CONSOLIDATED ANNUAL REPORT 2010

INTEGRATED UTILITY HOLDING N.V. AQUALECTRA

March 26, 2014 Ref.:- 2014-1645

Board of Managing Directors

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1. Report of the Board of Managing Directors

1.1. Company profile

Aqualectra (hereinafter The Group) is Curaçao's utility company responsible for the production and distribution of power and water as well as the delivery of accompanying services. The Group serviced approximately 71,500 electricity connections and 72,500 water connections in 2010. As per December 2010 the Group's workforce consisted of 678 dedicated workers who provide the framework for the delivery of quality products and services to our customers.

1.2. Financial performance

In 2010 the Group realized a negative net result after taxes and other comprehensive loss of ANG 103.1 million (2009: profit ANG 6.7 million). The gross profit of 2010 was ANG 294.2 million (2009: ANG 289.5 million) and the operating result was ANG 0.7 million (2009: ANG 62.9 million). The financial performance of the Group in 2010 significantly deteriorated compared to 2009. The reasons for this fall back in the financial performance of the company are as follows:

Sales electricity and water:

Sales electricity
In 2010, total sales of 679,103 MWh were realized, compared to 2009, when total sales of 654,390 MWh were realized. This is an increase of 3.8%. This total increase of sales is a result of an increase of 1.8% of sales to the households and 2.9% increases of sales to the business sector. 41% of the total sales have been realized to the households, while 59% of the total sales have been realized to the business clients. 75% of the total sales to the households have been realized to postpaid clients, while 25% of the total sales to the households have been realized to the prepaid clients.

Sales water
In 2010, total sales of 9,978 m^3 x 1,000 was realized, compared to 2009, in which total sales of 9,785 m^3 x 1,000 was realized. This is an increase of sales of 2.0%. This increase is a result of a 1.9% increase of sales water to the households and a decrease of 0.1% of sales to the businesses (commercial & industrial clients). 67% of the total sales have been realized to the households, while 33% of the total sales have been realized to the commercial & industrial clients.

Applicable tariffs
In 2010, the realized average all inclusive tariffs for electricity was ANG 0.6780 per KWh (2009: ANG 0.6020 per KWh). In 2010, the realized average all inclusive tariffs for water was ANG 10.2300 per m^3 (2009: ANG 10.3827 per m^3). In 2010 there were no adaptations to the electricity and water tariffs. The last tariff adaptations of the all-inclusive electricity and water tariffs were per September 4, 2009 because of the adjustment of the direct cost component caused by fluctuations on the world oil market.

In order to obtain a complete understanding of the current situation of the company with regard to the tariffs and tariff calculation, it is imperative to provide an overview of the occurrences of previous years.

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

- The set-up and tariff structure for water and electricity as of 2002, consisting of a (i) base component and (ii) a direct cost component. The base component covers all the non-direct costs for the supply, while the direct costs component must cover the fuel costs, the other direct costs of production and other direct costs of sales. This separation allowed a rate calculation system to be developed that could track changes in fuel costs.
- The level of the applicable tariffs for water and electricity for the years 2003 and 2004;
- That the Group is allowed to realize a yearly return on equity of 8%;

- That the Group is allowed to apply a "regulatory account" in which an eventual 'over coverage' or 'under coverage' of the total direct cost by the applicable cost component is reflected;
- That the "regulatory account" as of 2002 starts with a total amount to be recovered of ANG 15.4 million regarding 2001;
- That the increase or decrease of the regulatory account will be quarterly monitored and evaluated and yearly verified based on the audited financial report of the Group.

Based on this resolution, the Group was allowed to pass through any eventual under coverage of direct cost (fuel costs) to the customer if the fuel and other direct costs are not fully covered through the direct costs component of the applied tariff, due to the increase of the fuel costs of the production compared to the level of fuel usage. The aforementioned resolution was cancelled by the new Government on April 6, 2011. In 2011 and 2012 there were several developments with regard to the tariffs, which are outlined in 'subsequent events' note 5.5.9.

Revenues water and electricity
The total realized revenues for water and electricity in 2010 of ANG 574.6 million was ANG 65.7 million higher than in the year 2009 (ANG 508.9 million). In 2010 higher sales and higher average tariffs were recorded compared to 2009 for electricity. On the other hand, in 2010 higher sales and a lower average tariff were recorded for water compared to 2009.

<u>Direct costs production and other direct costs of sales:</u>
This cost item consists of the cost of fuel usage, chemicals, lubrication, purchase of electricity and water from third parties, IUH-agreement expenses, expenses for the temporary rent of electricity production units and other direct costs of sales. The total direct costs of production and other direct costs of sales recorded in 2010 was ANG 295.9 million and is ANG 61.1 million higher than in 2009 (ANG 234.8 million). The drivers for this cost increase were mainly:
- the higher realized costs of fuel in 2010 of ANG 234.4 million compared to ANG 171.5 million in 2009 (an increase of ANG 62.9 million) and
- the higher realized costs of ANG 14.2 million compared to ANG 8.8 million in 2009 for the temporary rent of electricity production units (an increase of ANG 5.4 million).

On the other hand the abovementioned increases were offset by the lower costs for other direct costs of sales (2010: ANG 5.5 million and 2009: ANG 11.4 million).

<u>Development "regulatory account":</u>
In 2010, the total realized coverage for the 'direct costs production' electricity and water was ANG 287.3 million. On the other hand, as explained earlier in this report, in 2010, the total realized 'direct cost production' and 'other direct cost of sales' was ANG 295.9 million. The realized under coverage direct cost for the year under report is ANG 8.5 million. The total amount of under coverage 'direct cost' until the year 2009 was ANG 95.6 million.
Considering the above mentioned realized under coverage in the year under report, the total amount of under coverage of the direct cost until 2010 has increased to ANG 104.1 million. Below an overview of the total amount of under coverage direct costs as realized as of 2006 till 2010:

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

Development operating expenses:
In 2010, the total operating expenses were ANG 293.5 million. In 2009, the total operating expenses were ANG 226.6 million. It regards an increase of ANG 66.9 million which is equivalent to 29.5% compared to 2009. This increase is mainly attributable to the following factors:

Personnel expenses totaled ANG 95.6 million in 2010 an increase by ANG 8.9 million from the recorded ANG 86.7 million in 2009. This increase is mainly attributable to (i) indexation of prior year salaries and thereto related social security expenses and (ii) additional contribution to the provision for medical expenses of retired personnel based on actuarial calculations.

Operational and maintenance expenses include the cost items: material usage, repair and maintenance and hired services. This total cost item amounted to ANG 70.3 million in the year under report (2009: ANG 58.6 million). This ANG 11.7 million increase is mainly a consequence of (i) more hired services for the accelerated maintenance program of the different electricity and water production assets and (ii) more materials and hired services applied in the year under report for the maintenance of the Transmission & Distribution (T&D) assets for water and electricity.

General expenses regards the costs related to housing & car fleet, office expenses, communication & PR, insurances and security, consultancy and other sundry and general expenses. In 2010 a total amount of ANG 39.9 million has been recognized as "general expenses", which is an increase of ANG 13.3 million compared to 2009 (ANG 26.6 million). The increase of the "general expenses" in 2010 is mainly due to (i) increase in the consultancy expenses (consultancy expenses for an organization wide reorganization, accounting-, financial-, legal- and fiscal-services), (ii) increase of the sundry expenses; (in 2009 there were extraordinary benefits recorded) and (iii) increase in the expenses for car lease.

Depreciation expenses amounts to ANG 58.1 million in the year under report (2009: ANG 50.1 million). This is an increase of ANG 8.0 million compared to 2009. Depreciation costs are realized based the amount of assets on the balance sheet during the year under report.

Provision bad debt expenses amounts to ANG 6.2 million in the year under report (2009: ANG 4.6 million). This is an increase of ANG 1.6 million compared to the year 2009. The provision for bad debt costs is related to the sales of water and electricity. More sales has been realized in the year under report compared to the previous year, hence relatively more provision for bad debt needed to be recorded in the year under report.

Other expenses amounts to ANG 23.5 million in 2010 (2009: ANG 0). The Group recorded impairment of ANG 23,453,271 for certain production equipment located at the Mundo Nobo plant during the year ended December 31, 2010.

1.3. Corporate Governance

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

Common Shareholder:

- As of June 1, 1998 a total amount of 470 issued common shares (nr. 1 to nr. 470) has been paid for by the "Eilandgebied Curaçao". The total amount paid regards ANG 570 million.
- As of September 6, 2001 the total amount of 470 shares has been transferred by the Government "Eilandgebied Curaçao" to Stichting Implementatie Privatisering (StIP). STIP became the legal owner while the Government kept the economic ownership.
- As of December 14, 2010 the shares were transferred to the Government of Curaçao ("Land Curaçao").

Preferred Shareholder:

- As of December 19, 2001 a total amount of 2,800 issued preferred shares (nr. b1 to nr. B2800) has been paid for by the "Mirant Curaçao Investments Ltd.". The total amount paid regards USD 16 million.
- As of September 27, 2002 a total amount of 4,200 issued preferred shares (nr. B2801 to nr. B4000) has been paid for by "Mirant Curaçao Investments Ltd.". The total amount paid regards USD 24 million.
- As of July 11, 2006 the total amount of 7000 preferred shares has been transferred by "Mirant Curaçao Investments Ltd." to "MaruEnergy Curaçao Ltd".
- As of December 30, 2009 the total amount of 7000 preferred shares has been repurchased from "MaruEnergy Curaçao Ltd." by "Integrated Utility Holding N.V.".

Annual report and legal structure

This annual report of Aqualectra, regards the consolidated report of management to the shareholders and other relevant stakeholders about the performance of the Group over the year 2010. This report regards the consolidation of the following companies into the report of Integrated Utility Holding N.V. (dba Aqualectra):

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

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

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

As of December 18, 2011 new bylaws were incorporated for IUH and its subsidiaries. In these bylaws, the Board of Supervisory Directors has the supervision over management of all subsidiaries and management has to inform on the progress and action taken for each subsidiary separately.

Planning & Control Cycle of the Group

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

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

The ERP describes the Group's growing customer base, load growth, supply-resources, demand side management and risk analysis. Additionally this ERP also contains information regarding available resource options, planning period forecasts, potential generating resources and – options (including sustainable energy), 20 year resource plan and a near term investment plan.

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

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

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

Year Operational Planning and departmental budget:
The above-mentioned business plan and consolidated budget is the input for the yearly internal planning and budgeting cycle. The Group's internal structure is organized in 9 policy areas. These areas are (i) Customer Relations, (ii) Production, (iii) Distribution, (iv) Finance & BRC/IAD, (v) ICT, (vi) General affairs, (vii) Corporate affairs, (viii) Legal and Communication and (ix) HR- and Facilities Management. For every internal policy area, Year Operational Plans (YOP) and departmental budgets are drafted and approved by Management, considering the guidelines and objective for the year under report as this is defined in the year business plan. For every policy areas also key performance indicators are in place, which will be the input for the yearly assessment and appraisal of middle management and staff.

Reporting:
Periodic reporting (monthly or quarterly and yearly) of each policy area is applied, in which reports the realization of the KPI's are set off against the planned or projected KPI's per policy area. Management on its turn also periodically reports to the Board of Supervisory Directors about the realization vis a vis the planned and projected KPI's. Through a process of monitoring, reporting andcompliance, the adherence to good governance within Aqualectra is assessed.
Throughout the year 2010 Aqualectra has gone through the following process of monitoring, reporting and compliance:

- One audit and one review of the financials of the Group conducted by the external auditor KPMG;
- Two audits conducted by Lloyds Netherlands related to the compliance with the ISO 14001: 2004 environmental management standards and the compliance with the ISO 9001/2008 management standards;
- 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.

Year 2010 was a stable year in terms of development in the corporate governance area.
The periods after balance sheet date till signing of this annual report can be classified as turbulent and full of challenges.

As of January 1, 2011 two directors retired. As of April 1, 2011 a new director was appointed as Chief Operating Officer (COO). In the second half of 2011 the majority of the Board of Managing Directors was set on non-active status leading to a Board of Managing Directors consisting of 1 Director. The subsequent developments have led to a Board of Managing Directors consisting of formally 1 Director starting March 1, 2012. Consequently this report can and will be signed by the only active Director. The recruiting of 2 Directors did start in May 2012 but the process is not yet finalized.

1.4. Compliance with the Corporate Governance Code

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

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

Subject and items of the Code of Corporate Governance paragraph	**Remarks**
Tasks and operational model	
Timeliness of information delivery to the BSD.	During 2010 the BMD has a significant challenge to obtain required third party information for internal reporting on a timely matter resulting in certain delays. To improve this internal reorganization and process alignment have been implemented.
Corporate objectives and Strategy	
Timely submission of business plan including operational and CAPEX budget.	The business plan 2011 was submitted and approved in November 2010. This was in accordance with the existing articles of incorporation of IUH N.V. The (timetables of the) applicable articles of association of the Group have however not been adjusted to the Corporate Governance Code. The timeline for submission of business plan and budgets were adjusted in the new articles of association which became effective as of December 18, 2011.
Financial policy	
Compliance of the annual account to the provisions of Book 2 of the Civil Code and provisions of the Code of Corporate Governance.	The 2009 annual account was drawn up in July 26, 2010 instead of June 30, 2010 due to extended discussions regarding the Curaçao Utility Company Holdings N.V. valuation and respective tax implications. Since appointment of the CFO improvement actions have been implemented and significant improvements have been noticed. The 2010 annual account was scheduled to comply with the Corporate Governance Code and implicitly the Book2 of the Civil Code. This objective has however not been met due to significant changes in management policies immediately implemented by the new Board of Supervisory Directors. Another delaying factor was the position taken by the BSD not to agree with the qualifying opinion of the external auditor. This matter has been dealt with over the past year.
Reporting by the BMD	

Subject and items of the Code of Corporate Governance paragraph	Remarks
Timeliness of reporting information to the BSD	Due to the absence of a CFO in the first half year of 2010 several delivery schedules encountered backlogs. The BMD however ensured in all these cases to send the most key information in time to avoid significant disturbances in the BSD's monitoring role.
Quarterly reports	The quarterly presentation of the Groups figures were subject to the scheduled BSD meetings. Sometimes these meetings were scheduled much later than the reporting deadline stipulated in the Code. To make up for this extended period the BMD always presented, beside the quarterly reports also additional monthly reports.
Compensation BMD	Instead of periodic performance reviews of the BMD members the BSD performed detailed assessment of the BMD based on the met KPI's of the BMD's scorecard.

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

Subject and items of the Code of Corporate Governance paragraph	Remarks
Selection, appointment of BSD- and BMD members and compensation of members	
Installation of an entity responsible for the advising and assistance of the Government with the selection, appointment and remuneration of the members of the BSD and the BMD.	An entity was incorporated but had no activities in 2010. However, SOAB rendered its opinion in respect of appointment of BSD and BMD members in the course of the fiscal year.
Financial reporting	
BSD supervision and enforcement of the internal procedures.	The BSD is in the process of developing formal supervision guidelines.

Appointment, remuneration and performance review of external auditor	
Attendance auditor at the GSM?	Until now the external auditor has only attended the Audit Committee meetings. BMD will inform the BSD of this aspect to ensure formal invitation of the external auditors for the GSM, specifically those in which the annual accounts are presented.
Review performance of the external auditor and presentation of the conclusions to the GSM	The BMD will prepare and present a measurement tool for the external auditor's evaluation. Based on this the BSD will have to stipulate a detailed process including specific evaluation moments to enable the Audit Committee and the BMD to perform a balanced performance review.

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

1.5. Corporate Citizenship

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

Small contributions to sport-, religious or cultural events:
Aqualectra regularly receives request from the general public for small contribution for sport-, religious- or cultural events. Although the Group cannot comply with all the submitted requests, still in the year under report a total of 254 requests for a small donation have been awarded. The average amount per donation is ANG 700.

Sponsorships to sports:
Aqualectra also deem it as its corporate social responsibility to sustain major sport activities or sport organizations. In this regard the Group is proud to inform that during the year under report it has continued its sponsorship for the football club "CENTRO DOMINGUITO" and the baseball club "BLUE HAWKS". The Group is also proud to inform that in the year under report the cooperation with the Government foundation "SEDREKO" has continued. This cooperation entails sponsorships of the foundation in order to make it possible for the different sporting facilities to cover the electricity costs for evening events.

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

Recycling campaign shopping bags with Curoil, RdK and Selikor:
In the year under report, Aqualectra has participated in a recycling campaign for shopping bags with its sister companies Curoil, RdK and Selikor. This campaign was coordinated by the Executive council of the Island Government of Curaçao with the objective to minimize the issue of plastic shopping bags by the supermarkets. A number of 3,000 durable shopping bags have been issued by the 3 Companies to the different Scouting groups at no cost, to be sold for little money to the public. By doing this the Companies have been giving Scouting a hand and at the same time eliminating the amount of plastic shopping bags in the island environment.

ISO 14001: 2004
The Group 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 Group explicitly specifies in its business processes the actual requirements for an environmental management system and adheres to those environmental aspects which the organization has control over and which it can be expected to have an influence on.

By continuation of the ISO 14001: 2004 standard in 2010, the Group proactively shows the community it serves, that it wishes to:
- implement, maintain and improve an environmental management system;
- assure itself of its compliance with its own stated environmental policy;
- demonstrate compliance;
- ensure compliance with environmental laws and regulations;
- seek certification of its environmental management system by an external third party organization;
- make a self-determination of compliance.

1.6. Other important milestones and developments

<u>Investments:</u>
A total amount of ANG 51.4 million has been invested in 2010. These investments have been realized in:

Aqualectra Production	ANG	26.3 million
Aqualectra Distribution	ANG	25.1 million
Total	**ANG**	**51.4 million**

The invested amounts are mainly related to the following projects:

Aqualectra Production
- Extension of the Diesel Power Station at Dokweg;
- Extension of the Reverse Osmosis plant at Santa Barbara.
- Upgrading of the cooling capacity of the Diesel Power units 1, 2, 3 and 4 at the Diesel Power Station at Dokweg.

Aqualectra Distribution
- Completion of storage tanks at Trai Seru;
- Upgrading of the main pipe lines along “Weg naar Westpunt”;
- Completion of the installation of the 12Kv switchgear at Koningsplein;
- Regular water and electricity service line and client connection projects;
- Geographical Information System.

1.7. Future prospects

Major risk fuel price volatility:
In 2008 and before, Aqualectra has been confronted with extraordinary expenses for fuel used to generate electricity and the production of water, because of skyrocketing global energy costs. As explained in this report a total amount of ANG 95.6 million is still recorded as not recovered fuel costs over the years 2006 till 2009. By not recovering the afore mentioned amount or by not applying a regulating tariff setting system in order to make it possible for the Group to (re-)cover its fuel costs is considered to be a major risk for the realization of the Group’s objectives.

Aqualectra cannot control factors driving world fuel prices and it is in the line of expectation that the energy costs are becoming more costly and very volatile, making it more difficult for utility companies to explain this development to the customer. By not being able to have a full 'fuel pass through' on the energy bill of the customer, Aqualectra is not in a position to acquire additional base-load energy resources on time, which will lead to capacity- and efficiency deficits. This deficit will continue to grow as peaking requirements increase with load growth and the Group's resource base declines due to no timely replacement- or expansion investment. In 2011 through 2013 new developments regarding tariffs have occurred that tackle the 'fuel pass through' matter as previously mentioned. We refer to subsequent events in note 5.5.9.

Fuel diversity:
Aqualectra is a firm believer of the value of fuel diversity to help stabilize fuel costs as well as to maintain and improve overall system reliability. Aqualectra therefore will be doing its utmost to take advantage of the dual fuel capabilities of a number of its generating units – that is, a number of plants can burn either oil or natural gas or a combination of both – Aqualectra in the future can take advantage of whichever of these fuel sources is least costly at any particular time.
Furthermore, Aqualectra will be looking into the possibilities to expend the share of more green energy and less fuel depended energy into its generation capacity as possible. Although the cost of doing business as well as the cost of living has been subject to increase of CPI, Aqualectra has managed to stabilize and maintain the base rates for water and electricity on the level of 2004.

Enterprise Resource Planning:
In general, capacity- and efficiency deficiencies drive Aqualectra's resource needs, which are identified in the Group's periodic update of its Enterprise Resource Planning (ERP). The ERP describes the Group's growing customer base, load growth, supply-resources, demand side management and risk analysis. Additionally this ERP also contains information regarding available resource options, planning period forecasts, potential generating resources and –options (including sustainable energy), a 20 year resource plan, and a near term action plan. The last update of this ERP was in 2008 and reported in 2009.

- The main conclusions for water production are shortage of water production capacity if no expansion; aging of water production assets at Mundu Nobo, if no replacement; possible relocation of Mundu Nobo plant.
- The main conclusions for water distribution are expansion transport capacity from Santa Barbara production location; shortage of storage capacity at Trai Seru, if no expansion; segregation transport lines from main distribution and service lines; upgrade secondary pumping stations to regulate water pressure at homes; restructuring/renewal service line system.
- The main conclusions for electricity generation are shortage of generation capacity, if no expansion; aging of generation assets, if no replacement; possible relocation of Mundu Nobo plant; reliability of supply BOO.
- The main conclusions for electricity distribution are aging 30 kV switchgear in substations; overloading of 30/12 kV Transformers; aging 12 kV switchgear in substations; restructuring of 12 kV distribution systems; restructuring/renewal LV system

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

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

- Expansion and renewing the total capacity of electricity generating units up to 246 MW in 2015. In 2015, the total demand for electricity is expected to be between 115 MW and 140 MW. Significant investments are required in 2013 and beyond.

- Renewing and expanding the total capacity of Sea Water Reverse Osmosis production up to 54,000 m^3 per day in 2017. In 2017, the total demand for water is expected to be 45,000 m^3 per day. Significant investments are required in 2015 and 2016.
- Expansion of energy generated by the wind farm with an additional 15 MW through an amendment of the current PPA.

The expected generation mix of the Group in 2015 includes: HFO diesel units (70%), wind energy (22%), purchased power (7%), and solar energy (1%). The road map to realize these investments are already presented to the Board of Supervisory Directors of the Group and are in full preparation for its execution. A very remarkable point that must be accentuated in this road map is the fact that the Mundo Nobo technical facility will be out phased after the above-mentioned investments have been concretized.

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

- SCADA system (Supervisory Control & Data Acquisition). Regards the upgrading and improvement of the Group’s dispatch and control centre.
- AMR/AMI systems (Automatic Meter Reading and Advanced Metering Infrastructure). Regards the improvement of the metering of the water and the electricity flows in the applicable distribution grids as well as at the customer premises.
- GIS/CRM systems (Geographical Information System and Customer Relation Management System). Regards the improvement and alignment of the technical drawings database of the distribution grid of water and electricity aligned with the Customer Relation Management systems.
- ERP system (Enterprise Resource Planning systems). Regards the continuous improvement of the applied ERP systems.

Organization, Personnel, Headquarters, Processes and Procedures:
The aforementioned road map will lead the Group to a situation in which the Mundu Nobo production facility will be phased out in 2015. It must also be considered that between 2010 and 2015 about 200 employees will reach their retirement age. Taken into account the aforementioned developments and in order for the Group to be more efficient a restructuring of the Group’s organizational structure must also be realized while the investments are realized. Aqualectra is already engaged in this reorganization project called “THE NEXT STEP”. The original project included the physical and operational integration of the existing organization and processes of KAE and KODELA. While organizational integration has taken place as of January 1, 2011, during 2011 the Board of Supervisory Directors instructed the Board of Managing Directors to abandon the physical integration plan.
During 2011 preparations were made to proceed with the integration of business processes and information/ operation systems within the Group. It was projected that the integration of the business processes and information/ operation systems will be ready for execution during the year 2013. In 2011 and 2012 decisions were taken that have led to the temporary stop of some projects. New deadlines for the completion of the projects have not been approved yet.

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

Currently the Group is preparing its financing strategy for the aforementioned roadmap of necessary investments and business improvement actions.

Regulatory structure:
Due to untimely decision-making regarding the adjustment of the direct costs component of the tariff, in 2007 and 2008, the Group has been placed in a position of pre-financing fuel costs, which in the end has led to postponement of- or delay in planned investment activities and necessary maintenance activities. In order for Aqualectra to realize the identified investments and in order for the Group to realize the necessary financing successfully, a well-designed energy policy and regulatory structure is a predominant condition. In 2007 and 2008 Aqualectra has offered some building blocks for the development of an energy policy. Different documentation with regard to the subjects has been submitted, 2 seminars about this subject has been organized and very well visited and a training course for the operational management of Aqualectra has been realized. Management strongly believes that a well thought through energy policy and regulatory structure are of very high importance both for the reliability and affordability of the electricity and water supply on the island as well as for the future continuity and stability. Aqualectra has the duty not only to provide for water and electricity today, but also in the coming decades.
Therefore, the Group will continue to advise to put the suggested issues on the policy agenda in order to discuss the best approach for the island, in the interest of consumers. 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.

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.

Once again, we 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 Group 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.

Finalization of financial statements 2010:
Management acknowledges that the financial statements 2010 are overdue. This is against by-laws, corporate governance code and civil laws. Based on the above, management has requested and obtained an extension for the submittal of the 2010 and 2011 financial statements from the shareholder.
These extension periods have also expired. An explanation for the late submittal of the financial statements 2010 can be found in the position taken by the Board of Supervisory Directors and Shareholder.

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

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

- IUH Corporate Bonds

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

- Deferred tax asset valuation

Due to pre-unity losses which can only be offset against future taxable profits generated by the entity in which the losses arose unless the fiscal unity as a whole has a positive result, future taxable income of the individual entities within the IUH fiscal unity had to be projected. Based on the projected taxable income of the individual entities an assessment was made of the recoverability of both the pre-unity losses and the losses generated by the fiscal unity. As a result, the amount of deferred tax asset expected to be recovered was reasonably and reliably determined and this qualification has been solved.

Willemstad, March 26, 2014

On behalf of the Board of Managing Directors,

Mr. D.P. Jonis
Acting Chief Executive Officer

KPMG Accountants B.V.
Initialed for purposes of identification

2. Report of the Board of Supervisory Directors

2.1. Legal structure of the Group

This annual report of Aqualectra, regards the consolidated report of management to the shareholders and other relevant stakeholders about the performance of the Company over the year 2010.

The following information about the ownership of the Company, which is in accordance with the "Stock Register" of Integrated Utility Holding N.V., can be disclosed: In 2010 no changes were made to the legal structure of the company.

2.2. Corporate Governance

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

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

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

- *Changes in Board of Managing Directors (BMD):* In October 2011, 3 members of the BMD were sent on non-active, pending further decision making on the continuation of their employment. Of these one retired at 31 December 2011, one was laid off and the other one terminated his employment based on a mutual agreement. Consequently, the Group was managed by a BMD consisting of one Managing Director. During this period the Director has received special support from the BSD and/or consultants that have been contracted for this specific purpose. For the continuity of decision making and progress within the Group, new Directors had to be appointed. As the recruitment process might take some time, an Acting CEO had to be appointed. The Chief Operating Officer, who was the active Managing Director, was appointed by the GSM as the Acting CEO effective October 4, 2011.

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

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

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

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

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

- Special assignment for Vice President of the BSD: the recruitment process for the new Managing Directors was started in May 2012. The BSD has chosen for a representation in the recruiting committee. The Vice-President of the BSD was appointed as the representative of the BSD in the recruitment committee. As per issuance date of this report, the recruitment process is still ongoing.

- Effective January 17, 2013, the BSD appointed a "Titulair" Technical Director for the Group. The Technical Director replaces the Industrial Director position mentioned above and has the same role and responsibility as mentioned above. The remaining general and organizational support departments have been assigned to the other director who previously held the position of Industrial Director.

- In late 2013 management assessed the Board of Management Directors structure and composition of the board. This in order to start the recruitment process and fulfill the vacancies in the Board of Managing Directors. Currently this advice is in review by the Board of Supervisory Directors in order to inform the Shareholder with respect to filling the vacancies in the Board of Managing Directors.

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

2.3. Compliance to the Corporate Governance Code

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

Subject and items of the Code of Corporate Governance paragraph	Remarks
Tasks, responsibility and working method	
Timely adoption of business plan including operational and CAPEX budget for the coming year	The budget 2011 was submitted to BSD on November 10, 2010 and treatment and approval on November 30th 2010. This is however a major improvement in comparison to prior year budget approval and BMD has implemented specific actions to avoid noncompliance in the future.
Supervision on: Well considered enterprise risk management	During 2010 risk meetings were postponed due to absence of several Risk Committee members. General risks were discussed during the Board of Supervisory Directors and Audit Committee meetings. Implementation of ERM was postponed in 2010 but will be addressed in the coming years starting in 2011.
Supervision on: timely holding of the General Shareholders meeting	Treatment and approval annual report 2009 took place within one month after approval of the Board of Supervisory Directors but was however after the 5 months stipulated by the articles of association of IUH N.V. The Board hoped that with the appointment of the new CFO, in July 2010, significant improvements would be realized.
BSD meeting, at least once a year, about the assessment made by the BMD of the set up and effect of the risk management and control systems and about the significant changes therein.	This was discussed in the Audit Committee meetings but not specifically in the BSD.
BSD meeting, at least twice a year, making a self-assessment of the BSD, the BMD and its individual members and conclusions drawn on the assessment (without BMD present).	The BSD assessed the BMD and its members only once for the performance in the year. Beside this no formal self-assessment of the BSD and its members took place in 2010. In 2011, assessments of the BMD and the BSD were conducted twice. Formal assessment of the year 2011 took place in January 2012. Highlights of the outcome of the assessments are: -Acquiring temporarily support for the BSD for the areas of finance and legal. -Request the GSM for appointment of BSD members with background in finance and legal matters. -Request BMD to review the structure of the legal department and search for possibilities of expanding the department. -The BMD and BSD regulations require an update -The positioning within the Group of the Internal Audit Department requires an reassessment and eventually an reallocation.
Other BSD committees	
Regulations of all BSD committees	The previous Board did not consider it necessary to develop specific regulations for all committees, except for the Audit Committee. In 2012 the deliberations started on the necessity to continue with the Risk Committee. An incorporation of the risk matters including evaluation and monitoring, should be allocated to the Audit Committee and with this action, the Risk Committee was discontinued.

	The current Board has reviewed and approved a BSD regulation and has presented this to the shareholder for review and approval. Furthermore, the Board is working on the decision making guidelines.
Reappointment	
Secretary of the BSD	The Board was in 2011 in the process of formal appointment of a secretary. During the first half of 2012, a secretary and a deputy secretary were formally appointed. With the change of the BSD, a new secretary was appointed in September 2013.
Retirement schedule for the BSD members	The Board will inform and advise the General Shareholders on a retirement schedule for the BSD members in order to provide for retirement by rotation as stipulated by the 'Code'. The board has approved a retirement schedule based on the current seating in the board. The shareholder has been informed of this schedule.

2.4. Meetings of the Board of Supervisory Directors

The Board of Supervisory Directors met on 6 occasions in 2010. The matrix below displays the attendance and the topics dealt with during these meetings:

		26 feb. 2010	16 apr. 2010	19 aug. and 20 aug. 2010	14 sep. 2010	11 okt. 2010	30 okt. 2010
Name	**Function**						
Mrs. S.F.C. Romer	Chair person	V	V	V	V	V	
Mr. O. van der Dijs	Director/ Chairperson as of November 2010						
Mrs. J.M. Krijger-Rodrigues Conduto	Director	V	V	V	V	V	V
†Mr. E. Capella	Director					V	
Mr. O. Martina	Director				V	V	V
Mr. E. Ys	Director	V	V	V		V	V

		26 feb. 2010	16 apr. 2010	19 aug. and 20 aug. 2010	14 sep. 2010	11 okt. 2010	30 okt. 2010
Subject	**Topic**						
BMD matters	Performance	V		V			
	Selection			V		V	
Financials	Financial reports	V	V	V	V		
	Budget						V
	Financing						
Operational	Developments	V	V	V	V		
	Planning & control cycle	V	V				
	Progress	V		V	V		V
Risk Management	Fuel					V	
	Availability	V	V				V
Compliance	Code of Corporate Governance	V	V	V	V	V	V
	Other			V			V
Investments	Planning & projects	V	V	V	V		V

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

Audit-/ Budget committee:
The audit committee met three times in 2010 to discuss and treat amongst others, issues related to the following topics:

		19 Sep. 2010	29 Nov. 2010	20 Dec. 2010
Name	**Function**			
Mrs. J.M. Krijger-Rodrigues Conduto	Director	V	V	V
†Mr. E. Capella	Director		V	V
Mr. E. Ys	Director	V	V	
Subject	**Topic**			
Financials	Financial reports	V	V	
	Budget		V	
Risk Management	BRC & IA Progress/ ML		V	
	BRC & IA performance		V	V
	External auditor	V	V	
Compliance	Code of Corporate Governance	V	V	V

The external auditor, KPMG Accountants B.V., was also represented at the meetings of the audit committee in which the annual financial report 2009 and the Management Letters 2009 were discussed. On behalf of IUH N.V. most meetings were attended by the Tier 1 Managers of Finance, the Manager Business Risk Control and Internal Audit Department and the IT Manager.

Risk committee:

Members:
- Mrs. S.C.F. Römer (until November 24, 2010)
- Mr. E. N. Ys (until November 29, 2010)

In 2008, the Board of Supervisory Directors, has decided to install a Risk Committee from its midst, in order to have a better oversight on all risk related matters with regard to the business of the Group. Key control area's to realize the Group's goals have been identified, which are (i) Governance (ii) Compliance (iii) Culture and (iv) Risk Management. The first objective of this committee has been identified as, providing reasonable assurance regarding the achievement of the Group's objectives. This assurance must be given, by embedding all risk related activities into a Enterprise Risk Management system, that must be implemented in the years to come. In 2010 these topics were dealt with during the Supervisory Board meetings and the Audit committee meetings.

2.5. Annual financial report and dividend proposal

We herewith submit to you the consolidated annual report 2010 of Integrated Utility Holding N.V. (d.b.a. Aqualectra) as drawn up by the Board of Managing Directors and approved by our Board of Supervisory Directors. KPMG Accountants BV has audited the consolidated financial statements for the year ended December 31, 2010; its opinion is included in this annual report.

Based on the Enterprise Resource Plan (utility plan 2030) all the necessary investments in order to guarantee the supply of electricity and water to the island of Curaçao were identified. The Board of Supervisory Directors has been duly informed and updated about the corporate objectives being (i) quality of the supply, (ii) reliability of the supply, (iii) less environmental burden and (iv) least cost option of the supply. The Board of Supervisory Directors fully sustains these objectives and the way Management is complying with its targets in order to finally to realize these objectives.

In order to finance the identified investments and to refinance the existing debt, Aqualectra has issued a bond loan on December 28, 2009 arranged by the former Central Bank of the Netherlands Antilles. The above-mentioned bond loan 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 2010 and further, must be able to finance the identified investments partially out of its own cash flows. Prior to the occurrences subsequent to year-end regarding the transfer of CUC shares, the company was in compliance with the financial covenants as stated in the offering circular of the corporate bonds which are held by the former Central Bank of the Netherlands Antilles. Refer to subsequent events in note 5.5.9. for details.

Also reference is made to the resolution of the Executive Council of the Island Government of Curaçao, dated November 8, 2002 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 Group 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 Group;
- 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 Group is allowed to charge the under coverage to the consumers retrospectively.

In 2011 through 2013 several developments occurred with respect to tariffs and tariff calculation. We refer to the subsequent events' note 5.5.9.

As of 2003, with exception of the year 2005 and 2007 in which years a return on equity of 12.8% respectively 9.6% 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 assure that the Group will be able to realize its future objectives 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 2010 as included and approved by the Board of Supervisory Directors;
2. To approve no dividend payment to the common shareholders;
3. To add the result (after tax) for financial year 2010 to the balance of the retained earnings;
4. To discharge the Board of Managing Directors for their management and the Board of Supervisory Directors for their supervision during the year under report.

2.6. Composition of the Board of Supervisory Directors

On December 31, 2010 the Board of Supervisory Directors of Integrated Utility Holding N.V. consisted of the following Directors:

#	Name	Function
1	Mr. O.C. van der Dijs (as of November 24, 2010)	Chair person
2	Mr. R.A. Treurniet (as of November 29, 2010)	Director
3	Mr. O.A. Martina	Director
4	Mrs. J.M. Krijger-Rodrigues Conduto	Director
5	†Mr. E.E. Capella	Director

- As of November 24, 2010 Mr. O.C. van der Dijs has replaced Mrs. S.C.F. Römer on the Board of Supervisory Directors. The Board extends its gratitude to Mrs. S.C.F. Römer for her dedication and support to the Group.
- As of November 29, 2010 Mr. R.A. Treurniet has replaced Mr. E.N. Ys on the Board of Supervisory Directors. The Board extends its gratitude to Mr. E.N. Ys for his dedication and support to the Group.

Subsequent changes in the Board of Supervisory Directors

- In the first quarter of 2011 Mrs. J.M. Krijger- Rodigues Conducto,and Mr. O.A. Martina were discharged of their duties. Mrs. E.E. Capella passed away in the same quarter. In their place the following Directors have been appointed:
  - Mr. D.E. Puriel, as of February 11, 2011 till April 21, 2011;
  - Mr. C.A. Monk, as of February 11, 2011 till June 9, 2011;
  - Mr. W.J. Van Dijk, as of April 6, 2011 till December 27,2011;
  - Mr. W.F.R. Wiels, as of April 6, 2011;
  - Mr. R.H. Doest, as of June 30, 2011;
  - Mr. W.J. Christiaans, as of December 7, 2011.

- Mr. O.C. van der Dijs and Mr. W.F.R. Wiels were discharged in the fourth quarter of 2012 and in the first quarter of 2013 Mr. W.J. Christiaans and Mr. R.A. Treurniet were discharged of their duties. In their place the following Directors have been appointed:
  - Mr. M.F. Willem, as of February 27, 2013
  - Mr. A.A. Hamoud as of February 27, 2013
  - Mrs. T. Prins as of March 25, 2013
  - Mr. D.G. Rosaria as of March 25, 2013
  - Mr. H. R. Haile as of August 19, 2013
  - Mr. D.E. Evertsz as of September 11, 2013

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

	Name	In ANG
1	Mr. O.C. van der Dijs (as of November 24, 2010)	1.824
	Mrs. S.C.F. Römer (until November 24, 2010)	16.304
2	Mr. R.A. Treurniet (as of November 29, 2010)	1.619
	Mr. E.N. Ys (until November 29, 2010)	16.845
3	Mr. O.A. Martina	17.787
4	Mrs. J.M. Krijger-Rodrigues Conduto	17.787
5	†Mr. E.E. Capella	17.787

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

2.7. Assertion of the Board of Supervisory Directors

On December 3, 2012, the majority of the former members of the Board of Supervisory Directors decided to approve the final draft financial statements 2010 dated November 14, 2012 for issuance as presented by the Board of Managing Directors accompanied by an intended audit opinion in a letter dated November 15, 2012, with the exception of the intended qualifications included in the aforementioned letter by the external auditor. The Board of Supervisory Directors was not in agreement with amongst other the following audit findings and the intended qualifications thereon of the external auditor:

Financial assets
A financial asset of approximately ANG 58.7 million is recognized by Integrated Utility Holding N.V. representing the capitalized discount on the Aqualectra Corporate Bonds issued by the Company. The Company was not in compliance with some covenants of the Offering Circular of the bonds as per December 31, 2010 as disclosed in the notes to the consolidated financial statements, "Corporate Bonds Integrated Utilities Holding N.V. ("IUH or the Company"). Further, reference was made to the "General accounting policies" regarding the delicate liquidity position of Company and its subsidiaries (together the "Group") which may affect the Company's ability to make principal and/or interest payments on the bonds in the future.

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

Investment in equity accounted investees
Reference was also made to the draft financial statements dated November 14, 2012 notes 5.4.1.2 and 5.5.9, where it is disclosed that as per year end there was an ongoing discussion between the Company and the Company's shareholder ("Shareholder") regarding the valuation of the investment in the equity accounted investee, Curaçao Utility Company Holdings N.V. ("CUC Holdings"). Based on the assumptions and valuation model generally used by management for determining the value of the investment, the management of the Company was of the opinion that the current value of this investment at December 31, 2010 was approximately ANG 62.1 million, as disclosed in the movement schedule in note 5.4.1.2 "Investments in equity accounted investees and other investments". In January 2011, the Shareholder decided to transfer the shares of CUC Holdings to a related party for a nil consideration. As a consequence of this decision of the Shareholder, as disclosed in the draft financial statements of November 14, 2012, management decided to impair the value of the participation in CUC Holdings to nil as per December 31, 2010. The external auditor indicated that they were unable to obtain sufficient information to come to an opinion with regard to the current recognition of the loss on this investment position and whether it complied with the requirements of IAS 24, related parties disclosures.

Subsequent events
Following the aforementioned decision of the Board of Supervisory Directors, the Shareholder of the Company, making use of the option in the corporate law, instructed an expert being Stichting Overheids Accountantsbureau ("SOAB") to advice the Shareholder on this subject matter. The findings of SOAB were presented to the Shareholder in their letter dated December 20, 2012 in which SOAB advised the Shareholder not to approve the financial statements as long as the aforementioned issues are not adequately resolved by the Managing Board of the Company. As per advice of SOAB, the Shareholder instructed management of Aqualectra in a meeting dated January 4, 2013 of the decision. Since that date the Board of Managing Directors of the Company has been busy resolving the issues as instructed by the Shareholder. Notwithstanding all the efforts made by Management under supervision of the current Board of Supervisory Directors, Management has not been able to resolve these issues as yet as disclosed in the report of the Board of Managing Directors. The Board of Managing directors in their letter dated October 30, 2013 indicated that it has done its utmost under the current circumstances and within its power to resolve the aforementioned issues that would affect the audit report of the external auditors on the financial statements 2010. Reference is made to the aforementioned letter of the Board of Managing Directors on these subject matters where the Managing Board has asserted its efforts, its responsibility and accountability in order to guarantee the continuity of the Company.

Current position of the Board of Supervisory Directors
Most of the undersigned members of the Board of Supervisory Directors were appointed during the fiscal year 2013. Consequently, most of the members of the Board of Supervisory Directors were not responsible for the financial policy of the Company as directed by the Board of Managing Directors and the supervision thereon during the fiscal year 2010. The Board of Supervisory Directors refers to the various decisions that were taken affecting the financial position of the Company in terms of not adapting tariffs, the transfer of Curaçao Utility Holding ("CUC") to "Refineria di Korsou" ("RDK") upon instruction of the government, and the consequences thereof on the long term bond financing of the Company. Based on the corporate law of Curaçao, each member of the Board of Supervisory Directors could be held liable by a third party in the case that the financial statements present a misleading position of the Company. On the other hand each board member could be liable in the case the financial statements are not prepared, signed by the Board of Supervisory Directors and consequently presented for approval to the shareholder and published timely by the Company.

The current members of the Board of Supervisory Directors and the Board of Managing Directors have to balance, in accordance with corporate law and Corporate Governance best practices, their individual responsibility, accountability, the general interest of the Company and their personal legal liability as Board Member. By signing the financial statements for a fiscal year for which in principle not all members were responsible, each member of the Board of Supervisory Directors should make sure that the financial statements do not contain any misleading information that could make a member liable. The majority of the Board of Supervisory Directors has decided after due consideration and in close consultation with the Board of Managing Directors, the external auditors and the legal advisor of the Company that, although in accordance with the law it is not formally necessary for Board members appointed after year-end to do so, to sign these financial statements 2010 in the general interest of the Company going forward. In addition, the Supervisory Board requested a second opinion from both an audit firm as well as a legal adviser regarding specific issues related to the 2010 financial statements. The majority of the members of the Board of Supervisory Directors are of the opinion that not signing the financial statements will lead to more undesirable consequences for the Company, its future financing and continuity.

The Board of Managing Directors asserts that to the best of their knowledge the relevant information has been disclosed by the Board of Managing Directors in the financial statements. To the best of the knowledge of the members of Board of Supervisory Directors these financial statements have been prepared in accordance with information and documentation that has been provided to them. The Board of Supervisory Directors will consequently, based on the aforementioned considerations, provide the signed version of the financial statements 2010 to the General Meeting of Shareholders for approval and with the request to discharge the Board of Supervisory Directors for their supervisory role for the aforementioned period.

Though the current members of the Supervisory Board of Directors have consulted with all parties involved as indicated above, it should be noted that at the request of the Public Prosecutor (Openbaar Ministerie), the Court of Appeal (the Court) ordered in July 2013 that a civil investigation be carried out at certain governmental entities including Integrated Utility Holding N.V. and inquiry proceedings are currently being executed, which makes it impossible at this point in time to assess the outcome of this matter and its impact on the 2010 financial statements, if any.

Willemstad, March 26, 2014

On behalf of the Board of Supervisory Directors,

Mr. M.F. Willem Chair person of the Board of Supervisory Directors	Mr. R.H. Doest Director
Mr. A.A. Hammoud Director	Mrs. T. Prins Director
Mr. H. R. Haile Director	Mr. D.G. Rosaria Director
Mr. D.E. Evertsz Director	Remark: Mr. Rosaria has not been able to attend to his duties as director lately.

M.F. WILLEM

3. Highlights for the year

Financial Data (ANG x 1,000)	Dec 31, 2010	Dec 31, 2009
Operating revenues		
Sales electricity	472,655	406,704
Sales water	101,962	102,234
Sales services	15,502	15,425
Operating expenses		
Total operating expenses Production	149,339	104,963
Total operating expenses Distribution	148,254	128,441
Results		
Operating profit Production	(18,012)	32,357
Operating profit Distribution	16,606	25,634
Operating profit Holding	5,066	4,974
Consolidated net (loss) / profit	(85,577)	22,763
Financial data		
Working Capital	(214,897)	(168,856)
EBITDA	82,200	113,046
EBIT	(64,839)	51,661
EBT	(81,402)	39,969
Equity	185,179	288,244
Long term liabilities	253,260	236,843
Short term liabilities	391,710	382,430
Financial ratio's		
Debt Service Coverage Ratio	3.91	0.82
Adjusted Debt Service Coverage Ratio	4.03	0.55
Debt/EBITDA Ratio	4.22	2.78
Solvency Ratio	0.22	0.32
Current Ratio	0.45	0.56
Return on equity	(0.46)	0.08
Operational Data		
Electricity		
Sales electricity in mwh	679,103	654,390
Electricity intake from production in mwh	739,684	728,726
Electricity intake from CUC in mwh	58,531	121,260
Electricity intake from wind farms in mwh	17,534	29,934
Number of postpaid connections at year end	43,592	43,485
Number of prepaid connections at year end	20,368	19,299
Average usage households per month in kwh	365	369
Average sales tariff households in ANG per kwh	0.7089	0.6369
Average sales tariff in ANG per kwh	0.6780	0.602
Unaccounted for usage in % of mwh intake	12.2%	12.91%
Water		
Sales water in 1000m^3	9,978	9,785
Water intake from production	13,164	12,735
Number of postpaid connections at year end	67,510	65,433
Average usage households per month in m^3	8.4	8.0
Average sales tariff households in ANG per m^3	10.0	10.11
Average sales tariff in ANG per m^3	10.23	10.38
Unaccounted for usage in % of m^3 intake	25.66%	25.88%

4. Consolidated Financial Statements

4.1. Consolidated Statement of Financial Position

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009		For specs See notes
ASSETS				
Non-current assets				5.4.1
Property, Plant, Equipment and Work in progress	544,520	574,633	*	5.4.1.1
Investments in equity accounted investees	0	65,534		5.4.1.2
Other investments	1,820	1,820		5.4.1.2
Financial assets	58,664	0		5.4.1.3
Deferred tax assets	48,332	51,956	*	5.4.1.4
	653,336	**693,943**		
Current assets				5.4.2
Inventories	33,660	29,936		5.4.2.1
Trade accounts receivable	73,562	78,320		5.4.2.2
Other receivables	15,746	24,365		5.4.2.3
Cash & cash equivalents	53,845	80,953		5.4.2.4
	176,813	**213,574**		
	830,149	**907,517**		
EQUITY AND LIABILITIES				
Shareholder's Equity				4.3/ 5.4.3
Share capital	470,000	470,000		4.3/ 5.4.3.1
Share premium	55,000	55,000		4.3/ 5.4.3.1
Accumulated losses	(254,244)	(259,519)		4.3
Profit (Loss) for the year	(85,577)	22,763	*	4.3
	185,179	**288,244**		
Non-current liabilities				5.4.4
Financial liabilities	34,870	45,015		5.4.4.1
Deferred tax liability	0	5,277		5.4.4.2
Provisions	218,390	186,551	*	5.4.4.3
	253,260	**236,843**		
Current liabilities				5.4.5
Trade accounts payable	37,264	78,796		5.4.5.1
Corporate Bonds IUH	300,045	238,973		5.4.5.2
Bank overdraft	2,311	2,482		5.4.5.3
Other liabilities	52,090	62,179		5.4.5.4
	391,710	**382,430**		
	830,149	**907,517**		

**Restated for comparative purposes/misstatements. Reference is made to note 5.2.*
The accompanying notes form an integral part of these consolidated financial statements.

4.2. Consolidated Statement of Comprehensive Income

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009		For specs See notes
CONTINUING OPERATIONS				
Sales electricity and water	574,617	508,938		5.5.1
Direct cost production	(290,421)	(223,481)		5.5.2
Other direct cost of sales	(5,458)	(11,358)		
Services & other income	15,502	15,425		
Gross profit	**294,240**	**289,524**		
Personnel costs	95,615	86,689		5.5.3
Parts, repair & maintenance	53,783	44,569	*	5.5.4
Hired services	16,505	14,079	*	
General expenses	39,942	26,591		5.5.3
Depreciations on assets	58,052	50,134	*	5.4.1.1
Provision bad debts	6,195	4,550		
Other expenses	23,453	0		5.5.5
Total operating expenses	**293,545**	**226,612**		
Results from operating activities	**695**	**62,912**		
Interest expenses net	16,563	11,692		5.5.6
Net finance costs	**16,563**	**11,692**		
Share of (profit) / loss of equity accounted investees (net of income tax)	3,466	11,251		5.4.1.2
Impairment of equity accounted investees (net of income tax)	62,068	0		5.4.1.2
(Loss) / Profit before income tax	**(81,402)**	**39,969**		
Profit tax	(4,175)	(17,206)	*	5.5.7
(Loss) / Profit for the year	**(85,577)**	**22,763**		
Other comprehensive loss				
Miscellaneous	182	0		
Actuarial (losses)	(23,472)	(24,335)		4.4
Defined benefit plan, gain asset ceiling adjustment	0	(156)		4.4
Deferred tax items directly to or from equity	5,802	8,396		4.4
Other comprehensive (loss) for the year, net of income tax	**(17,488)**	**(16,095)**		
Total comprehensive (loss)/ profit for the year	**(103,065)**	**6,668**		

**Restated for comparative purposes/misstatements. Reference is made to note 5.2.*
The accompanying notes form an integral part of these consolidated financial statements.

4.3. Consolidated Statement of Changes in Shareholder's Equity

(Amounts in ANG * 1,000)	Share Capital	Share premium	Preferred Stock	Accumulated Losses	Total Equity		For Spec See notes
Balance at January 1, 2009	**470,000**	**55,000**	**72,800**	**(229,445)**	**368,355**		
Comprehensive income for the year							
Profit for the year	0	0	0	22,763	22,763	*	4.2
Other comprehensive (loss) for the year	0	0	0	(16,095)	(16,095)		4.4
Total comprehensive income for the year	**0**	**0**	**0**	**6,668**	**6,668**		
Transactions with shareholders							
Purchase of preferred stock	0	0	(72,800)	0	(72,800)		5.4.3.2
Dividend preferred stock	0	0	0	(13,979)	(13,979)		5.4.3.2
Total transactions with shareholders	**0**	**0**	**(72,800)**	**(13,979)**	**(86,779)**		
Balance at December 31, 2009	**470,000**	**55,000**	**0**	**(236,756)**	**288,244**		
Balance at January 1, 2010	**470,000**	**55,000**	**0**	**(236,756)**	**288,244**		
Comprehensive income for the year							
Loss for the year	0	0	0	(85,577)	(85,577)		4.2
Other comprehensive (loss) for the year	0	0	0	(17,488)	(17,488)		4.4
Total comprehensive (loss) for the year	**0**	**0**	**0**	**(103,065)**	**(103,065)**		
Balance at December 31, 2010	**470,000**	**55,000**	**0**	**(339,821)**	**185,179**		

**Restated for comparative purposes. Reference is made to note 5.2.*
The accompanying notes form an integral part of these consolidated financial statements.

4.4. Consolidated Statement of Other Comprehensive Income

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009	For specs See notes
Miscellaneous			
Miscellaneous	182	0	
	182	**0**	
Effect Asset Ceiling Adjustment			
Defined Benefit Pension Plan – Asset Ceiling Adjustment	0	(156)	5.4.4.3.1
	0	**(156)**	
Actuarial gains/(losses)			
Provision medical expenses retired employees	(28,404)	(7,567)	5.4.4.3.1
Provision supplementary pension APNA (DT)	(750)	(5,494)	5.4.4.3.1
Provision early retirement benefit (VUT)	(591)	(625)	5.4.4.3.1
Provision for anniversary bonus	(1,233)	(1,647)	5.4.4.3.1
Defined Benefit Pension Plan	7,506	(9,002)	5.4.4.3.1
	(23,472)	**(24,335)**	
Deferred tax items directly to or from equity			
Miscellaneous	(63)	0	
Provision medical expenses retired employees	9,799	2,611	
Provision for anniversary bonus	425	568	
Defined benefit pension plan	(2,590)	3,106	
Provision supplementary pension APNA (DT) and early retirement benefit (VUT)	463	2,111	
Release in deferred tax asset resulting from tax rate reduction	(2,232)	0	
	5,802	**8,396**	
Other comprehensive loss for the year	**(17,488)**	**(16,095)**	

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

4.5. Consolidated Cash Flow Statement

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009		For specs See notes
Cash-flow from operating activities				
(Loss)/ profit for the year	(85,577)	22,763	*	4.2
Adjustments for:				
Depreciations on fixed assets	54,919	47,243		5.4.1.1
Depreciations on other assets	3,133	2,891	*	5.4.1.1
Impairment loss on property, plant and equipment	23,453	0		
Amortization on bond	2,408	0		
	83,913	50,134		
Share of loss of equity accounted investees	65,534	11,251		5.4.1.2
Change in deferred tax asset	3,624	8,151	*	
Change in deferred tax liability	(5,277)	659		
Change in inventories	(3,724)	(3,859)		
Change in trade accounts receivable	4,758	(1,939)		
Change in other receivables	8,619	1,187		
Change in trade accounts payable	(41,532)	(7,732)		
Change in other liabilities (excluding interest paid)	19,006	(49,509)	*	
Change in provisions	31,839	28,976		
	81,183	**60,082**		
Cash-flow from investing activities				
Acquisition of property, plant, equipment	(51,392)	(69,004)		5.4.1.1
Repayment other investments	0	1,164		5.4.1.2
	(51,392)	**(67,840)**		
Cash-flow from financing activities				
Repurchase of preferred stock	0	(72,800)		5.4.3.2
Repayments of loan and movement in current maturities	(7,608)	(63,321)		
Proceeds from issue of Bond	0	238,973		5.4.4.3.
Other long term liabilities	(2,537)	(12,539)		
Interest paid	(29,095)	(17,529)	*	
Dividends declared on preferred stock	0	(13,979)		
Other comprehensive loss	(17,488)	(16,095)		4.4
	(56,728)	**42,710**		
Balance at start of year	78,471	43,519		
(Decrease)/increase	(26,937)	34,952		
Balance at end of year	**51,534**	**78,471**		
The balance at end of year comprises of:				
Cash & cash equivalents	53,845	80,953		5.4.2.4
Bank overdrafts	(2,311)	(2,482)		5.4.5.3
Balance at end of year	**51,534**	**78,471**		

**Restated for comparative purposes. Reference is made to note 5.2.*
The accompanying notes form an integral part of these consolidated financial statements

5. Notes to the Consolidated Financial Statements

5.1. General

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

The objectives of the Group are:
- Investing funds in shares of utility Companies which have the goals of producing and distributing water and electricity; and
- Managing, controlling and administering of other Companies and representing interests of the shareholders and financers in / of the Group.

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

The share capital was paid up by means of the contribution of the KODELA (Aqualectra Distribution) and KAE (Aqualectra Production) shares. The pay up in full of the 470 shares placed through the contribution of KODELA and KAE has created a share premium of ANG 55 million. During 2010 there were no movements in the capital and share premium.

Utilities sector in Curaçao
Concessions
The National Ordinance for Electricity concession ("Landsverordening Elektriciteitsconcessies") states that the building, the construction or the usage of equipment for the generation of power and for the transmission and/or transformation of electricity, in order to deliver this to a third party, is restricted to the company to which the Government has given the permission. Furthermore, it is stated in the ordinance that the concession shall be given for a maximum period of 50 years with possibilities for extension.

The initial electricity concession was given in 1928 to Ogem, the legal predecessor of the Group and Kompania di Awa i Elektrisidat N.V. (KAE). The concession was extended in 1978 for a period of 3 years. The Board of Managing Directors (BMD) of the Group did request, in 2008, a concession for the production, distribution and transmission of electricity and water. In 2011 the process for preperation and adoption of a new concession for electricity production and distribution was started. On July 30, 2012 the concessions were adopted. The concessions for the production and distribution of water, up to the aforementioned date, have not been formalized. More details are mentioned in the subsequent events.

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

Determination of tariffs
The Ordinance for prices ("Prijzenverordening") states that the authority for the determination and the adjustment of electricity and water tariffs, lies with the Government of Country of Curaçao (before October 10, 2010 with the Executive Council of the Island Government of Curaçao).

The Executive Council of the Island Government of Curaçao adopted in 2002 a resolution in which is stated that as the public entity and as the shareholder of the Group that she is in favor of tariffs that will allow the Company to comply with all the Company's obligation including the capital replacements. In the resolution is also mentioned that tariffs for water and electricity may be changed as consequence of increases in the fuel prices. Furthermore, is indicated that the price increases shall be charged to the consumers.

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

The aforementioned resolutions were retracted by the Government on April 6, 2011. In 2011 and 2012 there were several developments with regard to the tariffs, which are outlined in subsequent events' note 5.5.9. One of the events described in note 5.5.9 is the granting of the fuel pass through principle on a monthly basis, which has been included in the tariff policy as of June 1, 2012 by the regulator. Furthermore there is the granting and execution of the recovery of the fuel under coverage for 2011 and 2012, which has also been included in the tariff as of August 1, 2012 with a 12 month recovery period. These actions will lower to a certain extent the pressure on the cash flow and the result of the Group. Based on the aforementioned the BMD sees room for managing and operating the Company in a responsible manner with the possibilities for achieving (efficiency) improvements through execution of investment plans. The combination of these actions in conjunction with other measures should assist management to bring the company into a stable financial position. We refer further to the paragraph 'Financial Position of the group' in note 5.2 General accounting policies.

Energy policy

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

The Government did inform the Group on December 29, 2009 that Bureau Telecommunicatie en Post ("BTP") was appointed as the regulator.

BTP presented to the Group and other stakeholders a New Policy ("Beleidsnota") concerning the future regulatory structure for Electricity supply in Curaçao on November 15, 2010. The period for submission of comments to BTP was closed on December 3, 2010 and BTP had organized a hearing on December 17, 2010.

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

The Board of Managing Directors, hereinafter "BMD", of the Group did provide BTP with her comments. The comments of the BMD were based on the following:

- The Group's own proposal for a regulatory model.
- Carilec example of market-model failure.
- Legal opinion on the policy paper prepared by an external lawyer.
- Conclusions reached on review of the policy paper by technical experts with experience on international level.
- Conclusions reached on review of the policy paper by a regulatory consultant with experience on international level.

BTP made some amendments to the policy paper in February 2011. The policy paper is gradually being implemented during the upcoming years.

Statement of compliance

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

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

These consolidated financial statements were approved for issue by the Board of Directors on January 21, 2014. The shareholders and the Board of Supervisory Directors have the power to amend the financial statements after the date of issuance.

5.2. General accounting policies

Basis of preparation

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 judgments

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

a. Critical accounting estimates and assumptions

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

Provision bad debts

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

Provision employee benefits

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

Also, 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 5.4.4.3.1.

Other key assumptions for obligations are based in part on current market conditions.
Additional information is disclosed in note 5.4.4.3.1.

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

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

Impairment test Property, Plant and Equipment
The Group performs yearly an impairment test on its property, plant and equipment. In order to assess the fair value of the property, plant and equipment, the present value of future generated cash flows (recoverable value of the assets) are calculated. To calculate the future generated cash flows, assumptions and judgments are made with regard to future profits, investments, interest rates and the capitalization rate based on the available information about the business, technological and operational outlook. Significant changes in these assumptions may have a significant impact on the present value of future generated cash flows and therefore on the fair value of the property, plant and equipment. For more details including assumptions we refer to note 5.4.1.1.

Financial position of the Group
The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its cash flow requirements as disclosed in note 5.3.3. Management acknowledges that there is uncertainty over the ability of the Group to obtain necessary funding for a new power production plant with related distribution infrastructure and a new sea water reverse osmosis plant as a result of the closing of the Mundo Nobo power plant that is fundamental for the efficiency measures that the Group is undertaking. In addition management acknowledges uncertainty over the ability to meet its financial obligations but emphasizes that measures were and will continue to be taken to ensure continuity of the Group. These measures are described below.

Background
As at December 31, 2010, the Group has a working capital deficiency of ANG 214.9 million and incurred a net loss for the year ended December 31, 2010 of ANG 85.6 million. Cash flow from operating activities amounted to ANG 81.2 million over the year 2010. Due to amongst others the events that occurred subsequent to year-end which are disclosed under subsequent events note 5.5.9, the Group is currently faced with various challenges affecting its financial position, liquidity position and ability to meet its financial obligations. The Group incurred based on preliminary figures a loss of approximately ANG 75.8 million in 2011 and ANG 38.8M million in 2012. The group has forecasted a loss of approximately ANG 10.4 million for 2013. Furthermore, the trade account payables have increased since mid-2011 and have reached unprecedented levels around mid-2013 prior to being converted into a loan in October 2013 as disclosed in note 5.3.3. "liquidity risk". The Group is in default of its obligations regarding solvency and working capital covenants required to be maintained under the terms of the corporate bonds agreement as a result of the transfer of the CUC shares (refer to note 5.4.1.2).
The Group is also faced with new electricity production and distribution concessions that were adopted in 2012 that will require the Group to make a security deposit of ANG 34 million on short-term. Besides the financial requirements, the concessions also have technical requirements that the Group must adhere to. As compliance with the technical and financial requirements is not feasible on short term, Management has sent a letter to the regulator requesting consultation on the compliance issues that have been identified. Management proposes to spread the timeframe in which the Group must comply with the requirements as set in the concessions. The regulator has reacted in a positive manner on aforementioned letter. Subsequently, in an extraordinary meeting of shareholders dated January 31, 2013, management and the BSD were informed of a resolution reached by the Council of Ministers on October 31, 2012 that a capital injection equal to the amount of the concession deposit of ANG 34 million would be made by the Shareholder which in turn may be used to pay for the concession. As a result, the required concession deposit will not have a direct impact on the Company's cashflow. Refer to subsequent event footnote (5.5.9) for additional disclosure regarding the granting of the concessions.

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

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

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

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

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

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

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

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

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

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

1 The management turnaround plan and financing of the ANG 150 million for the necessary investments which are imperative in realizing the above-mentioned plan. To provide sufficient comfort to the local financial institutions is a key assumption that management has worked on a business plan and on the points mentioned under point 2, 3 and 4.
2 Arrangement with the regulator regarding the recovery of the under coverage related to the years up to December 31, 2010, and the remaining under coverage of the year 2011 and 2012 and the recovery of the financing of the investments and liabilities as disclosed in note 5.3.3. liquidity risk.
3 Arrangement with the Central Bank of Curaçao and St. Maarten regarding the Bond;
4 Arrangement with the regulator regarding the concession fee which will have to be either revoked or postponed as the company will not be able to meet its obligations on short term.

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

Management has reasonable expectation that the Group will be able to realize the afore-mentioned plan as it is supported by the most important stakeholders (e.g. Government of Curaçao, BSD and employees) of the Group.
Furthermore, it is in the best interest of the community of Curaçao that the Group surpasses the moments of difficulty. As the sole supplier for production and delivery of water and power at great scale, and as a major employer on the island, every development within the Group does affect the local economy. With the financial support of the participants in this economy the Group will realize the aforementioned goals what will lead to an increase of the reliability and sustainability of the delivery of power and water.

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

Functional and reporting currency

The financial statements are stated in thousands of Netherlands Antillean Guilders (ANG), the functional currency. Transactions in foreign currency are translated against the exchange rate at transaction moment and all monetary assets and liabilities denominated in foreign currency are translated against the exchange rate at reporting date.
Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Comparatives

In the table below the restatements of the 2009 figures are presented:

(Amounts in ANG * 1,000)

Statement of financial position	**Figures before restatements**	**Restatements**	**Notes**	**Restated figures**
Property, Plant and Equipment	575,022	(389)	1	574,633
Deferred tax asset	53,746	(1,790)	1,2	51,956
Provisions	(187,070)	519	1	(186,551)
Shareholder's equity	(289,904)	1,660	1,2	(288,244)
Statement of comprehensive income				
Repair and Maintenance	34,217	10,352	3	44,569
Hired Services	24,431	(10,352)	3	14,079
Depreciation on assets	50,264	(130)	1	50,134
Profit tax	15,416	1,790	1,2	17,206
Profit/(loss) for the year	24,423	(1,660)	1,2	22,763
Total comprehensive profit (loss) for the year	8,328	(1,660)	1,2	6,668

Notes

1. Correction relating to the adjustment of the provision decommissioning Mundu Nobo Plant according to the assessment report of the appraiser affecting the provision, related depreciation, related profit tax and fiscal position.
2. Correction of fiscal position 2009/result as proposed by external auditors KPMG and PwC
3. Reclassification of hired services December 2010 of electricity, water, "OV" and "FAD" to repair and maintenance

Significant Accounting Policies

New Standards

a. Standards, amendments and interpretations effective in 2010

- IAS 1 (Amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The group has applied IAS 1 (Amendment) as of January 1, 2010. The implementation of the revised standard had no material impact on the group's financial statements.
- IAS 7 (Amendment), 'Statement of Cashflows'. IAS 7 is amended to state explicitly that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. The group has applied IAS 7 (Amendment) as of January 1, 2010. The implementation of the revised standard had no impact on the group's financial statements.
- IAS 17 (Amendment), 'Leases – Buildings and land'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment is to eliminate the casualness that a lease of land with an indefinite economic life normally is classified as an operating lease. Furthermore, it is amended that a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the residual value of the leased asset is

considered negligible. When a lease includes both land and buildings elements, an entity should determine the classification of each element based on the requirements of IAS 17, taking account of the fact that land normally has an indefinite economic life. The group has applied IAS 17 (Amendment) as of January 1, 2010. The implementation of the revised standard had no material impact on the group's financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2011 or later periods, but the Group has not early adopted them:

- Various: improvements to IFRS's 2010.
  Effective date: Dealt with on a standard-by-standard basis generally effective as of January 1, 2011.
- IFRS 9 Financial instruments. This standard will rearrange the classification of financial instruments. The 4 categories of financial instruments will be reduced to two categories being held to maturity and fair value through profit and loss. As the Group has limited investments, the impact on the group financial statements is limited. (effective from January 1, 2013).
- IAS 24 Related Party disclosures (Revised) (effective from January 1, 2011).

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

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning after January 1, 2010 or later periods but are not relevant for the Group's operations:

- IAS 32 (Amendments), 'Financial Instruments: Presentation-Classification of rights issues' (effective from February 1, 2010).
- IFRIC 19 Extinguishing financial liabilities with equity instruments (effective from July 1, 2010).
- IFRIC 14 (Amendment), The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from January 1, 2011).

d. Standards, amendments and interpretations effective in 2010 but not relevant to the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but they are not relevant to the Group's operations:

- IFRS 1 (Amendment), 'Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters' (effective from July 1, 2009).
- IFRS 2 (Amendment), 'Amendments to Share-based payment – Group Cash settled Share-based Payment Transactions' (effective from January 1, 2010).
- IFRS 3 and IFRIC 17 (Amendments), 'Business Combination and Distribution of Non-cash assets to owners' (effective from July 1, 2009).
- IFRS 5 (Amendment), 'Non-current Assets held for sale and discontinued operations' (effective from 1 January 2010).
- IFRS 6 (Amendment), 'Exploration for and Evaluation of Mineral Resources' (effective from July 1, 2009).
- IFRS 8 (Amendment), Operating Segments (effective from January 1, 2010).
- IAS 18 (Amendment), 'Revenue'. Amendment to determine whether an entity is acting as an agent or principal (effective date not specified).
- IAS 36 (Amendment), 'Impairments of Assets – Unit of accounting for goodwill impairment test' (effective from January 1, 2010).

- IAS 38 (Amendment), 'Intangible Assets – Additional consequential amendments arising from revised IFRS 3 and Measuring the fair value of an intangible asset acquired in a business combination' (effective from July 1, 2009).
- IAS 39 Financial Instruments: Recognition and measurement, Treating loan prepayment penalties as closely related embedded derivatives and Cash flow hedge accounting (effective from January 1, 2010).
- IFRIC 9 Reassessment of Embedded Derivatives – Scope of IFRIC 9 and revised IFRS 3 (effective from July 1, 2009).
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation – Amendment to the restriction on the entity that can hold hedging instruments (effective from July 1, 2009).

Basis of consolidation

Subsidiaries

Subsidiary undertakings, which are those entities in which the Aqualectra-group has an interest of more than one half (50%) of the voting rights or otherwise has power to exercise control over the operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Aqualectra-group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealized results on transactions between group companies are eliminated. Where it is necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Aqualectra-group.
Integrated Utility Holding N.V. (hereinafter IUH N.V.) 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.)
- General Engineering & Utility Services N.V. (GEUS), 100% subsidiary of Aqualectra Distribution (KODELA N.V.)
- Aqualectra Multi Utility Company N.V. (AMU) (100% subsidiary of Integrated Utility Holding N.V.).
- Aqualectra Bottling Co. N.V. (100% subsidiary of Aqualectra Multi Utility Company N.V. (AMU)
- KUMEPE N.V. (100% subsidiary of Integrated Utility Holding N.V.).

All above standing entities are hereinafter mentioned as "The Group".
Aqualectra Production, Aqualectra Distribution (which has been consolidated with GEUS) and Aqualectra Multi Utility Company N.V. (which has been consolidated with Aqualectra Bottling Co. N.V.) have been consolidated into the financial figures. The Group is responsible for the management of the abovementioned companies (with exception of KUMEPE N.V.). During the year 2010 and 2009 KUMEPE N.V. did not engage in any activities.

Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

The consolidated financial statements includes the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Financial Instruments

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

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

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

The Group classifies non-derivative financial assets as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise of other investments, financial assets, trade accounts receivable, other receivables and cash and cash equivalents.

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

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Other financial liabilities comprise loans and borrowings, bank overdrafts, trade account payable and other liabilities.

Property, plant, equipment and work in progress

Property, plant, equipment and work in progress 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.

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

Major spare parts 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 labor, services charges and other costs.

Property, plant and equipment and work in progress 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.

Other investments
The loan to CUC is classified as a financial asset that is not quoted on the active market. Such assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition of loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Financial assets
The financial asset is the discount on the corporate bonds. The financial asset is initially recognized at fair value plus any directly attributable transaction cost. Subsequent to initial recognition it is measured at amortized cost using the effective interest method, less any impairment losses.

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

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

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

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

Cash 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 statement of financial position, bank overdrafts are included in borrowings under the current liabilities.

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

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 statement of comprehensive income over the period of the borrowings.

Borrowing costs (i.e. interest expense and/or finance charges) that are directly attributable to the acquisition, construction or production of inventories, power or water generation facilities are capitalized as part of the cost of the asset.

Bonds
The bonds are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

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.

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

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

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

Provision environmental clean up
Rif premises
The provision represents half of the estimated and undiscounted costs for the clean-up of the civil works and installations that were located at the Rif premises.

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

The value is reviewed every other year. In the intervening years, the value is increased with accrued interest.

Employee benefits
All employee benefits provisions, except for the provision for vacation leave, are based on actuarial calculations. For the principal actuarial assumptions please refer to note 5.4.4.3.1. The independent and qualified actuary obtained sufficient information in order to perform the valuations.

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

Actuarial gains and losses are immediately recognized in the period in which they occur through the statement of other comprehensive income based on the Statement of Recognized Income and Expense (SORIE) approach.

APNA Pension plan
The employees of the Group (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 reporting date there was no information available regarding a possible liability of the Group 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 ultimately employs the person concerned is responsible for payment of the supplementary pension.

Vidanova pension plan
The Group 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.

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

Since there is no asset ceiling study available, in accordance with IFRIC 14, which can determine whether and to what amount there are possible economic benefits resulting from the funded assets, no assets have been recognized in the statement of financial position.

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

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

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.

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

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

Medical costs retired employees
According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, retired employees will be compensated to a certain extent for their medical costs. Both the active employees of the Aqualectra Companies and the employer contribute 2% of the total gross salary as compensation for the medical costs of retired employees. Retired personnel contribute 2% of their pension. In the year 2005 a separate legal entity, KUMEPE N.V., was incorporated in which these rights will be administered. Up until 2010 KUMEPE N.V. was not yet operational.

Management-negotiations with labor unions have led to amendments in the collective labor 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 labor agreement regarding the coverage and financing of the medical costs for retired employees.

Short-term employee benefit
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.
The Group classifies the anniversary bonus as a short-term employee benefits.

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

Trade accounts payable, other assets and other liabilities
Trade accounts payable, other assets and other liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition it is measured at amortized cost using the effective interest method. As the settlement period is relatively short, the value is equivalent to the nominal value. The aforementioned is applicable for all accounts payable unless otherwise mentioned.

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

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

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

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

Interest expenses consist of interest on borrowings and interest on the bonds. The expenses are recognized in the profit and loss in the period to which they relate.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss as interest expenses by using the effective interest method.

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

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%.

5.3. Financial risk management

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

5.3.1. Market risks

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

5.3.1.1. Foreign exchange risk

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

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

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

Monetary assets and liabilities by currency of denomination Foreign currency exposure per December 31, 2010 (Amounts in ANG * 1,000)	**USD**	**EURO**	**GBP**	**CHF**
Financial assets				
Cash & cash equivalents	6,578	66	0	0
Financial liabilities				
Trade accounts payable	(1,462)	(632)	(1)	4
Borrowing	(2,178)	0	0	0
Total currency of denomination	**2,938**	**(566)**	**(1)**	**4**
Total currency in ANG	**5,347**	**(1,374)**	**(3)**	**8**

Monetary assets and liabilities by currency of denomination Foreign currency exposure per December 31, 2009 (Amounts in ANG * 1,000)	**USD**	**EURO**	**GBP**	**CHF**
Financial assets				
Cash & cash equivalents	10,280	61	0	0
Financial liabilities				
Trade accounts payable	(7,593)	(3,602)	(17)	(19)
Borrowing	(4,356)	0	0	0
Total currency of denomination	**(1,669)**	**(3,541)**	**(17)**	**(19)**
Total currency in ANG	**3,038**	**9,269**	**(51)**	**(36)**

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

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

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Total EURO purchase orders made (in EURO)	11,032	8,480
Total EURO purchase orders made (in ANG)	26,231	21,369
Average EURO rate	2.38	2.52
Foreign exchange gain / (loss) on EURO transactions in ANG	(698)	710
Monetary liabilities outstanding EURO in ANG per year end	1,534	9,428
Monetary liabilities outstanding EURO in EUR per year end	632	3,602
Monetary assets EURO held in bank accounts in ANG	160	158
Exchange rate per year end	**2.43**	**2.62**

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

Cash flow constraints combined with the materiality of foreign exchange risk per transaction, led to management's decision to bypass aforementioned policies during 2010 and 2009.

The sensitivity analysis below of the outstanding position of the trade accounts payable in EURO as per year-end to movements against the EURO assumes a -10% exchange rate change and +10% exchange rate change from the foreign exchange level on December 31, 2010. 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 ANG153,000 (2009: ANG 339,722).
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 ANG153,000 (2009: ANG 339,722).

(Amounts in ANG * 1,000)	Carrying amount per Dec 31, 2010		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	0.4119	2.4278	0.4577	2.18502	0.3745	2.67058	
Exchange rate change			(0.0458)	0.2428	0.0374	(0.2428)	
Outstanding trade accounts payable in EURO per year end	632	1,534		(153)		153	**(**)**
Impact on the profit and loss account				(153)		153	**(**)**

(*) -10% change means a strengthening of the ANG compared to the EUR: 1 EUR: ANG 2.18502/ 1 ANG: EUR 0.4577
+10% change means a weakening of the ANG compared to the EUR: 1 EUR: ANG 2.67058/ 1 ANG: EUR 0.3745

(**) Interpretation of effect:
Amount in brackets "(….)" means a decrease of the outstanding trade accounts payable amount in the Statement of financial position and a decrease of the foreign exchange expenses in the Statement of comprehensive income.

(Amounts in ANG * 1,000)	Carrying amount per Dec 31, 2009		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	0.382	2.6175	0.4245	2.35575	0.3473	2.87925	
Exchange rate change			(0.0425)	0.2618	0.0347	0.2618	
Outstanding trade accounts payable in EURO per year end	3,602	9,428		(340)		340	**(**)**
Impact on the profit and loss account				(340)		340	**(**)**

(*) -10% change means a strengthening of the ANG compared to the EUR: 1 EUR: ANG 2.35575/ 1 ANG: EUR 0.4245)
+10% change means a weakening of the ANG compared to the EUR: 1 EUR: ANG 2.87925/ 1 ANG: EUR 0.3473

(**) Interpretation of effect:
Amount in brackets "(….)" means a decrease of the outstanding trade accounts payable amount in the Statement of financial position and a decrease of the foreign exchange expenses in the Statement of comprehensive income.

5.3.1.2. Interest rate risk

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

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

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

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

(Amounts in ANG * 1,000)	31-Dec 2010	31-Dec 2009	Interest rate 31-Dec 2010	Interest rate 31-Dec 2009	Remark
Aqualectra Production					
Loan Diesel power plant ISLA	22,830	25,367	5.00%	5.00%	Fixed
Current maturities of long term loans	(2,537)	(2,537)			
	20,293	**22,830**			

(Amounts in ANG * 1,000)	31-Dec 2010	31-Dec 2009	Interest rate 31-Dec 2010	Interest rate 31-Dec 2009	Remark
Aqualectra Distribution					
Loan SPU	112	170	10.50%	10.50%	Fixed
Loan MJP	16,180	26,312	2.50%	2.50%	Fixed
Loan VIDA NOVA	1,080	1,499	8.00%	8.00%	Fixed
Leasehold Obligation - Cars	286	1,007	2.86%	2.86%	Weighted avg. cost of equity & liability
Current maturities	(3,081)	(10,767)			
	14,577	18,221			

(Amounts in ANG * 1,000)	31-Dec 2010	31-Dec 2009	Interest rate 31-Dec 2010	Interest rate 31-Dec 2009	Remark
Integrated Utility Holding N.V.					
Corporate Bond	300,045	238,973	6%	6%	Fixed
Loan RDK N.V.	0	5,504	9.00%	9.00%	Fixed
Loan KFW	3,964	7,928	1.20%	1.20%	6m USD LIBOR +0.7%
Current maturities	(3,964)	(9,468)			
	300,045	242,937			
Total financial liabilities	**334,915**	**283,988**			

KFW-loan:
The sensitivity analysis assumes a -7.0% change and a +7.0% change of the 6 months LIBOR rate compared to the average interest rate for the year 2010 on the average outstanding principal amount of the KFW-loan. A -7.0% change of the interest rate will have a positive impact of ANG (5,000) on the profit and loss account. While a +7.0% change of the interest rate will have a negative impact of ANG 5,000 (2009: ANG 17,000) on the profit and loss account.

Note:
The -7.0% / +7.0% change of the interest percentage for the KFW-loan are based on the average historic change of these percentages over a 5 (five) year period.

			Interest rate		Realized interest	Sensitivity analysis	
(Amounts in ANG * 1,000)	**Dec 31 2010**	**Dec 31 2009**	**Dec 31 2010**	**Dec 31 2009**	**Dec 31 2010**	**- 7.0% change**	**+ 7.0% change**
Loan KFW	3,964	7,928	1.20%	1.20%	90	(5)	5

			Interest rate		Realized interest	Sensitivity analysis	
(Amounts in ANG * 1,000)	**Dec 31 2009**	**Dec 31 2008**	**Dec 31 2009**	**Dec 31 2008**	**Dec 31 2009**	**-14.00% change**	**14.00% change**
Loan KFW	7,928	11,892	1.20%	3.42%	250	(17)	17

5.3.1.3. Tariff risk

The electricity and water tariffs to consumers are comprised of two components, namely:

- the direct cost component, which covers the direct costs for producing the electricity and water which the Group purchases externally;
- the fixed cost component, which covers the operational costs.

The Group's Tariff risk can be defined as the probability that fluctuations in the purchase prices of the direct costs component of the electricity and water tariffs to consumers cannot be sufficiently and timely covered through the electricity and water tariffs to consumers.

According to an Island Executive Council's resolution of November 8, 2002, the Group was 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 cannot be directly charged in the electricity and water tariffs to consumers, are temporarily allocated to the regulatory account of the Group in order to be charged in future electricity and water tariffs.

The regulatory account of the Group comprises of the balance of the under- and over coverage on the direct costs components and the base component, meaning the extent to which the Group has pre-financed increases in the direct costs component of the electricity and water tariff. The under coverage balance of ANG 104.1 million as of December 31, 2010 (2009: ANG 95.6 million) is presented in note 5.4.6.4 contingent asset.

The aforementioned resolution was cancelled by the Government on April 6, 2011. In 2011 and 2012 there were several developments with regard to the tariffs, which are outlined in subsequent events' note 5.5.9.

Management regularly monitors the development in fuel prices and the price of relevant fuel derivatives and their consequences for the liquidity of the Group. Up to 2010, this could have resulted 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 Government with regard to electricity and water tariff increases and/or the Government honoring lower increases for the electricity and water tariffs than requested by the Group, could lead to a significant increase in the regulatory account of the Group thus leading to a weaker financial position of the Group.

The fuel pass through on a monthly basis, as introduced by the Government in June 2012 based on recommendation of BTP, has led to a decrease of the exposure of the company to the tariff risk.

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

(Amounts in ANG * 1,000)	**Realized Dec 31, 2010**	**Realized Dec 31, 2009**	**Variance**	**% Variance**
AVG FUEL PRICES PER UNIT in ANG				
Fuel usage IFO - MN	861	691	170	25%
Fuel usage GO - MN	820	750	70	9%
Fuel usage MFO - DW	865	716	149	21%
Fuel usage IFO DPP ISLA	826	651	175	27%
Fuel usage MDO - DW & KNPL	1,154	1,537	(383)	-25%
Fuel usage MDO - DPP ISLA	1,132	981	151	15%
FUEL USAGE Quantity				
Fuel usage IFO - MN ton	94,103	95,831	(1,728)	-2%
Fuel usage GO - MN m^3	94,107	69,119	24,988	36%
Fuel usage MFO - DW ton	49,433	43,884	5,549	13%
Fuel usage IFO DPP ISLA ton	37,822	30,849	6,973	23%
Fuel usage MDO - DW & KNPL	1,057	281	776	276%
Fuel usage MDO - DPP ISLA	795	1,556	(761)	-49%
FUEL USAGE ANG				
Fuel usage IFO - MN	81,023	66,244	14,779	22%
Fuel usage GO - MN	77,186	51,836	25,350	49%
Fuel usage MFO - DW	42,778	31,508	11,270	36%
Fuel usage IFO DPP ISLA	31,257	20,083	11,174	56%
Fuel usage MDO - KNPL & DPP ISLA	900	339	561	165%
Accruals on Fuel Usage	1,220	1,516	(296)	-20%
Total fuel usage in ANG	**234,364**	**171,526**	**62,838**	

A sensitivity analysis of the direct cost components 2010 is shown in the schedule below:

(Amounts in ANG * 1,000)	**Realized 2010**	**Budget 2011**		**-10.0% change**	**-5.0% change**
Total sales electricity in MWH	679,103	702,528		702,528	702,528
Direct cost component E	0.3861	0.4150		0.3735	0.3943
Coverage direct cost component E	262,202	291,549		262,394	277,007
Total sales water in m^3 * 1,000	9,978	9,757		9,757	9,757
Direct cost component W	2.5200	2.4449		2.2004	2.3227
Coverage direct cost component W	25,145	23,855		21,469	22,663
Total coverage through tariffs	287,347	315,404		283,863	299,670
Total direct costs[1]	(295,478)	(300,371)	#	(300,371)	(300,371)
(Under) over coverage direct costs	**(8,131)**	**15,033**		**(16,508)**	**(701)**

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

Conclusion: A -10% or -5% deviation from the budgeted coverage on the direct cost component could have a negative impact on the existing under-coverage of respectively ANG 17 million and ANG 1 million.

A sensitivity analysis of the direct cost components 2009 is shown in the schedule below:

(Amounts in ANG * 1,000)	**Realized 2009**	**Budget 2010**		**-10.0% change**	**-5.0% change**
Total sales electricity in MWH	654,390	665,318	#	665,318	665,318
Direct cost component E	0.3101	0.3527	#	0.3174	0.3351
Coverage direct cost component E	202,926	234,658		211,172	222,948
Total sales water in m^3 * 1,000	9,785	9,136	#	9,136	9,136
Direct cost component W	2.6728	3.0353	#	2.7318	2.8835
Coverage direct cost component W	26,153	27,731		24,958	26,344
Total coverage through tariffs	229,079	262,389	#	236,130	249,292
Total direct costs[1]	(234,494)	(262,363)	#	(262,363)	(262,363)
(Under) over coverage direct costs	**(5,415)**	**26**		**(26,233)**	**(13,071)**

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

Conclusion: A -10% or -5% deviation from the budgeted coverage on the direct cost component could have a negative impact on the existing under-coverage of respectively ANG 26 million and ANG 13 million.

5.3.2. Credit risk

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

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

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

Credit risk within the Group also arises from cash and cash equivalents (note 5.4.2.4) with bank and financial institutions and from other investments as the long term deposits concerning Curaçao Utility Company (note 5.4.1.2).
The Group endeavors to mitigate this credit risk by using reputable financial institutions for investing and cash handling purposes. As per December 31, 2011 the Group has cash balances placed at 7 reputable banking institutions (2010:7).

The credit risk management within the Group entails:

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

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

(Amounts in ANG * 1,000)	Dec 31, 2010		Dec 31, 2009	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Industrial & large commercial	26,635	11,302	28,107	9,144
Commercial	16,924	12,668	20,315	8,906
Households	41,363	980	38,941	970
Government	5,375	4,159	7,063	17,582
Standing orders	3,311	0	3,441	0
New accounts	146	0	275	0
Inactive	30,511	0	37,514	0
Other	1,483	330	278	1,370
Balance of receivables	125,748	29,439	135,934	37,972
Clients' payments in transit	(1,434)	0	(3,158)	0
Billing cycle to be invoiced	18,455	0	20,022	0
Gross receivables	**142,769**	**29,439**	**152,798**	**37,972**
Less allowance for doubtful debts	(48,054)	(15,828)	(53,954)	(15,860)
Less customer deposits	(21,153)	0	(20,524)	0
Net receivables	**73,562**	**13,611**	**78,320**	**22,112**

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

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

(Amounts in ANG * 1,000)	December 31, 2010		
	Trade receivables	**Other receivables**	**Receivables from related parties**
Neither past due nor impaired	28,687	1,313	0
Past due but not impaired	66,028	10,321	1,977
Individually impaired	48,054	15,828	0
Gross	**142,769**	**27,462**	**1,977**
Less Allowance	(48,054)	(15,828)	0
Customer deposits	(21,153)	0	0
	(69,207)	**(15,828)**	**0**
Net	**73,562**	**11,634**	**1,977**

(Amounts in ANG * 1,000)	December 31, 2009		
	Trade receivables	**Other receivables**	**Receivables from related parties**
Neither past due nor impaired	31,451	1,041	0
Past due but not impaired	64,756	19,595	1,477
Individually impaired	56,591	15,859	0
Gross	**152,798**	**36,495**	**1,477**
Less Allowance	(53,954)	(15,860)	0
Customer deposits	(20,524)	0	0
	(74,478)	**(15,860)**	**0**
Net	**78,320**	**20,635**	**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)	December 31, 2010		
	Trade receivables	**Other receivables**	**Receivables from related parties**
Past due up to 60 days	22,685	1,103	0
Past due more than 60 days	43,343	9,218	1,977
	66,028	**10,321**	**1,977**

(Amounts in ANG * 1,000)	December 31, 2009		
	Trade receivables	**Other receivables**	**Receivables from related parties**
Past due up to 60 days	53,425	67	0
Past due more than 60 days	11,331	19,528	1,477
	64,756	**19,595**	**1,477**

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

Trade accounts receivable (excluding government accounts):

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

Other receivables:

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

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

5.3.3. Liquidity risk

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

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

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

A five year extract from the budget is shown below:

Forecasted liquidity					
(Amounts in ANG * 1,000)	**Dec 31, 2011**	**Dec 31, 2012**	**Dec 31, 2013**	**Dec 31, 2014**	**Dec 31, 2015**
Opening balance	51,534	36,756	28,096	(30,379)	(86,111)
Operating proceeds	(9,028)	25,516	52,460	65,803	119,441
Cashflow investments in net working capital	56,502	19,469	(47,031)	(10,145)	(1,493)
Cashflow investments	(41,078)	(28,258)	(36,828)	(119,106)	(83,922)
Cashflow financing activities	(21,174)	(25,387)	(27,443)	(38,284)	(50,187)
New loan	0	0	33,643	46,000	0
Past due/ due on demand	0	0	(33,275)	0	0
Increase/decrease in cash balances	(14,778)	(8,660)	(58,475)	(55,732)	(16,162)
Balance at end of year	**36,756**	**28,096**	**(30,379)**	**(86,111)**	**(102,273)**

As depicted in the above noted liquidity projection, the Group's liquidity position is projected to deteriorate significantly in the coming 5 years assuming no recovery of previous fuel under coverages through 2010 as depicted in the regulatory account (ANG 104 million as of December 31, 2010).

The overriding reason for the deterioration of the Group's liquidity position lies in the lack of adequate and timely tariff adjustments that would have guaranteed coverage for the fluctuations in the fuel prices through June 2012. As a direct result of the aforementioned, the Group's operating proceeds have been compromised and it has fallen behind on its payment obligations to its creditors resulting in accumulated past due amounts of ANG 33.3 million in 2013 Assuming immediate settlement of these past due amounts, would result in negative cash-flows to the Group and would compromise the Group's investment plans as detailed below which are imperative for the achievement of the increased operational cash flows. Adequate tariff adjustments over the past years would have allowed the Group to generate sufficient cash flow to remain current on all its obligations, primarily its obligation to its fuel supplier. Another reason for the deteriorating liquidity position is the limited financing of ANG 46.0 million projected in 2014 along with the higher investments due to the delay in various maintenance projects.

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

- The granting of the recovery as described in note 5.2 under the Financial Position paragraph. The Group has been granted a partial recovery for the under-coverage of 2011 and 2012 amounting to ANG 61.8 million, which is included in the above noted liquidity projection and is negotiating with the regulator to receive formal notification from the regulator granting the remaining recovery which is estimated at more than ANG 118 million and will ensure the turn-around of the Group's liquidity position.

Actions taken by Management:

- From 2006 to early 2010, certain actions were taken to contain the negative impact of the aforementioned tariff situation. The developments in 2011, which resulted in a 5 cents tariff decrease paired with the 'to market' adjustment of fuel prices charged to the Group, have however an additional negative impact on the Group's liquidity position.

- Continue to inform BTP and the Government of Curaçao on the need to recover the balances to be compensated in the amount of ANG 104 million due to lack of timely adjustments as accounted for on the regulatory account up to and including 2010 and continue to follow up on the granting of the remaining recovery for year 2011 and 2012. The Group will significantly improve its financial position if it obtains this recovery.
- Management has indicated in a letter to BTP that it is not in a position to immediately comply with the required concession deposit and has requested a review of the terms and conditions of the concessions. Management intends on proposing to spread the payment of the security deposit over several years and will also propose to postpone the initial deposit to subsequent to the year 2015. Management believes that the probability that the request will be honored is high as the security deposit is intended to cover any eventual clean-up or restoration not duly performed by the Group. That a clean-up or restoration amounting to ANG 35 million will take place all at once or within the same year is not very likely.
- The Group is performing a daily cash-flow projection and prioritizing its payments while making informal agreements with creditors of past due amount in order to gradually bring down these balances to acceptable levels while ensuring the continuation of operations and realization of its turn-around plan. The past due balance due to Curoil, was converted into a loan in September of 2013.

The significant capital investments projected to be made in 2013 and 2015 relate to a new power production plant with related distribution infrastructure and a new sea water reverse osmosis plant as a result of the closing of the Mundo Nobo power plant. These investments are necessary in order to guarantee a more efficient production of water and electricity. Given the magnitude of these investments, external funding is required in order to finance them. Obtaining certainty regarding the granting of the aforementioned requested recoveries is imperative in securing the projected financing.

The investment in new and efficient machines will on the long run result in lower fuel usage and operational cost which is reflected in increasing operational cash flow starting in 2013 when the new machines are put into operation. The negative impact of the changes in fuel prices on the operations is expected to be neutralized in the future considering the monthly tariff adjustment introduced as per June 1, 2012 which will guarantee that the Group receives the coverage for the fluctuations in the fuel prices. Refer to subsequent event footnote (5.5.9) for additional disclosure regarding 'Decisions made by the Government of the Country of Curaçao'.

The liquidity status as per December 31, 2010 is shown below:

Liquidity status (Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Funds encumbered > 5 years	1,943	1,929
Funds encumbered 1 < years < 5	26,237	36,445
Available cash & cash at banks	23,354	40,097
Total credit facilities	**51,534**	**78,471**

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 Group's financial liabilities, being its long term loans, other non-current liabilities and current liabilities, into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The long term loans and other non-current liabilities amounts include the interest expenses for the remaining period at reporting date. All amounts are the undiscounted cash flows:

Long term loans and other non- current liabilities						
*(amounts in ANG * 1,000)*	**At December 31, 2010**			**At December 31, 2009**		
	<1 year	**≥1 and ≤5 years**	**>5 years**	**<1 year**	**≥1 and ≤5 years**	**>5 years**
Loan RdK	0	0	0	5,974	0	0
Loan KFW	3,964	0	0	3,964	3,964	0
Loan Isla Dieselcentrale	3,620	16,199	8,195	3,747	16,833	11,181
Loan MJP	1,556	7,781	14,736	15,691	7,781	10,762
Loan SPU	73	49	0	73	122	0
Loan Vida Nova	524	655	0	524	1,179	0
	9,737	**24,684**	**22,931**	**29,973**	**29,879**	**21,943**

Current liabilities						
*(amounts in ANG * 1,000)*	**At December 31, 2010**			**At December 31, 2009**		
	<1 year	**≥1 and ≤5 years**	**>5 years**	**<1 year**	**≥1 and ≤5 years**	**>5 years**
Trade accounts payable	37,264	0	0	78,796	0	0
Other liabilities	42,252	1,168	0	38,468	970	0
	79,516	**1,168**	**0**	**117,264**	**970**	**0**

5.3.4. Capital risk

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

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

The chart on the following page 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, 2010**	**Dec 31, 2009**
Debt service coverage ratio (DSCR)	3.91	0.82
Compliance DSCR ratio	>1.45	>1.45
Adjusted debt service coverage ratio (ADSCR)	4.03	0.55
Compliance ADSCR	>1.15	>1.15
Debt/EBITDA ratio (D/E)	4.22	2.78
Compliance D/E ratio	<8.5	<8.5
Current ratio (CR)	0.45	0.56
Compliance CR	>1.00	>1.00
Solvency ratio (SR)	22.31%	31.76%
Compliance SR	>30.00%	>30.00%

As indicated in the table above, the Group is not in compliance with certain financial covenants (current ratio and solvency ratio) as described in the offering circular of tranche 1a bonds. The Group fell short of the solvency ratio requirement due primarily to the shrinking equity resulting from rate increase restrictions and impairment charges on fixed assets and investments in equity accounted investees that have contributed to the net loss for the year. The recognition of the discount on the bonds has also negatively impacted the solvency ratio. The non-compliance with the current ratio is a result of the classification of the corporate bonds as short-term stemming from non-compliance with the previously mentioned ratio. Refer to note 5.4.5.2. for additional detail.

5.4. Explanatory notes to the statement of financial position

5.4.1. Non-current assets

5.4.1.1. Property, Plant, Equipment and Work in progress

Below an overview of the property, plant, equipment and work in progress as per December 31, 2010 and 2009:

(Amounts in ANG * 1,000)		**Initial cost** 01-Jan-10	**Accum. Depr.** 01-Jan-10	**Book value** 01-Jan-10	**Investments** 2010	**Depreciations** 2010	**Impairment** 2010	**Book value** 31-Dec-10	**Initial cost** 31-Dec-10	**Accum. Depr.** 31-Dec-10
Production	Land & buildings	45,139	20,147	24,992	5	(1,887)	0	23,110	45,144	22,034
	Plant/Equipment	712,388	517,836	194,552	559	(25,137)	0	169,974	712,947	542,973
	Major spare parts	33,294	26,102	7,192	3,075	(2,003)	0	8,264	36,369	28,105
	Other assets*	20,485	19,845	640	1,456	(1,611)	0	485	21,941	21,456
	Work in progress	32,289	0	32,289	21,172	0	0	53,461	53,461	0
		843,595	**583,930**	**259,665**	**26,267**	**(30,638)**	**0**	**255,294**	**869,862**	**614,568**
	Impairment loss	(30,000)	0	(30,000)	0		(23,453)	(53,453)	(53,453)	0
	Total Production	**813,595**	**583,930**	**229,665**	**26,267**	**(30,638)**	**(23,453)**	**201,841**	**816,409**	**614,568**
Distribution	Land & buildings	81,888	41,329	40,559	437	(1,223)	0	39,773	82,325	42,552
	Distribution network	664,798	317,954	346,844	7,516	(21,923)	0	332,437	672,314	339,877
	Other assets	60,463	55,764	4,699	(826)	(4,121)	0	(248)	59,637	59,885
	Work in progress	45,680	0	45,680	17,975	0	0	63,655	63,655	0
		852,829	**415,047**	**437,782**	**25,102**	**(27,267)**	**0**	**435,617**	**877,931**	**442,314**
	Impairment loss	(94,000)	0	(94,000)	0	0	0	(94,000)	(94,000)	0
	Total Distribution	**758,829**	**415,047**	**343,782**	**25,102**	**(27,267)**	**0**	**341,617**	**783,931**	**442,314**
Multi Utility	Land & buildings	654	172	482	3	(59)	0	426	657	231
	Plant/Equipment	34	240	(206)	1	(85)	0	(290)	35	325
	Other assets	995	85	910	19	(3)	0	926	1,014	88
	Total Multi Utility	**1,683**	**497**	**1,186**	**23**	**(147)**	**0**	**1,062**	**1,706**	**644**
	Total	**1,574,107**	**999,474**	**574,633**	**51,392**	**(58,052)**	**(23,453)**	**544,520**	**1,602,046**	**1,057,526**

(Amounts in ANG * 1,000)		**Initial cost** 01-Jan-09	**Accum. Depr.** 01-Jan-09	**Book value** 01-Jan-09	**Investments** 2009	**Depreciations** 2009	**Book value** 31-Dec-09	**Initial cost** 31-Dec-09	**Accum. Depr.** 31-Dec-09
Production	Land & buildings	44,458	19,179	25,279	681	(968)	24,992	45,139	20,147
	Plant/Equipment	701,777	499,974	201,803	10,611	(17,862)	194,552	712,388	517,836
	Major spare parts	30,711	24,014	6,697	2,583	(2,088)	7,192	33,294	26,102
	Other assets*	18,910	18,370	540	1,575	(1,475)	640	20,485	19,845
	Work in progress	3,094	0	3,094	29,195	0	32,289	32,289	0
		798,950	**561,537**	**237,413**	**44,645**	**(22,393)**	**259,665**	**843,595**	**583,930**
	Impairment loss	(30,000)	0	(30,000)	0	0	(30,000)	(30,000)	0
	Total Production	**768,950**	**561,537**	**207,413**	**44,645**	**(22,393)**	**229,665**	**813,595**	**583,930**
Distribution	Land & buildings	81,738	40,102	41,636	150	(1,227)	40,559	81,888	41,329
	Distribution network	630,730	295,787	334,943	34,068	(22,167)	346,844	664,798	317,954
	Other assets	59,803	51,582	8,221	660	(4,182)	4,699	60,463	55,764
	Work in progress	56,216	0	56,216	(10,536)	0	45,680	45,680	0
		828,487	**387,471**	**441,016**	**24,342**	**(27,576)**	**437,782**	**852,829**	**415,047**
	Impairment loss	(94,000)	0	(94,000)	0	0	(94,000)	(94,000)	0
	Total Distribution	**734,487**	**387,471**	**347,016**	**24,342**	**(27,576)**	**343,782**	**758,829**	**415,047**
Multi Utility	Land & buildings	654	113	541	0	(59)	482	654	172
	Plant/Equipment	34	158	(124)	0	(82)	(206)	34	240
	Other assets	978	61	917	17	(24)	910	995	85
	Total Multi Utility	**1,666**	**332**	**1,334**	**17**	**(165)**	**1,186**	**1,683**	**497**
	Total	**1,505,103**	**949,340**	**555,763**	**69,004**	**(50,134)**	**574,633**	**1,574,107**	**999,474**

**Restated for comparative purposes/misstatements. Reference is made to note 5.2.*

A significant part of the property, plant, equipment and work in progress of Aqualectra Production and Aqualectra Distribution were 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.
These pledges were released on February 11, 2010.

The annual average depreciation rates are as follows:

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

Major spare parts are depreciated in accordance with the category of Plant & Equipment.
Plant / equipment include the book value of decommissioning costs of Mundo Nobo and is further specified in note 5.4.4.3.2.

As per year end 2010 the Group had several projects for the acquisition or construction of property plant and equipment. Several of these projects are based on contractual agreements with suppliers of material and/ or for services. Of these projects the following projects have material contractual amounts as per year end 2010:

- Upgrading cooling capacity engine DW-1/2/3 Dokweg (total contractual amount is approximately ANG 3.3 million).
- Upgrading cooling capacity engine DE4 Isla site and maintenance Diesel power Station ISLA site (total contractual amount is approximately ANG 4.5 million)
- Restructuring High Voltage Grid (total contractual amount is approximately ANG7.1 million)
- Replacement of transformers at Koningsplein to increase load capacity (total contractual amount is approximately ANG 1.2 million);
- Construction of a main divider station at Caracasbaai (total contractual amount is approximately ANG 1.3 million)
- Construction new water reservoir at Trai Seru (total contractual amount is approximately ANG 1.3 million)

Impairment loss
The Group recorded impairment of ANG 23,453,271 for certain production equipment located at the Mundo Nobo plant during the year ended December 31, 2010. An impairment review was performed in accordance with IAS 36 in response to the Group's recent history of operating losses and the recent announcement regarding the closing of the Mundo Nobo plant in 2013. This would result in the discontinuation of certain equipment deemed inefficient due to unusually high fuel consumption.
For the execution of the abovementioned impairment review, the recoverable amount and the carrying value of the Cash Generating Unit (CGU) were determined as prescribed in IAS 36. The CGU is defined as the business operation of the Group as a whole including the Production and the Distribution units. Management is of the opinion that the sale of water and electricity cannot be seen separate from one another mainly because water and electricity are produced in the same plant. The recoverable amount of the CGU was estimated based on its value in use. The estimate of value in use was determined using the following assumptions:

- Discount rate - 8%
- Terminal value growth rate - 2%
- Tax rate – 27.5% - 34.5% (based upon applicable tax rates as set by tax authority)

The estimated value in use is calculated as the weighted average of possible outcomes. The possible outcomes are a result of a sensitivity analysis that was performed assuming changes to variables resulting in future variations in the amount or timing of estimated cash flows. The following table shows the changes made to the variables:

	Sensitivity analysis		
Variables	**Scenario 1**	**Scenario 2**	**Scenario 3**
Annual sales increase	-	-0.50%	-
Tariff - water & electricity	+ ANG 0.01	+ ANG 0.01	+ ANG 0.01
General expenses	-	-	1%
Repairs & Maintenance	-	-	1%

The weight assigned to each scenario including the base case scenario represents management's assessment of future trends in the regulatory environment and historical trends. Management considered Scenario 3 as the most probable and is therefore assigned the highest weight.

The carrying value is the value after recording accelerated depreciation of ANG 5,740,929 on the production equipment at the Mundo Nobo plant that will be disposed of upon closure of the plant in 2013. Based on the assessment performed, the carrying amount of the company's assets (ANG 732,606,071) was determined to be ANG 23,453,271 higher than its recoverable amount (ANG 709,152,800).

The impairment loss was allocated pro rata to the individual assets being the production plant/ equipment at the Mundo Nobo Plant. The impairment loss is recognized in the other expenses in the statement of comprehensive income.

Accelerated Depreciation
In 2012, management and the Supervisory Board of the Group formalized the plans for the closure of the Mundo Nobo plant. Production at Mundo Nobo plant will be set at reserve level starting the end of 2013 till 2015, at which point plant equipment will be completely dismantled to be either disposed of to be sold as scrap or as separate units. As the scrap value is not determined yet, this was not taken into account in the determination of the accelerated depreciation. The expectations are that the main office building will remain in addition to the plant building designated as a historic building but that all other buildings will be demolished at the end of 2015. Due to the planned closure of the Mundo Nobo plant, accelerated depreciation has been applied to all fixed assets that will be disposed or demolished. Additional depreciation is therefore recorded in 2010 figures amounting to ANG 5,740,929. Refer to subsequent event footnote (5.5.9) for additional disclosure regarding the dismantling of the Mundo Nobo Plant.

5.4.1.2. Investments in equity accounted investees and other investments

<u>Investments in equity accounted investees (Curaçao Utility Company Holdings N.V.)</u>

The table below shows the composition of the investment in associates as per December 31, 2010:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Investments in equity accounted investees		
Balance at beginning of year	65,534	76,785
Share of loss for the period	(3,466)	(11,251)
Impairment of share in equity accounted investees	(62,068)	0
Balance at end of year	**0**	**65,534**

Integrated Utility Holding N.V. had as per December 31, 2010 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 Curaçao 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. Integrated Utility Holding N.V. also acquired 100% of non-voting class-C shares in CUC Holdings, with a nominal value of USD 8 million (ANG 14.4 million).

As described in note 5.5.9 'subsequent events', the Minister responsible for IUH N.V., adopted a resolution in January 2011 in which was stated that IUH had to transfer the CUC Holdings shares to Refineria di Korsou (RdK) without any compensation. Subsequently, in a letter dated February 14, 2013, the Group was informed by the Minister of Finance that based on a decision reached by the Council of Ministers on October 31, 2012, an independent third party was engaged to determine the value of the transferred shares. The third party concluded that a value of ANG 53.8 million is considered a reasonable estimation of the fair value of the shares transferred as of January 19,

2011. On February 20, 2013, the Council of Ministers approved this valuation. A shareholders' resolution remains to be adopted to formalize the above mentioned. Management is in deliberation with both the government and the shareholders of both companies to accelerate the execution of the decision of the Council of Minister of February 20, 2013. More recently, in November 2013, a "Heads of Agreement" was agreed to by the financial institution with which negotiations are underway for the financing of the necessary investments and IUH in which the consideration for the transfer of the CUC share of ANG 53.8 million is set as a condition for the execution of the agreement. The agreement must still be approved by the Council of Ministers.

As a consequence of the aforementioned subsequent events, taking into account that no formal decision has been taken by the Governance body of neither IUH nor RdK as of date regarding the consideration, the transfer of the CUC Holding shares has been accounted for in accordance with the signed documents in which the shares were transferred for a nil consideration. Based on the third party valuation of the CUC shares, ANG 8.3 million of the value is considered impaired as of December 31, 2010 in order to bring the value down to the estimated fair value of ANG 53.8 million after processing the share of loss for the period of ANG 3.5 million. Due to the transfer of the shares for a nil consideration however, the remaining value of ANG 53.8 million is also written off to nil as of year-end for a total impairment/write-off of ANG 62.1 million. For further details we refer to the management report and to note 5.5.9 'subsequent events'.

Other investments (Long term deposits concerning CUC Holdings)

To finance other sponsor obligations for CUC Holdings, Integrated Utility Holding N.V. granted security deposits for the following L/C's as per December 31, 2010 and 2009:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Inter sponsor agreement	1,820	1,820
	1,820	**1,820**

For further information regarding these letters of credits we refer to note 5.4.6.3 (re: L/C guarantee). We also refer to note 5.5.9 subsequent events.

5.4.1.3. Financial assets

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Balance at beginning of year	0	0
Discount on corporate bonds	61,151	0
Amortization current period	(2,487)	0
Balance at end of year	**58,664**	**0**

The corporate bonds were issued in 2009 at a discount. Due to the intentions of re-issuance, the bond was classified as current and the discount was not recognized. In 2010 the discount is recognized as a financial asset as the re-issuance that should have taken place in 2010 was postponed indefinitely as the conditions, as described in the Offering Circular of tranche 1a, were not met. The discount will be amortized by means of the effective interest method over a period of 35 years. The yearly amortization is presented as a part of the interest expenses in the statement of comprehensive income. Refer to note 5.4.5.2. for further details.

After the initial recognition of the discount as a financial asset, the discount is evaluated based on the general guidelines for financial instruments. The discount is evaluated at year-end for impairment purposes based on the Group's repayment capacity of the corporate bonds. For this matter the cash flow projections of the upcoming 5 years, after the reporting date, were analyzed. Notwithstanding the fragile liquidity position, management is of the opinion that the execution of the proposed plans together with other assumptions as disclosed and their positive effects on the company as a whole as described in note 5.2 (Financial position paragraph), will allow the Group to comply with the repayment requirements of the corporate bonds. The financial assets will therefore remain on the balance sheet. Refer to note 5.4.5.2 for further details on the corporate bonds.

5.4.1.4. Deferred tax assets

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

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Tax loss carry-forward	36,020	41,041
Difference fiscal and commercial value property, plant and equipment	12,312	10,915
Balance at end of year	**48,332**	**51,956**

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

The Group has tax losses which arose prior to the formation of a fiscal unity (pre-unity losses) and are therefore available for offset only against future taxable profits of the companies in which the losses arose unless the fiscal unity as a whole has a positive result. Of the total loss carry-forward recognized as deferred tax asset of ANG 131.0 million at December 31, 2010, ANG 94.7 million relate to pre-unity tax losses.

Tax losses amounting to ANG 3.2 million (pre-unity) expire in 2012. Deferred tax assets have not been recognized in respect of these tax losses because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom. The deferred tax asset expected to be recovered after more than 12 months is ANG 36,020,000. The estimation of the future taxable profits that can be utilized against these tax losses is based on management's income forecast.

Deferred taxes related to property, plant and equipment increased due to the recognition of an impairment loss in 2010.

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Balance at beginning of year	51,956	60,107
Recognition in profit or loss	(9,426)	(16,547)
Recognition in other comprehensive income	5,802	8,396
Balance at end of year	**48,332**	**51,956**

During the year, as a result of the change in the profit tax rate from 34.5% to 27.5% that will be effective from 1 January 2012, the relevant deferred tax balances have been re-measured. A release due to re-measurement of ANG 9,886,000 has been recorded.
Deferred tax assets expected to be realized in the years subsequent to 2011 have been measured using the profit tax rate that will be applicable (27.5%).

Carry forward losses are due to expire as follows:

(Amounts in ANG * 1,000)	
Period	**Amount**
2011-2012	9,417
2012-2016	76,321
2016-2020	54,662
Total	**140,400**

5.4.2. Current assets

5.4.2.1. Inventories

A summary of stocks as per December 31, 2010 is specified below:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Aqualectra Production		
Materials & spare parts	6,871	5,512
Fuel & lubricants	7,726	7,233
Water	503	534
Total Aqualectra Production	**15,100**	**13,279**
Aqualectra Distribution		
Stock in warehouse	17,264	15,351
Water in reservoirs	915	916
Total Aqualectra Distribution	**18,179**	**16,267**
Aqualectra Multi Utility		
Materials & spare parts	381	390
Total Aqualectra Multi Utility N.V.	**381**	**390**
Total inventories	**33,660**	**29,936**

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

The stock was lowered by a provision of ANG 8,945 (2009: ANG 8,119) for slow movers.

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009
Balance at beginning of the year	**(8,119)**	**(7,081)**
Additions	(2,211)	(3,178)
Releases	1,385	2,140
Balance at end of the year	**(8,945)**	**(8,119)**

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

Inventories of Aqualectra Production and Aqualectra Distribution were 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. This pledge was released on February 11, 2010.

5.4.2.2. Trade accounts receivable

The composition of trade accounts receivable as per December 31, 2010 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009
Government institutions	5,374	2,522
Business & industrial customers	43,560	30,890
Households	93,835	119,386
	142,769	**152,798**
Customer deposits	(21,153)	(20,524)
Provision for bad debts	(48,054)	(53,954)
	(69,207)	**(74,478)**
Total trade accounts receivable	**73,562**	**78,320**

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

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009
Balance at beginning of the year	**(53,954)**	**(52,323)**
Additions	(6,228)	(3,313)
Releases	12,128	1,682
Balance at end of the year	**(48,054)**	**(53,954)**

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

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

Accounts receivables of Aqualectra Production and Aqualectra Distribution were encumbered with a first priority pledge in favor of National Investment Bank (NA) N.V. This pledge was released on February 11, 2010.

5.4.2.3. Other receivables

The other receivables consist as per December 31, 2010 and December 31, 2009 of the following items:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Aqualectra Production		
Prepaid insurance premiums	2,135	2,253
Other receivables	1,253	1,694
	3,388	**3,947**
Aqualectra Distribution		
Services public lighting	0	401
Damage costs and other services to be billed	1,969	1,365
General Debtors	8,046	16,680
Other account receivables (incl. balance GEUS)	3	403
	10,018	**18,849**
Integrated Utility Holding N.V.		
Other receivables - CUC	2,229	1,477
	2,229	**1,477**
Aqualectra Multi Utility N.V.		
Other receivables	111	92
	111	**92**
Total Other receivables	**15,746**	**24,365**

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

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Balance at beginning of the year	**(9,518)**	**(32,046)**
Additions	0	(1,236)
Releases	831	23,764
Balance at end of the year	**(8,687)**	**(9,518)**

5.4.2.4. Cash & cash equivalents

The cash and cash equivalents as per December 31, 2010 and December 31, 2009 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009
Aqualectra Production		
Cash at banks and on hand	12,803	3,665
	12,803	**3,665**
Aqualectra Distribution		
Cash at banks and on hand	14,111	13,640
Other cash items	(36)	(879)
	14,075	**12,761**
Integrated Utility Holding N.V.		
Cash at banks	**26,790**	**64,451**
Aqualectra Multi Utility N.V.		
Cash at banks and on hand	**177**	**76**
Total cash & cash equivalents	**53,845**	**80,953**

Included in the total amount of cash and cash equivalents is ANG 12.4 million (2009: ANG 17.7 million) which is not at free disposition of the Group. This amount consists of:

- a total amount of ANG 1.9 million which is a time deposit for coverage of one month IUH N.V. Payment, in case of default (2009: ANG 1.9 million);
- a term deposit account in the amount of ANG 10.5 million pledged to MCB in order to cover the letter of credit to Aggreko;
- and a total amount of ANG 0 million due to excess cash deposits (2009: ANG 15.8 million). The excess cash deposits were per January 11, 2010 at the free disposition of the Group.

The average rate of interest on the excess cash deposits during 2010 was 0.131% per year (2009: 0.125%). The interest rate is fixed for three months.

As per December 31, 2010 there are bank guarantees amounting to

- ANG 1.6 million in favor of Inspectie der Invoerrechten en Accijnzen and/or Douane Curaçao (2009: ANG 1.7 million).
- ANG 20,000 in favor of Landsontvanger.

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

5.4.3. Shareholder's Equity

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

5.4.3.1. Share capital and share premium

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

The share capital was paid up by means of the contribution of the KODELA (Aqualectra Distribution) and KAE (Aqualectra Production) shares. The pay up in full of the 470 shares placed through the contribution of KODELA and KAE has created a share premium of ANG 55 million. During 2010 and 2009 there were no movements in the capital and share premium.

During 2010 and 2009 movements have occurred directly in equity as a result of IAS 19 calculations (Employee benefits). The movements are detailed in the consolidated statement of other comprehensive income as shown in note 4.4.

5.4.3.2. Preferred stock

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

The Purchaser, Mirant, agreed to buy at the First Tranche Closing, December 19, 2001, 2,800 issued shares of Preferred Stock for the total amount of ANG 29.1 million. On September 30, 2002 Mirant agreed to buy at the second Tranche closing the remaining 4,200 issued shares of Preferred Stock for the total amount of ANG 43.7 million.
The 7,000 preferred shares bear a cumulative preferred dividend of 16.75%. Preferred stock has been issued for the financing of future investments in general.

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

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

As per December 31, 2010 there is no preferred stock on the market.

5.4.4. Non-current liabilities

5.4.4.1. Financial liabilities

Below a summary of balances regarding all outstanding long term loans as per December 31, 2010, specified per group-entity:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Aqualectra Distribution		
Loan Vida Nova Pension Fund (SPU)	112	170
Loan Meerjarenplan (MJP)	16,180	26,312
Loan Vida Nova Pension Fund (Building)	1,080	1,499
Leasehold Obligation - Cars	286	1,007
Current maturities of long term loans	(3,081)	(10,767)
	14,577	**18,221**
Integrated Utility Holding N.V.		
Loan Refineria di Korsou (RDK) N.V.	0	5,504
Loan Kreditanstalt für Wiederaufbau (KFW)	3,964	7,928
Current maturities of long term loans	(3,964)	(9,468)
	0	**3,964**
Aqualectra Production		
Loan Diesel Power Plant ISLA	22,830	25,367
Current maturities of long term loans	(2,537)	(2,537)
	20,293	**22,830**
Total Financial liabilities	**34,870**	**45,015**

5.4.4.1.1. Long term loans Aqualectra Distribution

Loan Vidanova Pension Fund (SPU):

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

Loan Meerjarenplan (MJP):

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

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

Loan Vidanova Pension Fund (Building Pater 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. Vidanova Pension Fund disposed of the first mortgage on the office building at the Pater Eeuwensweg 1.

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

Loan Refineria di Korsou (RDK) N.V.

The repayment of the loan of USD 5 million (ANG 9.1 million) plus the prepaid interest by RdK of USD 541,000 started in January 2004, by 7 years monthly installments until 2010. This loan was formalized on August 8, 2003. No securities were pledged to this loan. Interest has been fixed at 9% per annum.

The loan was fully repaid as per December 15, 2010.

Loan Kreditanstalt für Wiederaufbau (KFW)

On January 17, 2002 the Group concluded with Alstom Energietechnik GmbH, Frankfurt, Germany, a contract for the supply of a new 66 kV 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 Group 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 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**

Repayment for loan agreement #9950 and #9951 is to be effected in 17 and 10 equal consecutive semiannual 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. As per the end of 2008, agreement # 9951 has been paid in full.

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.

As per December 31, 2010 the outstanding amount is ANG 3,964,146 (2009: ANG 7,928,269) and the short term outstanding is the whole amount (2009: ANG 3,964,146).

5.4.4.1.3. Long term loans Aqualectra Production

<u>Loan Diesel Power Plant ISLA</u>

This liability concerns the payment by ISLA for the cost of constructing the Diesel Power Plant (USD23,000,000). The payment has been recorded as a liability as repayment is covered by the monthly IUH N.V. installments. For further information we refer to note 5.4.6 Commitments and contingencies.

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Long term liability to Refineria ISLA (Curaçao) B.V.	22,830	25,367
Current maturities of long term liability and loan from ISLA (Curaçao) B.V.	(2,537)	(2,537)
Total other long term liabilities	**20,293**	**22,830**

5.4.4.2. Deferred tax liability

This liability in 2009 of ANG 5,277,000 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%. This 2009 amount was released through the statement of comprehensive income in 2010.

5.4.4.3. Provisions

The provisions as per December 31, 2010 can be divided in the following categories:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Provisions employee benefits	203,551	172,726
Other provisions	14,839	13,825
Total provisions	**218,390**	**186,551**

5.4.4.3.1. Provisions employee benefits

The provision for employee benefits as per December 31, 2010 is specified below:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Provision medical costs retired employees	164,404	128,430
Provision supplementary pension APNA (DT)	19,444	18,518
Provision early retirement benefit (VUT)	1,142	1,436
Provision anniversary bonus	15,707	14,552
Provision vacation leave	2,854	2,587
Provision defined benefit pension plan	0	7,203
Total provisions	**203,551**	**172,726**

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

Actuarial assumptions	**2010**	**2009**	**Applicable for**
Discount rate at December 31	5.00%	5.50%	All actuarial provisions
Rate of return on plan assets	5.50%	6.10%	All actuarial provisions
Inflation medical cost provision	1.80%	3.50%	
Inflation	2.75%	3.00%	All except medical cost
Future Medical expenses increases	3.50%	3.50%	
Future pension increases	1.50%	2.10%	VUT, DT and DBO
Future compensation increases	1.80%	1.80%	VUT, DT and DBO
Salary increases (inflation & career)	2.25%	2.25%	Anniversary bonus
VUT participation probability	2.50%	2.50%	

Mortality:
Male: GBM 2000-2005; -1 (2009: GBM 2000-2005; -1)
Female: GBV 2000-2005; -1 (2009: GBV 2000-2005; -1)
Age difference spouse: male is 4 years older than female
Marital status: 100%

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

(Amounts in ANG * 1,000)	**Medical costs** **Dec 31, 2010**	**DT** **Dec 31, 2010**	**VUT** **Dec 31, 2010**	**Anniversary bonus** **Dec 31, 2010**
Liability recognized in the consolidated statement of financial position				
Present value of unfunded obligations	164,549	19,444	1,142	15,707
Fair value of plan assets	(145)	0	0	0
Provision	**164,404**	**19,444**	**1,142**	**15,707**
Movement in provisions				
Provisions at the beginning of year	128,546	18,518	1,436	14,552
Expenses	11,044	1,138	57	1,518
Contributions paid	(3,445)	(962)	(942)	(1,596)
Actuarial losses recognized in the consolidated statement of comprehensive income	28,404	750	591	1,233
Provisions at end of year	**164,549**	**19,444**	**1,142**	**15,707**
Amounts recognized in the consolidated statement of comprehensive income				
Current service costs	3,856	138	3	722
Interest costs	7,188	1,000	54	796
Contributions	0	(552)	(528)	(833)
Expenses recognized in consolidated stmt of comprehensive income	**11,044**	**586**	**(471)**	**685**
Present value of the unfunded obligations				
Present value of the unfunded obligations at the beginning of year	128,546	18,518	1,436	14,552
Interest costs	7,188	1,000	54	796
Current service costs	3,856	138	3	722
Benefits paid	(3,445)	(962)	(942)	(1,596)
Actuarial loss / (gain) on obligation	28,404	750	591	1,233
Present value of the unfunded obligations at end of year	**164,549**	**19,444**	**1,142**	**15,707**
Fair value of the plan assets				
Fair value of the plan assets at the beginning of year	(116)	0	0	0
Contributions by the employer	(3,445)	(962)	(942)	1,596
Contributions by the participants	(29)	0	0	0
Benefits paid	3,445	962	942	(1,596)
Fair value of the plan assets at end of year	**(145)**	**0**	**0**	**0**
Development of deficit in the plan				
Present value unfunded obligations	164,549	19,444	1,142	15,707
Fair value of plan assets	(145)	0	0	0
Deficit in the plan	**164,404**	**19,444**	**1,142**	**15,707**

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

(Amounts in ANG * 1,000)	Medical costs 31-Dec 2009	DT 31-Dec 2009	VUT 31-Dec 2009	Anniversary bonus 31-Dec 2009
Liability recognized in the statement of financial position				
Present value of unfunded obligations	128,546	18,518	1,436	14,552
Fair value of plan assets	(116)	0	0	0
Provision	**128,430**	**18,518**	**1,436**	**14,552**
Movement in provisions				
Provisions at the beginning of year	114,548	12,757	1,651	12,975
Expenses	9,396	819	70	1,395
Contributions paid	(2,965)	(552)	(911)	(1,465)
Actuarial losses recognized in the consolidated stmt of comprehensive income	7,567	5,494	626	1,647
Provisions at end of year	**128,546**	**18,518**	**1,436**	**14,552**
Amounts recognized in the consolidated statement of comprehensive income				
Current service costs	3,011	131	5	684
Interest costs	6,385	688	66	711
Expenses recognized in the consolidated stmt of comprehensive income	**9,396**	**819**	**71**	**1,395**
Present value of the unfunded obligations				
Present value of the unfunded obligations at the beginning of year	114,548	12,757	1,651	12,975
Interest costs	6,385	688	66	711
Current service costs	3,011	131	5	684
Benefits paid	(2,965)	(552)	(911)	(1,465)
Actuarial loss / (gain) on obligation	7,567	5,494	625	1,647
Present value of the unfunded obligations at end of year	**128,546**	**18,518**	**1,436**	**14,552**
Fair value of the plan assets				
Fair value of the plan assets at the beginning of year	(87)	0	0	0
Contributions by the employer	(2,200)	(552)	(911)	(1,465)
Contributions by the participants	(794)	0	0	0
Benefits paid	2,965	552	911	1,465
Fair value of the plan assets at end of year	**(116)**	**0**	**0**	**0**
Development of deficit in the plan				
Present value unfunded obligations	128,546	18,518	1,436	14,552
Fair value of plan assets	(116)	0	0	0
Deficit in the plan	**128,430**	**18,518**	**1,436**	**14,552**

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

Provision medical costs retired employees

According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production retired employees will be compensated to a certain extent for their medical costs. Provisions have been made for this obligation directly through equity (see consolidated statement of other comprehensive income in note 4.4) and also through the consolidated statement of comprehensive income.

A sensitivity analysis on the present value of the unfunded obligation as per December 31, 2010 is presented below:

The following sensitivity analysis shows the effect on the unfunded obligations based on a 0.25% change in the discount rate or in the inflation rate.
A negative or positive 0.25% change in the applied discount rate would result in deviations of respectively ANG 7,131,000 and (ANG 6,704,000) in the unfunded obligations.
A negative or positive 0.25% change in the applied inflation rate would result in deviations of respectively ANG (6,736,000) and ANG 7,133,000 in the unfunded obligations.

Medical expenses retired employees (Amounts in ANG * 1,000)	**Basis**	**Deviation in discount rate**		**Deviation in inflation rate**	
Discount rate	5.00%	4.75%	5.25%	5.00%	5.00%
Inflation	3.50%	3.50%	3.50%	3.25%	3.75%
Present value of the unfunded obligation	164,549	171,680	157,845	157,813	171,682

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.

Currently, there is a dispute between the Group and APNA concerning the interpretation of the regulation of "duurtetoeslag" (DT). APNA namely invoices Aqualectra amongst others for indexation (both for pension indexation and "wage scale" increases) whilst the Group disputes this. Despite being in disagreement with APNA, the Group created the provision for DT according to APNA's calculation method, with the exception of the "wage scale" indexation, as an estimation thereof is not readily available.

A sensitivity analysis on the present value of the unfunded obligation as per December 31, 2010 is presented on the following page:

The following sensitivity analysis shows the effect on the unfunded obligations based on a 0.25% change in the discount rate or in the inflation rate.
A negative or positive 0.25% change in the applied discount rate would result in deviations of respectively ANG 562,000 and (ANG 536,000) in the unfunded obligations.
A negative or positive 0.25% change in the applied pension indexation would result in deviations of respectively (ANG 554,000) and ANG 577,000 in the unfunded obligations.

Supplementary pension APNA (DT) (Amounts in ANG * 1,000)	Basis	Deviation in discount rate		Deviation in inflation rate	
Discount rate	5.00%	4.75%	5.25%	5.00%	5.00%
Pension indexation	1.50%	1.50%	1.50%	1.25%	1.75%
Present value of the unfunded obligation	19,444	20,006	18,908	18,890	20,021

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

Provision early retirement benefit (VUT)

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

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

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

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

A sensitivity analysis on the present value of the unfunded obligation has been performed and showed that a 0.25% positive or negative modification in the discount rate or the inflation rate would result in immaterial movements.

Supplementary pension APNA (VUT) (Amounts in ANG * 1,000)	Basis	Deviation in discount rate		Deviation in inflation rate	
Discount rate	5.00%	4.75%	5.25%	5.00%	5.00%
Inflation	2.75%	2.75%	2.75%	2.50%	3.00%
DBO in ANG 1,000 (Active)	81	82	81	81	82
DBO in ANG 1,000 (VUT)	1,059	1,063	1,057	1,057	1,063
DBO in ANG 1,000 (Inactive)	2	2	2	2	2
Present value of the unfunded obligation	1,142	1,147	1,140	1,140	1,147

Provision anniversary bonus

According to the collective labor agreement of the Group, employees are entitled to an anniversary bonus linked to the amount of years of service.

A sensitivity analysis on the present value of the unfunded obligation as per December 31, 2010 is presented below:

The following sensitivity analysis reflected below shows the effect on the unfunded obligations based on a 0.25% change in the discount rate or in the inflation rate.
A negative or positive 0.25% change in the applied discount rate would result in deviations of respectively ANG 241,000 and (ANG 434,000) in the unfunded obligations.
A negative or positive 0.25% change in the applied inflation rate would result in deviations of respectively (ANG 442,000) and ANG 48,000 in the unfunded obligations.

Provision anniversary bonus (Amounts in ANG * 1,000)	**Basis**	**Deviation in discount rate**		**Deviation in inflation rate**	
Discount rate	5.00%	4.75%	5.25%	5.00%	5.00%
Inflation (inflation & career inflation)	4.05%	4.05%	4.05%	3.80%	4.30%
DBO AP in ANG 1,000	15,907	15,948	15,473	15,465	15,955

Provision vacation leave

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

The position of the provision vacation leave is shown below:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Provision leave pay		
Balance at beginning of year	2,587	2,453
Change in provision	267	134
Balance at end of year	**2,854**	**2,587**

Provision defined benefit pension plan

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

With the exception for Aqualectra Production, no liability is recognized in the statement of financial position in respect of the defined benefit pension plan as the present value of the defined benefit obligation at the reporting date is less than the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. For the other companies in the Group no net plan asset is recognized in the statement of financial position.

The table on the following page reflects the value of the defined benefit plan:

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009
Net Pension (Asset) / Liability, recognized/ NOT recognized in the consolidated statement of financial position		
Present value of funded obligations	174,533	174,928
Fair value of plan assets	184,713	168,015
Net Pension (Asset) / Liability	**(10,180)**	**6,913**
Net Pension Liability recognized in the consolidated statement of financial position	(7,203)	7,203
Net Pension Asset not recognized in the consolidated statement of financial position	(10,181)	(290)
Net Pension (Asset) / Liability, recognized/ NOT recognized in the consolidated statement of financial position	**(17,384)**	**6,913**
Movement in present value of the Defined Benefit Obligation (DBO)		
Defined Benefit Obligation at the beginning of the year	174,928	150,231
Expenses	19,205	18,139
Benefits paid	(964)	(648)
Actuarial losses / (gains) on obligation	(18,636)	7,206
Defined Benefit Obligation at the end of the year	**174,533**	**174,928**
Amounts recognized in the consolidated statement of comprehensive income		
Current service costs	9,110	9,378
Interest costs	10,095	8,761
Expected return on plan assets	(10,719)	(9,800)
Additional charges	1,558	1,696
Expenses	10,044	10,035
Contributions	(9,736)	(10,652)
Expenses recognized in the statement of comprehensive income	**308**	**(617)**
Actual return on plan assets *		
Expected return on plan assets	10,719	9,800
Actuarial gains (and losses) on plan assets	(1,235)	(2,175)
Actual return on plan assets	**9,484**	**7,625**
Present value of the funded obligations		
Present value of the funded obligations at the beginning of year	174,928	150,231
Interest costs	10,095	8,761
Current service costs	9,110	9,378
Benefits paid	(964)	(648)
Actuarial loss/ (gain) on obligation	(18,636)	7,206
Present value of the funded obligations at the end of the year	**174,533**	**174,928**
Fair value of the plan assets		
Fair value of the plan assets at the beginning of the year	(168,015)	(152,081)
Expected return on plan assets	(10,719)	(9,800)
Actuarial gain / (losses) on plan assets	1,235	2,175
Additional charge	1,558	1,696
Contributions by the employer	(6,491)	(7,547)
Contributions by the participants	(3,245)	(3,106)
Benefits paid	964	648
Fair value of the plan assets at end of year	**(184,713)**	**(168,015)**
Development of deficit in the plan		
Present value funded obligations	174,533	174,928
Fair value of plan assets	(184,713)	(168,015)
Deficit/ (Surplus) in the plan	**(10,180)**	**6,913**

** Includes releases in obligation because of new retirements, and returns on investments of 7.07% (2009:12.38%).*

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

The sensitivity analysis on the following page shows the effect on the unfunded obligations based on a 0.25% change in the discount rate or in the inflation rate.
A negative or positive 0.25% change in the applied discount rate would result in deviations of respectively ANG 8,436,000 and ANG (7,921,000) in the unfunded obligations.
A combined positive or negative 0.25% change in the applied inflation- and pension indexation rates would result in deviations of respectively ANG (8,477,000) and ANG 9,014,000 in the unfunded obligations.

Vida Nova Pension (Amounts in ANG * 1,000)	**Basis**	**Deviation in discount rate**		**Deviation in inflation rate**	
Discount rate	5.00%	4.75%	5.25%	5.00%	5.00%
Pension Indexation	1.50%	1.50%	1.50%	1.25%	1.75%
Inflation	1.80%	1.80%	1.80%	1.55%	2.05%
Present value of the unfunded obligation	174,533	182,969	166,612	166,056	183,547

The contributions for the DBO plan in year 2011 are estimated at ANG 10,222,000.

5.4.4.3.2. Other Provisions

Other provision is comprised of the following categories:

(Amounts in ANG * 1,000)	**31-Dec 2010**	**31-Dec 2009**
Provision environmental clean-up of RIF premises	825	825
Provision decommissioning of Mundo Nobo	14,014	13,000
Total other provisions	**14,839**	**13,825**

The movement in the other provisions is shown below:

(Amounts in ANG * 1,000)	**31-Dec 2010**	**31-Dec 2009**
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 Mundo Nobo Plant		
Balance at beginning of year	13,000	12,600
Change in provision	1,014	400
	14,014	**13,000**
Balance at end of year	**14,839**	**13,825**

Provision environmental clean-up Rif premises

Half of the costs of the environmental cleanup of the Rif premises have to be borne by Aqualectra Production. The civil works and installations at Rif were removed and the clean-up has been already performed. As the Group did not yet receive the charge for her share of the costs, the amount is still presented as a provision.

Provision decommissioning of Mundo Nobo

The Island Government has identified the South coast as an area for tourism development for the Island, and in enhancing these efforts management has subsequently created a provision for the decommissioning of the Mundo Nobo plant, which will occur in phases starting in 2013 till 2015. Services of an independent valuation expert were engaged in forming the estimation for the costs of decommissioning. The provision is estimated at ANG 12,600,000.

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

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Provision decommissioning Mundo Nobo recognized in the consolidated statement of financial position		
Provision decommissioning at the beginning of year	13,000	12,600
Interest expenses on provision	650	0
Indexation 2010	364	0
Adjustment in conformity with expert appraisal	0	400
Balance provision decommissioning at the end of the year	**14,014**	**13,000**
Value of decommissioning Mundo Nobo asset		
Provision decommissioning	14,014	13,000
Cumulative depreciation	(11,878)	(10,810)
Balance decommissioning asset at the end of the year	**2,136**	**2,190**
Expenses related to decommissioning Mundo Nobo asset		
Depreciation	1,068	730
Expenses recognized relating to decommissioning Mundo Nobo asset	**1,068**	**730**
Cumulative depreciation decommissioning asset		
Cumulative depreciation at the beginning of year	10,810	10,080
Depreciation during the year	1,068	730
Disposals	0	0
Cumulative depreciation at the end of the year	**11,878**	**10,810**

5.4.5. Current liabilities

5.4.5.1. Trade accounts payable

Below an overview of the Trade accounts payable per Company as per December 31, 2010 and December 31, 2009:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Aqualectra Production		
Curoil	11,759	41,097
PDVSA	3,022	7,891
Consultants	799	1,529
Local contractors	301	1,430
Local suppliers	2,989	3,079
Foreign suppliers	3,066	3,441
Other accounts payable	1,214	1,651
	23,150	**60,118**
Aqualectra Distribution		
CUC	694	694
PDVSA	3,897	1,536
Payments in transit	0	2,189
Consultants	466	954
Local contractors	2,461	3,773
Local suppliers	933	1,019
Foreign suppliers	3,017	4,595
Insurance companies	61	768
Government institutions	285	105
Other accounts payable	2,246	2,975
	14,060	**18,608**
Aqualectra Multi Utility N.V.		
Other accounts payable	54	70
	54	**70**
Total accounts payable	**37,264**	**78,796**

5.4.5.2. Corporate Bonds IUH N.V.

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

The re-issuance that should have taken place in 2010 was postponed indefinitely as the conditions, as described in the Offering Circular of tranche 1a, were not met. Consequently, the short term obligation to the purchaser of the tranche 1a bonds became a long term obligation and the discount was recognized. However, at 2010 year-end due to the transfer of the CUC shares as described in note 5.4.1.2, the Group failed to meet certain general and financial covenants, as described in the Offering Circular of tranche 1a. As disclosed in note 5.3.4 (capital risk), the Group is not in compliance with the aforementioned financial covenant, in particular, the current ratio and solvency ratio as of December 31, 2010. As a result, the bonds will continue to be classified as current liabilities. We refer to note 5.5.9 subsequent events for a detailed explanation of this subsequent event.

5.4.5.3. Bank overdraft

Aqualectra Production has credit facilities with various banks amounting to a total of ANG 6,250 million. On December 31, 2010 ANG 1,042,243 (2009: ANG 1,850,752) of this facility was in use by the Group.

Aqualectra Distribution has credit facilities with various banks amounting to a total of ANG 6 million. On December 31, 2010, ANG 1,073,186 (2009: ANG 630,935) of the facilities were overdrawn.
Accounts receivable from Aqualectra Distribution have been assigned to the banks as collateral against these facilities.

Below an overview of this liability per Company as per December 31, 2010:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Aqualectra Production		
Bank overdraft	1,043	1,851
Aqualectra Distribution		
Bank overdraft	1,268	631
Total Bank overdraft	**2,311**	**2,482**

The average annual interest rate during 2010 was 10.31% (2009: 15.0%).

5.4.5.4. Other liabilities

A summary of the main items payable as per December 31, 2010 and per December 31, 2009 are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009
Aqualectra Production		
Employee benefit obligations	1,166	1,275
Social securities	1,622	1,640
Accrued interest	0	47
Current maturity long term loans	2,537	2,537
Early retirement benefit obligations	1,169	818
Other accrued expenses	3,874	1,576
Other payables foreign Countries	1,562	(843)
Miscellaneous	2,403	1,042
	14,333	**8,092**
Aqualectra Distribution		
Social securities	877	1,840
Current maturity long term loans	3,081	10,767
Accrued interest	584	13,009
Selikor	5,300	0
Other accrued expenses	6,629	3,795
Deposit received from APNA	2,000	2,000
Miscellaneous	1,531	578
MJP projects	3,094	3,094
	23,096	**35,083**
Integrated Utility Holding N.V.		
Social securities	10	8
Accrued interest	4	32
Other accrued expenses	10,600	9,411
Current maturity long term loans	3,964	9,468
Profit tax	0	0
	14,578	**18,919**
Aqualectra Multi Utility N.V.		
Social securities	4	7
Other accrued expenses	78	78
	82	**85**
Total Other liabilities	**52,089**	**62,179**

Special IUH N.V. purchase rights

IUH N.V., as owner of Class A shares of CUCH, has the right to 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 Curaçao Utility Company Holdings N.V on December 31, 2015 without any further action to be taken. In consideration thereof IUH N.V. has to pay to Curaçao Energy Company Ltd. (CEC) an amount of USD 400,000 on a yearly basis until December 31, 2015. The payment obligation up to 2010 has been accrued for but not settled.

With the transfer of the Class A shares, the purchase rights on the Class B shares of CUC cannot be exercised by IUH N.V. The payment obligation towards CEC was not transferred to RdK. As IUH N.V. is still liable for the payments up to 2010 and the probability of recovering this amount from RdK is limited, the accrual will remain in place. The accrual of ANG 8.1 million (2009: ANG 6.9 million) is reported as part of the other accrual expenses of Integrated Utility Holding N.V.

5.4.6. Commitments and Contingencies

5.4.6.1. Commitments – leases

The operating lease rentals are payable as follows:

*(amounts in ANG * 1,000)*	**At December 31, 2010**			**At December 31, 2009**		
	<1 year	≥1 and ≤5 years	>5 years	<1 year	≥1 and ≤5 years	>5 years
Desalination Plant Aquadesign	14,174	14,213	0	14,174	28,387	0
Temporary Diesel Power Plant Mundo Nobo Aggreko	19,830	0	0	3,374	0	0
Wind park Playa Canoa	2,229	5,573	0	2,378	7,802	0
Cars	2,486	2,799	0	2,170	3,482	0
Digital Copiers, Printers and, Scanners	127	32	0	173	169	0
	38,846	**22,617**	**0**	**22,269**	**39,840**	**0**

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

Lease contract for the wind park Playa Canoa

The Group has a lease contract for the wind park Playa Canoa which will end in 2014. It was determined that substantially all the risks are with the lessor. As such, the Group determined that the leases are operational leases.

Water purchase agreement reverse osmosis water plant Mundu Nobo

As of September 15, 1995 KAE N.V. (Aqualectra Production) had a 6 year agreement with Aqua Design N.V. (ADNV) (currently Aeonics) for the purchase of approx. 3,000 m^3 water/ day produced by the reverse osmosis water plant located at Mundo Nobo.
As per March 31, 1999 this agreement was amended, based on the fact that ADNV had increased the capacity of the water plant; the quantity of water to be produced and the quantity to be delivered to KAE increased from 3,000 m^3 per day to 10,200 m^3 per day.
This agreement can be categorized as an operational lease and not financial lease, as arrangements in this agreement imply that a substantial part of the risks and rewards remain with the lessor of the reverse osmosis water plant, being Aeonics (the new owner of the water plant). Therefore Aqualectra Production does not recognize the leased asset in its consolidated Statement of Financial Position.

Temporary Power Generation Services with Aggreko International Projects Ltd

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

In 2009 an additional capacity of 7MW continuous power was contracted from Aggreko. In May and June 2010 Aqualectra Production and Aggreko agreed on an expansion of the power generation services with respectively 7MW and 20MW. The total capacity acquired from Aggreko is 44MW per December 31, 2010.
The validity of the initial contract was for a period of 39 weeks. The contract was amended in 2008, 2009 and 2010 for the additional capacities acquired and for the extension of the service periods. The latest amendment is dated January 11, 2011 and it states that the common expiry date for all the plants is December 31, 2011.

Car lease agreements

Aqualectra has lease agreements with several car dealers for the lease of Group cars. These lease agreements have different terms as per year-end December 2010. The total commitment as per December 31, 2010 are based on the remaining terms of the lease agreements and amounts to ANG 5,284,760 (ANG 5,652,762 in 2009).

Operational Center Aqualectra and Technical Services Facility

The Group has entered as per September 20, 2010 into lease agreements with Scadta Real Estate C.V. for the yet to be build Operational Center Aqualectra and Technical Services Facility. The contracts are for 15 years, commencing on January 1, 2013, with a purchase option at the end of the lease terms.
The total commitments as per December 31, 2010 based on the terms of the lease agreements amounts to ANG 134,726,280 (2009: ANG 0). This amount can be specified as follows:

Commitments up till one year: ANG 0 (2009: ANG 0);
Commitments between one and five years: ANG 31,090,680 (2009: ANG 0);
Commitments older than five years: ANG 103,635,600 (2009: ANG 0).

Subsequent to year end, the agreements with Scadta Real Estate C.V. were terminated. Refer to note 5.5.9. "Subsequent events" for additional information.

5.4.6.2. Commitments – other contracts

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

Contract party	Purpose of contract	Contract period		Commitments in contract period
(Amounts in ANG * 1,000)		**Start**	**End**	
Electricity and water technical activities				
Local contractor	Purchase of water	1995	2012	15,597
Foreign supplier	Purchase of electricity	2008	2011	13,538
Local supplier	Purchase of electricity	1999	2014	7,802
Foreign supplier	Maintenance of Diesel Central	2009	2013	3,233
Local contractor	Service of waste-disposal of laboratory	2010	2011	107
Local contractor	Cleaning service	2010	2011	145
Local contractor	Hire of electrical maintenance and trouble shoouting teams	2007	2010	1,400
Local contractor	Hire of electrical maintenance and trouble shoouting teams	2007	2010	1,500
Local contractor	Hire of electrical mainenance teams	2007	2010	1,500
Local contractor	Hire of electrical maintenance teams and incidentroom-workers	2007	2010	1,200
Local supplier	Hire of electrical maintenance and trouble shoouting teams	2007	2010	1,250
Local supplier	Maintenance of SCADA	2008	2011	90
Several contractors	Maintenance of air conditioning	2009	2010	70
Several contractors	Maintenace of site	2009	2010	285
Local supplier	Hire of maintenance teams - electricity	2009	2010	100
Local supplier	Hire of public area team	2008	2010	800
Local supplier	Delivery pre-fab transformer boxes		2010	250
Local suppliers	Delivery door elements transformer boxes and stations		2011	150
Local supplier	Hire watermeter exchange teams	2010	2011	563
Local contractor	Hire of communication means	2006	2013	121
				49,701
Investment-projects				
Several contractors	Diesel Power Station Dokweg	2010	2011	1,550
Several contractors	Diesel Power Station ISLA site	2010	2011	1,060
Several contractors	Upgradings Mundo Nobo	2010	2011	550
Several contractors	Various projects	2010	2011	0
				3,160
Customer Relations activities				
Local supplier	Lease of couvertermachines	2006	2011	100
Local supplier	Delivery of electricity/water bills	2010	2011	1,200
Local contractor	Electricity and water meterreading activities	2010	2013	3,900
Local money transporter	Money transportation activities	2010	2011	200
Local banks	Bill paymet service	2009	2010	4,790
Local contractor	Temporary cashiers	2008	2011	876
				11,066
ICT-products and services				
Local supplier	Technical support for the database management system	2009	2011	918
Foreign supplier	Delivery, support and license of software applications	2010	2011	1,009
Local supplier	Programm development & maintenance	2010	2011	777
Local supplier	System administration	2010	2011	240
Local supplier	Database administrator	2010	2011	300
Local supplier	Internet	2010	2011	91
Local suppliers	Central printing/copying facilieties	2010	2011	480
Local supplier	Telephone exchange/switchboard	2010	2011	92
				3,907
Facilities				
Local supplier	Lease of Ford F-550	2007	2012	412
Several local suppliers	Lease of vehicles	2006	2014	5,285
Local contractor	Fleed auto Tracking	2010	2011	123
Local contractor	Car wash	2010	2011	42
Local contractor	Office cleaning	2010	2012	801
Local supplier	Elevator maintenance	2010	2012	10
Local contractor	Walk mat	2010	2011	27
Local contractor	Maintenance of drip irrigation	2010	2012	6
Local contractor	Pest control	2010	2011	22
Local contractor	Garden maintenance Rif	2010	2012	16

ICT-products and services				
Local supplier	Technical support for the database management system	2009	2011	918
Foreign supplier	Delivery, support and license of software applications	2010	2011	1,009
Local supplier	Program development & maintenance	2010	2011	777
Local supplier	System administration	2010	2011	240
Local supplier	Database administrator	2010	2011	300
Local supplier	Internet	2010	2011	91
Local suppliers	Central printing/copying facilities	2010	2011	480
Local supplier	Telephone exchange/switchboard	2010	2011	92
				3,907
Facilities				
Local supplier	Lease of Ford F-550	2007	2012	412
Several local suppliers	Lease of vehicles	2006	2014	5,285
Local contractor	Fleed auto tracking	2010	2011	123
Local contractor	Car wash	2010	2011	42
Local contractor	Office cleaning	2010	2012	801
Local supplier	Elevator maintenance	2010	2012	10
Local contractor	Walk mat	2010	2011	27
Local contractor	Maintenance of drip irrigation	2010	2012	6
Local contractor	Pest control	2010	2011	22
Local contractor	Garden maintenance Rif	2010	2012	16
Local contractor	Garden maintenance NH	2010	2012	19
Several local suppliers	Garbage collection	2010	2012	34
Foreign supplier	Maintenance of air conditioning	2010	2012	245
Local contractor	Long range programming	2010	2012	150
Local contractor	Messenger service	2010	2012	533
				7,725
General affairs				
SWAT	Employ security	2010	2011	710
Servicio Panamericana	Employ security	2010	2011	500
Sta Barbara Security	Employ security	2010	2011	300
				1,510

5.4.6.3. Contingent Liabilities

L/C Guarantee

As at December 31, 2010 there are letters of credit (L/C's) issued for the following amounts:

- -ANG 1,820,000 (2009: ANG 1,820,000). This L/C is related to the financing of the Loan to CUC (see note 5.4.1.2);
- -ANG 5,300,000 (2009: ANG 2,290,000) in favor of Aggreko International Projects Ltd. This L/C is related to the rent of generators (see note 5.4.6.1);
- -ANG 273,000 (2009: ANG 0) in favor of Merlin Gerin S.A. (Conlog)

Early Retirement Benefit (VUT)

According to the collective labor agreements of Aqualectra Distribution and Aqualectra Production, employees have the option of requesting the Board of Managing Directors to retire from service at the age of 55 under certain conditions one of which is employment with Aqualectra for at least 20 years. The Board of Managing Directors decides whether the employee's request will be honored. In such case, the resulting obligation will be accounted for as a liability in the Group's statement of financial position. For employees insured at 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 reporting date is based on the former plan and is excluding a possible liability of the employer in relation to the compensation for the difference in allowance according to the former and changed plan.

Currently, the Group has a difference of opinion with APNA as to the calculation of the supplementary pension premiums. The difference of opinion concerns the calculation-method used for pension increases, but also on the legality of the supplementary pension plan. APNA is of the opinion that all pension increases can be fully charged to the Group as supplementary pension increases. The Group is of the opinion that there is no legal basis for this methodology and also disputes the legal basis for the validity of the supplementary pension plan.
The Government of Curaçao and other governmental institutions were approached by the Group on abovementioned issues, as it concerns them too. All stakeholders are deliberating on the next steps that should be taken. As per the preparation and approval of these consolidated financial statements no final plan has been outlined. It is expected that the final conclusion and resolution will lead to a release of the provision for supplementary pensions (DT) for the full amount.
Currently the provision for supplementary pension is provided in full, with the exception of the "wage scale" indexation because the effect cannot be determined as per year end.

Diesel power plant on the ISLA premises

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

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

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

The initial annual aggregate IUH N.V. Agreement payment is equal to USD 12,000,000 and is paid in monthly installments. The IUH N.V. Agreement payment covers in addition to the construction costs of the diesel plant also a fuel and extension component (as stated in the contract). The annual IUH N.V. Agreement payments have already commenced and will continue pursuant to the contract until December 2019. Refer to subsequent events note 5.5.9 for changes in the financing of the extension element subsequent to year-end.

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.

Claim by a potential business partner

A potential business partner filed a claim against Aqualectra Multi Utility N.V. (AMU) and Integrated Utility Holding N.V. (IUH 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 55,500,000, plus statutory interest as of March 28, 2005.
In May 2009 the court declared AMU liable for damages to the potential business partner and ordered AMU the pay the potential business partner for the agreed damage compensation of ANG 50,000 increased with legal interest as of March 2005 and the legal costs of ANG 15,910 of the potential business partner. In June 2009 the potential business partner appealed to the higher court. On January 11, 2011 the higher court ruled in favor of AMU / IUH N.V.. The court indicated that there is no event of default nor illegal break off of negotiations by AMU / IUH.N.V. In a final appeal to the Supreme Court in The Hague, the Netherlands, by the potential business partner, the court again ruled in favor of AMU/IUH N.V. on 12 October, 2012.

5.4.6.4. Contingent Assets

Regulatory account

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

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

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

(Amounts in ANG * million)				
Years	**Original amount**	**Recovered through tariffs**	**Compensated by Energy Fund**	**Balance to be compensated**
2003-2004	41	(41)	0	0
2005	18	(1)	(17)	0
2006	26	(17)	(6)	3
2007	13	0	(2)	11
2008	74	0	0	74
2009	7	0	0	7
2010	9	0	0	9
Total	**188**	**(59)**	**(25)**	**104**

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

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

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

The aforementioned resolution was cancelled by the Government on April 6, 2011 and the Regulatory Account no longer recognized as such. The Group has continued to inform the regulators and the Government on the need for the recovery of the fuel under coverage in electricity and water tariffs. In 2011 and 2012 there were several developments with regard to the tariffs, which are outlined in subsequent events' note 5.5.9.

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

Pension premium asset

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

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

The calculation of the presented figures for employee benefits has been based on actuarial calculations in accordance with IFRS. Since there is no asset ceiling study available, in accordance with IFRIC 14, which can determine whether and to what amount there are possible economic benefits resulting from the funded assets, no assets have been recognized in the consolidated statement of financial position.
At December 31, 2010, based on actuarial calculations, the fair value of the plan assets exceeds the present value of the funded obligations by ANG 10,180,000 (2009: fair value lower for ANG 6,913,000).

Sta. Barbara

The Group 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, the Group 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 the Group for no consideration other than entering into the said agreement. Santa Barbara also grants the Group a right of use on other land for a period of 99 years commencing at closing of the agreement for no consideration.
As part of the agreement the Group 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 means to stabilize the water and electricity tariffs and therefore will compensate the Group for insufficient coverage of tariffs incurred in 2005 and 2006 due to oil price changes and changes in the other direct costs.

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

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

The remaining, still to be compensated, under coverage for the above mentioned period amounts to ANG 21,200,000, which regards the period January through September 2005 (ANG 1,600,000) and the period April through December 2006 (ANG 19,600,000).

This amount is recorded as a receivable. However, since the funds in the Energy Fund are depleted and the Government of the Country of Curaçao does not have the necessary funds to compensate the Group for the under coverage, the total outstanding amount has been provided for. In anticipation of the written approval of the Government of the Country of Curaçao this amount has been allocated to the Regulatory Account to be compensated through future usage of electricity and water. Of the above mentioned receivable of ANG 21,200,000 million, an amount of ANG 18,300,000 million has been recovered through the tariffs in the years 2007 and 2008.

As of December 31, 2010 the remainder uncompensated under coverage over the above mentioned period amounts to ANG 2,900,000. Due to the compensation of ANG 18,300,000 through the tariffs, there was also a release of the provision for doubtful accounts for the same amount.

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

5.5. Explanatory Notes to the Consolidated Statement of Comprehensive Income

5.5.1. Sales Electricity and Water

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

Unaccounted usage for water distribution at the end of 2010 is 25.66% (2009: 25.88%). This is a decrease during 2010 of 0.66% (2009: decrease of 1.59%). Unaccounted usage for electricity distribution at the end of 2010 is 12.20% (2009: 12.91%). During 2010 the unaccounted usage increased with 1.49% (2009: decrease of 0.40%). 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), the 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.

5.5.2. Direct cost production

Direct cost production is specified below:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Fuel usage	234,364	171,547
Chemicals	4,775	5,642
Lubrication	2,320	2,375
Purchase of water & electricity	14,208	14,818
IUH DPP element	7,046	6,859
IUH Fuel element	4,054	4,031
IUH Extension element	9,476	9,423
Temporary Diesel Powerplant	14,178	8,786
Total direct cost production	**290,421**	**223,481**

Direct cost of production includes an amount of ANG 20,576,000 (2009: ANG 20,313,000) being the DPP, fuel and extension component of the IUH N.V. agreement between the Group, Refineria ISLA and Refineria di Korsou N.V. According to this agreement a total fee of USD 12,000,000 has to be paid on a yearly basis until the year 2019. The amount mentioned increases yearly with the consumer index. This agreement covers the construction costs of a Diesel Power Plant and consists of a fuel and extension component. We refer also to note 5.4.6.3 for further details on the agreement.
The lease expenses for the desalination plant, the temporary diesel power plant and the wind park, presented in note 5.4.6.1, are reported as part of the direct cost production.

5.5.3. Operating expenses

Personnel costs and general expenses are specified below:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Personnel costs		
Salaries	57,089	54,245
Overtime	6,445	6,369
Social securities	14,909	11,686
Actuarial based calculation future medical costs retired employees	11,044	9,396
Other personnel expenses	6,128	4,993
Total personnel costs	**95,615**	**86,689**
General expenses		
Housing and car fleet	6,927	6,082
Office expenses	3,621	3,035
Insurance and security	7,630	7,677
Consultancy	12,496	8,195
Sundry expense production	327	(3,441)
Communications and public relation	5,087	4,187
Regulation and compliance fees	2,973	0
Other expenses	881	856
Total general expenses	**39,942**	**26,591**

Employee benefits

The Group’s contributions to the defined benefit plans are charged to the consolidated statement of comprehensive income (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 2010 and 2009 were:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Aqualectra Production	4,178	5,505
Aqualectra Distribution	5,049	4,675
Integrated Utility Holding N.V.	440	430

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 consolidated statement of financial position. The actuarially calculated expenses of the plan are charged to the consolidated statement of comprehensive income. The development in the labor force during 2010 and 2009 was as follows:

Labor force	**Aqualectra Production**	**Aqualectra Distribution**	**Aqualectra Bottling**	**Integrated Utility Holding N.V.**	**Total**
31/12/2009	296	388	2	8	694
31/12/2010	289	375	6	8	678
Increase/(Decrease)	**(7)**	**(13)**	**4**	**0**	**(16)**

5.5.4. Parts, repair and maintenance

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

(Amounts in ANG * 1,000)	Dec 31, 2010	Dec 31, 2009 *
Aqualectra Production		
Repair and maintenance electricity production units		
Parts used	7,577	9,421
Hired services used	9,664	7,302
	17,241	16,723
Repair and maintenance water production units		
Parts used	940	1,214
Hired services used	1,226	915
	2,166	2,129
Repair and maintenance combined (electricity & water) production units		
Parts used	5,006	3,085
Hired services used	2,542	2,239
	7,548	5,324
Repair and maintenance other assets and facilities		
Parts used	66	87
Hired services used	547	427
	613	514
Total parts and hired services Aqualectra Production	**27,568**	**24,690**
Aqualectra Distribution		
Operation and maintenance electricity distribution network		
Parts used	5,606	3,523
Hired services used	6,090	5,165
	11,696	8,688
Operation and maintenance water distribution network		
Parts used	3,981	3,865
Hired services used	5,474	4,285
	9,455	8,150
Operation and maintenance other assets and facilities		
Parts used	3,600	2,139
Hired services used	1,464	902
	5,064	3,041
Total parts and hired services Aqualectra Distribution	**26,215**	**19,879**
Total parts, repair and maintenance	**53,783**	**44,569**

** Restated for comparative purposes/misstatements. Reference is made to note 5.2.*

5.5.5. Other expenses

Other expenses includes an impairment loss recorded in 2010. The Group recorded impairment of ANG 23,453,271 for certain production equipment located at the Mundo Nobo plant during the year ended December 31, 2010 (2009: ANG 0). Refer to note 5.4.1.1. for further details.

5.5.6. Interest expenses (net)

A breakdown of the interest expenses is as follows:

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Aqualectra Production		
Interest expenses	1,367	3,224
Interest revenues	(12)	(25)
Aqualectra Distribution		
Interest expenses	284	2,002
Interest revenues	(5)	(7)
Aqualectra Utility Holding N.V.		
Interest expenses	14,945	6,525
Interest revenues	(16)	(27)
Total interest expenses (net)	**16,563**	**11,692**

5.5.7. Profit tax

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

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

(Amounts in ANG * 1,000)	**Dec 31, 2010**	**Dec 31, 2009**
Current profit tax	0	0
Movement deferred tax asset	9,426	16,547
Movement deferred tax liability	(5,277)	659
Adjustments in respect of previous years	26	0
Profit tax expense	**4,175**	**17,206**

(Amounts in ANG * 1,000)		Dec 31, 2010		Dec 31, 2009 *
Loss / Profit for the period		(85,577)		22,763
Share of loss of equity accounted investees		65,534		11,251
Profit tax	-26.31%	4,175	33.59%	17,206
Profit before tax		**(15,868)**		**51,220**
Profit tax using the domestic rate	34.50%	(5,474)	34.50%	17,671
Permanent tax difference	13.42%	(2,130)	-0.40%	(207)
Temporary tax difference	-76.12%	12,079	2.90%	1,487
Miscellaneous adjustments to deferred tax asset	1.89%	(300)	-3.41%	(1,745)
Total profit tax expense	-26.31%	**4,175**	33.59%	**17,206**

**Restated for comparative purposes/misstatements. Reference is made to note 5.2.*

5.5.8. Related Parties

Identity of related parties

The Group has a related party relationship with associates (see note 5.4.1.2) 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 Group directly or indirectly, including any director (whether executive or otherwise) of that entity. The key management of the Group are provided salary, benefits and incentives based on both the Group's and individual performance. The executive management also participates in a pension plan. The Group does not have a share-based compensation plan.

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

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

(Amounts in ANG * 1,000)	2010	2009
Short-term employee benefits	4,443	4,201
Post-employment benefits employees	517	487
Total key management officers' compensation	**4,960**	**4,688**

As per December 31, 2010, the outstanding balance of short term and long term receivables from key management officers of the Group amounts to ANG 35,333 (2009: ANG 0).

As per December 31, 2010 key management consisted of 1 President Director, 4 Executive Directors and 6 Tier 1 Managers. As per December 31, 2009 the numbers of said officers were the same.
As per December 31, 2010 the Board of Supervisory Directors consisted of 5 Directors (2009: 7).

Associate and other related party transactions:

- Curaçao Utility Company Holdings N.V. ('CUCH') was till December 31, 2010 an associate as the Group was then still the holder of 49% of the common shares of CUCH. Based on a resolution adopted by the Government of the Country of Curaçao in January 2011 as disclosed in note 5.4.1.3, IUH had to transfer the CUC Holdings shares to Refineria di Korsou (RdK) without any compensation. As a consequence of this particular subsequent event (transfer without compensation), the value of the investment in CUCH as per December 31, 2010, was written off to Nil. Financial analysis has however supported the fact that prior to this subsequent event there was no need for impairment of the value of the investment
- Vidanova is 'inter alia' the provider of the pension plan for the Group 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. The Group is represented in the Board of Managing Directors by one member and in the Board of Supervisory Directors by 3 members.

In 2010 the Group paid ANG 106,916 (2009: ANG 67,636) as compensation of the managing director of CUC N.V.

In 2010 the Group purchased electricity from CUCH for a total amount of ANG 5,473,677 (2009: ANG 8,804,404), while at December 31, 2010 the Groups presents a financial asset concerning CUCH of ANG 1,820,000 due to granting security deposits by means of a granted Letter of Credit for financing sponsor obligations for CUCH (2009: ANG 1,820,000).

In 2010 the Group paid to Vidanova a total amount of ANG 9,736,000 for the pension plan (2009: ANG 10,652,000 and an accrual for the purchase of pension rights of ANG 937,000). The outstanding balance of a long term loan from Vidanova amounts to ANG 1,191,623 at December 31, 2010 (2009: ANG 1,668,952).

5.5.9. Subsequent events

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

Resolutions

The Minister responsible for IUH N.V., adopted a resolution in January 2011 in which was stated that IUH had to transfer the CUC Holdings shares to Refineria di Korsou (RdK) without any compensation. The transfer of the shares was effected on January 19, 2011. Subsequently, in a letter dated February 14, 2013, the Group was informed by the Minister of Finance that based on a decision reached by the Council of Ministers on October 31, 2012, stemming from the deteriorating financial situation of the Group and its investment needs, an independent third party was engaged to determine the value of the transferred shares. The third party concluded that a value of ANG 53.8 million is considered a reasonable estimation of the fair value of the shares transferred as of January 19, 2011. The Council of Ministers approved this valuation on February 20, 2013. A shareholder's resolution remains to be adopted to formalize the above mentioned. Management is in deliberation with both the Government and the shareholders of both companies to accelerate the execution of the decision of the Council of Ministers of February 20, 2013. More recently, in November 2013, a "Heads of Agreement" was agreed to by the financial institution with which negotiations are underway for the financing of the necessary investments and IUH in which the consideration for the transfer of the CUC share of 53.8 million is set as a condition for the execution of the agreement. The agreement must still be approved by Council of Ministers.

As the deliberations on this transaction originated in 2010, the result of the execution of the transaction was recorded in the 2010 figures as an adjusting subsequent event.

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

- -Need for internal analysis of the (direct) impact on the Group (financial and legal);
- -Reassessment of the risk profile of the Group by the owner of the corporate bonds;
- -Changes and further financing of the IUH N.V. agreement.

Throughout 2011 and 2012, there were ongoing negotiations with the Shareholder regarding the consideration for the transferred shares.

Financial and legal analysis

A financial analysis was performed which included an analysis of the impact of the sale on the presentation of the impairment on the investment, the IUH N.V. agreement and her payments and the purchase rights of the B-shares. The legal analysis regards the analysis of the obligation of IUH N.V. to keep fulfilling the payments based on the IUH N.V. agreement and to remain liable for CUC N.V. based on the guarantees issued in the past.
The financial analysis indicated that, irrespective of the shares transfer to RdK, there was no need for impairment on the investment in CUC N.V. as per December 31, 2010. As a consequence of the above mentioned subsequent events, taking into account that no formal decision has been reached by the Governance body of either IUH nor RdK as of date regarding the consideration, the transfer of the CUC Holding shares has been accounted for in accordance with the signed documents in which the shares were transferred for a nil consideration. The value of the investment in CUC Holding as per December 31, 2010, was therefore written off to nil as of year-end. For further details we refer to the management report. The legal advice indicates that the obligation for the payment of the IUH N.V. agreement remains with IUH N.V. despite the sale of the CUC N.V. class A shares. Due to the sale of the CUC N.V. shares, IUH N.V. has lost control on the collateral mentioned in the agreement.

IUH N.V. issued in year 2000 a letter of credit in the amount of ANG 1.82 million (USD 1 million) in favor of Mitsubishi Corporation. The letter of credit was issued based on the Inter-Sponsor Agreement dated November 29, 2000. The legal advice indicates that until the guarantees, letter of credits, etc, issued by IUH N.V. for the protection of CUC N.V., are transferred to another party, IUH N.V. remains liable for CUC N.V. On December 15, 2011 this letter of credit expired. Relating to this on December 8, 2011 Aqualectra and Mitsubishi Corporation signed a termination agreement.

Corporate bonds IUH N.V.

The sale of the CUC N.V. shares at no consideration also had an impact on the compliance with the loan covenants as set in the prospectus of the corporate bonds. The net income and the financial ratios calculated after recording the sale of CUC N.V. shares, were lower than the ratio's agreed upon in the prospectus of the corporate bonds. Consequently, IUH N.V. was in default of the covenants described in the Offering Circular of tranche 1a bonds making the bonds callable by the Central Bank of Curaçao and Sint Maarten (CBCS) on the short term resulting in reclassification of the bonds to short-term.
The Board of Supervisory Directors entered into deliberations with the purchaser of the bonds on the matter in 2012. During the fiscal year 2013, management had several deliberations with the CBCS regarding this matter. The Bank is willing to provide a waiver on the non-compliance with relevant covenants on the condition that the Company would collateralize assets to an amount of ANG 400 million based in the total liquidation value of the company's assets. Based on legal advice obtained by management, the condition set by the CBCS is not considered feasible. through date, the final position of the purchaser of the bonds is still unknown in order to analyze the impact on the Group. Management will continue deliberation with the CBCS in order to solve this issue.

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

IUH N.V. agreement

The agreement between the Group, PDVSA and CUCH, that is known as the IUH N.V. agreement, states that the agreement consists of the following parts:

- A DPP element (for construction and operation of the BOO Plant);
- A Fuel element (to obtain fuel against a guaranteed price);
- An Extension element (to extend the agreement after 2019).

The agreement states that as a compensation for the services to be received, IUH should pay the agreement cost calculated at the value of USD 12,000,000 on a yearly basis and is allocated to the three elements. This amount is indexed year till 2019, which is the expiration year.

After the transfer of shares to RdK, the Group continued paying the monthly costs for the 3 elements. After all, the agreements were not amended and PDVSA still recognized IUH as the party that has to perform the monthly payments. Due to the transfer of the CUCH shares, the Group no longer benefited from the extension element related to the contract. Based on the aforementioned philosophy, the Group and RdK agreed that Rdk would take over the costs related to the extension part. The non-indexed costs are USD 272,708. The Group will be responsible for the payment of the DPP element and the fuel element but considering the responsibilities based on the contract, it was agreed that the Group will execute the payment of all elements and RdK will reimburse the Group for the extension element part.

Management is of the opinion that the aforementioned agreement is not an onerous contract.

Energy Policy

Regulation for the energy supply

Bureau Telecommunicatie en Post (BTP) presented the policy paper "Beleidsnota regulering elektriciteitsvoorziening Curaçao 2011 – 2015", for consultation, to the stakeholders in November 2010. The Government adopted the memorandum in 2011.
The Board of Managing Directors has requested the opinion of several experts, including legal experts, in order to determine an objective point of view towards the memorandum.
The viewpoint of the Board is extensively described in the Report of Board of Managing Directors (section 1.5).
The Board of Managing Directors was and still is an advocate of the stipulation and implementation of an energy policy by the Government of the Country of Curaçao. The ongoing conversations with the Government, BTP and other stakeholders aim to get all parties in the same direction.

Concessions granted to Aqualectra

As stated in note 5.1, the Group has been operating since 1981 without a concession. Despite the several requests from management for formalization of the legal contour, this remained outstanding. In 2011 the Government started with the discussions for the creation and implementation of concessions for the production and distribution of electricity. The concessions were sent in draft to Aqualectra in September 2011. The concessions were reviewed and comments were provided to the Government. The concessions for the Group regarding production of electricity and distribution of electricity were adopted by the Government on July 30, 2012. The new electricity production and distribution concessions will require the Group to make a security deposit of ANG 34 million. Besides the financial requirements, the concessions also have technical requirements that the Group must adhere to.
Management has sent a letter to the regulator requesting consultation on the compliance issues that have been identified. Discussion and negotiation, with the regulator BTP are still ongoing in order to explain the level of reasonableness of the concession.

Subsequently, in an extraordinary meeting of shareholders dated January 31, 2013, management and the BSD were informed of a resolution reached by the Council of Ministers on October 31, 2012, that a capital injection equal to the amount of the concession deposit of ANG 34 million would be made by the Shareholder which in turn may be used to pay for the concession.

Decisions taken by the Government of the Country of Curaçao

Effects transaction sale CUC shares

The Government of the Country of Curaçao has committed herself, by means of a letter to the Group dated January 18, 2011, to assist the Board of Managing Directors of the Group with solutions for financial problems encountered as a consequence of the transfer of the shares of CUCH to RdK.

Tariff reduction in 2011

The Government of the Country of Curaçao adopted on April 6, 2011 a resolution for the reduction of the electricity tariff with ANG 0.05 cents per kWh. The Board of Managing Directors has estimated the yearly impact of this reduction on the total revenue to be approximately ANG 35,000,000. As the revenues of the company will decrease, the Group had taken measures in 2011 to reduce the expenses in order to minimize the effect of the rate reduction. Further measures will be taken in 2012 to safeguard an effective and efficient operation.

Increase fuel costs starting August 2011

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

Monthly tariff adjustments starting June 2012

Due to the tariff decrease starting April 2011 and the increase of the direct costs starting July 2011, the Group had to take some measures in order to guarantee the continuity of the Group.
The Group did perform analysis of cost reduction possibilities in late 2011 and early 2012. Out of this exercise came that:
1) The savings that were and could be realized on the general expenses had or would have a limited impact on the bottom-line result of the Group;
2) the main cost item which is the fuel still had a significant impact on the bottom-line result of the company. The main cause for this is the inefficiency of the equipment at Mundu Nobo.

It is with the aforementioned knowledge that the Group approached the regulator early in 2012 with the request to reconsider the level of the tariffs for water and electricity. BTP at that time was in the process of analyzing and redesigning the tariff structure for water and electricity. Considering the urge of the Group for a solution, the process of the redesign of the tariff structure was split up in two phases. The first phase was focused on the redesign of the direct cost component of the tariffs. After an extensive period of negotiations with the regulator, the regulator proposed to the Government to introduce a monthly adaptation of the direct cost component of the tariff for water and electricity. This would safeguard that the Group receives the coverage for the fluctuations in the fuel prices. The monthly adaptation in the tariff was introduced as per June 1st 2012. The second phase being the redesign of the base component is underway.

Changes in Board of Managing Directors

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

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

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

Investment projects

Operational Center Aqualectra and Technical Services Facility

As disclosed in note 5.4.4.6, the Group entered into various agreements with Scadta Real Estate C.V. (Scadta) for the development of the land on Scadta Peninsula (old Amstel land at the Rijkseenheid Boulevard) and the construction of a new Operational Center and Technical Services Facility for the Group.

In June 2011, the Board of Supervisory Directors terminated this agreement which suspended all work performed by Scadta thus far. The Group was held liable for all expenses incurred by Scadta in the development of the land such as research, survey, clean-up, excavation, administrative costs interest and also lost income which were determined to amount to ANG 18.8 million. The amount was converted into a loan from Scadta effective January 1, 2012 to be repaid over a period of 15 years with annual interest of 5%. Annual repayment will equal ANG 149,000. Due to lack of recognizable asset to be received in return of before mentioned obligation, the full amount of the obligation has been recognized as an expense in 2011.

Enterprise Resource Planning system

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

The planning for design and implementation of the new system started in 2012 with the acquisition of certain license fees. Remaining implementation has been postponed. The required investment approximately totals 60 million and spans a period of 5 years. The timing of the investment and source will depend on the Groups liquidity position.

Dismantling of Mundu Nobo plant

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

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

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

The financial consequences of the aforementioned decisions are as follows:

- The closure of Mundo Nobo plant causes that the bookvalue of the assets at that location, as stated per end of December 2010, had to be evaluated. Some of the assets at Mundu Nobo should have been depreciated up to year 2014, 2015 and 2016. The evaluation indicated that the depreciation that will not be realized after 2013 amounts to ANG 12,035,384. Management has decided to increase the depreciation for the years 2010 to 2013 in order to realize that the equipment at Mundo Nobo that will be dismantled is fully depreciated at the end of 2013.

- The equipment that will be dismantled may be sold on the scrap market. The possible proceeds of this sale are not yet known. Therefore a residual value for the equipment could not be determined.

Letter of Agreement with Wartsila

The Group signed a Letter of Agreement (LOA) with Wartsila on August 8, 2012. The objective of this LOA is to initiate a negotiation period of 3 weeks for the EPC contract to be agreed on. The EPC contract will be negotiated for 4 equipment's that will generate approximately 35 MW. This capacity is needed as a replacement of the capacity that is currently generated at the Mundu Nobo plant. This is one of the required investments in order to reach the point where the Mundu Nobo plant can be dismantled.

Basic healthcare insurance

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

As the health-care plan offered by the Group does not qualify as privately insured, this new general basic health-care insurance applies to all the Group's employees effective February 1, 2013. According to this new basic health-care insurance, the employer contributes 9% of the annual income of the employee and 3% is paid by the employee. Given the existence of effective collective labor agreements in which the health-care benefits and costs that provide a wider coverage at a lower cost to the employees have been agreed, management is in the process of analyzing the financial impact this new law would have of the Group. Negotiations with the various labor union are imperative.

Agreement with CUROIL

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

Financing the required investment

On November 2, 2012 management presented the turnaround plan for the group to the bankers' association. With this, the financing efforts for IUH started. By the end of 2013, management, a consortium formed by a leading bank and local pension funds have reached an agreement on the term-sheet. Based on this term sheet a Head of Agreement has been drawn up especially for the matters in the term sheet which are out of reach of management. In this, both the shareholder and the Government have to commit to the conditions in order to make financing feasible. This Heads of Agreement is being reviewed by the Government in order to present it to the council of minister for approval. Upon approval, the facility agreement can be formalized whereas the financing of the investment in new generating capacity and the connecting equipment for this capacity can be realized.

Civil investigation

Based on the request of the Public Prosecutor ("Openbare Ministerie"), the Court of Appeal (the Court) ordered in July 2013 that a civil investigation be carried out at certain governmental entities including Integrated Utility Holding N.V. The investigation puts the policies and affairs of the Group under a microscope to determine whether mismanagement has taken place. According to the Court, there are well-founded reasons to doubt that proper policy has been followed. This stems from the relationship between the Board of Directors, the Supervisory Board and the shareholders that according to the Court does not comply with the Code Corporate Governance against the backdrop of the deteriorating financial position of the Group. Inquiry proceedings are currently being executed, which makes it impossible at this point in time to assess the outcome of this matter.

INDEPENDENT AUDITOR'S REPORT

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Our ref 12/11-040

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of Integrated Utility Holding N.V. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of comprehensive income, changes in shareholder's equity, other comprehensive income and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for qualified opinion

Financial assets
We refer to the consolidated statement of financial position where a financial asset of approximately ANG58.7 million is recognized representing the capitalized discount on the Aqualectra Corporate Bonds issued by the Company. The Company was not in compliance with some covenants of the Offering Circular of the bonds as per December 31, 2010 as disclosed in notes 5.4.5.2 and 5.5.9 to the consolidated financial statements, "Corporate Bonds IUH N.V.". Further, we refer to note 5.2 "General accounting policies" regarding the delicate liquidity position of the Company and its subsidiaries (together the "Group") which may affect the Company's ability to make principal and/or interest payments on the bonds in the future.

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

Investment in equity accounted investees
We refer to note 5.4.1.2 and 5.5.9, where it is disclosed that as per year end there was an uncertainty regarding the valuation of the investment in the equity accounted investee, Curaçao Utility Company Holdings N.V. ("CUC Holdings"). Based on the assumptions and valuation model generally used by management for determining the value of the investment, the management of the Company was of the opinion that the current value of this investment at December 31, 2010 was approximately ANG62.1 million, as disclosed in the movement schedule in note 5.4.1.2 "Investments in equity accounted investees and other investments". The advisor of the Government on this matter has valued the shares at approximately ANG53.8 million based on their advice to the Council of Minister. In January 2011, the Shareholder decided to transfer the shares of CUC Holdings to a related party for a nil consideration. As a consequence of this decision of the Shareholder as per the afore-mentioned date, as disclosed in note 5.5.9, management decided to impair the value of the participation in CUC Holdings to nil as per December 31, 2010.

We were unable to obtain sufficient appropriate audit evidence whether the current recognition of the loss on this investment position, as disclosed in note 5.4.1.2, is appropriate. This may also have an impact on the disclosures in the financial statements in accordance with all the relevant requirements of IAS 24, related party disclosures.

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

Qualified opinion
In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of Integrated Utility Holding N.V. as at December 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Other regulatory requirements
Pursuant to the legal requirement under article 121 sub 3 Book 2 of the Civil Code of Curaçao, to the extent we were able to verify the contents to information received as part of our audit, nothing has come to our attention to indicate that the report by board of management is not consistent with the consolidated financial statements as required by article 120 sub 5 Book 2 of the Civil Code of Curaçao.

Further, pursuant to paragraph 4.5 of the Island Decree Corporate Governance Code Curaçao, to the best of our knowledge and belief, and to the extent we were reasonably able to verify the contents to underlying information provided to us, nothing has come to our attention to indicate that the Corporate Governance report and the report of the Supervisory Board do not comply with the requirements of the Island Decree Corporate Governance Code Curaçao.

Curaçao,
March 26, 2014

KPMG Accountants B.V.

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