period of 99 years commencing at closing of the agreement for no consideration. This land has not been presented as an asset in the balance sheet.
As part of the agreement Aqualectra shall apply a special tariff structure for water and electricity for all the facilities of Santa Barbara.

Energy Fund 2005/2006

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

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

In the year 2006 Aqualectra received ANG 22.65 million from the Energy Fund which covers the periods January through September 2005 (ANG 7.79 million), October through December 2005 (ANG 8.95 million) and January through March 2006 (ANG 5.91 million). In the year 2007 Aqualectra received an amount of ANG 2.2 million from the remainder of the Energy Fund to minimize the tariff increase in 2007.

The remaining, still to be compensated, under coverage amounts to ANG 21.2 million, which regards the period January through September 2005 (ANG 1.6 million) and the period April through December 2006 (ANG 19.62 million). This amount is recorded as a receivable. However, since the funds in the Energy Fund are depleted and the Island Government does not have the necessary funds to compensate Aqualectra for the under coverage, the total outstanding amount has been provided for. In anticipation of the written approval of the Island Government this amount has been allocated to the Regulatory Account and will be compensated through future usage of electricity and water. Of the above mentioned amount of ANG 21.2 million, ANG 3.3 million (ANG 1.6 million for the period January through September 2005 and ANG 1.7 million for the year 2006) has been recovered through the tariffs in the year 2007.

Curacao Utilities Company N.V. (CUC)

As per December 31, 2007 the following contingent assets related to CUC can be identified:

CUC has undertaken certain work as allowed under the Engineering Procurement Construction (EPC) contract related to the utility facilities. The total expenses related to this work are approximately USD 0.8 million. In accordance with the warranty contract, CUC claimed these costs from MHI. CUC called the warranty bond in 2006 and received the funds in 2007. These are booked on an escrow account with Wilmington Trust. MHI has entered into arbitration and the outcome of this arbitration is expected to be announced in the end of 2008. Meanwhile, CUC is counterclaiming entitlement to keep the USD 7.3 million drawn down under the L/C, entitlement to keep USD 1 million retained, USD 17.6 million other claims and interest and legal fees.

The outcome nor proper estimates of the above-mentioned CUC contingency are known yet to the management of CUC. Therefore, management of CUC has not accrued for these items in the December 31, 2007 financial statements. The outcome of the issues mentioned could possibly impact Aqualectra's share in the profit and equity of CUC-Holdings in due time.

4.5. EXPLANATORY NOTES TO THE INCOME STATEMENT

4.5.1. OPERATING REVENUE

Tariffs to consumers of electricity and water consist of two components. The first component covers the production-/distribution costs and the profit margin. The second component (fuel component) of the used tariff covers the cost of fuel and other direct costs. The fuel component can change as a result of fluctuations in the price of Curoil's and PDVSA/ Refineria ISLA's fuel products. The Company keeps track of the fluctuations and when necessary the fuel component is adjusted in the tariffs as to make the sales work budget neutral to the actual fuel costs. For the period January through December 2006 a total amount of ANG 38.0 million has been accrued as a revenue relating to the compensation by the Energy Fund 2005/2006 for not increasing the tariffs. See also note 4.4.5.4 for additional information.

Unaccounted usage for water distribution increased during 2007 by 1.25% to 29.98% compared to 2006 (28.73%). Unaccounted usage for electricity distribution during 2007 decreased with 0.78% to 13.97% compared to 2006 (14.75%). In order to align all the necessary activities to reduce the unaccounted usage, a multi disciplinary taskforce group was setup in 2004, headed by a steering committee consisting of the Chief Executive Officer (CEO), Managing Director Distribution and the Chief Financial Officer. Furthermore, the taskforce group consists of different project coordinators/groups that are responsible for the identified improvement activities and report periodically to the steering committee. The steering committee actually is being staffed by the acting CEO and the Managing Director Distribution.

4.5.2. DIRECT COST PRODUCTION

Direct cost of production includes an amount of ANG 19,829,816 (ANG 21,151,791 in 2006) being the DPP, fuel and extension component of the IUH agreement between Aqualectra, Refineria ISLA and Refineria di Korsou N.V. According to this agreement a total fee of USD 12,000,000 has to be paid on a yearly basis until the year 2019. The amount mentioned increases yearly with the consumer index. This agreement covers the construction costs of a Diesel Power Plant and consists of a fuel and extension component.
We refer also to 4.4.5.4.

4.5.3. OPERATING EXPENSES

Personnel costs and general expenses are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006*
Personnel costs		
Salaries	51,416	51,819
Overtime	3,819	4,030
Social securities	9,896	9,415
Actuarial based calculation future medical costs retired employees	8,138	5,863
Other personnel expenses	6,374	4,502
Total personnel costs	**79,643**	**75,629**
General expenses		
Housing and carfleet	6,064	5,520*
Office expenses	2,917	3,356
Insurance & security	7,582	5,211
Consultancy	7,768	9,836
Sundry expense Production	778	(1,829)
Communications and public relation	4,256	4,209*
Other expenses	4,121	1,331*
Total general expenses	**33,486**	**27,634**

* Adjusted for comparison purposes.

EMPLOYEE BENEFITS

The Company's contributions to the defined benefit plans are charged to the income statement (personnel expenses) in the period to which the contributions relate. The total expense resulting from contributions, current service costs, interest cost and expected return on plan assets for the year 2007 (and 2006) were:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Aqualectra Production	3,774	3,564
Aqualectra Distribution	2,262	4,426
Aqualectra Holding	236	369

The calculation of the presented figures for employee benefits are based on actuarial calculations in accordance with IFRS. Since the assets ceiling is set at zero, no assets have been recognized in the balance sheet. The actuarially calculated expenses of the plan are charged to the income statement.

The development in the labour force during 2007 was as follows:

Labour force	Aqualectra Production	Aqualectra Distribution	Aqualectra Bottling	Aqualectra Holding	Total
31/12/2006	285	416	2	5	708
31/12/2007	290	410	2	5	707
Increase/Decrease	**5**	**-6**	**0**	**0**	**-1**

4.5.4. INTEREST EXPENSE

A breakdown of the interest expense is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Interest expense AP	1,921	455
Interest revenues AP	(10)	(6)
Interest expense AD	1,508	1,730
Interest revenues AD	(11)	(9)
Interest expense AH	26,115	27,885
Interest revenues AH	(1,415)	(814)
Total interest expense	**28,108**	**29,241**

4.5.5. PROFIT TAX EXPENSE

The Company is subject to Netherlands Antilles profit tax. Profit tax recognized in the income statement can be specified as follows:

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006
Aqualectra Production		
Release deferred tax asset	(7,777)	(2,194)
Release deferred tax liability	584	465
	(7,193)	**(1,729)**
Aqualectra Distribution		
Release deferred tax asset	(318)	(10,886)
Release deferred tax liability	396	791
	78	**(10,098)**
Aqualectra Holding		
Release deferred tax assets	(319)	(1,086)
	(319)	**(1,086)**
Total profit tax expense	**(7,434)**	**(12,913)**

4.5.6. RELATED PARTIES

IDENTITY OF RELATED PARTIES

The Company has a related party relationship with associates (see note 4.4.1.2) and with directors and executive officers.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

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

The remuneration of direct management of Aqualectra and its Supervisory Board is included in the income statement as personnel costs.
Key management, including Supervisory Board compensation, can be categorized as follows:

(Amounts in ANG * 1,000)	2007	2006
Short-term employee benefits	2,544	2,547
Post-employment benefits employees	268	254
Total key management officers' compensation	**2,812**	**2,801**

As per December 31, 2007, the outstanding balance of short term and long term receivables from key management officers of Aqualectra amounts to ANG 45,444 (2006: ANG 87,612).

As per December 31, 2007 key management consisted of 1 Acting President Director, 3 Executive Directors and 5 Tier 1 Managers. As per December 31, 2006 the numbers of said officers were the same.
As per December 31, 2007 the Supervisory Board consisted of 7 Directors (2006: 7).

Associate and other related party transactions:

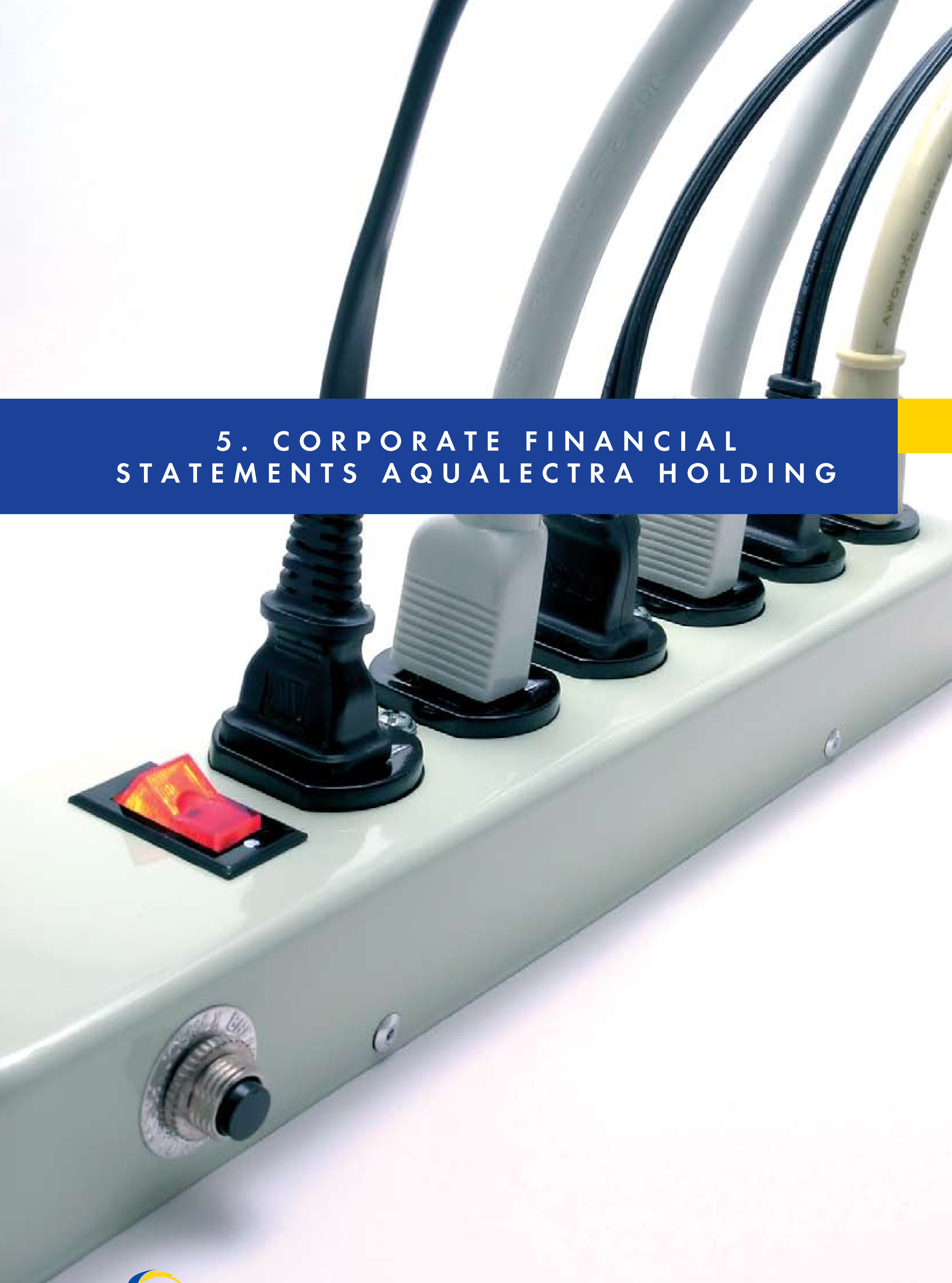
- Curaçao Utility Company Holdings N.V. ('CUCH') is an associate, since Aqualectra holds 49% of the common shares of CUCH;
- Vidanova is 'inter alia' the provider of the pension plan for the Aqualectra personnel. Based on the existing laws and regulation, equal representation (employees and sponsors) in the Board of Managing Directors as well in the Board of Supervisory Directors of the Pension fund is applicable. Aqualectra is represented in the Board of Managing Directors by one member and in the Board of Supervisory Directors by 3 members.

In 2007 Aqualectra paid ANG 58,579 (2006: ANG 68,829) as compensation for the managing director of CUC.

In 2007 Aqualectra purchased electricity from CUC Holdings for a total amount of ANG 13,552,684 (2006: ANG 17,948,333), while at December 31, 2007 Aqualectra presents a financial asset concerning CUCH of ANG 5.16 million due to granting security deposits by means of a granted Letter Credit for financing sponsor obligations for CUC Holdings (2006: ANG 7.35 million).

In 2007 Aqualectra paid a total amount of ANG 8,052,000 to Vidanova for the purchase of pension rights (2006: ANG 8,164,000). The outstanding balance of a long term loan from Vidanova amounts to ANG 2,513,000 at December 31, 2007 (2006: ANG 2,885,000).

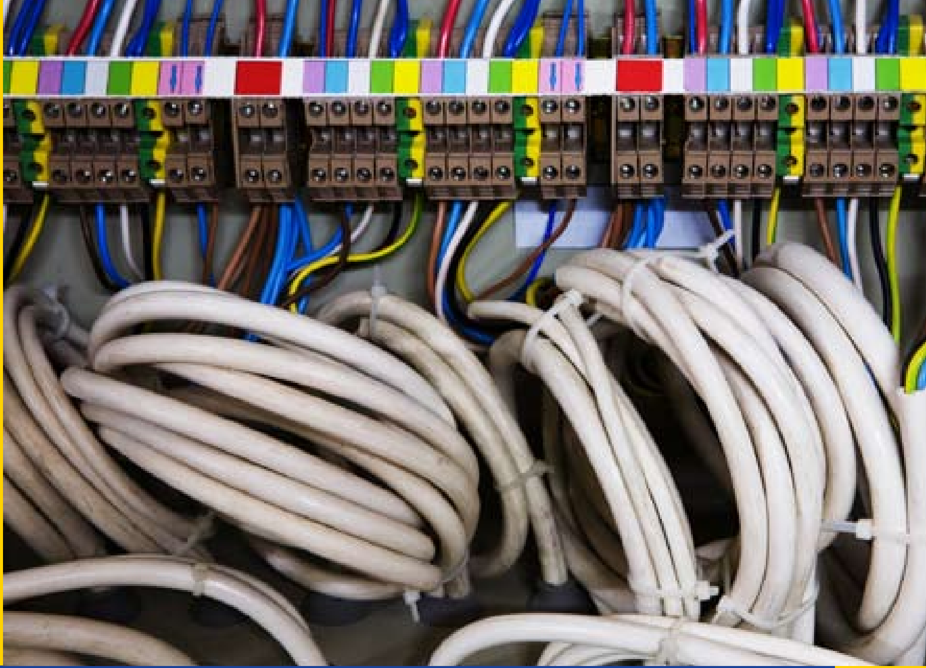
5. CORPORATE FINANCIAL STATEMENTS AQUALECTRA HOLDING



5.1. CORPORATE BALANCE SHEET AQUALECTRA HOLDING

(Amounts in ANG * 1,000)	Dec 31, 2007	Dec 31, 2006	For specs see notes
ASSETS			
Non-current assets			4.4.1
Investment in Aqualectra companies	317,504	308,994	4.4.1.2 / 5.5.2
Investment in Curaçao Utility Company	78,878	72,958	4.4.1.2 / 5.5.2
Loans to Aqualectra companies	99,928	133,474	5.5.3
Loan to Curaçao Utility Company	5,164	7,356	4.4.1.2
Deferred tax asset	2,166	2,183	4.4.1.3
	503,640	**524,965**	
Current assets			4.4.2
Intercompany accounts receivable	125,583	100,795	5.5.4
Other receivables	35,237	36,099	
Cash & cash equivalents	29,821	26,062	4.4.2.4
	190,641	**162,956**	
	694,281	**687,921**	
EQUITY AND LIABILITIES			
Capital & reserves			4.4.3 / 5.4
Share capital	525,000	525,000	
Retained earnings	(217,525)	(221,591)*	
Income for reported year	27,062	16,481*	
	334,537	**319,890**	
Non-current liabilities			4.4.4
Long term loans Holding	101,155	148,588	4.4.4.2
Convertible preferred stock	72,800	72,800	4.4.4.4
Provisions	965	0	
	174,920	**221,388**	
Current liabilities			4.4.5
Intercompany accounts payable	135,575	98,617	5.5.4
Other liabilities	49,249	48,026	4.4.5.3
	184,824	**146,643**	
	694,281	**687,921**	

* Adjusted for comparison purposes.



5.2. CORPORATE INCOME STATEMENT AQUALECTRA HOLDING

(Amounts in ANG * 1,000)	2007	2006	For specs see notes
OPERATING REVENUES			4.5.1
Result from Aqualectra Production	15,349	11,226*	
Result from Aqualectra Distribution	5,195	1,695*	
Result from Aqualectra Multi Utility	(193)	(187)	
Result from Curaçao Utility Company	5,919	2,723	
Management fee charged to Aqualectra Production	10,297	10,297	5.5.6
Management fee charged to Aqualectra Distribution	10,200	11,327	5.5.6
Gross profit	**46,768**	**37,081**	4.5.2
OPERATING COSTS			
Personnel costs	1,962	2,165*	4.5.3
General expenses	4,032	4,094	
Total operating expenses	**5,994**	**6,259**	
OPERATING RESULT			
Operating profit	40,774	30,822	
Interest expense	13,393	13,255	4.5.4
Net profit before tax	**27,381**	**17,567**	
Profit tax	319	1,086*	4.5.5
Net profit	**27,062**	**16,481**	

* Adjusted for comparison purposes.

5.3. CORPORATE CASH FLOW STATEMENT AQUALECTRA HOLDING

ANG (*1,000)	Dec 31, 2007	Dec 31, 2006	For specs see notes
Cash-flow from operating activities			
Net profit	27,062	16,481	
Deferred tax asset	17	1,146	
Intercompany accounts receivable	(24,788)	(34,000)	
Other receivable	862	(2,395)	
Intercompany accounts payable	36,958	43,973	
Other liabilities	1,223	9,336	
Other provisions	965	0	
	42,299	**34,541**	
Cash-flow from investing activities			
Change in financial assets	21,308	80,849	
	21,308	**80,849**	
Cash-flow from financial activities			
Loan repayments	(47,433)	(42,743)	
Adjustment in Equity	(12,415)	(59,375)	
	(59,848)	**(102,118)**	
Balance at start of year	26,062	12,790	
(Decrease) / increase	3,759	13,272	
Balance at end of year	**29,821**	**26,062**	4.4.2.4

5.4. CORPORATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in ANG * 1,000)	Share	Share	Retained	Total
Year ended December 31, 2006	Capital	Premium	Earnings	Equity
Balance at January 1, 2006	470,000	55,000	(162,216)	362,784
Net loss recognized directly in equity	-	-	(59,375)	(59,375)
Result of the year	-	-	16,481	16,481
Balance at December 31, 2006	**470,000**	**55,000**	**(205,110)**	**319,890**
Year ended December 31, 2007				
Balance at January 1, 2007	470,000	55,000	(205,110)	319,890
Net loss recognized directly in equity	-	-	(12,415)	(12,415)
Result of the year	-	-	27,062	27,062
Balance at December 31, 2007	**470,000**	**55,000**	**(190,463)**	**334,537**

5.5. EXPLANATORY NOTES TO THE CORPORATE FINANCIAL STATEMENTS

5.5.1. GENERAL

The accounting policies for the corporate financial statements are equal to those of the consolidated financial statements. Consolidated subsidiaries are accounted for by the equity method of accounting. Equity accounting involves recognizing in the statement of income of the Company's share in the subsidiaries' profit or loss for the year. Please refer to the description of the general accounting policies of the consolidated financial statements.

5.5.2. INVESTMENT IN AQUALECTRA COMPANIES AND CUC

The movements in the financial fixed assets are as follows:

(Amounts in ANG * 1,000)	Production	Distribution	CUC	Multi Utility	Total
Value as at January 1, 2007	204,331	104,750	72,958	(87)	381,952
Adjustments through Equity	(4,346)	(7,495)	0	0	(11,841)
Result current year 2007	15,349	5,195	5,920	(193)	26,271
Value as at December 31, 2007	**215,334**	**102,450**	**78,878**	**(280)**	**396,382**

AQUALECTRA PRODUCTION

Kompania di Produkshon di Awa I Elektrisidat di Korsou N.V. (KAE) is a 100% subsidiary of Integrated Utility Holding N.V. Its authorized capital consists of 150 shares at ANG 1 million each of which 105 shares have been issued and paid. The financial position of KAE has been fully included in these consolidated financial statements. The main objective of KAE is generation of electricity and production of water in Curaçao.

AQUALECTRA DISTRIBUTION

N.V. Kompania di Distribushon di Awa I Elektrisidat di Korsou (KODELA) is a 100% subsidiary of Integrated Utility Holding N.V. Its authorized capital consists of 150 shares at ANG 1 million each of which 65 shares have been issued and paid. KODELA's financial position, after consolidation with GEUS, has been fully included in these consolidated financial statements. The main objective of KODELA is transmission and distribution of electricity and transportation and distribution of water in Curaçao.

AQUALECTRA MULTI UTILITY COMPANY N.V.

Aqualectra Multi Utility Company N.V. (AMU), a 100% subsidiary of Integrated Utility Holding N.V., has been incorporated as at February 14, 2001 with an authorized capital of ANG 500,000 divided in 5,000 shares of ANG 100 each of which 1,000 shares have been issued. The purpose of this company is to facilitate specific clients. During the year 2007 AMU did employ activities. AMU's financial position, after consolidation with Aqualectra Bottling Co. N.V., has been fully included in the consolidated annual report.

AQUALECTRA BOTTLING COMPANY N.V.

Aqualectra Bottling Company N.V., a 100% subsidiary of Aqualectra Multi Utility Company N.V. (AMU), has been incorporated on December 30, 2004 with an authorized capital of ANG 20,000 divided in 200 shares of ANG 100 each of which 200 shares have been issued. The main objective of this company is to produce, bottle and distribute water in pure or with other taste. The Company is operational since 2006.

GENERAL ENGINEERING & UTILITY SERVICES N.V.

General Engineering & Utility Services N.V. (GEUS) is a 100% subsidiary of Aqualectra Distribution. The authorized capital of ANG 500,000 is divided in 5,000 shares of ANG 100 each of which 1,000 shares have been issued and paid in by Aqualectra Distribution. The main objective of GEUS is to provide management with assistance and technical consultancy.

CURAÇAO UTILITY COMPANY HOLDINGS N.V.

Aqualectra Holding has a 49% common participation in Curaçao Utility Company Holdings N.V. (CUC Holdings) relating to 100% of the class A shares with a nominal value of USD 19.6 million (ANG 35.3 million). CUC Holdings is 100% owner of Curacao Utility Company (CUC), which company is mainly in charge of the BOO operations on the premises of ISLA refinery, which commercial operation commenced in June 2003. The total issued common capital amounts to USD 40 million. Aqualectra also acquired 100% of non-voting class-C shares in CUC Holdings, with a nominal value of USD 8 million (ANG 14.4 million).

5.5.3. LOANS TO AQUALECTRA COMPANIES

The intercompany loans are as follows:

(Amounts in ANG * 1,000)	Production	Distribution	Total
Loans as at January 1, 2007	28,653	104,821	133,474
Loan repayments 2007	(7,163)	(26,383)	(33,546)
Loans as at December 31, 2007	**21,490**	**78,438**	**99,928**

The term of the loans to Aqualectra Production are 9 years and the loans bear an interest percentage of 7.5%. The terms of the loans to Aqualectra Distribution vary between 3 and 9 years and the interest percentage of the loans vary between 6.0% and 8.5%.

5.5.4. INTERCOMPANY ACCOUNTS RECEIVABLE

These relate to interest free current accounts with Aqualectra Production and Distribution.

5.5.5. COMMON SHARE CAPITAL

The Company's authorized capital amounts to ANG 600 million, consisting of 66 shares at ANG 1 million per value each, of which 470 shares were issued to the Island territory of Curaçao on June 1, 1998. There were no movements in the shares outstanding as per December 31, 2007.

The share capital was paid up by means of the contribution of the KODELA and KAE shares. The pay up in full of the 470 shares placed through the contribution of KODELA and KAE has created a share premium of ANG 55 million.

5.5.6. PROVISIONS

In 2007 the Company formed a provision for future medical expenses for retired employees. For 2006 no comparative figure is available (refer to paragraph 4.4.4.6). The provision amounting to ANG 965,000 was fully formed against Equity.

5.5.7. MANAGEMENT FEE

The management fee consists of cost allocation agreed upon at the beginning of each fiscal year.

6. AUDITORS' REPORT PRICEWATERHOUSECOOPERS N.A.

We have audited the accompanying consolidated financial statements 2007 (on page 31 to page 98) of Aqualectra, Curaçao, which comprise the consolidated balance sheet as at December 31, 2007, the consolidated statement of income, the consolidated statement of recognized income and expenses, consolidated cash flow statement for the year then ended, the notes thereto and the 2007 corporate financial statements of Aqualectra.

MANAGEMENT'S RESPONSIBILITY

Management of the company is responsible for the preparation and fair presentation of the consolidated financial statements, in accordance with Book 2 of the Netherlands Antilles Civil Code. Management has elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards. Management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Aqualectra as at December 31, 2007 and of its result for the year then ended in accordance with International Financial Reporting Standards.

Curaçao, Netherlands Antilles, July 29, 2008
PricewaterhouseCoopers Netherlands Antilles

Noraida Peterson

7. PEOPLE

7.1. SUPERVISORY BOARD OF DIRECTORS

Mrs. S.C.F. Römer
President

Mr. F.B.M. Kunneman
Director

Mr. O.A. Martina
Director

Mrs. J.M.
Krijger-Rodrigues Conduto
Director

Mr. E.E. Capella
Director

Mr. K.T. Covington
Director

Mr. T. Fukuda
Director

7.2. BOARD OF MANAGING DIRECTORS

Mr. A.C. Casperson
Act. President of the
Board of Managing Directors

Mr. H.M.T. Gouverneur
Managing Director
Production

Mr. T.B. Statia
Managing Director
Distribution

Mr. W.L.C. Pandt
Managing Director
HR & Facilities

Mr. I.F. Moenir Alam
Legal Advisor

Mrs. A.F. Martha-Weert
Finance Manager Distribution

Mr. D.G. van der Veen
Finance Manager Production