



Annual Report

2021



# Company profile

## Group Companies and number of employees

Integrated Utility Holding N.V. (2)  
Aqualectra N.V. (563)  
Aqualectra Multi Utility N.V. (1)  
Utility Financial Services (0)

## Water connections:

**83,506** Residential  
**7,357** Commercial and Industrial

## Electricity Connections:

**81,520** residential  
**886** Solar  
**9,463** Commercial & Industrial

## Water Sale:

**24,750 m<sup>3</sup>** daily  
**9,033,824 m<sup>3</sup>** annually

## Power Sale:

**1.7 GWh** daily  
**603 GWh** annually

## Electricity Infrastructure:

**5** Power plants  
**13** Substations  
**321 km** Overhead lines  
**1,354 km** Underground cabling  
**2,450** Transformers (12 kV)  
**6** Transformers (66/30 kV)  
**6** Transformers (66/11 kV)  
**21** Transformers (30/12 kV)

## Water Infrastructure:

**2** Water plants  
**84 km** Transport mains  
**843 km** Distribution mains  
**1,988 km** Service lines  
**4** Pumping stations  
**15** Booster Stations  
**3** Mobile pumps  
**21** Water Tanks

## Financial rating:

Standard & Poor's: BBB-

## ISO certifications:

ISO 9001  
ISO 14001  
ISO 17025

## Board of Supervisory Directors:

Chairman: Mr. K. van Haren  
Member: Mr. R. Rudolph  
Member: Mrs. J. de Goes-Lacle  
Member: Mr. P. Aberson (appointed 2021)  
Member: Mr. A. Martina (appointed 2021)

## Board of Managing Director:

Chief Executive Officer: Mr. D. Jonis  
Chief Financial Officer: Mrs. N. Isenia

## Management Team:

Legal Counsel: Mr. R. Celestijn  
Power Supply Chain: Mr. R. Garmes  
Water Supply Chain: Mr. R. Leito  
Engineering & Asset Management: Mr. R. Seferina  
Common Services: Mr. G. Pijpers  
*(retired in 2022)*  
Customer Relation: Mr. R. Celestina  
HR Security and Facility: Mr. L. Beaujon  
*(per November 1, 2021)*  
ICT & Business Development: Mr. J. Griffith  
Financial Affairs: vacant

## Staff:

Corporate Treasurer: Mrs. A. Daou  
Risk Officer: Mrs. M. Belioso  
Internal Audit Manager: vacant  
Advisor to the CTO: vacant  
Communications advisor: vacant

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The Minister of Economic Development, Mr. Ruisandro Cijntje, presenting a plant to Aqualectra's Board of Supervisory Directors\* in recognition of their oversight and direction during the difficult times we faced as a community.

# 1. Report from the Board of Managing Directors

\*Missing in picture: Mr. Patrick Aberson, Supervisory Director.

# The Gratitude symbol ▶



## GRATITUDE EXPRESSED IN A SYMBOL

Giving something as a token of appreciation is a symbolic act, which, more than plain words, has the ability to express a much wider and deeper meaning to the message one is trying to convey. Looking back to 2021, we are only but grateful. Grateful for life, for the support of many stakeholders that during the pandemic and for all the different entities, being it government, private or charities, that kept our country going during the unprecedented events we experienced.

Gratitude is often expressed with a symbol. A present or a flower arrangement, are the most obvious symbols, but Aquallectra chose to express its gratitude with endemic plants. By choosing endemic plants as our symbol of gratitude, we highlighted our focus on sustainability and our responsibility as a company to help protect our nature. Understanding our position in our community, we created a chain of gratitude, with all instances of governance within Aquallectra, showing their appreciation to the next one by handing over an endemic plant. The receiving party, on its turn, continues the chain by handing over another endemic plant to an entity, charity or organization that meant a lot to our community during these difficult times.

By handing out these plants, we all showed our readiness to keep growing and spreading our branches for the benefit of our community. That is how we adopted gratitude as part of our corporate strategy...

**By paying it forward!**

*We are grateful for everything that we did not have because that gave us something to look forward to.*

*We are grateful for not knowing everything because that gave us the opportunity to learn.*

*We are grateful for the difficult times because during those times we grew.*

*We are grateful for our limitations because they gave us the opportunity to improve.*

*We are grateful for each new challenge because those built our strength and character.*

*We are grateful for our mistakes because they have ,taught us valuable lessons.*

*We are grateful when we are tired and weary because it means we have made a difference.*

*It is easy to be grateful for the good things. Fulfillment comes to those who are also grateful for the set-backs.*

*Gratitude can turn negative into positive. Our daily challenge is to find a way to be grateful for our troubles because they can become our blessings.*

-Author unknown-

## 1.1 Paying it forward

As the world slowly but surely bounces back from the COVID-19 pandemic, we look back with gratitude for the lessons learned, the opportunities handed to us and the growth during the past year.

The unprecedented difficult times, specially characterized by uncertainty, showed the world what truly matters. As a company, we faced many challenges and failed at times.

During these difficult times, we were still able to count on the support and understanding of our stakeholders and the community we serve, for which we were grateful. Turning something negative into something positive taught us that gratitude can also be adopted as a business strategy.

When closing 2019, nobody could have anticipated what kind of year 2020 would be. The world faced a pandemic and for Aquallectra this meant changes, more focus on what truly matters and in-depth conversations, that resulted in thorough plans, on how to pivot the company's direction to make it sustainable and viable.

However, 2020 was also a year in which we faced many operational challenges. Our Key Performance Indicators were lagging in all areas and we faced

4 black-outs in just one year. That is why we focused on turning this downward spiral into positive actions in 2021, with poise and gratitude.

While doing so, we learned that gratitude is also a powerful business tool. When we acknowledged and appreciated the help, support and understanding of our customers and stakeholders, it transformed and inspired us to continue to improve business outcomes. The more gratitude going around, the more human connections are being made, and the more collaboration, engagement and innovation is being forged across the organization.

Moreover, when recognition is given frequently throughout the year, the impact of that positive reinforcement is even greater.

We consider 2021 a year in which the foundation and corner stones were laid for many future advancements. The following paragraphs provide a quick overview of some of the main achievements for the year in review.



# 1.2 The year at a glance

## January

**After a challenging December, we were confronted once again with a black-out (the fourth in less than a month's time) on the first business day of 2021.**

Although power supply was re-established much faster compared to the ones before, we were cognizant of the fact that it was once too many. However, this last one brought us closer to the solution to stabilize the grid and avoid any other black-outs from happening.

On that same day, we also realized that we had to do something for our customers. We had already announced that we would compensate for damages to electronics in case we could conclude (after a technical survey) that the damage was indeed caused by power failure due to the blackouts.

During the months of January and February, our legal department handled more than 1,100 claims which is 8 to 9 times the total number of claims generally handled throughout a whole year. All administrative departments supported this endeavor to ease the process in such a way that our customers would not have to wait too long for their handling of their cases.

However, we felt the responsibility to compensate our customers beyond only any potential technical loss. The inconvenience caused to our community was enormous and we had to stand fast and carry our responsibility like true leaders do. That is why we started engineering a compensation plan, taking best practices from around the world as example.

It was not an easy task, as we knew we were setting a precedent since no other company on the island had done this before. It had to be a well-balanced compensation plan that at the same time is fair and proportional to the inconvenience caused.

**We spent the month of February researching and working towards this compensation plan, while our legal and administrative teams were handling the claims and our technical team was making sure the technical issues that caused the black-outs were permanently solved.**

Once the compensation plan was ready, we launched a campaign called 'Danki Na'Bo' which is the native translation for 'Thank You'. We showed our community that we take our responsibilities seriously and recognize it when we fail to serve them. We offered a compensation for the inconvenience caused but also took the opportunity to give our customers the option to 'pay it forward'.

Our customers could choose to retain the compensation and use it as a credit on their next bill, or choose to donate their compensation to either youth development, arts & culture, sports or sustainability initiatives. On the other hand, we offered charities

the opportunity to subscribe their projects to qualify for a donation, which was made possible by the Aqualectra customers who chose to pay their compensation forward.

More than 20 charities submitted their requests. The projects to be financed were so inspiring that we decided to donate ANG 1,500 to each and every project. The winning ones received a donation for the full amount requested, up to ANG 25,000. The overall winner and recipient of the full donation was CARMABI. This nature conservation foundation built an impressive mangrove park and requested a donation to take a large number of seventh graders to the park. Other recipients of donations were the Children's Museum that was building an inclusive playground, the Curaçao Karate Bond that was organizing international championships on the island and a youth development foundation in the neighborhood of Fuik.

What an impressive way to turn something negative into so much positive energy, only through gratitude. This humbling experience truly showed us that it is through these difficult times that we are able to learn, grow and ultimately become the best version of ourselves.

**Unfortunately, 2021 too has been dominated by the COVID-19 pandemic.**

April 2021, just like April 2020, was characterized by the most severe measures to prevent the virus from spreading on the island. This second wave took its toll on our community and Aqualectra was no exception. As first responders, our colleagues had to be protected from infections. Impeccable hygiene, working-from-home arrangements and cost saving endeavors were all (among others) measures we had to take to ensure our operations were safeguarded and our colleagues remained safe and healthy.

It is with great sadness that we still learned of the passing of two of our colleagues due to COVID-19. Although not infected at work, the passing of these two dear members of the Aqualectra-family hit hard, especially because we couldn't even say our goodbyes, as funerals were limited to a maximum number of visitors. We paid tribute to their lives, their work and contribution to our company in various ways and ensured their closest colleagues received the emotional help they needed.

As soon as vaccines became available, we set the tone locally and showed our community that we were ready to end this pandemic. Aqualectra's employees were among the first citizens to get vaccinated and protect ourselves, our colleagues and our families from this invisible enemy.

## February & March

## April & May



June

**During 2021, we increased our focus on strengthening our Risk Management framework and procedures and also the Internal Audit Department ('IAD'). The Board of Supervisory Directors ('BSD') continued to enforce its Audit Committee, even when there were less than five board members in function. Once two additional board members were appointed, the BSD also instated a Risk Committee meeting.**

IAD launched a new and improved Internal Audit Plan in 2021, wherein more in-depth audits are performed to capture the processes of a department in its entirety. Audits take longer and are more profound

than before, giving the BMD and BSD more insight in the actual performance and control level of the department being audited. Two audits and two special assignments were completed during 2021. At the end of 2021, the BSD approved a new operating model for IAD that will be implemented in 2022, which will lead to further expansion of IAD's expertise and reach within the organization. With regards to Risk Management we are pleased to announce that the Risk Policy and Risk Architecture were approved by the Risk Committee. Furthermore, the Risk Registry was thoroughly updated and discussed with the Risk Committee. Key financial risks were thoroughly discussed during Audit Committees and in general, risk topics were discussed during each BSD meeting.

**In March 2021 elections took place to choose Curacao's new Parliament. This also brought on a new Minister of Economic Development which qualitate qua becomes the new representative of the Shareholder of Integrated Utility Holding N.V.. We would like to take this opportunity to thank Mr. Steven Martina and Mrs. Giselle Mc William, together with all other Ministers of the Rhuggenaath-administration for their support and trust during the past four years.**

In July we gladly welcomed Mrs. Ruthmilda Larmonie-Cecilia and later Mr. Ruisandro Cijntje. We look forward to a fruitful relationship with Mr. Cijntje as the new Minister of Economic Development and with all the other Ministers of the Pisas-administration. It was our pleasure to welcome you at Aqualetra and explain Aqualetra's future plans and endeavors. We are appreciative of the support and trust so far and look forward to deepening these relationships to the benefit of Curaçao.

On July 2<sup>nd</sup>, the national holiday to commemorate our anthem and flag, Aqualetra was awarded an 'E Bon Yu di Kòrsou' title by the national television company, TeleCuraçao. Annually on this date, TeleCuraçao chooses persons and companies who have contributed extraordinarily to the development of our island or have demonstrated to be a good fellow citizen. Aqualetra was chosen this year for its demonstration of resilience during the tough times we went through and its unwavering support for the community through out the pandemic. We were pleased to receive this award on behalf our colleagues and thanked each and every one of them for their contribution to Aqualetra.



July

**The implementation of SAP in 2018 did not come without challenges. Due to various technical and configuration issues, we were confronted with a billing backlog that at a certain point had affected almost 10% of our customer base.**

We worked relentlessly to solve the issues and clear the backlog and we were very pleased when the team instated to handle this reported to have achieved their goal and cleared the billing backlog in its entirety. We know it was not an easy task and would like to commend this team, and by the extension, organization that supported them in achieving this goal.

One of the aspects that we consider to be our responsibility as infrastructure developers is to help grow areas that have the potential to bring more economic activity for Curaçao and its people. A few years ago, Aqualetra deployed electricity and water infrastructure in the area of Rif, where the fishermen live and keep their boats. Consequently, this area grew and is still growing into an attraction for both tourists and locals, with little restaurants that serve authentic and very fresh seafood dishes. This area is adjacent to Aqualetra's own premises at Mundu Nobo. That is why we were approached and were pleased to contribute with large-scale murals done by the artist Sander van Beusekom and a group of art students on Aqualetra's own walls. This created the perfect backdrop for the restaurants and more traffic to the area, hence more economic activity.



August & September

**The new strategic plan 2021-2025 was approved and adopted but its presentation to the organization in its entirety was delayed due to the various stages of the pandemic our country was going through. However, the time to prepare for this was duly used to design and define AQUAFUTURA: a multi-faceted portfolio with a collection of transformational programs through which Aqualetra's ambition to lead Curaçao into the future by transforming its utilities will be realized.**

AQUAFUTURA consists of eight programs, namely the Advanced Metering Infrastructure, Customer Centricity, Security of Supply, New Facilities, SAP-4-AQL, New Water plant, Rightsizing and People & Culture. Each program consists of a number of sub-projects. It was important to align deliverables, planning, communication and stakeholder management before launching AQUAFUTURA for the organization.

Six townhall meetings were held during the week of October 18<sup>th</sup> to 22<sup>nd</sup> to allow all employees to participate while still adhering to COVID-measures imposed by the Government of Curacao. During these townhall meetings we presented AQUAFUTURA and explained in a detailed manner how each project will impact the company, the employees and the community in its entirety. We can conclude that the sessions and the information were well-received and created more positive energy within the organization to keep good work going.



October



**November 4, 2021** marked an important milestone in the execution of Aqualetra's strategic plan. The Advanced Metering Infrastructure ('AMI') project reached the point of mass deployment and that was celebrated with the symbolic activation of the first digital meter in the presence of the Minister of Economic Development, Mr. Ruisandro Cijntje. This first meter was placed in the neighborhood of Zapateer, which is also one of the first areas on the mass deployment schedule.

AMI is considered one of the most important projects of AQUAFUTURA to be executed in the coming years. The benefits of mass-replacing meters with digital versions are countless. Besides being a tool to balance the grid and a way to reduce Non-Revenue Water and Electricity, it also offers the possibility for customers to manage their consumption in real-time.

We are aware that AMI will transform the way Aqualetra does business and are not only focusing on the technical matters of this implementation but also the organizational involvement. The transformation of our people and company's culture needs to go hand-in-hand with the complete roll-out and mass deployment to ensure a successful implementation.

During the year, Aqualetra also underwent a number of audits and reviews and passed them all. Standard & Poor's performed its annual review and awarded Aqualetra with a BBB- rating with a Negative outlook. In March 2022, Standard & Poor's adjusted the outlook from Negative to Stable.

The external auditor of Aqualetra's integrated environmental and quality management system is Lloyd's Register Quality Assurance (now LRQA). They normally visit Aqualetra twice a year, in April and October, to determine whether our integrated environmental and quality

management system (still) meets the requirements of ISO 9001:2015 and ISO 14001:2015. In April 2021, Lloyds performed the ISO 9001 and ISO 14001 audit completely remotely due to the global effects of Covid-19. No new shortcomings were found during this audit and the only outstanding minor shortcoming from the previous audit was closed.

The audit of October 2021 was geared towards the certificate renewal of the quality management system based on the ISO 9001:2015 standard. The first audit day was performed remotely due to the Covid-19 rules of Curaçao. The other audit days were performed on-site. No new shortcomings were found during the audit, nor were there any shortcomings outstanding from previous audits. These audits have resulted in a renewal of our ISO 9001:2015 certification and a continuation of our ISO 14001 certification, which is valid until November 30, 2023. Aqualetra has received the new certificate for ISO 9001:2015, which is valid until December 31, 2024.

Aqualetra also complied with all other governance requirements during 2021, such as the timely submission of the audited financial statements of the preceding year, timely preparation and approval of the budget for 2022 and forward looking projections 2023-2027 and all other matters that led to a high compliance rate (95% for all aspects the BMD had to comply with). We pride ourselves in maintaining our governance standards high, as this is the key to increasing stakeholder trust in Aqualetra. As management we see this as one of our primary tasks and responsibilities.

**December**



**On December 1, 2021, a new Collective Labor Agreement ('CLA') for the period 2021-2025 was signed. This CLA is very special for a number of reasons. First and foremost because of the fact that it is the first CLA to be signed by all three unions that are active in our organization.**

This certainly brings uniformity in the labor conditions of all employees, aligns agreements and brings placidity in the work place. Furthermore, this CLA is progressive and includes modern traits, such as flexible working hours, working-from-home, part-time working possibilities and a performance-based compensation. We would like to thank all union leaders for their constructive approach during the negotiations, leading up to this new and improved CLA we all can be proud of.

Exactly on the date that marked one year of the first black-out in a series of four, we celebrated the groundbreaking for a new building to house the Power Supply Chain Department. What a better way to close the year than this. After the fierce operational challenges, the Power Supply Chain worked diligently at solving the issues structurally.

Besides having this groundbreaking celebration, we also signed a purchase agreement with PSB Bank on December 23, 2021, to acquire the payment platform Pagafasil as of January 1, 2022. This acquisition is considered a strategic one, as it serves various goals. A substantial percentage of Aqualetra's revenue is collected through the Pagomatiko and Pagafasil payment platforms. Acquiring Pagafasil lowers Aqualetra's collection risk as it reduces the dependency on specific merchants. It also results in lower expenses on a consolidated level. However, the acquisition of this platform is not only a risk mitigating and cost lowering endeavor. It also fits perfectly into Aqualetra's strategic ambition to lead Curaçao into the future. This platform will be converted into a state-of-the-art FinTech solution, providing innovative payment services to our community in its entirety and propelling forward the country's digital ambition.

**November**



# 1.3

## From a broader perspective

Source: Economic bulletin March 2022 – Central Bank of Curaçao and St. Maarten ('the Bank')

### Global economy

The Omicron COVID-19 variant has prompted several countries to step up containment and mitigation measures, hence, hampering full economic recovery around the world. Although the new variant purports to have milder symptoms, it also demonstrated to be more infectious, challenging countries to balance between becoming more lenient with their containment measures and safeguarding human life. Still, diverging economic growth patterns in advanced and emerging and developing economies are prevalent and persistent.

One of the factors causing this divergence is the accessibility to vaccines and booster shots. In addition, economies are facing challenges in employment, commodity prices, supply pressures, erosion of human capital, and climate change. Although the extensive fiscal support provided to the private sector amid the pandemic helped the recovery in advanced economies, most countries started to reduce the support as the financial burden of it is reaching its limits. Against this background, the global growth estimate for 2021 remained unchanged at 5.9%, driven by private spending in advanced countries and higher commodity prices in commodity exporting emerging and developing countries.

Although positive economic developments prevailed, growth in 2021 was dampened by supply chain disruptions in advanced economies and pandemic dynamics in emerging and developing countries. The global economy is expected to experience a more moderate growth of 4.4% in 2022. The 2022 growth figure has been adjusted downward by 0.5 percentage point compared to the previous outlook,

reflecting primarily prolonged effects of inflation, supply chain disruptions, and social mobility constraints caused by new COVID-19 variants. Nevertheless, countries are starting to adapt to the new normal brought about by the pandemic and are becoming more forbearing in imposing containment measures. Against this backdrop, the growth estimate for advanced economies was reduced by 0.6 percentage point to 3.9% in 2022. Meanwhile, the emerging and developing economies are projected to expand by 4.8%, a 0.3 percentage point downgrade compared to the previous outlook.

### Curaçao – developments in 2021

The Bank's latest estimates indicate that the real GDP of Curaçao increased by 2.0% in 2021, an upward revision of 0.3 percentage point compared to the Bank's Quarterly Bulletin of December 2021. The up-ward revision reflects primarily a stronger than initially expected recovery of stay-over tourism in the third and fourth quarter of 2021. Furthermore, Curaçao recorded an inflation rate of 3.8% in 2021, 0.1 percentage point lower than projected in the Bank's previous publication.

The real GDP expansion in 2021 was driven by an increase in net foreign demand moderated by a decline in domestic demand. The estimated increase in net foreign demand is more pronounced than in the previous outlook, sustained primarily by a stronger gain in exports. Meanwhile, domestic demand dropped at a faster pace due to significantly lower public spending. Both public investment and consumption shrank in 2021 compared to 2020.

Meanwhile, private spending, notably consumer spending, dropped at a slightly slower pace than initially projected due to the lower inflation.

On the fiscal front, the current budget deficit of the government of Curaçao stood at 7.2% of GDP in 2021 according to the latest estimates, compared to 10.7% in the previous publication. The less negative fiscal outcome in 2021 was mainly due to lower than initially expected government expenditures, mitigated by lower than earlier projected revenues. Furthermore, the current budget deficit as a percentage of GDP dropped by 8.8 percentage points compared to 2020. This improvement was caused by a 19.1% decrease in government expenditures, mitigated by a 2.3% decline in revenues.

According to the latest estimates, Curaçao's debt-to-GDP ratio rose to 88.5% in 2021 driven by an increase in the foreign debt component, while domestic debt dropped slightly. The government's foreign debt increased due to financing received from the Dutch State, i.e., a NAf.170.0 million loan for the controlled winding-up of Girobank N.V. and NAf.244.0 million liquidity support amid the COVID-19 pandemic. The domestic debt dropped because the government paid off part of its short-term outstanding arrears towards Aqualectra and other entities, such as Fundashon Kas Popular.

### Outlook 2022

The Bank projects that the real GDP of Curaçao will grow by 6.1% in 2022, a downward adjustment by 0.5 percentage point compared to the Quarterly Bulletin of December 2021. Meanwhile, the inflation forecast has been revised upward by 1.5 percentage points to 4.9% as the increase in international commodity prices and supply chain bottlenecks seem to persist in 2022.

The downward revision of the real GDP growth forecast reflects more moderate

increases in private and net foreign demand. Private demand will grow at a slower pace due to a decline in private consumption moderated by an increase in investments. The decline in private consumption is due to the higher inflation that will curb disposable income. Consistent with the previous outlook, private investment is expected to rise supported by construction projects in the tourism, real estate, and utilities sectors. Meanwhile, net foreign demand will increase at a more moderate pace consistent with the weaker growth prospects of Curaçao's main trading partners, notably the United States and the Netherlands. By contrast, the forecast of public demand has been revised upward based on a projected increase in government consumption and investment. On the fiscal front, the deficit on the current budget of the government is expected to narrow further to 3.1% of GDP in 2022.

The improvement in the fiscal position is attributable to an increase in government revenues (11.1%) combined with a slight decline in expenditures (1.5%) compared to 2021. The public debt-to-GDP ratio of Curaçao is expected to reach 82.6% in 2022, 5.9 percentage points lower than in 2021, due to the projected increase in nominal GDP. Meanwhile, public debt is expected to rise driven by an increase in the foreign debt component while the domestic debt is assumed to remain unchanged. The foreign debt component will rise as the government plans to finance the projected current budget deficit through additional liquidity support from the Netherlands. The zero-interest loans that the Curaçao government received as liquidity support amid the pandemic that would mature in April 2022 have been extended with 18 months. Compared to the previous outlook, the projected debt-to-GDP ratio for 2022 is 4.0 percentage points lower because of an expected lower increase in foreign debt combined with a projected higher nominal GDP level.

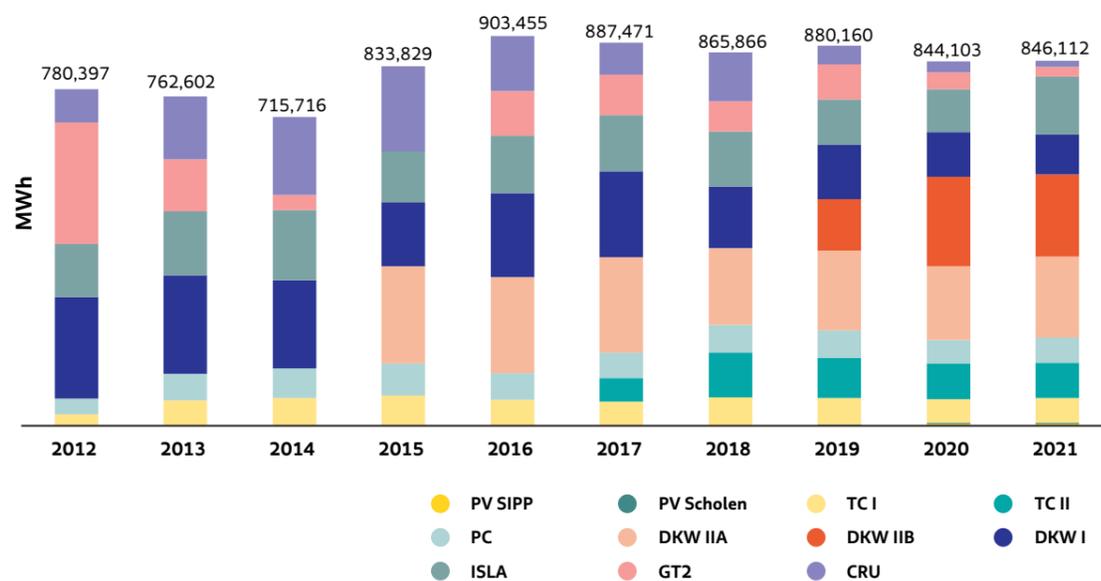


# 1.4 Operational performance

## 1.4.1. Electricity

Electricity production was slightly higher compared to 2020. Nevertheless, the renewable share in Aqualectra's production decreased to 26.2% (2020: 29.3%) due to a slower wind regime compared to 2020.

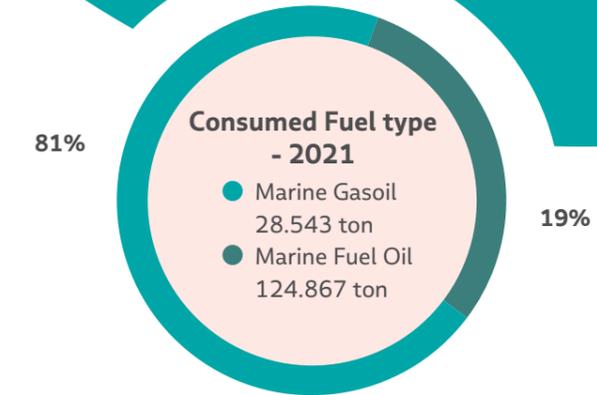
### PRODUCTION MIX ELECTRICITY



Aqualectra produced 846,112 MWh's (2020: 844,103 MWh's) with its own production facilities, and used 153,410 Metric Tons (2020: 158,168 Metric Tons) of fuel. This represents an increase in efficiency by 3.8% (2021: 5.5 MWh per liter / 2020: 5.3 MWh per liter).

The following pie chart provides insight in the fuel types used during the production process:

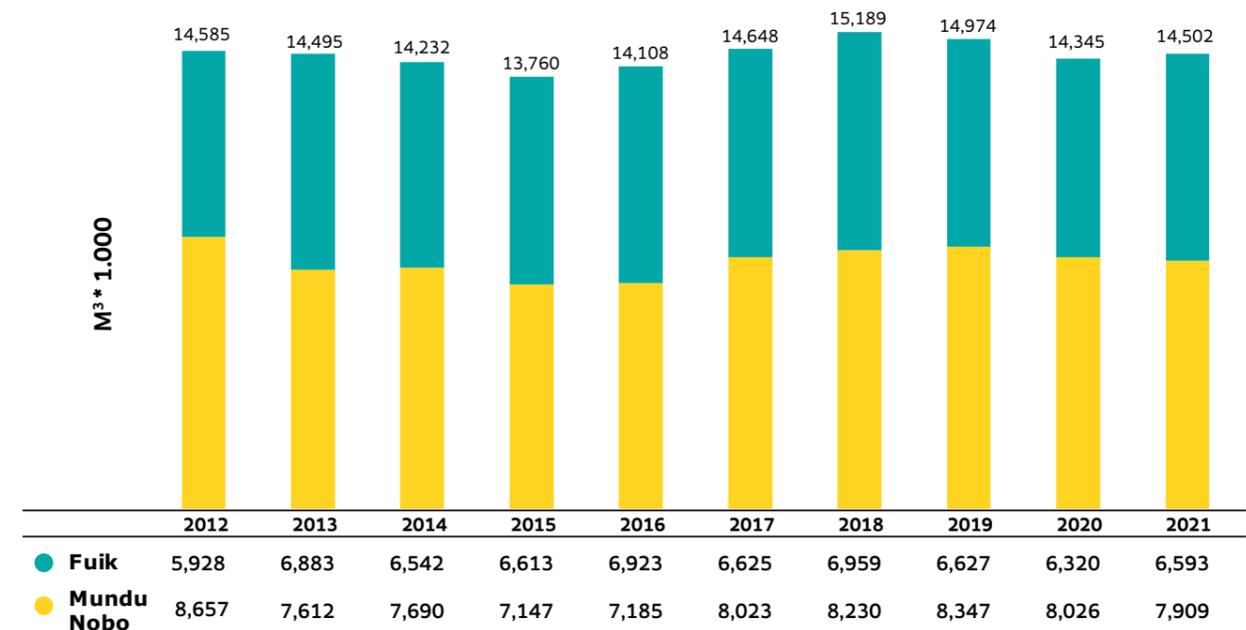
### CONSUMED FUEL TYPE - 2021



## 1.4.2. Water

The graph below depicts the production of water over the past years:

### PRODUCTION WATER



Aqualectra produced 14,502,171 M³'s (2020: 14,345,419 M³'s) with its own production facilities, and used 54,877,150 kWh's (2020: 54,346,860 kWh's) of electricity to produce this amount of water. This represents an increase in efficiency by 0.12% (2021: 0.2642 m³ per kWh / 2020: 0.2639 M³ per kWh).



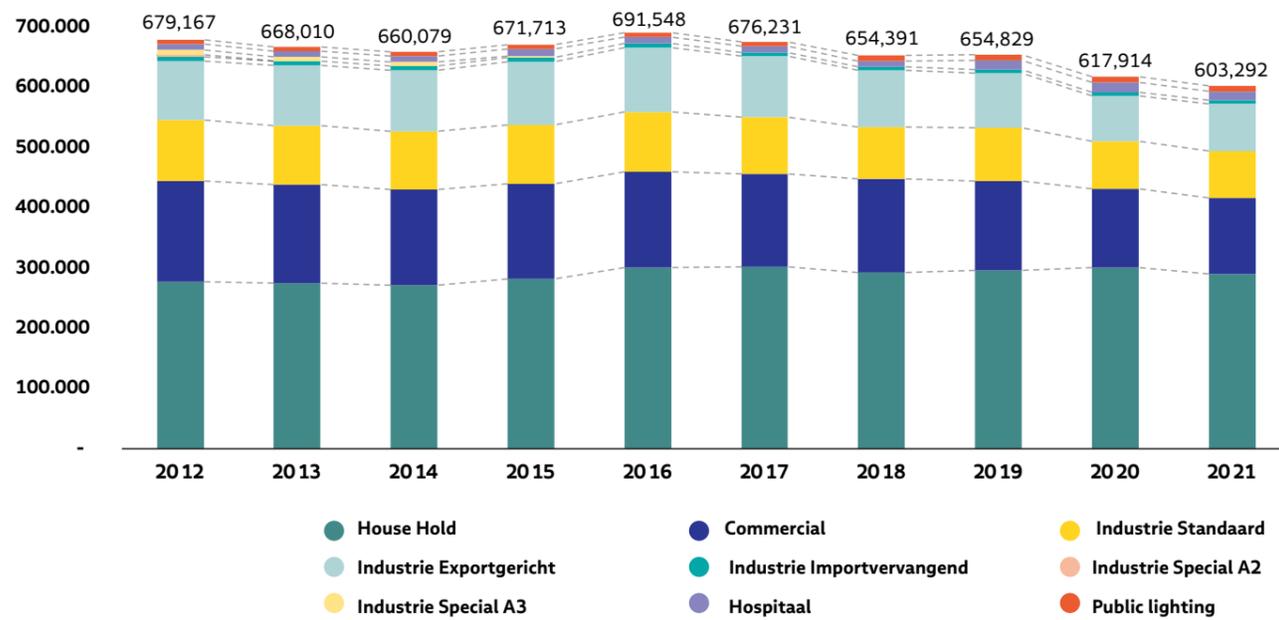
# 1.5 Commercial performance

## 1.5.1. Sales

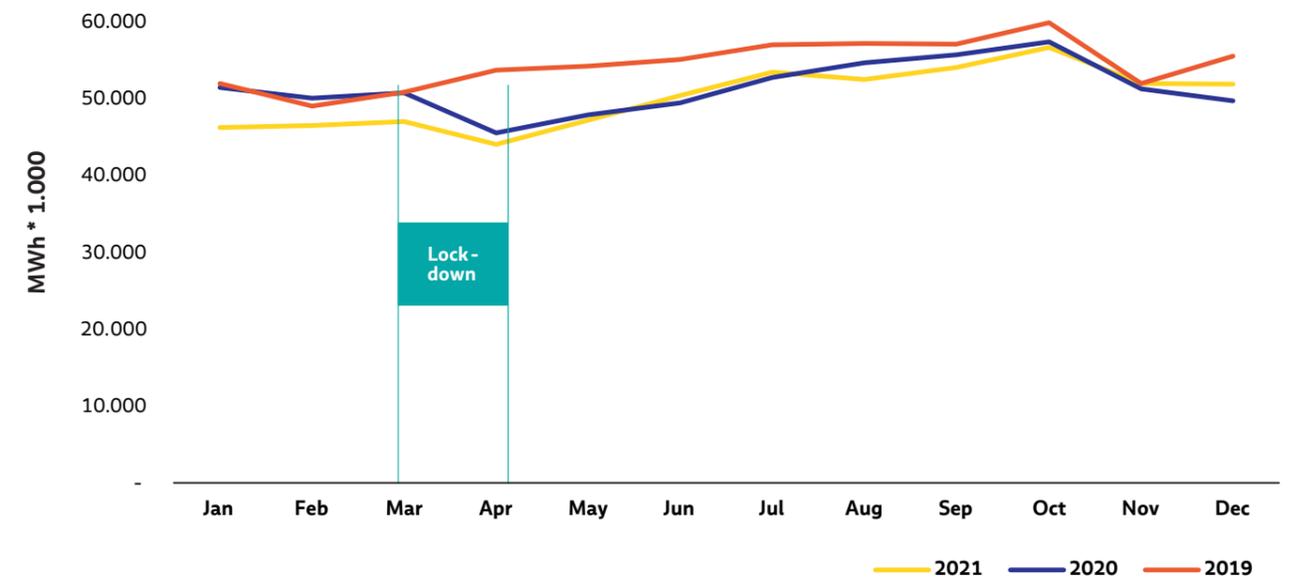
The sales of electricity and water have shown a declining trend during the past years. COVID-19 has had a material impact on the sales, however, this declining trend is visible even before the pandemic, exposing a permanently shrinking economy.

The following graph depict the development in sales electricity per tariff group:

SALES IN MWh

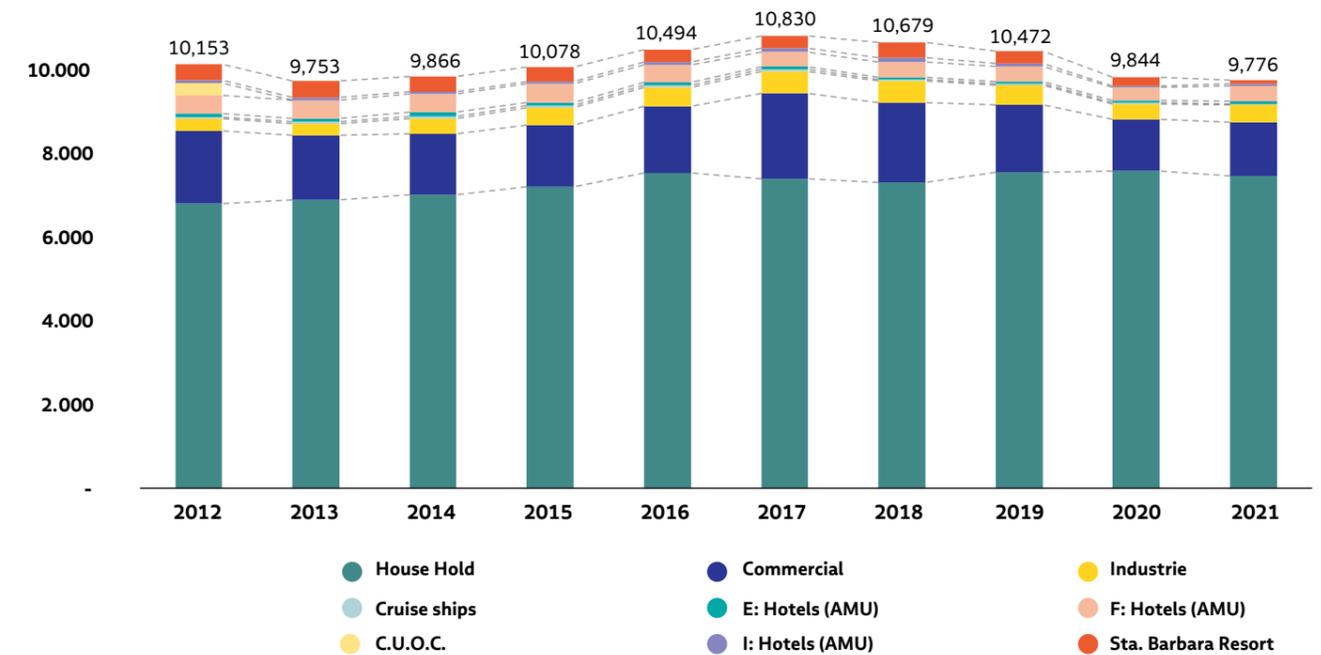


The Impact of the measures imposed by the Government to avoid a larger breakout of COVID-19 was significant. Sales lagged 2% behind 2020 and is 8% behind 2019. The fact that the sales decline was set forth in 2021 shows that COVID-19 temporary measures must have had a permanent impact as not all companies re-opened their doors after the lockdown months. The following graph depicts the monthly electricity sales during 2019, 2020 and 2021, with the sudden decline during the lockdown months becomes visible:

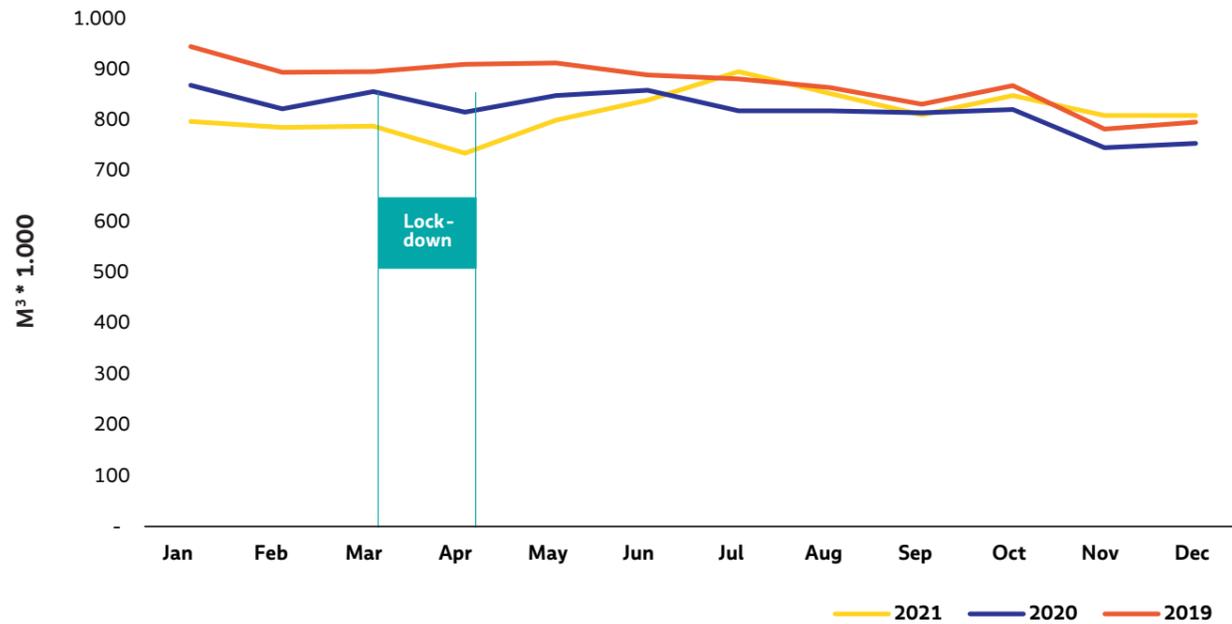


The following graph depicts the development in water sales per tariff group:

SALES WATER IN M<sup>3</sup> \* 1.000



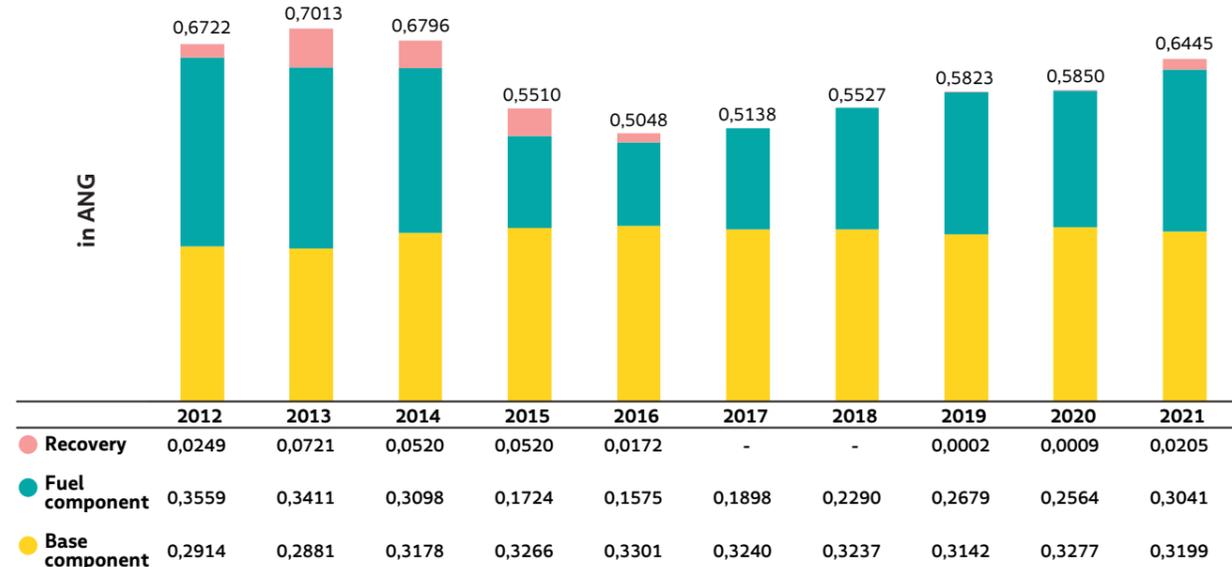
The impact of the COVID-19 measures on the sales of water was lower compared to the impact on the sales of electricity but cannot be neglected. The following graph depicts the monthly water sales for the last three years and makes it visible how it was impacted, specially during the month of April 2020, when the island experienced the strongest lockdown.



## 1.5.2. Tariffs

Despite Aqualetra's investments in renewable energy and the fact that the base component has not been changed since 2014, the total tariffs have been consistently increasing during the past years, due to the increase of the fuel component. The increase in the fuel component is mostly related to an in-crease in fuel prices, due to the closing of the Refinery and additions to surcharges in the fuel tariffs. The following graph depicts the developments in the fuel and base component of the average electricity tariffs:

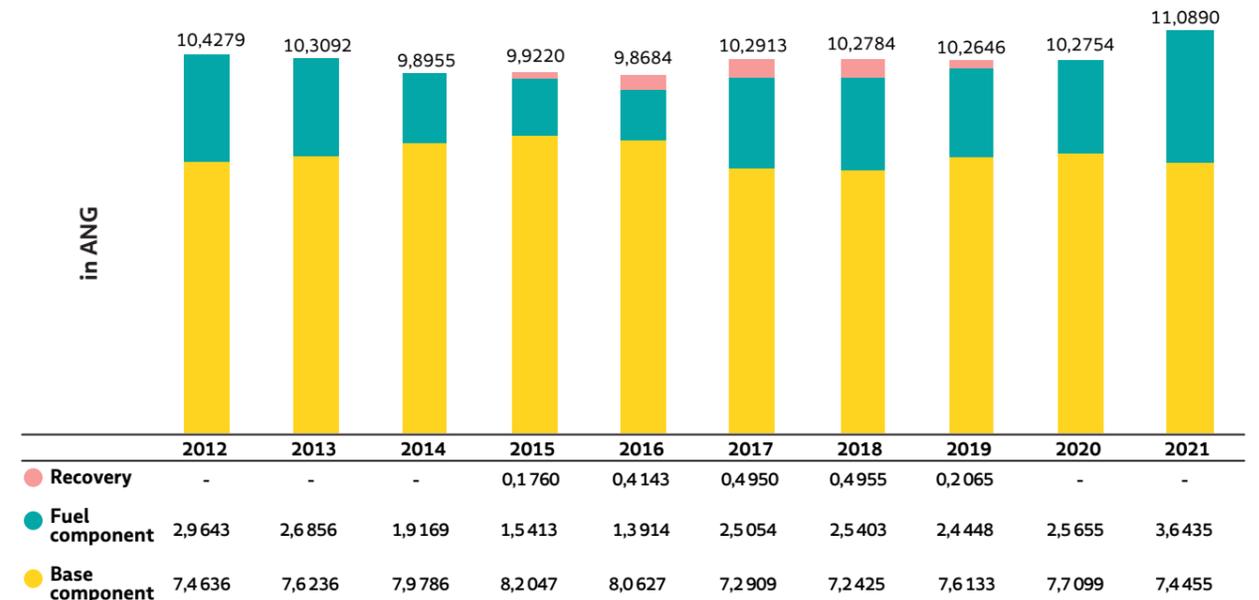
### ELECTRICITY TARIFF



One of the aspects causing the steep increase in the fuel component are the COVID surcharge to guarantee fuel supply and the surcharge to support the Refinery's operation until a new operator is found. It must be underlined that these surcharges are not for the benefit of Aqualetra. During 2021, the surcharges included in the fuel tariffs reached to a total, staggering amount of ANG 31.0 million (2020: ANG 20.1 million), charged to Aqualetra and passed through to our customers through the fuel component. Although we understand the need for fuel supply guarantee, it is becoming increasingly more complicated for us to explain to the public why the electricity tariffs are at the level they are. Aside from the tariff structure which is already cumbersome as it is, these surcharges inflate the tariffs even more. Despite all efforts by Aqualetra to increase the share of renewables in the production mix and invest in efficient generators, the tariffs continue to increase.

The following graph depicts the developments in the fuel and base components of the average water tariffs:

### WATER TARIFFS

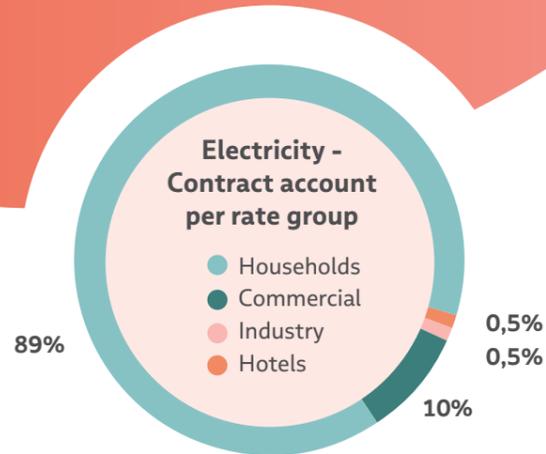


The water tariffs have shown a more stable pattern although the cross-subsidy between the electricity and water tariffs remains noteworthy. To avoid an increase in the water tariffs, the Regulator allows a component in the electricity tariffs to cover for the under-coverage in the water tariffs.



### 1.5.3 Customers

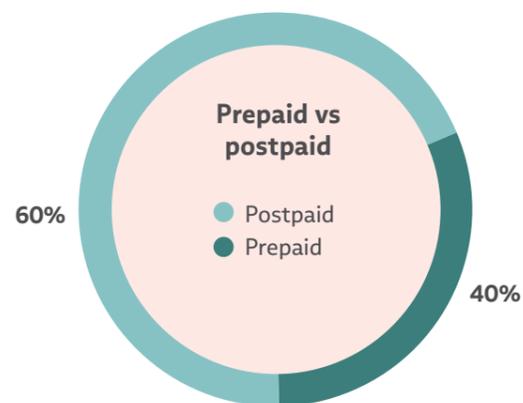
Aqualectra's customer base consists of 90,983 electricity customers (2020: 86,327) and 90,863 water customers (2020: 89,089). The following pie chart depicts the composition of the electricity customers' database:



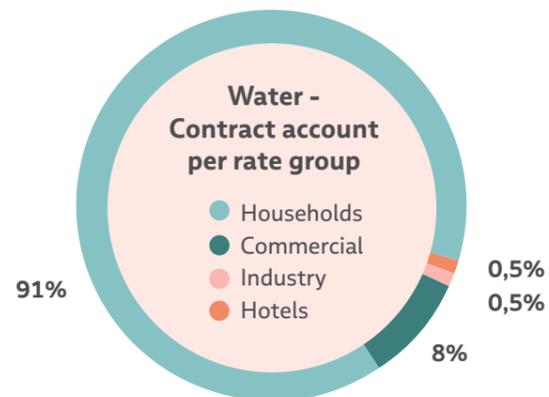
40% (2020: 38%) of these accounts are prepaid accounts, using Aqualectra's product called Pagatinu and 60% (2020: 62%) postpay their electricity bill periodically, at the end of each month.

The following pie chart provides insight in the share of prepaid and postpaid service in the accounts total:

#### DOMESTIC ACCOUNTS:



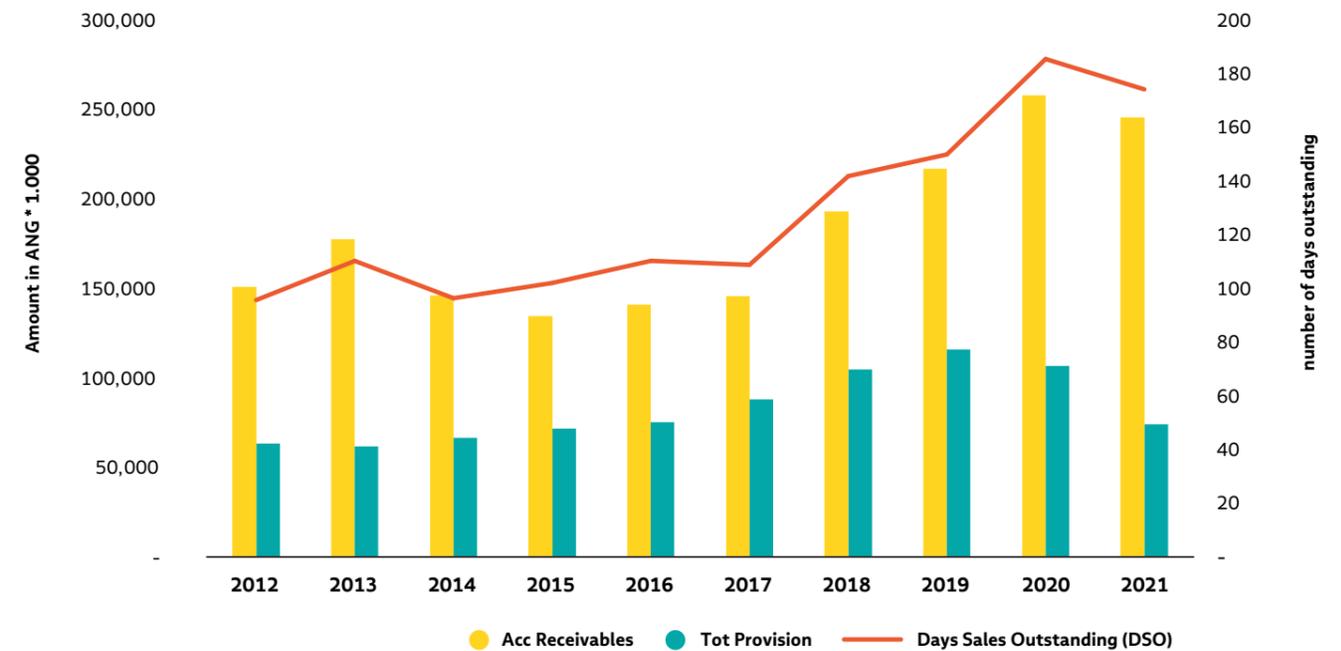
The following pie chart depicts the composition of the water accounts database:



### 1.5.4 .Accounts receivable management

The following graph depicts an analysis of accounts receivables over the past ten years:

#### TOTAL PROVISION VS ACCOUNT RECEIVABLES



After years of an inclining trend and despite being a year again dominated by the pandemic, 2021 was the year in which the tide turned. Both the accounts receivable balance and the days sales outstanding decreased compared to 2020. This is due to an increased focus on collection, the review and partly reconfiguration of the dunning process in the system and the write off of accounts deemed uncollectible.

The provision decreased significantly which led to an increase of the net trade accounts receivable balance. The decrease is related to the accounts written off that were already provided for and the change in some assumptions to estimate the expected credit loss.

It is the BMD's intention to continue to increase focus on collection of accounts receivable. Due to the ongoing pandemic, water accounts have not been disconnected since March 2020 given the hygiene requirements recommended by global health organizations. However, as the world is moving forward, so are we and the disconnection of water accounts due to non-payment will be restarted in 2022.

The improvements in the configuration of the dunning process will also continue to be implemented in 2022. The aim is to continue to reduce trade accounts receivable and days sales outstanding to acceptable levels and ensure that Aqualectra can continue to invest and guarantee the production and distribution of water and electricity.



# 1.6 Financial performance

## 1.6.1. Summary Statement of Comprehensive Income

Aqualectra's net result before tax is a profit of ANG 30.9 million (2020: ANG 12.3 million – gain). The following table details important financial performance drivers:

(ANG * 1,000)	Dec 31, 2021	Dec 31, 2020	Change in ANG	Change in %
Sales electricity	395,601	387,229	8,372	2%
Sales electricity in MWh	603,292	617,915	(14,623)	(2%)
Sales water	108,549	109,930	(1,381)	(1%)
Sales water in 1000m <sup>3</sup>	9,776	9,845	(69)	(1%)
Direct cost production and other direct cost of sales	(233,003)	(214,733)	(18,270)	9%
Gross profit	281,484	292,902	(11,418)	(4%)
Gross profit margin	0,56	0,57	-	-
Operating expenses	240,438	268,610	(28,172)	(10%)
Operating profit	41,046	24,292	16,754	69%
Interest expenses, net	(10,129)	(11,977)	1,848	(15%)
Net result before tax	30,917	12,315	18,602	151%

Both the comparison with 2020 and budget (budgeted profit before tax: ANG 16.4 million) display variances when compared to 2021 actual financial performance.

### 2021 versus 2020

The comparison to 2020 is influenced by lower sales, offset by a few one-time transactions. Sales in MWh's lagged by 2% compared to 2020. Electricity Revenues on the other hand were higher than 2020 by 2%, due to the recognition of Regulatory Assets upon approval of the under-coverages on fuel and base components for the year 2019. A total amount of ANG 9.2 million was recognized in 2021 as Regulatory Asset to be recovered in 2022 and beyond. Hence, ANG 9.2 million was included in revenues that did not pertain to 2021. When excluding this specific transaction, revenues would reach ANG 386.4 million, lagging 0.2% behind 2020. Average electricity tariffs increased by 10.2% compared to 2020, explaining the increase in revenues while sales have decreased.

Direct costs of production and other direct costs of sales increased by 10%. The increasing fuel prices on the international market heavily influenced the direct costs, which also explains the increase in average electricity tariffs by 10.2%. Given the full fuel pass-through, the increase in direct costs results in an increase in the tariff's fuel component and has no impact on Aqualectra's bottom line.

Another significant change compared to 2020 is the treatment of the Non-Revenue Water and Electricity ('NRW' and 'NRE') for tariff setting purposes. Tariff guidelines prescribe that if Aqualectra exceed these norms, the cost related to the excess cannot be passed through to customers via tariffs. Aqualectra's reasonable return will not reach its maximum when exceeding these norms. However, in 2020 as a way of compensating for the loss of sales due to the pandemic, the Regulator decided to not uphold these norms. The positive effect on revenues is estimated to be ANG 10 million for NRE and NRW. During 2021, the Regulator lowered the pass-through of the norm excesses to 50% up to August. After August 2021, the norms were upheld again. It is therefore estimated that the positive effect in revenues amounts only to ANG 2 to 3 million in 2021.

The decrease in the Gross profit is directly related to the decrease in the total amount in Regulatory Assets recognized in 2020 (ANG 39.1 million – related to under-coverages developed during 2017 and 2018) compared to 2021 (ANG 9.2 million – related to under-coverages developed during 2019).

The decrease in Operating expenses is mainly related to 1) the recognition of a re-organization provision in 2020 amounting to ANG 20 million (one-time expense in 2020) and 2) a decrease of ANG 24.1 million in Repair & Maintenance expenses, offset by 3) an increase in General expenses by ANG 5.5 million and 4) an increase in Depreciation expenses by 9.1 million.

The decrease in Repair & Maintenance expenses related to an adjustment to properly reclassify material and parts as Major Spare Parts based on applicable reporting standards. Based on this assessment, there were two major reclassing

adjustments that were recorded. An amount of ANG 14.9 million was reclassified out of the material stock and properly classified as Major Spare Parts. Also an amount of ANG 16.9 million was reclassified from expenses (materials) and properly capitalized and classified as Major Spare Parts. Without these reclassifications, the total Repair & Maintenance expenses would have amounted to ANG 60.7 million, which is ANG 7.7 million (14.5%) higher than 2020, due to the various expenses incurred to ensure the electricity grid was stabilized again, after the four black-outs experienced in December 2020/ January 2021.

The increase in General expenses relates to one-time releases of old suspense balances recorded in 2020, resulting in a credit balance of 'Other general expenses'. The increase of Depreciation expenses is a consequence of the reclassification of major spare parts to assets. In accordance with reporting guidelines, these spare parts should be depreciated during the same economic lifetime as the related asset. Properly recording the major spare parts consequently leads to an increase in depreciation expenses.

### 2021 versus budget

Aqualectra budgeted a profit before tax of ANG 16.4 million and is reporting an amount of ANG 30.9 million. The variance of ANG 14.5 million relates mainly to the recognition of the Regulatory Asset of ANG 9.2 million (under-coverage 2019). When excluding this amount, the remaining variance is ANG 5.3 million (realized profit before tax still being higher than budgeted) and relates mostly to a one-time adjustment to reclassify some major spare parts from repair & maintenance expenses and record them together with their respective asset. This has made a significant impact on the profit & loss statement, causing repair & maintenance expenses to be lower than previous year and lower than budget.



## Coverage calculations

The Coverage calculations are detailed as follows:

### COVERAGE CALCULATION FUEL COMPONENT

(ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
<b>COVERAGE CALCULATION FUEL COMPONENT</b>		
Coverage fuel component E	183,461	158,433
Coverage fuel component W	35,619	29,702
<b>Total coverage fuel component</b>	<b>219,080</b>	<b>188,135</b>
Expenses in the fuel component E & W	(232,551)	(213,886)
<b>Under-coverage fuel component developed during the reporting period</b>	<b>(13,471)</b>	<b>(25,751)</b>
<b>RECOVERY FUEL COMPONENT</b>		
Recovery component E	9,496	556
Recovery component W	-	-
<b>Recovered during the reporting period</b>	<b>9,496</b>	<b>556</b>
<b>Outstanding balance under-coverage per the end of the period</b>		
Beginning balance (excluding regulatory account December 2010)	(106,646)	(81,451)
Under-coverage fuel component developed during the reporting period	(13,471)	(25,751)
Recovery fuel component E & W	9,496	556
<b>Total Balance of Coverage Fuel Component</b>	<b>(110,621)</b>	<b>(106,646)</b>

### COVERAGE CALCULATION BASE COMPONENT

(ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
<b>COVERAGE CALCULATIONS BASE COMPONENT</b>		
Coverage base component E	192,993	170,807
Coverage base component W	72,788	66,596
	<b>265,781</b>	<b>237,403</b>
<b>REALIZED BASE EXPENSES</b>		
Reduction of expenses in base component due to miscellaneous sales	(35,984)	(36,039)
Other direct costs of sale	452	847
Personnel costs	98,316	97,051
Reorganization expenses	0	19,971
Parts, repair and maintenance	28,934	53,050
Customer relations service fees	7,023	8,368
General expenses	26,946	22,456
Depreciations	74,243	65,128
Expected credit loss	4,976	2,586
<b>Total realized base expenses</b>	<b>204,906</b>	<b>233,418</b>
Weighted Average cost of capital	56,976	56,181
<b>Total Expenses + WACC</b>	<b>261,882</b>	<b>289,599</b>
<b>Over-/(Under-) coverage on base component</b>	<b>3,899</b>	<b>(52,196)</b>

During 2021, Aqualectra developed an under coverage on the fuel component of ANG 13.5 million. This is mainly due to the two-month lag built in the tariff setting mechanisms and the power purchase at CRU in January 2021, invoiced at ANG 1.5 million. Although the tariff at which CRU invoiced this power purchase has been disputed, the complete invoiced amount has been accrued for the sake of prudence.

Aqualectra also developed an over coverage on the base component of ANG 4 million. It must be stated that the reasonable return (Weighted Average Cost of Capital) is not guaranteed and may not be recovered in the future.



## 1.6.2 Summary Statement of Financial Position

The following table summarizes the Summary Statement of Financial Position:

(ANG * 1,000)	Dec 31, 2021	Dec 31, 2020	Change in ANG	Change in %
Non-current assets	645,932	658,766	(12,834)	(2%)
Current assets	269,855	249,786	20,069	8%
Equity	411,056	384,374	26,682	7%
Non-current liabilities	369,241	389,894	(20,653)	(5%)
Current liabilities	135,490	134,284	1,206	1%
Investments in PP&E	48,337	17,292	31,045	180%

The decrease in non-current assets is mostly related to the amortization and depreciation on intangible assets and the property, plants and equipment, which were higher than the investments in-curred.

The current assets increased as a result of the increase in trade accounts receivables. The ANG 20 million increased relates in part to the recognition of Regulatory

Assets (ANG 9.2 million) related to the under-coverages of 2019, a release in the provision for doubtful receivables of ANG 36 million after re-evaluating the management assumptions that were conservative before, in view of new uncertainties related to the pandemic and increases in trade accounts receivable balances of some industrial and government accounts.

## 1.6.3 Cash flow statement

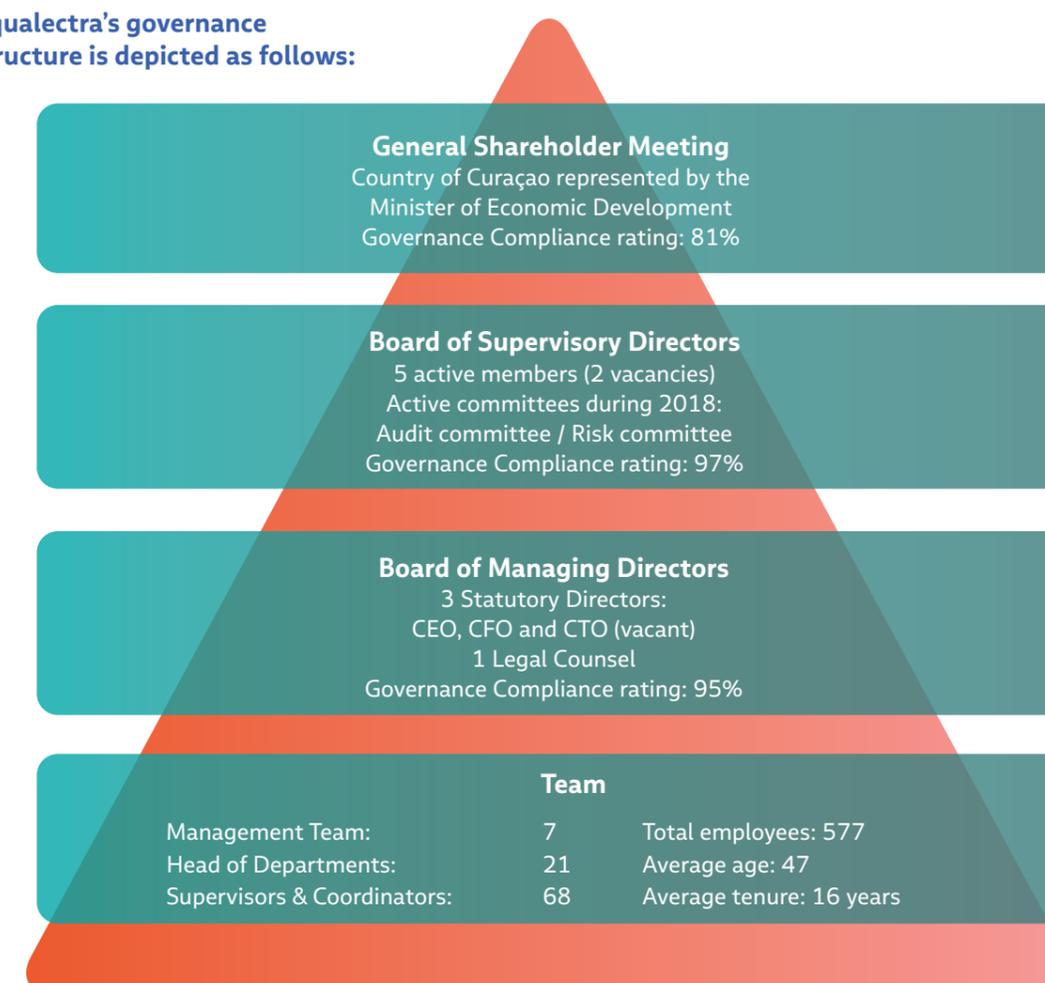
The following table provides a summary of the Cashflow Statement:

### CASH FLOW DEVELOPMENTS

(ANG * 1,000)	Dec 31, 2021	Dec 31, 2020	Change in ANG	Change in %
Operating cash flow	92,039	35,116	56,923	162%
Investing cash flow	(65,939)	(17,737)	(48,202)	(272%)
Financing cash flow	(28,203)	(11,259)	(16,944)	(150%)
<b>Net change in cash and cash equivalents</b>	<b>(2,103)</b>	<b>6,119</b>	<b>(8,222)</b>	<b>(134%)</b>

# 1.7 Corporate Governance

Aqualectra's governance structure is depicted as follows:



During 2021, we welcomed Mr. Austin Martina and Mr. Patrick Aberson while Mr. Richinel Bulbaai completed his term. We would like to extend our welcome again to Mr. Martina and Mr. Aberson and wish them success with this endeavor. We thank Mr. Bulbaai for his support and supervision during past years and wish him all the best during his next steps.

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



Instances where non-compliance was reported were the following:

Nr.	Description	Explanation
1	Timely submission of adequate information from the BMD to the BSD (2 weeks before BSD meetings)	The minimum of two weeks before each BSD meeting to submit information was not adhered to by the BMD.
2	Performance review meetings by the BSD with the members of the BMD	There were no specific performance review meetings held. However, during each BSD meeting the Company's performance is discussed and assessed against the budget, targets and previous year's levels.

## 1.8 Future prospects

**The years 2020 and 2021 have been characterized by an unprecedented level of uncertainty which led to the postponement of various projects and strategic actions. Although the world is still facing uncertain times and instability on many fronts due to the geopolitical situation, it has become clearer than ever that we must move forward. Despite of any crisis or uncertain situation, the human race must evolve, improve and move forward because change is the only constant. The challenge at hand is to move forward with poise, determination yet ensuring that every decision that is taken, fosters inclusivity and balances the continuity of business while safeguarding our environment.**

Moving into 2022 and beyond, Aquallectra chose a well-balanced strategic plan, focusing on five strategic pillars. This ambitious strategic plan aims at leading Curaçao into the future by transforming its utilities and is driven by Aquallectra's sole purpose to 'fundamentally contribute to the well-being of the citizens of Curaçao'. The execution of this plan will require unwavering stamina and willpower. However, we acknowledge our responsibility as a cornerstone of our country's economy and development, and will execute this plan accordingly.

The strategic projects ensuing from this strategic plan were bundled into a portfolio that was launched among all employees of Aquallectra and stakeholders as 'AQUAFUTURA'. We are convinced that these areas and strategic goals will transform Aquallectra into a future-proof company, that is flexible enough to change when needed but resilient enough to still be

here for generations to come. The following five areas and strategic goals were identified:

### 1. Core business: Resilient and reliable operations

As we drive forward we cannot lose sight of our core responsibility towards the community to provide power and water in an effective, reliable and efficient manner. We will continuously strive to do this in the best possible way. To ensure the smooth, reliable, stable, and affordable provision of our products and services, we must continuously seek to make ongoing technical improvements. We will continue to invest in maintaining and upgrading our production and distribution systems to ensure that Aquallectra is adequately prepared to continue to serve our community. Some of the programs that will be managed and executed to reach the abovementioned goals are the mass deployment of an Advanced Metering Infrastructure, the expansion

of our renewable capacity with an additional 22MW windfarm, the relocation/construction of a water plant at Hato West with its accompanying water storage tanks and distribution grid and the introduction of Liquid Natural Gas ('LNG') as fuel to generate electricity.

### 2. Customer Centricity: Excellent customer experience built on effortless interaction

With energy and water at the heart of how we live and all that we do, the customer must be put at the heart of the future power and water ecosystem. What we say, think, or do should revolve around the customer's best interest. Utility industry trends such as decarbonization and renewables are great news for some customers, however, the average bills still remain high. Moreover, Aquallectra, like every other utility company, is faced with the challenge of meeting everchanging demands amid the rise of a new generation of customers. Going forward, our focus will be on better understanding their needs, and identifying ways to improve the customer journey. Ultimately, we will focus on finding new ways of serving our customers, next to reinforcing our daily commitment to provide them with reliable power and water. We look forward to reducing our response time significantly and improving our handling demeanors and time by implementing various new digital communication channels and services backed by Robotic Process Automation (such as digital branch, Whatsapp services, etc.), up-grading our telephone system to become an omni-channel system, launching a business desk to cater to the needs of our commercial and industrial customers and upgrade our physical facilities for when a customer really has to visit us.

### 3. People leadership: An exemplary workforce in a thriving work environment

To keep up with the pace of disruption and achieve our ambitions, we must make sure that our team is ready. We will not be able to build the Aquallectra of the future without being backed by the workforce of the future. To increase the productivity and the foster the commitment that will drive us forward, each employee should have a strong understanding of their essential contribution to the well-being of our community. During the coming years, we will focus on getting the most out of the diverse talent pool at Aquallectra. Now is the time to position our people at the forefront as Aquallectra's most important asset. To reach this goal, we will right-size the company while focusing on people & culture by de-ploying and

implementing a continuous learning & development program with adequate succession planning, transform our organizational culture to align with new strategic ambitions and ensure an adequate work environment by constructing two new buildings to relocate and house Aquallectra's full staff in the Nieuwe Haven area.

### 4. Innovation: Ignite and embed innovation to move boundaries

Our personal transformation is an in-escapable prerequisite to take the leading role in Curaçao's utility transformation. We will embrace change in the only fitting way: by devoting substance, importance, and focus on innovation. Though there are innovations that have resulted from a flash of genius, most successful innovations are the result of a structured, conscious, and purposeful search for innovative opportunities. From acquiring and further developing a FinTech to applying for a telecom license, we are committed to promote and fund commercially viable innovative initiatives that will diversify Aquallectra's revenues in the future.

### 5. Corporate social responsibility: Drive the growth and development of our community

To position ourselves as Curaçao's utility transformation leader we must bring value and benefits to the community. The greatest sustainable benefit we can bring to the community is by leading in a socially responsible manner. In the coming years we will undertake initiatives that will help us reduce our impact on the environment and improve the social well-being of our community, all while we em-power our customers and people to do the same. Outings of this strategic pillar must be visible in everything we do. It is what silver lines every single initiative and strategic ambition and we will make sure to engrave the servant leadership fundamentals in the DNA of the organization.

The budget for 2022 and financial projections for subsequent years portray a challenging yet viable financial performance. When the abovementioned projects are commissioned, we look forward to announce much lower tariffs and a new, improved and lean Aquallectra, that is easy to do business with. We are convinced that with this focus, Aquallectra will continue working towards becoming the Utility of the Future: A flexible yet resilient company.





## **GRATITUDE UNITES**

It has been said that gratitude enriches the person showing it as well as the one receiving it. While this may not always be true in the material sense, when applied to the relationship between minds and souls, there can be no doubt that the satisfaction of receiving recognition as well as the pleasure of showing appreciation are powerful and positive forces of unification between parties that may depend on each for their own wellbeing as for the wellbeing of a wider community.

# 1.9 Risk management

**While the pandemic is winding down, so are various other crisis's and challenges winding up. From climate change to rising fuel prices due to the war between Ukraine and Russia, Aqualectra is impacted by them all, be it directly or indirectly through one or more suppliers. The meaning and importance of Risk management took a whole other dimension since 2020. Risk registries across the globe did not take these scenarios into account. The good part about it is that these situations taught us valuable lessons and exposed our most delicate vulnerabilities.**

As 2021 was yet again another year dominated by the pandemic, one of our main focusses was to safe-guard the health and safety of our personnel. When the situation arose that led to another lockdown in Curaçao, we first and foremost turned to our teams and ensured that our operations could continue, by making sure our teams' environments were healthy. Fortunately we could make use of the script used and documented during the first lockdown experienced in 2020.

We also made sure to strengthen our risk management function and procedures during 2021. A risk architecture and a risk policy were approved by the BSD's Risk Committee. The risk registry was also updated and all managers and department heads were involved in this process. Risk mitigating plans were designed and monitored for the risks marked red ('very likely and will have a material impact'). Looking forward to 2022, we plan to further professionalize the risk management function within Aqualectra by implementing an interactive tool that will allow risk owners to better report and manage their risks. The risk management function will also adopt a more data-driven approach as a strategy to remain abreast of developments.



# 1.10 Words of appreciation

**Like Sheikh Rashid Al Maktoum once said: We are at the start of the road to our vision, for every peak we reach overlooks the next. We are grateful for each peak reached up to this point, and look forward to continue leading Aqualectra with determination, love and gratitude into its next realms. We are aware of the responsibilities that come with the office we hold and we carry them with the conviction that everything we do is to fundamentally contribute to the wellbeing of the citizens of Curaçao.**

However, reaching the past and next peaks, could not and cannot be done without the support of our customers, shareholder, Board of Supervisory Directors, colleagues, unions, the Regulator, Aqualectra's financiers, the press, suppliers and our community in its entirety. Leading a company like Aqualectra into the future, is a task like no other, to be carried by an army of people and organizations that believe in a joint vision for Curaçao.

Gratitude is often defined as: the quality of being thankful; readiness to show appreciation for and to return kindness. What we pause to acknowledge and show appreciation for today is the support received throughout 2021 and before. We faced very difficult times in the recent past but are grateful for the support of our community and the resilience of our employees. We have faced adversities and are grateful for the support of our shareholder and Board of Supervisory Directors. We are grateful for the trust in Aqualectra displayed by the banks and financiers. We thank our union leaders for their openness and maturity to negotiate a Collective Labor Agreement in these difficult times. We express our gratitude to every single employee, who left their homes every day, sometimes even without knowing at what time they would return.

We look back with gratitude and look forward with poise and determination. We are certain that our vision for Aqualectra and Curaçao is shared by many and hope to be able to continue to count on the support of all our stakeholders, employees and community as a whole for the years to come as well.

Willemstad, May 31, 2022

**Darick P. Jonis MSc. MBA**  
Chief Executive Officer

**Neysa R. Isenia MSc. RA**  
Chief Financial Officer





## 2. Report from the Board of Supervisory Directors

The Board of Supervisory Directors\* showing their appreciation to the Board of Managing Directors with a plant for their management of Aqualectra during the year 2021.

\*Missing in picture:  
Mr. Patrick Aberson, Supervisory Director.

Pursuant to the national ordinance Code Corporate Governance that is applicable to all state-owned entities and/or entities that are subsidized by the Government of Curaçao, the Board of Supervisory Directors ('BSD') should issue a report at the end of each year, detailing among other things their composition, activities, remuneration, instances of non-compliance and activities of committees. The BSD of Integrated Utility Holding N.V. hereby duly complies with this requirement, by means of the following report.

## 2.1 Board meetings and decisions

The task of the BSD is to supervise and advise the Board of Managing Directors ('BMD') amongst other things, on the implementation of the policies and the strategy set forth by the General Shareholder's Meeting ('GSM'): the Legal Entity of Curaçao.

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

### Projects:

- Sale of Aqualectra lots/ properties and acquisition of parcels of land by Aqualectra;
- Replacement of radiators and oil bath filters including generator filters and engine room ventilation;
- Main Distribution Station Cas Grandi;
- Reconstruction drinking water distribution grid at Kaya Telekomunikashon;
- Strategy on bill payment services;
- Continuous update on key projects (Advanced Meter Infrastructure, New Headquarters, New water plant and tanks, Windfarm expansion, New solar park, etc.);
- Various commercial projects to be executed by Aqualectra Multi Utility ('AMU').

### Financial matters:

- Approval of the Consolidated Financial statements 2020;
- Approval of the Budget 2021 & Forward-Looking Projections 2023-2027;
- Periodic financial performance (KPI's);
- Appointment of external auditor for 1 year and initiate tender process for 2022-2025;
- Approval of Property Damage/Business Interruption insurance policy.

### Governance related matters:

- Preparation for GSM;
- Discussion on BMD structure including CTO;
- BSD and BMD attending Course on Good Corporate Governance jointly;
- Update "aftreedrooster" BSD.

### Other business:

- Strategic Plan 2021-2025;
- Task setting for BMD in 2021;
- COVID-19 challenges (both financial and operational);
- 12.5% reduction in employment conditions of personnel and Rhuggenaath-norm;
- Follow-up on the 2020 and 2021 Blackouts. The BSD requested both a "Fact finding Root cause analysis" as well as a "Business Risk and Resilience Review" investigation (by BDO Canada). Regular follow-up on the status of the investigation recommendations forms part of the scheduled meetings with the BMD;
- Strengthening the focus on the core business;
- Customer compensation related to the black-outs in December 2020 and January 2021 and the subsequent Danki Na'Bo campaign;
- Indulgence compensation for contractors;
- Approval of procurement policy;
- Approval of the delegation of authority handbook;
- Periodic operational performance (KPI's);
- Status of disputes with Refineria di Kòrsou N.V. ('RdK') and Curaçao Utility Company N.V. ('CUC');
- Status of legal proceedings between Aqualectra and APC;
- Status of rooftop solar project;
- Expansion of Windfarm Koraal Tabak;
- Acquisition of Pagafasil;
- Update on negotiations for a new Collective Labor Agreement and subsequent approval.

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

## 2.2 COMPLIANCE with the Corporate Governance Code

The BSD strives to be compliant with the Code Corporate Governance. The following compliance rates were achieved during 2021 by the various instances of governance in the Company:

- Compliance with the Code Corporate Governance by the GSM: 94% (2020: 81%)
- Compliance with the Code Corporate Governance by the BSD: 97% (2020: 97%)
- Compliance with the Code Corporate Governance by the BMD: 95% (2020: 95%)



The following instances of non-compliance to the BSD's tasks and responsibilities have been noted:

Nr.	Description	Explanation
1	Timely submission of adequate information from the BMD to the BSD (2 weeks before BSD meetings).	The minimum of two weeks before each BSD meeting to submit information was not adhered to by the BMD.
2	BSD meeting at least twice a year making a self-assessment of the BSD, the BMD and its individual members and conclusion drawn on the assessment (without BMD present).	The BSD performed a self-assessment once during 2021 and not twice. A formal performance evaluation of the BMD by the BSD was not executed in 2021. However, BSD meetings included a constant evaluation of the decisions made by the BMD and the execution of its management tasks.

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

## 2.3 Composition of the BSD

The members of the BSD are appointed for a term of four years with a maximum of two terms. During 2021, the BSD consisted of the following Supervisory Directors:

Name	Function
<b>Mr. K. van Haren</b> September 9, 2020 - 2024	<b>Supervisory Director</b> Chairman of the Board of Supervisory Director
<b>Mr. R. Bulbaai</b> September 19, 2017 - 2021	<b>Supervisory Director</b> Member of the Recruitment Committee
<b>Mr. R. Rudolph</b> August 31, 2018 - 2022	<b>Supervisory Director</b> Member of the Audit Committee
<b>Mrs. J. Laclé</b> March 20, 2019 - 2023	<b>Supervisory Director</b> Member of the Audit Committee
<b>Mr. A. Martina</b> March 5, 2021 - 2025	<b>Supervisory Director</b> Chairman of the Risk Committee
<b>Mr. P. Aberson</b> March 5, 2021 - 2025	<b>Supervisory Director</b> Chairman of the Audit Committee

In accordance with the Code Corporate Governance, members of the BSD are entitled to a financial compensation. During 2021, the following expenses have been incurred to remunerate the BSD members:

Name (amounts in ANG)	2021	2020
Mr. R. Bulbaai	16,635	22,641
Mrs. S. Inderson*	-	15,094
Mr. C. Marshall**	-	13,836
Mr. R. Rudolph	22,641	22,641
Mrs. J. Laclé	22,641	22,641
Mr. K. van Haren	31,446	8,889
Mr. A. Martina	20,590	-
Mr. P. Aberson	18,563	-
<b>TOTAL</b>	<b>132,516</b>	<b>105,742</b>

\*) Board member up until September 1, 2020

\*\*) Board member up until July 31, 2020

The net amount disbursed to the Supervisory Directors is based on a Ministerial Decree adopted by the Government regarding remuneration of the Supervisory Directors of government owned entities, which is ANG 1,000 per month for the members and ANG 1,250 per month for the chairman. The differences between mentioned net amount mentioned and the elucidated gross amounts in the table above, are solely for the purpose of complying with the lawful taxes and social premiums.

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

In 2021, the BSD held seven (7) meetings for Integrated Utility Holding N.V., eight (8) meetings for Aqualectra N.V., three (3) meetings for Aqualectra Multi Utility N.V. and three (3) meetings for Utility Financial Services N.V. All BSD members in function at the date of the respective regular meeting, attended the meetings as scheduled. Almost all meetings of the BSD and its committees were attended by the secretary to the BSD, who was responsible for the minutes.



## 2.4 Committees of the BSD

### 2.4.1 Audit Committee

The requirement to instate an audit committee becomes valid when a board exceeds five members. The BSD of IUH N.V. consisted of four members during the first months of 2021 but maintained its audit committee active since it was foreseen that new members would be appointed during the first months of 2021. The Audit Committee met six (6) times during 2021, where the main topics discussed were:

- The quarterly financial reports;
- The audited financial statements for the year ended December 31, 2020, including the choice of accounting policies, application and assessment of effects of new regulations, insight into the treatment of significant judgement items in the financial statements, forecasts, work of internal and external auditors;
- The external auditor evaluation over 2020;
- The budget for 2022 and forward-looking projections 2023-2027;
- The functioning of the Internal Audit Department;
- The funding, capital and financing structure of the Company;
- The tax control framework;
- Various other internal control, (financial) risk and tariff regulation related matters.

Furthermore, the Audit Committee functioned as the first point of contact for the external auditor and met once with the external auditor in absence of the BMD.

The Audit Committee together with the BMD thoroughly evaluated the role and performance of the external auditor. EY was appointed as auditor for the fiscal year 2021. After several discussions with the GSM and between the BSD and the BMD, it was decided to tender the audit engagement of 2022-2025.

The members of the Audit Committee during 2021 were Mr. Aberson (Chairman starting June 8, 2021 Mr. Rudolph (Acting Chairman and member) and Ms. Laclé (member).

### 2.4.2 Risk Committee

The Risk Committee was introduced in 2021, with the aim to oversee the risk management framework and supervise the management of main risks and mitigating actions. The Risk Committee met two (2) times during 2021 and discussed the following topics:

- Risk Policy;
- Risk architecture;
- Risk registry and mitigating actions.

The members of the Risk Committee during 2021 were Mr. Austin Martina (Chairman), Mr. Karel van Haren (member) and Mr. Richinel Bulbaai (member until September 19, 2021, afterwards serving as an advisor to the Risk Committee).

## 2.5 Assertions of the BSD

**The BSD of IUH N.V. approved the Consolidated Financial statements of 2021 in the board meeting held on June 14, 2021. The external auditor issued an unqualified opinion with emphasis of matter paragraph on the Consolidated Financial statements for the year 2021. The audit findings and the emphasis of matter that remain, can be summarized as follows:**

We draw attention to note 5.6.17.4 'Contingent Assets - Curaçao Utilities Company N.V. (CUC N.V.) shares' where a possible settlement for transfer of shares of CUC N.V. is disclosed. The Minister responsible for IUH N.V. adopted a resolution in January 2011 in which was stated that the Group had to transfer the CUC Holdings shares to Refineria di Kòrsou (RdK) without any compensation. The transfer of the shares was effected on January 19, 2011. The Council of Ministers engaged an independent third party 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 pending to be adopted to formalize the abovementioned. Management has been in deliberation with both the Government and the Shareholders of both companies to accelerate the execution of the decision of the Council of Ministers of February 20, 2013. The Government as the representative of both companies, namely the Minister of Finance in charge of Aqualectra and the Minister of General Affairs in charge of Refineria di Kòrsou has met with the representatives of both companies. It was agreed that both companies will work together to reach an agreement for settlement of the compensation for the shares transferred. As of the date of the audit opinion to these Financial Statements, a final settlement has not been reached.

None of the undersigned members of the BSD were appointed during the fiscal years when the various decisions were reached affecting the financial position of the Company; in particular, the transfer of CUC to RDK upon instruction of the government and the consequences thereof on the long-term bond financing of the Company.

Based on the corporate law of Curaçao, each member of the BSD could be held liable by a third party in the case that the Consolidated Financial Statements present a misleading position of the Company. On the other hand, each board member could be liable in case the Consolidated Financial statements are not prepared, signed by the BSD and consequently presented for approval to the shareholder and published timely by the Company.



**Aqualectra showing its recognition with a plant to the Wit Gele Kruis, in representation of all the caretakers that worked around the clock to provide care for those most in need during the challenging past years.**

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

Following the abovementioned financial statement, the BSD and GSM approved the Consolidated Financial statements for the years 2011 up to and including 2019. The auditors' opinions on the Consolidated Financial statements for these years contained the same qualification, whereas the auditors' opinion on the financial statements for the year 2019 up to and including 2021 was an unqualified opinion with an emphasis of matter on the abovementioned.



## 2.6 APPROVAL and DIVIDEND proposal

The BSD recommends the Shareholder to approve the consolidated financial statements for the year ended December 31, 2021 and 2020, as it did with the previous Consolidated Financial statements since 2010, with only the remaining emphasis of matter. Work is still ongoing to resolve this matter.

The BSD herewith submits the Consolidated Financial statements for the year ended December 31, 2021 of Integrated Utility Holding N.V. (d.b.a. Aqualectra) as prepared by the BMD and approved by the BSD. EY Dutch Caribbean audited the Consolidated Financial statements and its opinion is included in this report.

Reference is made to the dividend policy that has been approved by the GSM on March 5, 2021. It is of the utmost importance that the Shareholder's Equity is further strengthened to safeguard the Company's financial viability and resilience. For this reason, and following lawful stipulations and the dividend policy, the BSD advises the GSM not to distribute dividends, even in the event of a profitable operation, until the negative retained earnings are eliminated.

Considering the aforementioned, the BSD advises the GSM to:

1. Accept the Consolidated Financial statements 2021 as included and approved by the BSD;
2. Approve that no dividend payment will be distributed;
3. Add the positive total comprehensive result for the financial year 2021 to the balance of the accumulated losses, resulting in an increase of the net equity position;
4. Discharge the BMD for the management and the BSD for their supervision during the year under report.

### The Board of Supervisory Directors

#### Mr. K. van Haren

Chairman of the Board of Supervisory Directors  
Supervisory Director

Mr. R. Rudolph  
Supervisory Director

Ms. J. Laclé  
Supervisory Director

Mr. P. Aberson  
Supervisory Director

Mr. A. Martina  
Supervisory Director

The BSD worked together with the BMD through various essential themes and projects and dealt with diverse challenges that appeared from inside and outside the organization during 2021. Although cognizant of many improvement areas and strategic goals to conquer, the BSD commends the willingness of the organization during 2021 to improve its work processes, while embracing all the changes implemented in 2020 and looking ahead to new horizons, despite of the challenges faced due to the blackouts experienced during 2020 and at the beginning of 2021 and the ongoing Covid-19 pandemic.

The BSD salutes the BMD and all AMU and Aqualectra employees for their contribution to the improvements achieved and looks forward to strengthening its core business and opening new windows of opportunity for the Company and the community we serve.

Willemstad, 14 June, 2022

## Word of appreciation

**During 2021, Mr. Richenel Bulbaai parted from the BSD after having served for four years. The BSD would like to thank Mr. Bulbaai for his commitment and dedication and wish him all the best in his future endeavors.**



The three union leaders of SEU, STK and STKO receiving plant as a token of gratitude from the Board of Managing Directors for their understanding and maturity when discussing difficult topics during the past years, overcoming various obstacles and even negotiate a Collective Labor Agreement which was signed by all three unions, for the first time ever.

### 3. Highlights of the year



(ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
<b>FINANCIAL DATA</b>		
<b>Operating revenues</b>		
Sales electricity	395,601	387,229
Sales water	108,549	109,930
Sales services	10,337	10,477
<b>Operating expenses</b>		
Total operating expenses Aqualetra	237,189	264,249
Total operating expenses Aqualetra Multi Utility	468	1,500
Total operating expenses Holding	2,780	2,861
<b>Results</b>		
Operating profit/(loss) Aqualetra	14,585	(1,665)
Operating profit Holding	27,947	7,062
Operating (loss) Aqualetra Multi Utility	(29)	(1,092)
<b>Financial data</b>		
Working Capital	135,331	115,502
EBITDA	126,276	116,382
EBIT	41,046	24,292
EBT	30,917	12,315
Equity	411,056	384,374
Non-current liabilities	369,241	389,894
Current liabilities	135,490	134,284
<b>Financial ratio's</b>		
Debt Service Coverage Ratio	5.12	6.03
Adjusted Debt Service Coverage Ratio	1.39	3.13
Debt/EBITDA Ratio	2.27	2.6
Solvency Ratio	45%	42%
Current Ratio	2.01	1.86
Return on equity	0.07	(0.01)

(ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
<b>OPERATIONAL DATA</b>		
<b>Electricity</b>		
Sales electricity in MWh (excl. RO Fuik and own usage)	603,292	617,915
Electricity intake from production in MWh	612,050	602,295
Electricity intake from CUC in MWh	13,723	24,480
Electricity intake from wind farms in MWh	196,955	191,386
Usage reverse osmosis plants	62,042	60,298
Number of postpaid connections at year end	48,986	47,702
Number of prepaid connections at year end	32,534	29,459
Average usage households per month in KWh	297	325
Average sales tariff households in ANG per KWh	0.6675	0.6126
Average sales tariff in ANG per kWh	0.6445	0.5851
Unaccounted for usage in % of MWh intake	18.41%	12.43%
<b>Water</b>		
Sales water in 1000m <sup>3</sup>	9,776	9,845
Water intake from production in 1000 m <sup>3</sup>	14,093	13,931
Number of postpaid connections at year end	90,863	89,089
Average usage households per month in m <sup>3</sup>	7.469	7.739
Average sales tariff households in ANG per m <sup>3</sup>	10.737	10.2232
Average sales tariff in ANG per m <sup>3</sup>	11.089	10.573
Unaccounted for usage in % of m <sup>3</sup> intake	30.07%	29.69%



The Board of Managing Directors showing its recognition to the Bureau Telecommunicatie en Post with a plant for their judicious and balanced regulation during the difficult times, ensuring the community is served well while safeguarding Aqualectra's viability as well.

## 4. Consolidated Summary Financial Statements

## 4.1. Consolidated Summary Statement of FINANCIAL Position

(Amounts in ANG * 1,000)	As at Dec 31 2021	As at Dec 31 2020	For specs See notes
<b>ASSETS</b>			
<b>Non current assets</b>			
Intangible assets	45,057	48,955	5.6.1
Property, Plant and Equipment	537,718	541,457	5.6.2
Right of use Assets	20,408	22,634	5.6.3
Other non-current financial assets	34,063	34,063	
Deferred tax assets	8,686	11,657	
	<b>645,932</b>	<b>658,766</b>	
<b>Current assets</b>			
Inventories	44,147	45,855	5.6.4
Trade accounts receivable	173,838	151,333	5.6.5
Other receivables	11,392	10,017	
Cash & cash equivalents	40,478	42,581	
	<b>269,855</b>	<b>249,786</b>	
<b>Total assets</b>	<b>915,787</b>	<b>908,552</b>	
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's equity</b>			
Share capital	528,000	528,000	4.3
Share premium	55,000	55,000	4.3
Accumulated losses	(199,891)	(205,688)	4.3
Profit / (loss) for the year	27,947	7,062	4.2
	<b>411,056</b>	<b>384,374</b>	
<b>Non current liabilities</b>			
Financial liabilities	254,183	268,708	5.6.6
Customer deposits	10,881	10,864	
Lease Liabilities	19,906	23,549	5.6.3
Provisions	84,271	86,773	5.6.7
	<b>369,241</b>	<b>389,894</b>	
<b>Current liabilities</b>			
Trade accounts payable	56,776	38,864	5.6.8
Other liabilities	78,714	95,420	
	<b>135,490</b>	<b>134,284</b>	
<b>Total Equity and Liabilities</b>	<b>915,787</b>	<b>908,552</b>	

## 4.2. Consolidated Summary Statement of COMPREHENSIVE Income

(Amounts in ANG * 1,000)	For the year ended Dec 31, 2021	For the year ended Dec 31, 2020	For specs See notes
<b>CONTINUING OPERATIONS</b>			
Revenue from contracts with customers	514,487	507,635	5.7.1
Direct costs production	(232,551)	(213,886)	5.7.2
Other direct cost of sales	(452)	(847)	5.7.2
<b>Gross profit</b>	<b>281,484</b>	<b>292,902</b>	
Personnel expenses	94,167	92,646	5.7.3
Reorganization expenses	-	19,971	5.7.3
<b>Total personnel expenses</b>	<b>94,167</b>	<b>112,617</b>	
Other (post) employment benefits (net)	4,149	4,405	5.7.3
Parts, repairs & maintenance	28,934	53,050	5.7.4
Customer Relations Service Fees	7,023	8,368	
General expenses	26,946	22,456	5.7.5
Depreciation and amortization expenses	74,243	65,128	5.6.2
Expected credit loss	4,976	2,586	5.6.7
<b>Total operating expenses</b>	<b>240,438</b>	<b>268,610</b>	
<b>Results from operating expenses</b>	<b>41,046</b>	<b>24,292</b>	
Interest expenses (net)	(10,129)	(11,977)	5.7.6
<b>Profit before income tax</b>	<b>30,917</b>	<b>12,315</b>	
Income tax	(2,970)	(5,253)	
<b>Profit for the year</b>	<b>27,947</b>	<b>7,062</b>	
<b>Other comprehensive gains / (losses)</b>			
Actuarial gains / (losses)	(1,622)	(1,936)	5.6.7
Deffered tax related to the components of other comprehensive results	357	426	
<b>Other comprehensive gain / (loss) for the year, net of income tax</b>	<b>(1,265)</b>	<b>(1,510)</b>	
<b>Total comprehensive income for the year</b>	<b>26,682</b>	<b>5,552</b>	

### 4.3. Consolidated Summary Statement of Changes in **SHAREHOLDER'S** Equity

Amounts in ANG * 1,000)	Share Capital	Share premium	Accumulated Losses	Total Shareholder's equity
Balance at January 1, 2020	528,000	55,000	(204,178)	378,822
Profit for the year 2020	-	-	7,062	7,062
Other comprehensive income for the year 2020	-	-	(1,510)	(1,510)
<b>Balance at December 31, 2020</b>	<b>528,000</b>	<b>55,000</b>	<b>(198,626)</b>	<b>384,374</b>
<b>Total Comprehensive income</b>			<b>5,552</b>	
Balance at January 1, 2021	528,000	55,000	(198,626)	384,374
Profit for the year 2021	-	-	27,947	27,947
Other comprehensive loss for the year 2021	-	-	(1,265)	(1,265)
<b>Balance at December 31, 2021</b>	<b>528,000</b>	<b>55,000</b>	<b>(171,944)</b>	<b>411,056</b>
<b>Total Comprehensive income</b>			<b>26,682</b>	

### 4.4. Consolidated Summary Statement of Changes in **CASH** Flows

(Amounts in ANG \* 1,000)

	For the year ended Dec 31, 2021	For the year ended Dec 31, 2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the year	27,947	7,062
<b>Adjustments for non-cash items:</b>		
Depreciations and amortization expenses	74,243	65,128
Expected credit loss	4,976	2,586
Disposal of property, plant, equipment (net)	1,868	3,794
Change in provision slow moving inventory	1,852	(639)
Change in deferred tax asset	3,328	5,371
Change in provisions	(5,182)	13,222
Finance cost	9,717	4,756
<b>Total of operational activities</b>	<b>90,802</b>	<b>94,217</b>
Change in Right-of-use assets	(313)	(6,537)
Change in inventories	(144)	(959)
Change in trade accounts receivable	(25,893)	(69,449)
Change in customer deposit	17	1,858
Change in other receivables	(1,905)	(103)
Change in trade accounts payable	17,912	(28,995)
Change in other liabilities (excluding interest paid)	(16,384)	38,022
<b>Total of change in operational activities</b>	<b>(26,710)</b>	<b>(66,163)</b>
<b>Total cash flow from operating activities</b>	<b>92,039</b>	<b>35,116</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant, equipment	(65,939)	(17,737)
<b>Total cash used in investing activities</b>	<b>(65,939)</b>	<b>(17,737)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from loans	-	5,426
Repayments of loans	(14,525)	(7,193)
Payments of lease (excluding interest)	(4,491)	(4,903)
Interest paid	(9,187)	(4,589)
<b>Total cash flow used in financing activities</b>	<b>(28,203)</b>	<b>(11,259)</b>
Balance at start of year	42,581	36,462
Increase / (decrease)	(2,103)	6,119
<b>Balance at end of year</b>	<b>40,478</b>	<b>42,581</b>



Aqualectra thanked the Government Crisis Team with a plant for their stewardship of our community during the pandemic years.



#BLENDCURACAO

## 5. Notes to the Consolidated Summary Financial Statements

The three unions representing Aqualectra's employees, SEU, STK and STKO, expressing their appreciation to the employees with a plant, for their dedication and commitment as front liners, to safeguard continuity of energy supply and qualitative water, even when they had to do so in uncertain times.

## 5.1 General Corporate information

**Integrated Utility Holding N.V. (IUH N.V., hereinafter “The Group”) was incorporated on September 12, 1997 in Willemstad, Curaçao. The shares of Kompania di Awa i Elektrisidat N.V. (K.A.E.), a water and electricity production company and Kompania di Distribushon di Elektrisidat i Awa (KODELA), a water and electricity distribution company, were transferred into IUH N.V. On January 2, 2018, Kompania di Awa i Elektrisidat N.V and Kompania di Distribushon di Elektrisidat i Awa were legally integrated and became Aqualectra N.V. The principal activities of the Group are described in the “Profile”. The headquarters of the Group are 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;
- Managing, controlling and administering of other companies and representing interests of the shareholders and financiers in / of the Group;
- Generating electricity and the production of water;
- Distributing electricity and water;
- Offering management consultancy and engineering services;
- Bottling drinking water.

The Group's authorized capital amounts to ANG 600 million, consisting of 600 shares at ANG 1 million par value each. 470 shares were issued to the Island territory of Curaçao on June 1, 1998 with an additional 58 shares issued on January 31, 2013 to the Government of Country Curaçao who became the legal successor of the Island territory of Curaçao and the shareholder of the Group after the restructuring of the Netherlands Antilles on October 10, 2010. All 528 shares are paid up in full.

### UTILITIES SECTOR IN CURAÇAO

#### Concessions

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

On July 30, 2012 concessions for the production and distribution of electricity were adopted, granting the Group certainty of the production of power for the coming 30 years. On June 11, 2014 the Government adopted a concession for the production of electricity. A notable change in this concession, compared to the previous concession, is the simplification of various requirements. Another major change in the new concession is the granting to Aqualectra of a minimum and a maximum production capacity. This granted capacity can be realized in direct form (own production) and indirect form (contracted production). The amended concession was issued on June 19, 2014 and formalized on November 6, 2014.

#### Tariff structure

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

#### Determination of tariffs

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

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

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

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

The ex-post calculation of the fuel component for the year 2018 led to the conclusion that under coverages were developed for the amount of ANG 13.5 million. This amount has been recognized as accounts receivable and will be recovered starting April 2021 at ANG 0.05 per KWh. Taking the budgeted sales into account, this will lead to the complete depletion of this asset by March 2022.

#### Energy policy

In 2009, the Group was notified by the Government that Bureau Telecommunicatie & Post (BTP) was appointed as the Regulator for the review, determination and approval of the tariffs for water and electricity.

A new Energy policy was drafted and approved by the Council of Ministers on May 16, 2017. This policy introduces an Energy Bureau concept as policy maker, while BTP remains with supervision tasks, intended to lower the tariffs, upgrade the services to the customers, provide choices for the clients and increase the reliability and sustainability of energy.

During 2019 and 2020 an energy law was drafted based on the presumptions included in the energy policy. The draft has been discussed with all parties involved and is pending to be submitted to the Parliament for approval.





## **GRATITUDE BOOSTS PERFORMANCE**

Being shown recognition, receiving words of gratitude or handed a token of acknowledgement for one's performance or achievements is a source of satisfaction for the receiver but it also increases the receiver's preparedness to continue on their path of positive performance, of eagerness to cooperate and willingness to make the utmost of their abilities in the service of their community.

## 5.2 Significant accounting policies

### Basis of preparation

The accompanying Consolidated Financial statements of the Group are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Book 2 of the Curaçao Civil Code. The Consolidated Financial statements have been prepared on a historical cost basis. The Consolidated Financial statements are presented in Netherlands Antillean guilders and all values are rounded to the nearest thousand (ANG'000), except when otherwise indicated.

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

These Consolidated Financial statements for the year ended 2021 were approved for issue by the Board of Supervisory Directors on June 14, 2022. The shareholders have the power to amend the Consolidated Financial statements after the date of issuance.

The Consolidated Financial statements provide comparative information in respect of the previous period.

The consolidated summary financial statements contains necessary information and at an appropriate level of aggregation for the users of this report. The audited Consolidated Financial statements from which this summary consolidated financial statement was derived from and its accompanying auditor's report, are archived at the head office of the Group.

### Basis of consolidation

The Consolidated Financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

Name	% equity interest 2021 and 2020
Aqualetra N.V. ('Aqualetra')	100%
Aqualetra Multi Utility Company N.V. ('AMU')	100%
Utility Financial Services N.V. * ('UFS')	100%
General Engineering & Utility Services N.V. (GEUS)**	100%
Aqualetra Bottling Co. N.V.** ('Aqualetra Bottling')	100%

\* UFS NV has been incorporated in 2020 and started operations in January 2022.

\*\* The entities GEUS and Aqualetra Bottling Co. N.V. are still part of the group but they are in liquidation.

The legal structure now consists of the holding company (IUH N.V.) and two subsidiaries, namely Aqualetra and AMU and UFS as subsidiary of AMU, hereinafter collectively referred to as "The Group". The Group is responsible for the management of the abovementioned companies. During the year 2021 Aqualetra Bottling and GEUS did not engage in any activities.

## 5.3 Summary of significant accounting policies

### 1) Current versus non current classification

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

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

All other assets are classified as non current.

A liability is current when:

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

The Group classifies all other liabilities as non current.

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

## 2) Fair value measurement

The Group holds no financial assets or liabilities that are measured at fair value at December 31, 2021 or December 31, 2020.

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

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

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

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

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

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

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

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

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

## 3) Foreign currencies

### Functional and presentation currency

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

### Transactions and balances

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

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

Differences occurring on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non monetary asset or non monetary liability relating to

advance consideration, the date of the transaction is the date on which the Group initially recognizes the non monetary asset or non monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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

## 4) Property, plant and equipment

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

Expenses for the decommissioning of the Mundu Nobo plant are included in property, plant and equipment. These capitalized expenses are based upon estimations performed by an independent expert. Since commencement of the demolition activities, the provision has been adjusted based on more accurate information gathered internally regarding the expected decommissioning costs. Depreciation of the capitalized decommissioning cost is calculated by the straight line method to write off the cost of each asset, or the recoverable amounts, to their residual values over their estimated useful life, taking into account the useful life of the most important components.

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



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

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

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

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

## 5) Property, plant and equipment contributed by customers

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

## 6) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low value assets. The Group recognizes lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

### i) Right of use assets

The Group recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

- Land lease 10 to 30 years
- Car leases 1 to 6 years
- Solar panel energy 10 to 15 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment. Refer to the accounting policies in section (9) Impairment of non financial assets.

### ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition,

the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset (see Note 5.6.3).

### iii) Short term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

### Group as a lessor

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

### Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the

shorter of the estimated useful life of the asset and the lease term.

## 7) Borrowing costs

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

## 8) Intangible assets

The Group holds intangible assets with finite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset



- The ability to measure reliably the expenditure during development

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

#### Licenses

The Group made upfront payments to purchase licenses related to the ERP system. Separately acquired licenses are shown at historical cost. Licenses have a finite useful life and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated using the straight line method to allocate the cost of licenses over their estimated useful lives.

#### 9) Impairment of non financial assets

Further disclosures relating to impairment of non financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 5.4
- Property, plant and equipment Note 5.6.2
- Intangible assets Note 5.6.1
- Leases Note 5.6.3

The Group assesses at each reporting date, whether there is an indication that the asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are

taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

An assessment is made at each reporting date of whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's CGU recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset does not exceed the lower of its recoverable amount, and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

#### 10) Financial instruments

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

##### Financial assets

###### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as

subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (17) Revenue from contracts with customers.

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

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The ex-post calculation of the fuel component for the year 2018 led to the conclusion that under coverages were developed for the amount of ANG 13.5 million. This amount was recognized as accounts receivable and recovered starting April 2021 at ANG 0.0205 per kWh. The total amount was recovered by April 2022. In March 2022 a recovery of 9.2 million was approved for under-coverages of the fuel component for the year 2019. The same recovery component of ANG 0.0205 will be included in the tariffs starting April 1, 2022.

###### *Subsequent measurements*

For purposes of subsequent measurement, financial assets are classified in four categories:

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

As at December 31, 2021 and 2020 the group only holds financial assets classified as financial assets at amortized cost (debt instruments).

Financial assets at amortized cost (debt instruments) This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

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

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

###### *Derecognition*

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

- The rights to receive cash flows from the asset have expired.
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either (a) the Group has



transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

#### *Impairment of financial assets*

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based

on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors, including taking into consideration the deposits received at inception of the contract and the economic environment.

For the year 2021 the impact of COVID-19 has decreased but the war between Russia and Ukraine does increase the level of uncertainty. Adapting the default rate would lead to a release in the provision, but if the economic conditions worsen by next year, an increase in the provision would have a negative impact. Therefore, the decision is to adopt a more conservative approach where the average between the prior and the current year is used. For 2021 the deposits are taken into consideration in determining the ECL.

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

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through either profit or loss, loans and borrowings, and payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

##### **Subsequent measurement**

###### *Loans and borrowings*

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are

recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

##### *Derecognition*

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

#### **Offsetting of financial instruments**

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

#### **11) Inventories**

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

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials (Fuel inventory): purchase cost on a first in/first out (FIFO) basis.
- Finished goods (Parts inventory): cost of direct materials including shipping and freight on a weighted average cost basis.

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

#### **12) Cash position (includes “Cash and cash equivalents” and “Bank overdraft”)**

Cash and cash equivalents are comprised of cash on hand, deposits held at call with banks and other short term highly liquid investments.

#### **13) 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.

#### **14) Treasury shares**

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

#### **15) Provisions**

##### **General**

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

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

##### **• Onerous contracts**

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.



#### • Provision for the decommissioning of Mundu Nobo

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

#### • Provision for reorganization

The reorganization provision has been created with the aim to execute the reorganization/right sizing plan within Aquallectra. The provision as per December 31, 2021 is based on an one-time redundancy payment scheme that is in accordance with the CLA's of Aquallectra Production and Aquallectra Distribution. The actual termination of employees due to reorganization and rightsizing was expected to take place in 2021 but a delay was experienced in the project and is now expected to be finalized at the end of August 2022.

## 16) Employment benefits

### General

All employee benefits provisions, except for the provision for vacation leave, are based on actuarial calculations. For the key actuarial assumptions please see note 5.6.7.1. The independent and qualified actuary obtained sufficient information in order to perform the valuations.

### Post employment benefits

All the post employment benefit plans within the Group are defined benefit plans with the exception of the pension plan which was changed to a Defined Contribution plan as per January 1, 2018. The post employment benefit accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing post employment benefits is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carried out a full valuation of the plans. The post employment

benefit obligation is measured as the present value of the estimated future cash outflows using market yield of high quality USD denominated corporate bonds, which have terms of approximately the terms of the related liability. Any unrecognized past service costs and the fair value of any plan assets are deducted.

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

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

#### *APC Pension plan*

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

#### *APC Supplementary pension ('Duurtetoelag')*

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

#### *Vidanova pension plan*

The employees of the Group that do not participate in the APC pension plan, participate in a multi employer defined contribution plan (administered at 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 employer

premium is charged as an advance for the defined contribution plans.

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

#### *APC Early retirement benefit ('VUT')*

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

#### *Aquallectra VUT*

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

#### *AOV/BVZ compensation:*

Based on a protocol signed in 2017 and renegotiated in 2018, employees reaching 60 years of age during coming years, up to and including 2023, will have the choice to retire at 60 years or continue working until they reach 65 years of age. This stems from the change of the age at which a citizen of Curaçao is eligible for a general pension grant (Algemene Ouderdomsvoorziening – AOV). In 2013, the lawful age at which a citizen could apply for this grant was changed from 60 to 65 years. Given the strategic goal of Aquallectra to increase efficiency by investing in sophisticated applications and consequently reducing the number of FTE's, it was negotiated with the Unions that the age of 60 will be maintained for the employees of Aquallectra as retirement age. Up to and including 2023, employees reaching 60 years will have the choice to retire or continue working until 65 years of age. Acknowledging the fact that those retiring at age 60, will be disadvantaged as they will only receive the general pension grant

when they reach the age of 65, the BMD agreed with the Unions that the gap will be duly compensated.

The Provision AOV/BVZ compensation aims at bridging the gap caused by:

- The employee not being eligible yet for the general pension grant (AOV);
- The difference in social security premiums which are lawfully lower when reaching the age of 65;
- Any tax consequences the above may cause.

#### *Provision retirement stimulation:*

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

#### *Medical costs retired employees*

Since July 31, 2014 both the active employees and the Group contributed 2% of the total gross salary as compensation for the medical costs of retired employees. Retired personnel contribute 2% of their pension. In accordance with the collective labor agreements of Aquallectra Distribution and Aquallectra Production, retired employees would be compensated to a certain extent for their medical costs. Effective August 1, 2014, with the implementation of the basic health care insurance (Basisverzekering Ziektekosten, BVZ, administered at the Sociale Verzekeringsbank, SVB), changes were made to the health coverage plan for the retired personnel. The 2% contribution is no longer applicable, and to partially compensate the employees for the additional costs of BVZ effective from their retirement date,



onwards the Group contributes 3% of the retired employee's pension to the SVB.

#### **Other long term employee benefits**

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

#### **Anniversary bonus**

According to the collective labor agreements of Aqualetra Distribution and Aqualetra Production, employees are entitled to an anniversary bonus linked to their number of years of service. The employees of Integrated Utility Holding N.V. are also entitled to an anniversary bonus linked to their number of years of service.

#### **17) Revenue from contracts with customers**

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

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

#### **Water & electricity sales**

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

#### **Pagatinu**

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

#### **Connection fees, fines charges and miscellaneous income**

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

#### **Rental of water meters, buildings and poles**

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

#### **KVA Allowance**

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

#### **Services related to streetlights, sales and distribution, Selikor and Aquadesign**

Revenue for these services can be recognized after the completion of the service. The revenue of Selikor N.V. is recognized after invoicing the customers and Aquadesign is recognized upon providing AD N.V. with electricity. The performance obligation is delivering the services to streetlights, installation and removal of spotlights, invoicing of customers on behalf of Selikor and the provision of electricity to Aquadesign. The transaction price is fixed.

#### **Several/extraordinary income**

Aqualetra can recognize the transaction prices as revenue after the items and/or assets are sold and after the inspection cards are given out by Aqualetra. The transaction prices of the fixed assets and inventory sold by Aqualetra are determined specifically for each item.

The transaction price for the inspection cards is fixed. Additional disclosure with regard to the group's revenue from contracts with customers is provided in Note 5.7.1.

#### **18) Interest income and expenses**

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

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

#### **19) Taxes**

##### **Current profit tax**

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

##### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized





## **GRATITUDE FEEDS GOODWILL**

When the showing of gratitude in a society, whether macro or micro, becomes a honored custom even for deeds that were nothing more than the doer's duty, duties will be performed with more satisfaction and pride, resulting in a community that goes above and beyond what is expected. It is this positive effect that we envision when conducting these symbolic acts of handing out tokens of appreciation to those who merit recognition, and through them, to our community.

subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

#### **Territorial regime**

As of January 1, 2020 Curaçao, has shifted from a worldwide tax system with exemptions for foreign sourced income to a territorial tax system where only income from a domestic enterprise will be subject to corporate income tax in Curaçao.

#### **As domestic income the following can be considered:**

- Business activities undertaken or exercised in Curaçao, including maintenance and repair work taking place in Curaçao;
- Leasing or renting of property (immovable and otherwise) located in Curaçao or rights used in Curaçao;
- Lending or depositing funds to or with residents and receiving premiums and capital in respect of risks located within Curaçao;
- Passive income which is always considered to be income from a domestic enterprise. This also applies to passive income from financial institutions such as banks and insurers;
- Business activities undertaken or exercised in Curaçao by foreign entrepreneurs in case of a local permanent establishment or in case of local real estate.

#### **On the other hand, non-domestic income would be:**

- Business activities undertaken or exercised abroad, such as e.g., a permanent establishment;
  - Lending or depositing funds as part of an enterprise to or with non-residents or non-domestic enterprises and receiving premiums and capital in respect of risks located outside of Curaçao.
- The classification as domestic income will be based on the ratio between local and foreign direct expenses, excluding the cost of materials for products.

#### **New substance requirements**

New requirements with regard to substance have also been introduced. Enterprises that generate non-domestic income must also have sufficient direct or indirect employees to perform the core activities and have expenses commensurate with the type and size of these core activities. In addition, the entity must at a minimum have a substance that is comparable to what would be deemed a permanent establishment if the entity would have been a non-resident tax payer.

## **20) Changes in accounting policies and disclosures**

### **New and amended standards and interpretations**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### **Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the Consolidated Financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

### **Amendments to IFRS 16 COVID-19 Related Rent Concessions**

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments, resulting from the COVID-19 related rent concession, the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to

30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within an allowed period of application.

### **Standards issued but not yet effective**

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

### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, then the terms of a liability not would impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

### **Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

### **Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16**

In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.





## 5.4 SIGNIFICANT accounting judgments, estimates and assumptions

**The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.**

### Critical accounting estimates and judgments

The Group applies estimates and judgments which are based on historical experience and on other factors including expectations of future events that are to be reasonable under the circumstances.

The Group's critical accounting estimates and assumptions and critical judgments in applying the entity's accounting policies are discussed in this paragraph.

#### a. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the Consolidated Financial statements:

*Determining the lease term of contracts with renewal and termination options – Group as lessee*

The Group determines the lease term as the non cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered

by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for two grounded leases that have already passed their non cancellable period and have been renewed multiple times already. The Group typically exercises its option to renew for these leases because there will be a significant negative effect on the operations if a replacement asset is not readily available.

One renewal period for the archive space has also been included as part of the lease term as it is reasonably certain to be exercised.

Refer to Note 5.6.3 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

#### b. Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### c. Estimates and assumptions

The Group based its assumptions and estimates on parameters available when the Consolidated Financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Provision for expected credit losses of trade receivables*  
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For the year 2021 the impact of COVID-19 has decreased but the war between Russia and Ukraine does increase the level of uncertainty. Adapting the default rate would lead to a release in the provision, but if the economic conditions worsen by next year, an increase in the provision would have a negative impact. Therefore, the decision is to adopt a more conservative approach were the average between the prior and the current year is used. The ECL for the accounts receivable < 365 days decreased compared to the prior year as a result of the above. Also a decrease in the default rate of the >365 age bucket was recorded. The default rate for this age bucket was over 79% in the prior year due to high diligence but was lowered with 25% in 2021 as a result of the approach mentioned above and more available data which improved the accuracy of the ECL calculation.

Furthermore, cash security deposits of customer are also included in calculating the expected credit loss and therefore also impacts the ECL. Customers have to pay a deposit for each new connection, which is presented as refundable amounts on the statement of financial position. This amount is for financing the not yet registered consumption, the claims against debtors and also serves as a security for the consumer to meet his financial obligations with regard to the Group. Taking the aforementioned into consideration, Aqualetra proceeded to allocate the cash security deposits to all customers that have an open amount at year end. The information about the ECLs on the Group's trade receivables is disclosed in Note 5.6.5.

*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" corporate bonds that are denominated in the currency in which the benefits will be paid (or currency which ANG is pegged to), and that have terms to maturity approximating the terms of the related pension liability.



Other key assumptions for obligations are based in part on current market conditions. Additional information or the applied assumptions are disclosed in note 5.6.7.1.

*Provision reorganization*

The reorganization provision has been created with the aim to execute the reorganization/right sizing plan within Aquallectra. The provision as per December 31, 2021 is based on the redundancy payment scheme as included in the CLA's of Aquallectra.

*Provision decommissioning*

The provision for the Mundu Nobo premises consists of the costs for the demolition of buildings, civil works and installations, including the costs of removal and eventual processing of the residuals. The provision as of December 31, 2021 and as of December 31, 2020 is based on actual costs incurred, external quotations and internal estimates.

*Cumulative tax losses to be compensated with future taxable profits*

The deferred tax assets of the Group are mainly attributable to cumulative tax losses for which it is probable that future taxable profit will be available to be utilized against these.

The tax losses will expire in a period of ten years commencing in the year in which the fiscal loss was incurred. The estimation of the future taxable profits that can be utilized against these tax losses is based on the BMD'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.

**d. Critical judgments in applying the entity's accounting policies**

*Impairment test Property, Plant and Equipment*

In order to assess the fair value of the property, plant and equipment, when annual impairment testing or impairment reversal testing is required, the present value of future generated cash flows (recoverable

value of the assets) is calculated. To calculate the future generated cash flows, assumptions and judgments are made with regard to future profits, investments, interest rates and the capitalization rate based on the available information about the business, 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. As per December 31, 2021, there were no impairment indicators.

## 5.5 FINANCIAL risk management

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

The BSD has overall responsibility for the establishment and oversight of the Group's risk management framework. During 2021 the Risk Management Committee did not engage in risk monitoring activities through the Risk Committee but discussed risk matters in the general setting.

## 5.6. Explanatory notes to the consolidated summary statement of FINANCIAL Position

### 5.6.1 Intangible Assets

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

(Amounts * 1,000)	Dec 31, 2021	Dec 31, 2020
<b>INTANGIBLE ASSETS</b>		
Cost January 1	59,085	59,085
Accumulated amortization	(10,130)	(6,231)
<b>Book value January 1</b>	<b>48,955</b>	<b>52,854</b>
<b>Amortization - current year</b>	<b>(3,898)</b>	<b>(3,899)</b>
Cost December 31	59,085	59,085
Accumulated amortization	(14,028)	(10,130)
<b>Balance at end of year</b>	<b>45,057</b>	<b>48,955</b>

In March 2012, a Professional Service Agreement was signed with SAP Puerto Rico GMBH LLC. (SAP) for the implementation of a new enterprise resource planning (ERP) system. The new ERP system was implemented at the start of 2018 at which point amortization started.

**Aquallectra hands a plant as a token of appreciation to the Minister of Education, Science, Culture and Sport, Mr. Sithree van Heydoorn and the Dienst Openbare Scholen (Public Schools board), in representation of the whole educational workforce that managed to keep enlightening our youth despite all challenges the pandemic years presented.**



## 5.6.2 Property, Plant and Equipment

The table below provides an overview of the property, plant and equipment as per December 31, 2021 and as per December 31, 2020:

(Amounts in ANG * 1,000)	Cost 1-Jan-21	Accum. depr. 1-Jan-21	Book value 1-Jan-21	Additions 2021	Disposals 2021
Communication network	23,023	18,607	4,416	82	-
Land and Buildings	237,297	158,910	78,387	70	(38)
Production Plants	353,096	183,647	169,449	-	(1,567)
Distribution network	773,225	533,911	239,314	(2,806)	(133)
Metering network	50,142	32,802	17,340	690	(127)
Industrial Equipment & Accessories	4,336	3,379	957	104	-
Other assets	16,034	12,840	2,911	184	-
Spare parts	9,921	7,088	2,833	21,922	-
Work in progress	25,850	-	25,850	28,091	-
	<b>1.492,884</b>	<b>951,467</b>	<b>541,457</b>	<b>48,337</b>	<b>(1,865)</b>

(Amounts in ANG * 1,000)	Cost 1-Jan-20	Accum. depr. 1-Jan-20	Book value 1-Jan-20	Additions 2020	Disposals 2020
Communication network	22,957	18,453	4,504	54	-
Land and Buildings	237,236	153,142	84,093	61	-
Production Plants	352,280	173,508	178,773	253	-
Distribution network	770,541	499,580	270,961	(102)	-
Metering network	48,256	29,097	19,159	1,608	-
Industrial Equipment & Accessories	4,336	3,075	1,261	-	-
Other assets	15,529	12,088	3,441	223	-
Spare parts	8,242	5,566	2,675	1,679	-
Work in progress	19,559	-	19,559	13,516	(3,794)
	<b>1.478,936</b>	<b>894,509</b>	<b>584,426</b>	<b>17,292</b>	<b>(3,794)</b>

Transfers 2021	Reclass 2021	Depreciation 2021	Adjust 2021	Cost 31-Dec-21	Accum. depr. 31-Dec-21	Book value 31-Dec-21
3,066	83	(283)	-	26,254	18,906	7,348
524	-	(5,052)	38	237,853	163,925	73,929
11	359	(10,125)	1,566	351,898	192,250	159,649
3,657	2,061	(27,863)	133	776,003	561,641	214,363
1,203	-	(3,854)	123	51,908	36,533	15,375
-	-	(252)	-	4,440	3,631	809
176	732	(1,050)	283	17,125	14,139	2,987
-	-	(19,016)	1,537	31,843	24,567	7,276
(8,636)	10,677	-	-	55,982	-	55,982
<b>-</b>	<b>13,912</b>	<b>(67,806)</b>	<b>3,678</b>	<b>1.553,310</b>	<b>1.015,592</b>	<b>537,718</b>

Transfers 2020	Reclass 2020	Depreciation 2020	Adjust 2020	Cost 31-Dec-20	Accum. depr. 31-Dec-20	Book value 31-Dec-20
12	-	(154)	-	23,023	18,607	4,416
-	-	(5,768)	-	237,297	158,910	78,387
563	-	(10,125)	(14)	353,096	183,647	169,449
4,268	(1,482)	(34,332)	-	773,225	533,911	239,314
-	277	(3,706)	-	50,142	32,802	17,340
-	-	(304)	-	4,336	3,379	957
728	-	(1,035)	(446)	16,034	13,123	2,911
-	1,679	(1,537)	15	9,921	7,088	2,833
(5,571)	2,140	-	-	25,850	-	25,850
<b>-</b>	<b>935</b>	<b>(56,961)</b>	<b>(445)</b>	<b>1.492,884</b>	<b>951,467</b>	<b>541,457</b>



## 5.6.3 Leases

Following the adoption of IFRS 16, lease Contracts and/or other contracts that qualify as the scope of leases as determined by the new Standards had to be capitalized. Aqualetra leases cars and land. The latter being governmental land leases. Furthermore, the power purchase agreement for the solar panels installed on the roofs of schools, qualified as a lease, when assessing it against the IFRS 16 requirements. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The lease term for solar panels is currently between 10 and 15 years. The remaining lease terms for cars is between 1 and 6 years, while the land leases are currently at 10 to 30 years remaining. There are several lease contracts that include extension and termination options. There are no leases with low value.

Set out below are the carrying amounts of right of use assets recognized and the movements during the period:

(Amounts in ANG * 1,000)	Solar panels	Car lease	Ground lease	Total
Balance at January 1, 2021	4,096	5,344	13,195	22,634
Prior year adjustment	-	(241)	-	(241)
Addition	-	605	-	605
Depreciation expense	(337)	(1,783)	(471)	(2,591)
<b>Balance at December 31, 2021</b>	<b>3,759</b>	<b>3,925</b>	<b>12,723</b>	<b>20,408</b>

Set out below are the carrying amounts of lease liabilities (included as non current Liabilities) and the movements during the period:

(Amounts in ANG * 1,000)	2021	2020
Balance at January 1	23,549	20,836
Prior year adjustment	(680)	-
Addition	766	6,537
Accretion of interest	886	1,079
Payments	(4,615)	(4,903)
<b>Balance at December 31</b>	<b>19,906</b>	<b>23,549</b>

The following are the amounts recognized in profit or loss:

(Amounts in ANG * 1,000)	2021	2020
Depreciation expense right-of-use assets	2,591	4,270
Interest expense on lease liabilities	848	1,079
<b>Total amount recognized in profit or loss</b>	<b>3,387</b>	<b>5,350</b>

The total cash outflows for leases amounted to ANG 4.6 million in 2021. There are no future cash outflows relating to leases that have not yet commenced.

The Group has several lease contracts that include extension and termination options. These options are negotiated by the BMD to provide flexibility in managing the leased assets portfolio and align with the Group's business needs. The BMD exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 5a Judgements).

All extension options were included in the lease term and termination options were excluded from the lease terms.

## 5.6.4 Inventories

A summary of inventories as per December 31, 2021 and as per December 31, 2020 is specified below:

(Amounts in ANG (net of provision)* 1,000)	Dec 31, 2021	Dec 31, 2020
Materials and spare parts (net)	35,710	40,990
Fuel and lubricants	7,823	4,141
Water	615	724
<b>Total Inventories</b>	<b>44,147</b>	<b>45,855</b>

During 2021 a project was started to properly classify material and parts as Major Spare Parts based on applicable reporting standards. Based on this assessment there were two major reclass adjustments that were recorded. An amount of ANG 14.9 million was reclassified out of the material stock and properly classified as Major spare parts. Also an amount of ANG 16.9 million was reclassified from expenses (materials) and properly capitalized and classified as Major spare parts.

### Provision inventories

(Amounts in ANG (net of provision)* 1,000)	Dec 31, 2021	Dec 31, 2020
Balance at the beginning of the year	(8,480)	(9,119)
Addition / (Release)	(1,852)	639
<b>Balance at end of the year</b>	<b>(10,332)</b>	<b>(8,480)</b>



## 5.6.5 Trade accounts receivable

The composition of trade accounts receivable as per December 31, 2021 and as per December 31, 2020 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Residential Customers	101,630	106,332
Commercial Customers	39,668	48,116
Industrial Customers	48,045	39,235
Street Light Customers	4,992	9,801
Government Customers	12,873	10,633
Billing cycle to be invoiced	16,669	19,954
Allocated Cash Security deposits	(15,229)	(15,189)
Regulatory receivables	39,215	39,477
	<b>247,863</b>	<b>258,359</b>
Expected credit loss	(74,025)	(107,026)
	<b>(74,025)</b>	<b>(107,026)</b>
<b>Total trade accounts receivable</b>	<b>173,838</b>	<b>151,333</b>

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

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Balance at the beginning of the year	(107,026)	(115,901)
Releases / (Additions)	(3,103)	(2,783)
Write off 2021	36,104	11,658
<b>Balance at end of the year</b>	<b>(74,025)</b>	<b>(107,026)</b>

## 5.6.6 Financial liabilities

The summary below provides insight in outstanding long term loans as per December 31, 2021 and as per December 31, 2020:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Loan Meerjarenplan (MJP)	13.885	13.885
Loan CIBC / MCB facility Tr-1A	268.708	283.233
	<b>282.593</b>	<b>297.118</b>
Current maturities of long-term loans	(28.410)	(28.410)
<b>Total Financial liabilities</b>	<b>254.183</b>	<b>268.708</b>

### Loan MJP:

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

The group has corresponded with the previous Minister of Finance regarding the settlement of a part of the outstanding amount with receivable amount for electricity and water bills of various governmental departments. No securities were pledged to this loan. Interest was fixed at 2.5% per annum.

### Loan CIBC/MCB facility

On November 14, 2018, a facilities agreement was signed with Maduro & Curriel's Bank N.V. (MCB) and CIBC First Caribbean Bank (CIBC) for ANG 375 million (of which ANG 325 is committed). The first tranche of ANG 160 million was made available on December 28, 2018.

The second tranche of ANG 125 million was disbursed on December 13, 2019. ANG 244 million of the loan bears interest of 3.75% per annum and ANG 41 million of the loan sold down and bears interest of 4%. Both tranches are fixed for 5 years. The facilities agreement also includes and overdraft of ANG 40 million. As secured collateral, the banks have a deed of mortgage on registered property, deed of pledge of movable assets, deed of pledge of receivables and a declaration of non disposal and negative pledge. In 2020, Aqualetra requested the banks to grant certain waivers on behalf of the lenders to the company for not making the payment of the principal and interest that was due on June 29, 2020 and September 28, 2020 as consequence of the COVID-19 impact. This request was granted, with the condition that the interest that was due on the abovementioned repayment dates qualify as borrowed amounts under the facilities and be added as per relevant repayment date to then outstanding principal amounts thereunder and that from that date interest will accrue over such increased outstanding principal amounts at the applicable rates set out in the agreements. IUH N.V. paid all four quarters of principal and interest payments of the facilities agreement in 2021 on time.

## 5.6.7 Provisions

The provisions as per December 31, 2021 and as per December 31, 2020 can be divided in the following categories:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Provisions employee benefits	77,761	80,263
Other provisions	6,510	6,510
<b>Total provisions</b>	<b>84,271</b>	<b>86,773</b>



### 5.6.7.1 Provisions employee benefits

The provision for employee benefits as per December 31, 2021 and as per December 31, 2020 is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Provision medical costs retired employees	8,440	8,515
Provision supplementary pension APC (DT)	11,184	11,615
Provision early retirement benefit (VUT)	46	134
Provision anniversary bonus	15,426	15,015
Provision AOV/BVZ compensation	12,968	14,587
Provision vacation leave	5,358	3,573
Provision retirement stimulation	4,746	6,853
Provision reorganization expense	19,593	19,971
<b>Total provisions</b>	<b>77,761</b>	<b>80,263</b>

The calculations of the provisions, except vacation leave, are based upon actuarial assumptions. The key assumptions for each plan are included in the table below. For the discount rate applied, refer to the sensitivity analysis within this section.

#### Actuarial assumptions

	2021	2020	Applicable for
Indexation	0%	0%	Medical, AOV/BVZ, VUT, DT and Early Retirement stimulation
Discount rate	3,75%	3,75%	Medical, AOV/BVZ, VUT, DT and Early Retirement stimulation
Inflation	0%	0%	Medical, AOV/BVZ, VUT, DT and Early Retirement stimulation
Turnover	1%	1%	Medical, AOV/BVZ and Early Retirement stimulation
Salary increases	2,00%	1,50%	Anniversary and Early retirement plan

Mortality:	2021	2020
Male:	GBM0813	GBM0813
Female:	GBV0813	GBV0813

#### Retirement age for 2021 and 2020:

Probability to retire at age 60 - 85%  
Probability to retire at age 65 - 15%

### 5.6.8 Trade accounts payable

The Table below provides an overview of the Trade accounts payable as per December 31, 2021 and as per December 31, 2020:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Curoil N.V.	15,077	11,870
Local suppliers	12,052	8,282
Foreign suppliers	5,921	1,050
Government institutions	7,589	6,128
Advanced payments received from clients	10,444	9,376
Other accounts payable	5,693	2,158
<b>Total accounts payable</b>	<b>56,776</b>	<b>38,864</b>

### 5.6.9 Contingent assets

Among other contingent assets, there exist a contingent asset related to CUC Holdings. 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 57.6 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 pending to be adopted to formalize the above mentioned. The BMD has been in deliberation with both the Government and the Shareholders of both companies to accelerate the execution of the decision of the Council of Ministers of February 20, 2013. The Government as the representative of both companies, namely the Minister of Finance in charge of Aquallectra and the Minister of General Affairs in charge of Refineria di Kòrsou has met with the representatives of both companies. It was agreed that both companies will work together to reach an agreement for settlement of the compensation for the shares transferred. The Management of both companies has retained legal and financial advisors to assist in the process of reaching a settlement agreement. The BMD is pursuing the solution of this matter.



The resilience of our hospitality and tourism industry merited a special recognition and Aqualectra showed this by presenting a plant to the Curaçao Hospitality and Tourism Association.



## 5.7 Explanatory notes to the consolidated summary statement of Comprehensive INCOME

### 5.7.1 Revenue from contract with customers

The total revenues are presented below:

December 31, 2021

	Services		
	Water & electricity sales and KVA Allowance	Pagatinu	Connection fees, fines charges and miscellaneous income
(Amounts in ANG * 1,000)			
Revenue from contract with customers	441,758	61,598	261
<b>Timing of revenues recognition:</b>			
Services transferred at a point in time	14,991	-	261
Service transferred over time	426,767	61,598	-
<b>Total revenue from contract with customers</b>	<b>441,758</b>	<b>61,598</b>	<b>261</b>

December 31, 2020

	Services		
	Water & electricity sales and KVA Allowance	Pagatinu	Connection fees, fines charges and miscellaneous income
(Amounts in ANG * 1,000)			
Revenue from contract with customers	438,697	57,147	801
<b>Timing of revenues recognition:</b>			
Services transferred at a point in time	39,477	-	801
Service transferred over time	399,220	57,147	-
<b>Total revenue from contract with customers</b>	<b>438,697</b>	<b>57,147</b>	<b>801</b>

Services					
Rental of water meters	Rental of buildings and poles	Services related to streetlights, sales and distribution, Selikor and Aquadesign	Other revenue	Total	
533	82	9,156	1,099	514,487	
-	-	4,760	1,099	21,111	
533	82	4,396	-	493,376	
<b>533</b>	<b>82</b>	<b>9,156</b>	<b>1,099</b>	<b>514,487</b>	

Services					
Rental of water meters	Rental of buildings and poles	Services related to streetlights, sales and distribution, Selikor and Aquadesign	Other revenue	Total	
513	-	7,736	2,740	507,635	
-	-	3,286	2,740	46,304	
513	-	4,451	-	461,331	
<b>513</b>	<b>-</b>	<b>7,736</b>	<b>2,740</b>	<b>507,635</b>	

## 5.7.2 Direct costs production

The Direct costs production are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Fuel usage	161,989	131,634
Chemicals	4,920	3,930
Lubrication	4,496	5,558
Purchase of water & electricity	18,907	19,356
Other direct cost of production	894	405
Purchase of electricity from CUC	2,445	15,614
Purchase of electricity from wind farms	38,900	37,389
<b>Total direct costs of production</b>	<b>232,551</b>	<b>213,886</b>

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Temporary Diesel Power Plant	452	847
<b>Total other direct costs of sale</b>	<b>452</b>	<b>847</b>

The IUH agreement ceased to exist as per December 31, 2019. Therefore no expenses were incurred in 2021 and 2020.

## 5.7.3 Salaries, social securities and other personnel expenses

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

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Salaries	63,172	58,221
Overtime	4,307	3,679
Social securities	22,330	22,425
Reorganization expenses	-	19,971
Other personnel expenses	4,358	8,321
<b>Total salaries, social securities and other personnel expenses</b>	<b>94,167</b>	<b>112,617</b>

The development in the labor force during 2021 and 2020 was as follows:

Labor force	Aqualectra N.V.	Integrated Utility Holding N.V.	Aqualectra Multi Utility N.V.	Total
31-12-2020	581	2	1	584
31-12-2021	563	2	1	566
<b>Net Increase/decrease</b>	<b>(18)</b>	<b>-</b>	<b>-</b>	<b>(18)</b>

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
Other (post) employment benefits (net)	4,149	4,405
<b>Total salaries, social securities and other personnel expenses</b>	<b>4,149</b>	<b>4,405</b>

## 5.7.4 Parts, repairs and maintenance

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

### DECEMBER 31, 2021

(Amounts in ANG * 1,000)	Parts	Services	Other	Total
Electricity	(3,984)	18,944	-	14,960
Water	1,400	5,352	-	6,752
Other assets & facilities	72	1,577	-	1,649
General	1,734	497	-	2,231
Other material usage expense	-	-	1,459	1,459
Other service expense	-	-	21	21
Provision for obsolete inventory	-	-	1,862	1,862
<b>Total Parts, Repair &amp; Maintenance Expenses</b>	<b>(778)</b>	<b>26,370</b>	<b>3,342</b>	<b>28,934</b>

### DECEMBER 31, 2020

(Amounts in ANG * 1,000)	Parts	Services	Other	Total
Electricity	14,934	11,348	-	26,282
Water	1,105	4,326	-	5,431
Other assets & facilities	65	1,551	-	1,616
General	7,254	7,126	-	14,380
Other material usage expense	-	-	5,914	5,914
Other service expense	-	-	(5)	(5)
Provision for obsolete inventory	-	-	(568)	(568)
<b>Total Parts, Repair &amp; Maintenance Expenses</b>	<b>23,358</b>	<b>24,351</b>	<b>5,341</b>	<b>53,050</b>

During 2021 a project was started to properly classify material and parts as Major Spare Parts based on applicable reporting standards. Based on this assessment there were two major reclass adjustments that were recorded. An amount of ANG 14.9 million was reclassified out of the material stock and properly classified as Major spare parts. Also an amount of ANG 16.9 million was reclassified from expenses (materials) and properly capitalized and classified as Major spare parts.

Without these reclassifications, the total repair & maintenance expenses would have amounted to ANG 60.7 million, which is ANG 7.7 million (14.5%) higher than 2020, due to the various expenses incurred to ensure the electricity grid was stabilized again, after the four black-outs experienced in December 2020/January 2021.

## 5.7.5 General expenses

General expenses are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
<b>General expenses</b>		
Housing and car fleet	3,541	4,647
Office expenses	2,991	4,317
Insurance and security	7,125	5,942
Consultancy	8,047	10,684
Communications and public relations	3,663	2,432
Other expenses	665	(9,202)*
Regulation and compliance fees	1,686	1,615
Power outage cost	(1,058)	1,868
Supervision expenses	286	153
<b>Total general expenses</b>	<b>26,946</b>	<b>22,456</b>

\* Various old and time bared other liabilities were cleared, resulting in one time miscellaneous gains in 2020

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

## 5.7.6 Interest expense (net)

A breakdown of the interest expenses is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2021	Dec 31, 2020
MCB/FCIB loan	9,799	10,519
Lease Liability	848	1,079
Other interest expenses	(294)	409
<b>Total Finance cost</b>	<b>10,353</b>	<b>12,006</b>
Interest income	(224)	(29)
<b>Total finance income</b>	<b>(224)</b>	<b>(29)</b>
<b>Total Financial costs (net)</b>	<b>10,129</b>	<b>11,977</b>

## 5.7.7 Transactions with key management personnel

### Identification of related parties

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

The remuneration of the direct management of the Group is included in the consolidated statement of comprehensive income under personnel costs. The remuneration of the BSD is included in the consolidated statement of comprehensive income under general expenses.

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

(Amounts in ANG * 1,000)	2021	2020
Short-term employee benefits	1,601	1,866
Post-employment employee benefits	424	320
<b>Total key management officers' compensation</b>	<b>2,025</b>	<b>2,186</b>

As per December 31, 2021, the key management consisted of 1 Chief Executive Officer, 1 Chief Financial officer and 8 Tier one Managers, hence no changes compared to 2020.

As per December 31, 2021 the BSD consisted of 5 Directors (2020: 4).





**Aqualectra  
thanking CARMABI  
with a plant for their  
focus, vision and actions  
with regards to the  
protection of our most  
valuable resource, our  
natural environment.**

## 5.8 Subsequent events

On February 24, 2022, the president of Russia announced his decision to invade Ukraine and with this action, started a war between the two countries. Although very far away from Curaçao, this war has a significant impact on Aqualectra's operations and future plans. Beside the increasing fuel prices, causing the tariffs' fuel component to rise significantly, unavailability of materials on the market may pose an additional risk for Aqualectra as projects are delayed (especially the AMI project due to unavailability of chips). Furthermore, logistical costs have increased considerably, which poses additional pressure on Aqualectra's base component as these expenses are not automatically passed through to customers and it takes a full year for any under-coverages to be recognized.

On April 7, 2022, following an in-depth analysis and evaluation process, Aqualectra signed a heads of agreement with Eagle LNG Partners. This agreement marks the start of the negotiations to bring LNG to Curaçao as the fuel on which electricity generation will be based on in the future. This will significantly impact the fuel component (as the prices of LNG are much lower than those of conventional fuel) as well as the base component of the electricity tariffs, as machine reliability is increased and it is expected that less service will be needed, which consequently will lower repair & maintenance expenses.

On December 23, 2021, an asset purchase agreement was signed with PSB Bank to acquire the Pagafasil platform. Pagafasil is one of the two payment platforms that offer collection services at various merchants geographically distributed all over the island for various companies, among them Aqualectra. This acquisition is considered a strategic one for Aqualectra. Aqualectra plans to further develop, automate and digitalize the platform to become more independent from the merchant network and thus mitigate the collection risk and to propel forward the digital ambition of the company and also the community in its entirety.

On December 30, 2021, IUH N.V. submitted its case to obtain a telecom license that was being tendered by Bureau Telecommunicatie & Post on behalf of the Minister of Traffic, Mobility and Infrastructural Development. On May 4, 2022, the Council of Ministers took a decision to inform Integrated Utility Holding N.V. through the intervention of Bureau Telecommunicatie & Post that a telecom license will be considered after adjustments are made to IUH N.V.'s bylaws to hoard telecom activities. The BMD is of the opinion that the bylaws of IUH do offer the possibility to offer telecom services. Furthermore, any telecom service will be rendered from a new company, to be established specially to offer telecom services. Further, formal communication with IUH N.V. on this matter is pending.



# Independent AUDITOR'S report

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

## Report on the Audit of the Consolidated Summary Financial Statements 2021 as included in the Annual Report 2021

### Opinion

The consolidated summary financial statements of Integrated Utility Holding N.V., which comprise the consolidated summary statement of financial position as at 31 December 2021, the consolidated summary statement of comprehensive income, consolidated summary statement of changes in shareholder's equity and consolidated summary statement of cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Integrated Utility Holding N.V. for the year ended 31 December 2021.

In our opinion, the accompanying consolidated summary financial statements are consistent, in all material respects, with the audited consolidated financial statements 2021 of Integrated Utility Holding N.V., in accordance with the notes to the consolidated summary financial statements.

### Consolidated Summary Financial Statements

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

### The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the consolidated financial statements in our report dated 27 June 2022. The report also includes one emphasis of matter paragraph relating to contingent assets.

We draw attention to note 5.6.17.4 'Contingent Assets - Curaçao Utilities Company N.V. (CUC N.V.) shares' where a possible settlement for transfer of shares of CUC N.V. is disclosed.

The Minister responsible for IUH N.V. adopted a resolution in January 2011 in which was stated that the Group had to transfer the CUC Holdings shares to Refineria di Korsou (RdK) without any compensation.

The transfer of the shares was effected on 19 January 2011. The Council of Ministers engaged an independent third party 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 pending to be adopted to formalize the above mentioned. Management has been in deliberation with both the Government and the Shareholders of both companies to accelerate the execution of the decision of the Council of Ministers of February 20, 2013. The Government, as the representative of both companies, namely the Minister of Finance in charge of Aquallectra and the Minister of General Affairs in charge of Refineria di Kòrsou, has met with the representatives of both companies. It was agreed that both companies will work together to reach an agreement for settlement of the compensation for the shares transferred. As of date of our audit opinion a final settlement has not been reached.

The consolidated summary financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

### Management's and Supervisory Board's Responsibility for the Consolidated Summary Financial Statements

Management is responsible for the preparation of the consolidated summary financial statements in accordance with the notes to the consolidated summary financial statements.

The Board of Supervisory Directors is responsible for overseeing the financial reporting process.

### Auditor's Responsibility

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

Curaçao, 30 August 2022  
11510499 120/24092

Ernst & Young Accountants

Signed by  
C. Smorenburg RA AA



# COLOPHON

## Group Companies

Aqualectra Multi Utility Company N.V. (AMU)

Utility Financial Services N.V.

General Engineering & Utility Services N.V. (GEUS)\*\*

Aqualectra Bottling Co. N.V. \*\*

*\*\* The entities GEUS and Aqualectra Bottling Co. N.V. are still part of the group but they are in liquidation.*

### MAIN OFFICE

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### PHOTOGRAPHY

Tuna Creative Agency

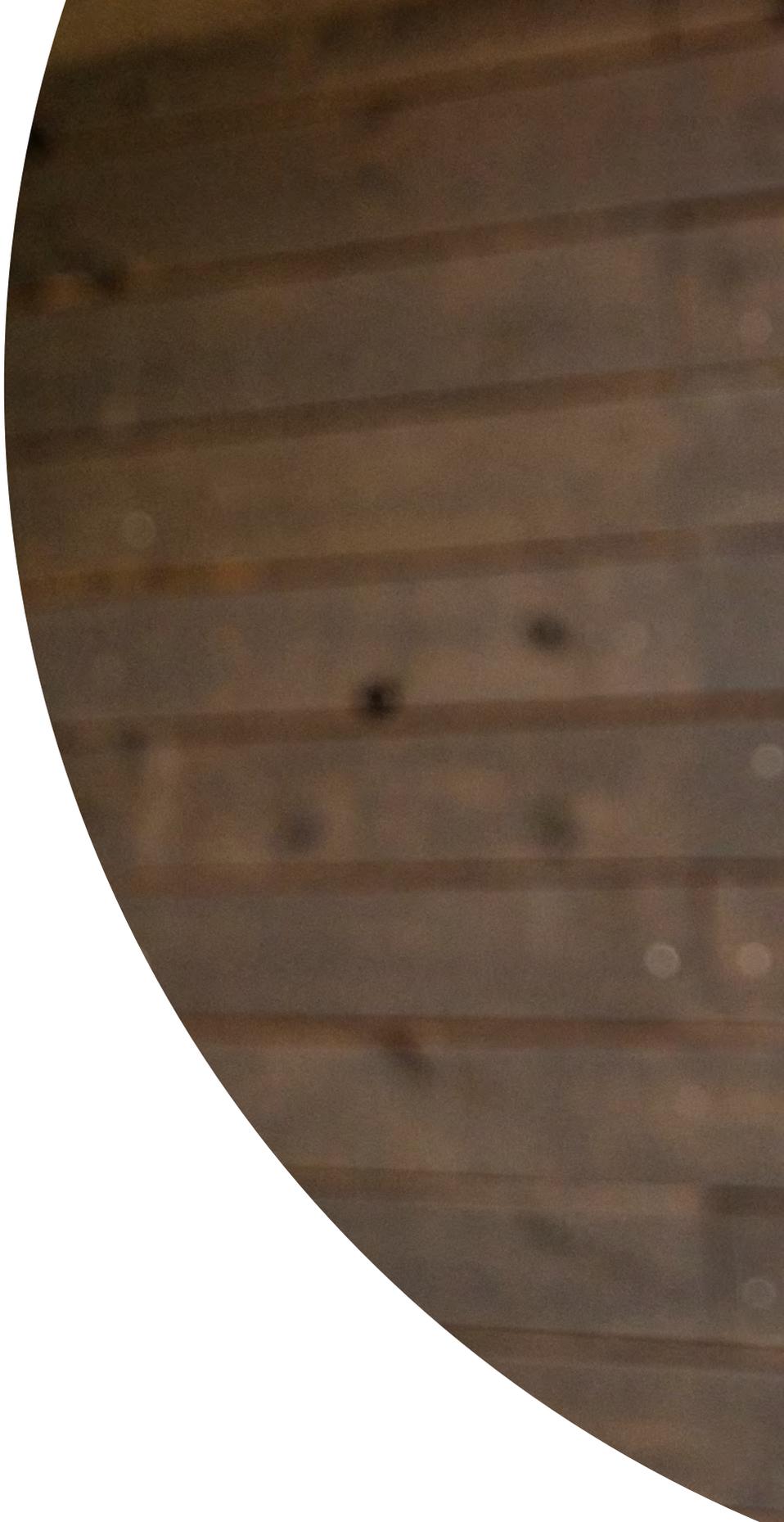
### DESIGN

[ejpeg.design](http://ejpeg.design)

### GENERAL COORDINATION

B24 N.V.





**AQUALECTRA**