AQUALECTRA

A YEAR OF RENEWED PURPOSE

ANNUAL REPORT 2023

ANNUAL REPORT
INTEGRATED UTILITY HOLDING N.V.

June 10, 2024
Ref.: 2024-28777
Board of Managing Directors

COMPANY PROFILE

Group Companies and number of employees
Integrated Utility Holding N.V. (1)
Aqualectra N.V. (589)
Aqualectra Multi Utility N.V. (3)
Utility Financial Services (1)

Water connections:
86,895 Residentiyou dont eval
7,747 Commercial and Industrial

Electricity Connections:
87,384 residential
806 Solar
10,038 Commercial & Industrial

Water Sale:
26,862 m³ daily
9,804,521 m³ annually

Power Sale:
1.7 GWh daily
619 GWh annually

Electricity Infrastructure:
5 Power plants
13 Substations
321 km Overhead lines
1,359 km Underground cabling
2,480 Transformers (12 kV)
6 Transformers (66/30 kV)
6 Transformers (66/11 kV)
21 Transformers (30/12 kV)

Water Infrastructure:
2 Water plants
82 km Transport mains
689 km Distribution mains
1,974 km Service lines
4 Pumping stations
15 Booster Stations
3 Mobile pumps
21Water Tanks

Financial rating:
Standard & Poor's: BBB - (stable outlook)

ISO certifications:
ISO 9001
ISO 14001
ISO 17025

Board of Supervisory Directors:

Chairman:	Mr. R. Oehlers *(As of February 2024)*
Member:	Mr. K. Martis *(As of September 2023)*
Member:	Mr. R. Manuel *(As of April 2024)*
Member:	Mr. G. Martes *(As of April 2024)*
Member:	Mr. M. Statia *(As of April 2024)*
Chairman:	Mr. K. van Haren *(Up to December 2023)*
Member:	Mr. P. Aberson *(Up to December 2023)*
Member:	Mr. A. Martina *(Up to December 2023)*
Member:	Mrs. J. Lacle *(Up to March 2023)*

Board of Managing Directors:

Chief Financial Officer:	Mrs. N. Isenia
Chief Executive Officer:	Mr. D. Jonis *(Up to June 2023)*
Chief Technical Officer:	vacant

Management Team:

General Counsel & Corporate Secretary:	Mr. R. Celestijn
Power Supply Chain:	Mr. R. Garmes
Water Supply Chain:	Mrs. N. Boeldak-Theodora
Engineering & Asset Management:	Mr. R. Seferina
Customer Relation:	Mr. R. Celestina
	Mr. P. Kooi *(Up to April 2024)*
	Mrs. S. Martis *(As of May 2024)*
HR Security and Facility:	Mr. L. Beaujon
ICT & Business Development:	Mr. J. Griffith
Financial Affairs:	Ms. B. Ignacius *(Interim)*
Subsidiaries:	Mr. R. Engels *(As of April 2024)*

Staff:

Corporate Treasurer:	Mrs. A. Daou *(As of December 2023)*
Risk Officer:	Mrs. M. Belioso
Advisor to the CTO:	Mr. J. Everon
Communications Advisor:	Mrs. D. Zimmerman *(As of January 2024)*

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REPORT OF THE BOARD OF MANAGING DIRECTORS

A YEAR OF RENEWED PURPOSE

The Art of Renewal: Celebrating Transformation through Recycled Art

As we reflect on the transformative journey of Aqualectra in 2023, it is only fitting that we chose to feature a piece of recycled art by the talented local artist, Omar Sling, on the cover of this annual report. His work, a testament to creativity and resilience, beautifully encapsulates the essence of our renewed purpose.

Recycled art is more than just a medium; it is a powerful symbol of transformation and hope. Omar Sling's art exemplifies the ability to take discarded materials—that many have deemed as waste—and turn them into something beautiful and meaningful. This process mirrors the journey of Aqualectra over the past year. In the face of unprecedented challenges and several blackouts, we did not see defeat. Instead, we saw an opportunity to innovate, to adapt, and to emerge stronger than ever.

2023 has been a pivotal year for Aqualectra, marked by resilience, strategic adaptation, and a steadfast commitment to our renewed purpose. Much like Omar Sling's art, we have taken the obstacles and difficulties we faced and transformed them into opportunities for growth and progress. This year, we have rebuilt, reimagined, and revitalized our services, aiming to provide more stability and reliability for our community.

The recycled art on our cover is a celebration of this journey. It is a visual representation of our commitment to sustainability, our dedication to turning challenges into triumphs, and our belief in the beauty of renewal. By choosing this art piece, we not only honor the creative spirit of our local community but also reinforce our message of hope and transformation.

As you explore this annual report, we hope you are inspired by the stories of resilience, innovation, and progress that fill these pages. Just as Omar Sling's art transforms the ordinary into the extraordinary, Aqualectra has transformed a year of challenges into a foundation for a brighter, more sustainable future.

Together, we look forward to continuing this journey of renewal and growth, turning every challenge into an opportunity to create something beautiful.

THE YEAR IN REVIEW

1.1

The year 2023 has been a pivotal one for the Integrated Utility Holding N.V. and subsidiaries (hereinafter 'Aqualectra', 'the Group' or 'the Company'), marking a period of unprecedented challenges and transformative progress. Operating in the Caribbean region, we faced numerous hurdles in all areas of the business. Despite these formidable obstacles, we have emerged stronger and more determined, demonstrating unwavering strength, stability, and resilience. Through innovation and strategic adaptation, we turned these challenges into opportunities, marking 2023 a year of renewed purpose.

In fact, we reconfirmed Aqualectra's purpose. 2023 marked the exact mid-point of our strategic plan that stretches from 2021 to 2025. On July 1, 2023, the day this 5-year period was split in half, the Board of Managing Directors ('BMD') and the Management Team ('MT') presented the mid-term evaluation of the strategic plan to the Board of Supervisory Directors ('BSD'). Aqualectra's purpose, to fundamentally contribute to the wellbeing of the citizens of Curaçao, was reconfirmed. However, the plans (the How) to achieve this purpose were recalibrated. The focus on the core business was sharpened, while specific projects were re-evaluated, canceled, or accelerated.

International and local developments: Accelerated growth, vulnerability remains

Preliminary data indicate that in 2023, the construction and tourism sectors were the primary growth drivers in Curaçao. In the second half of the year, construction growth in Curaçao accelerated due to ongoing investments in tourism and real estate. As a result of stronger-than-expected construction sector gains and higher stay-over arrivals, Curaçao's real GDP growth estimate for 2023 was revised upward to 4.4%. Inflation decreased to 3.5% in 2023, down from 7.4% in 2022, mainly due to lower domestic fuel and energy prices.

In 2024, Curaçao's real GDP growth is projected to accelerate to 4.8%, driven by private investments in tourism, utilities, real estate, and ship repair. This growth will be sustained primarily by increased public and private spending. Public spending will rise due to higher government consumption and investment. Net foreign demand is also expected to grow as the increase in exports, mainly from tourism and transportation, will exceed the rise in imports. Inflation is anticipated to decline further to 2.5%.

Curaçao's public debt-to-GDP ratio is expected to continue declining in 2024 due to increased nominal GDP levels, though the public debt stock will rise as the country is expected to borrow from the Dutch State to finance capital spending. By the end of 2024, Curaçao's total public debt will amount to 66.6% of GDP. Externally, the current account deficit as a percentage of GDP is expected to narrow from 15.1% in 2023 to 13.7% in 2024 due to an increase in net exports of goods and services, driven mainly by higher tourism-related foreign exchange receipts. However, the rise in domestic demand will fuel the import bill. Gross official reserves are projected to decline in 2024 as external financing and capital transfers from abroad will not cover the current account deficit. Nonetheless, the average import coverage is expected to remain stable at 4.7 months.

The outlook faces significant international and domestic risks. Internationally, these include potential delays in monetary policy easing by major central banks, which could maintain high borrowing costs and affect global and regional growth. Geopolitical tensions could also disrupt supply chains and raise commodity prices, increasing inflation. On the upside, earlier monetary policy easing and slower withdrawal of fiscal support in major economies could boost global growth and positively impact Curaçao.

Domestically, the resolution of ENNIA, a major insurance company, poses a significant risk. Delays could have substantial macroeconomic and social impacts. The refinancing of COVID-19 liquidity loans also poses a risk, as favorable refinancing conditions are crucial for fiscal sustainability. Other domestic risks include unfavorable assessments from the Caribbean Financial Action Task Force (CFATF) and extreme weather events.

A public debt sustainability analysis (DSA) for Curaçao covering 2023-2027 indicates that Curaçao must achieve the projected real GDP growth rates, which are higher than past performance, and continue investing in productive capacity and implementing policy measures to address labor market vulnerabilities and reduce business costs. Reforming the healthcare and social security systems is crucial for long-term public debt sustainability due to the aging population. Implementing these reforms will require the involvement of key stakeholders.

Reliability and Capacity Challenges: Bouncing back stronger

Ensuring reliable and continuous service has been a primary concern. During the year, we were faced with various loadshedding incidents and three blackouts. These interruptions have significantly disturbed the public's trust in and perception of Aqualectra. We responded by analyzing the root cause of these challenges in-depth, and preparing a plan that encompasses investment in state-of-the-art technology and reinforcement of our grid to cope with the growth in (peak) demand and face challenges, being it from international developments or local events, with resiliency. Upgrading our capacity through the integration of renewable energy sources has also been a focus, leading to the preparation of a robust budget, forward looking projections, CAPEX plan and various studies to substantiate their feasibility. Obtaining board approval and shareholder's support for the renewed purpose and its impact in the plans and projections, has been of utmost importance for the actual roll-out, which started late 2023 and continued in full swing in 2024. We also focused on increasing the reliability of our power supply by performing an in-depth risk analysis on the grid's protection system and devised additional studies to ensure we operate within an appropriate and stable grid structure.

However, this didn't come without pivotal choices that we had to make, to ensure that we focus on the core business, increase reliability and carry our immediate responsibility for reliable supply of energy while remaining flexible for future developments. This led us to stop the negotiations for switching to Liquid Natural Gas ('LNG') as a transitional fuel. In 2022, we entered into a heads-off agreement to obtain LNG for electricity production. Given the international and geopolitical developments that influenced the LNG pricing significantly, we abandoned the negotiations once the agreement reached its expiry date, as we chose to focus on accelerating the Company's green ambition.

Although our water division operates with less challenges due to the availability of storage, we took the time to analyze our strategic plans and operational processes in this area also. This led to the revision of the ongoing negotiations for the construction of a new plant, and the decision to halt them and publish a tender to ensure we receive offers from more parties and guarantee a transparent process that will lead to the best possible deal for the benefit of the people of Curaçao.

Supply chain disruptions were a notable challenge for both the water and power divisions, impacting our ability to procure critical materials and equipment. Through the development of strategic partnerships and the diversification of our supplier base, we minimized disruptions and ensured the continuity of our operations. In some cases it meant procuring with more lead time, or procuring way in advance. While this motivated us to sharpen our operational planning as much as possible, the disadvantage of this is that we ended up with a significantly higher inventory balance, tying up cash that is much needed to maintain operations ongoing.

Cyber Security: A matter of when, not if

On November 21, 2023, we received a message from our monitoring agencies that we were under attack. It was not something we were not prepared for, knowing that cyber risk is increasing globally. Utility companies being a likely target for hackers, we made sure our business continuity policies and procedures were in place, should a cyber incident occur. Although the protective measures we took upfront prevented the worse, the attack still had a profound impact on our organization. From customer service to development projects, smart meters to reporting: every single process was somehow affected, as access to the internet was temporarily curtailed for the organization.

Little did we know that many other companies in Curaçao were attacked in recent months. When we were able to step outside and communicate to our customers and the broader community what had happened, many other companies that had also been hit by a cyber-attack, came to us to share experiences and learn from our insights. We were pleased to announce that due to the presence of immutable backups, we were able to restore all applications from the backups and restart the organization relatively fast. Files that were held hostage by the attackers were considered harmless and the ransom money required was not paid, while the incident was reported to the police.

We took this incident as an opportunity to learn, grow and improve our IT Governance. Concurrently, we bolstered our cyber security defenses to protect against increasing threats. Implementing advanced cyber security measures and fostering a culture of vigilance among our staff safeguarded our digital infrastructure and customer data.

Organizational Adaptations: A journey, not a destination

Back in 2021, we announced a rightsizing project to the organization. It took a while to duly prepare for the project, but 2023 was the year the project really took off. Our organizational structure was thoroughly revisited and has been streamlined to enhance efficiency and responsiveness, allowing us to better manage resources and swiftly address emerging issues. We identified obsolete tasks and functions, outsourcing opportunities, the possibility for the clustering of tasks and responsibilities, changes in existing job descriptions and new functions. From 697 FTE's, we scaled down to 634 FTE's: a reduction of 63 FTE's in the organizational formation. However, due to the changes in the profile of our workforce, needed chances were that the number of employees that could not meet the new requirements was even larger. That is why a social plan was signed with the three unions on October 3, 2023. This document is a guideline to transition from the old to the new organization, ensuring that this is done in all transparency and fairness. The actual implementation is ongoing in 2024.

During 2023, we also made sure to adhere to the job evaluation cycle, as prescribed in the collective labor agreement. It had been a while since this cycle was properly completed, since the previous reorganization which took place in 2018 (following the merger of the production and distribution companies and the implementation of SAP) had not been closed yet. We accelerated the planning of handle the ongoing objections submitted by employees, to make sure that nothing stood in the way to properly adhering to the job evaluation cycle, as this is the most important tool to foster organizational performance.

Amidst all the challenges, we took time to address the organization in various meetings. We held two town hall meetings, many departmental sessions, and countless encounters with the unions.
It was of the utmost importance to create alignment and a shared vision everybody would subscribe to. More than just telling the teams what to do, our communication aimed at inspiring them to reach next levels, based on a shared vision. It was about empowering leaders, making room for mistakes and, learning from them, adapt quickly to ensure performance. Leadership development unfolded right in front of our eyes.

However, we have not reached our goals yet. 2024 will be the year in which the rightsizing project will be concluded and the cultural change programs must be implemented. Training and development becomes of utmost importance and the wellbeing of our people becomes priority. Facilities, training, tools, materials and systems to ensure our workforce can adequately do their jobs and perform at their highest potential will no longer take a back seat.

Climatological Resiliency: Taking central stage

It is for the first time in the history of Aqualectra, that climate changes are leading our decision making. Although we are not the world's biggest polluter, the impact of climate change has been particularly pronounced in our region.

The increasing temperatures have tested our systems unprecedently in 2023, leading us to include climate resiliency in our strategies and future plans.

Our proactive approach to climatological resilience involved extensive disaster preparedness planning, investment in resilient infrastructure and close collaboration with local governments and international bodies. We have devised a thorough analysis of the risk of flooding and potential damage thereof to our equipment and security of power and water supply. We have also engaged in an in-depth capacity planning, given the increasing temperatures in unexpected months, leading to the necessity to invest in additional power generation capacity. This will ensure enough room for maintenance activities in our outage planning, taking an N-2 scenario into account.

These efforts will significantly mitigate the impact of adverse weather on our operations. However, collectively and as a country, we still need to identify the risk of climate changes on, for instance, coral reefs, vegetation, and water levels, all impacting tourism and our economy, which ultimately impact the energy and water demand.

Customer Support and Engagement: Hasié, Hasié Bon, Hasié di Kurason

Given the technical challenges encountered in 2023, our customers' perception of and trust in the Company worsened significantly. Despite our efforts to communicate pro-actively and open channels of service, we have noticed a hardening behavior of our customers, leading us to take a different approach towards communication and customer service starting 2024. During the last months of 2023, we engaged in the recruitment process to hire a Senior Communications Advisor, we accelerated the negotiations to implement a digital branch, we searched the real estate market to make an informed decision how and where to position our physical branch and we included a process improvement project for AquaFutura[1] to significantly improve the Order-to-Cash process.

We also had to take firm steps in 2023 to lower the increasing non-revenue percentages. We prepared a data-driven approach to identify potential theft, and we announced a grace period that spanned over September and October, during which we invited all customers that illegally connected themselves to the grid, to call Aqualectra to help them fix it, without any financial repercussions. During that time, we sharpened our fines policy to include heavier penalty amounts and hire new team members for the Revenue Protection team, in the hope that this would lead to behavioral changes in those that are making themselves guilty of illegal practices. In November 2023, we started with an aggressive approach for detecting theft in our grid. This is still ongoing in 2024 and is already bearing fruits.

The performance of our debt collection department was outstanding in 2023. The collection rate was 107% of the total amount billed in 2023, indicating that older amounts are also being collected. Customers default rates improved significantly, leading to a release of a portion of the provision for doubtful receivables in 2023.

Innovation and Future Outlook: Reliability, Affordability and Sustainability

At the heart of our mission is a commitment to innovation that enhances reliability, affordability, and sustainability in our services. This year, we have invested significantly in crafting the plans, budgets and timelines needed to deploy advanced grid technologies and renewable energy sources to ensure a stable and resilient power supply, even under the most challenging conditions.

By leveraging smart grid solutions and expanding our renewable energy portfolio, we are driving down costs and passing these savings on to our customers, making clean energy more accessible and affordable for all. Furthermore, our sustainability initiatives are designed to minimize our environmental footprint while meeting the increasing energy demands of our communities.

The coming years will be pivotal for Aqualectra. These investments projects will be executed, and we will unfold a new utility company, based on the premises of reliability, affordability and sustainability transformed to lead Curaçao into the future. From increasing our renewable energy penetration to 70% by 2030, finalizing the deployment of our Advanced Metering Infrastructure (AMI), digitalizing our customer service, and investing in our workforce, we are poised to reach new levels of added value to our customers.

As we look to the future, our focus remains on pioneering solutions that not only address today's challenges but also anticipate and adapt to the evolving energy landscape, ensuring that we remain a trusted and forward-thinking partner for generations to come. This is our renewed purpose for and commitment to the community we serve.

AQUALECTRA

[1] AquaFutura is the overall program that bundles all strategic projects identified to reach Aqualectra's strategic goals.

COMMERCIAL PERFORMANCE

1.2

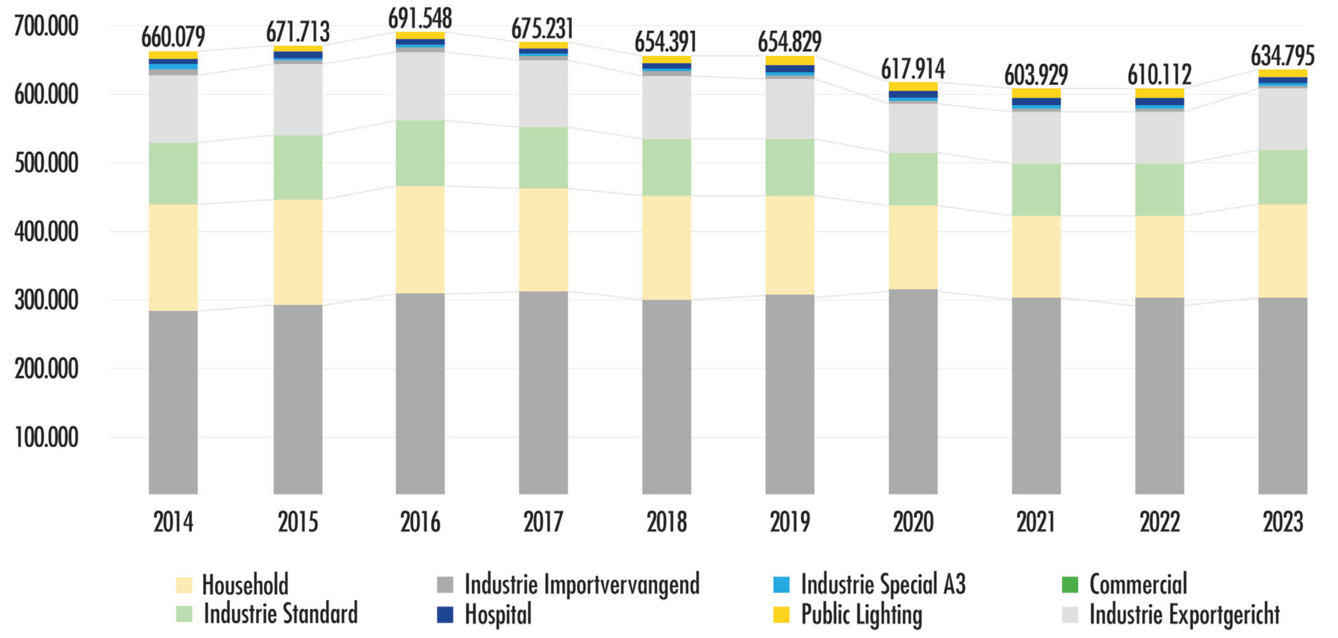
1.2.1 Sales

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.

Both the electricity and water sales showed a slight increase in 2023 compared to 2022 but failed to reach pre-COVID levels. The increase in 2023 comes as a result of the supply of electricity to the ISO-containers of CUROIL and the lifting of most COVID measures in 2022 which resulted in unprecedented stay-over tourists' levels.

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

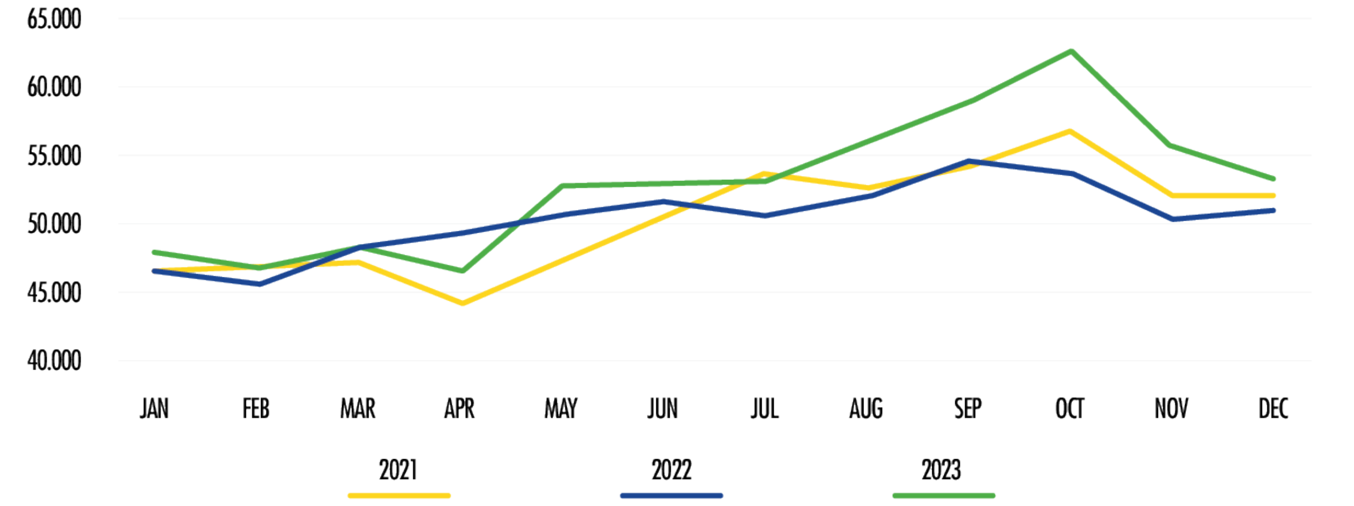
Sales in MWh



Sales increased by 4% (24,683 MWh) in 2023 compared to 2022. Aqualectra delivered 20,467 MWh's to Curoil to cool the ISO Containers that warehouse LPG for the consumption of the citizens of Curaçao. If this particular delivery is not taken into account, we can conclude that the sales would have still shown an increase.

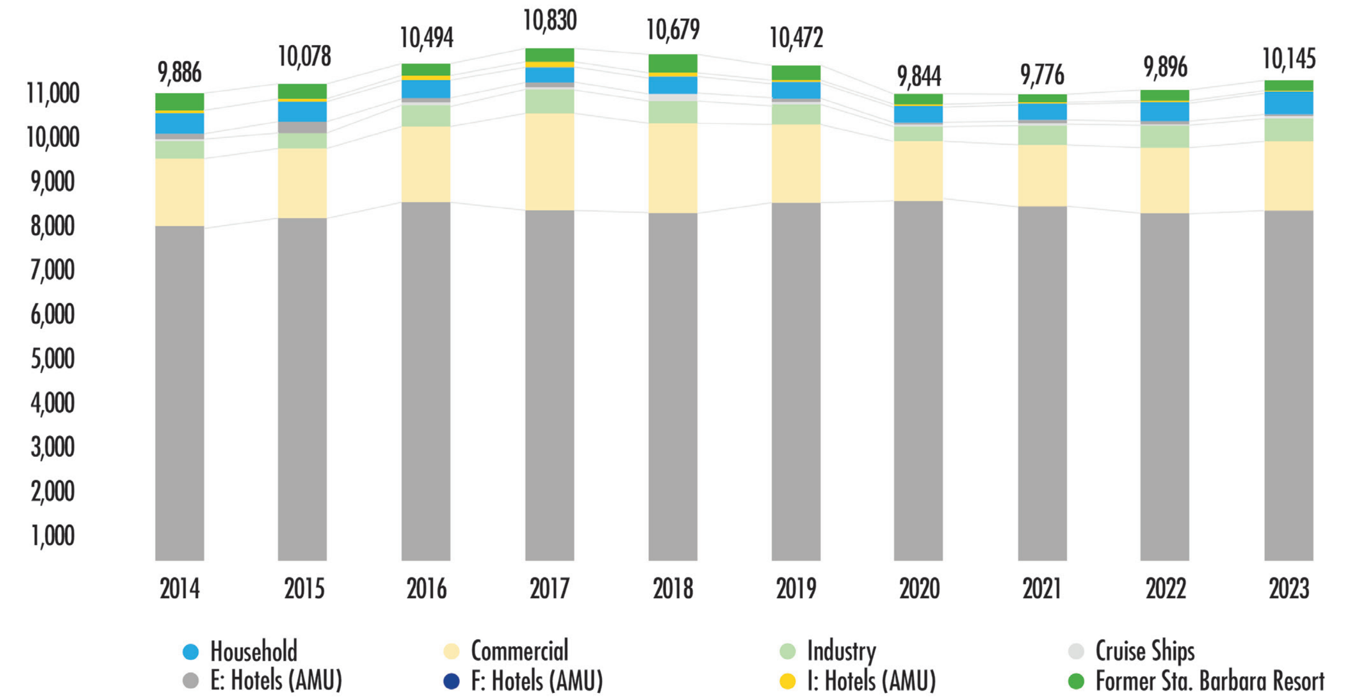
The next graph depicts the monthly electricity sales of 2023 compared to 2022 and 2021. The monthly trend has shifted from a decline in previous years to an incline in the current year.

Electricity usages (MWh) per month

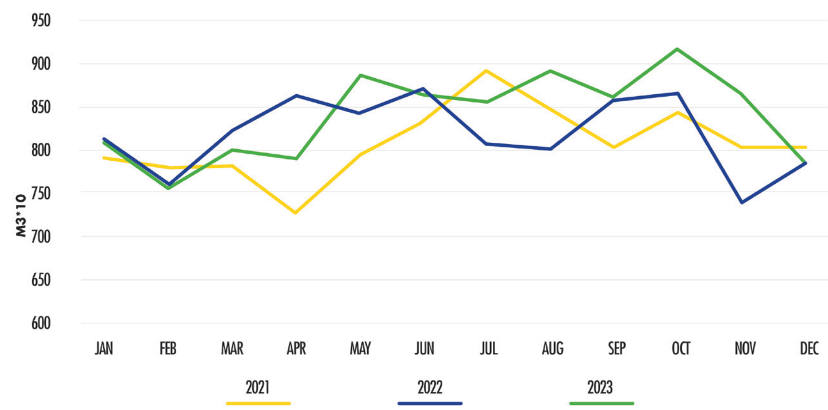


The following graph depicts the development in water sales per tariff group:

Sales in M3



The following graph depicts the monthly water sales for 2023 compared to 2022 and 2021, where it becomes visible that the monthly trend remains the same in most months.

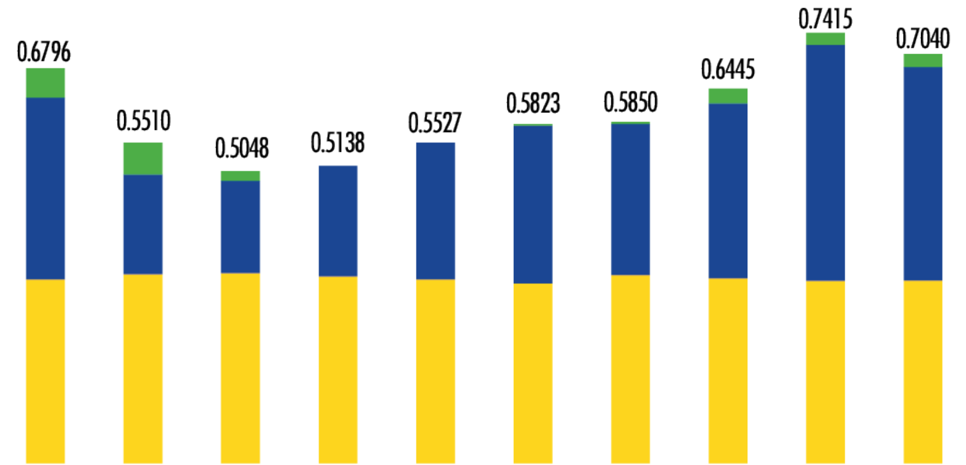


Water usages (M3) per month

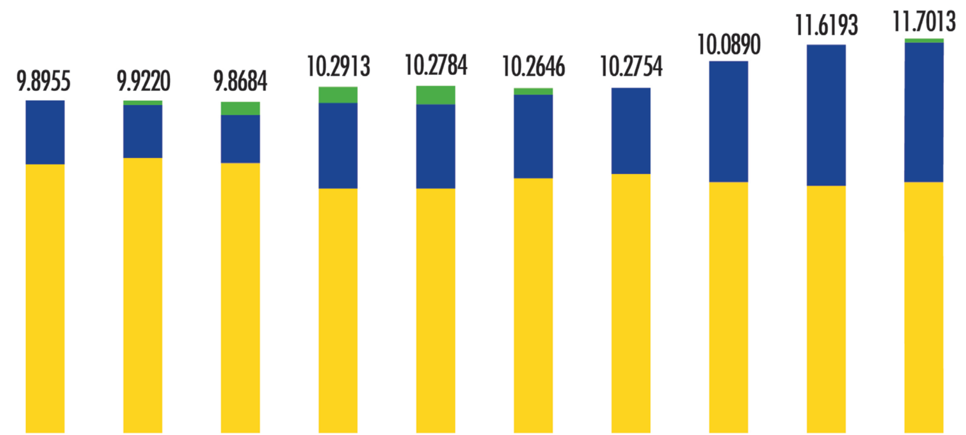
Water sales also experienced an increase of 2.5% and finaly reached pre-COVID-19 levels. Besides economic developments, water sales are mostly influenced by wheather conditions, even more so than electricity sales. The wheather was particularly dry during 2023, with less rainfall compared to 2022.

1.2.2 Tariffs

Over the years, Aqualectra has been investing in renewable energy and maintaining the same base component since 2014. However, the total tariffs have been steadily rising due to the increase in the fuel component. Fortunately, with the decrease in fuel prices, there has been a significant reduction in fuel expenses compared to 2022 and consequently, in the tariffs as well.
The following graph depicts the developments in the fuel and base components of the average electricity tariffs:



ANG/kWh	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Recovery	0,0520	0,0520	0,0172	-	-	0.0002	0,0009	0,0205	0,0205	0,0205
Fuel component	0,3098	0,1724	0,1575	0,1898	0,2290	0,2679	0,2564	0,3041	0,4023	0,3647
Base component	0,3178	0,3266	0,3301	0,3240	0,3237	0,3142	0,3277	0,3199	0,3187	0,3187



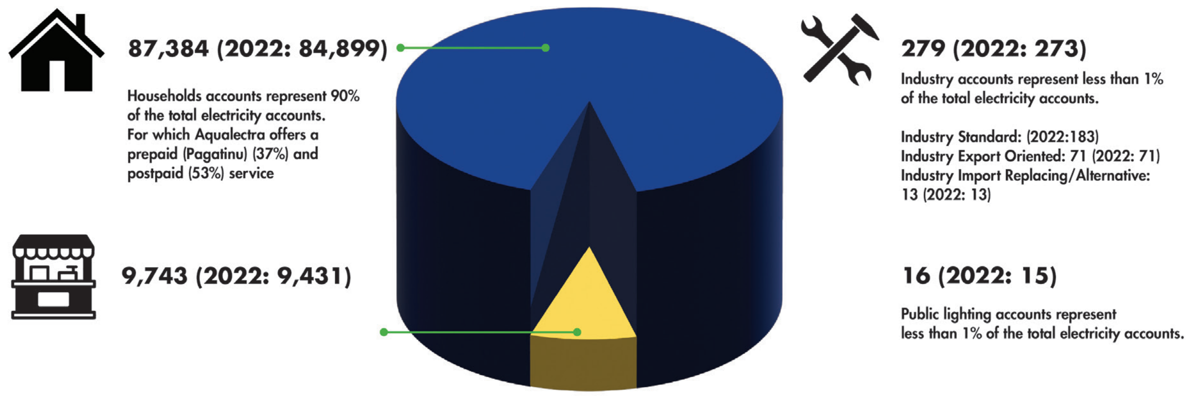
ANG/M³	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Recovery	-	0,1760	0,4143	0,4950	0,4955	0,2065	-	-	-	0,0627
Fuel component	1,9169	1,5413	1,3914	2,5054	2,5403	2,4448	2,5655	3,6435	4,2376	4,1773
Base component	7,9786	8,2047	8,0627	7,2909	7,2425	7,6133	7,7099	7,4455	7,3817	7,4613

In contrast to the electricity tariffs, the water tariffs show an increase due to the inclusion of a recovery component in 2023, for an amount of ANG 0.0627 per M3, to compensate for the parked GT-2 fuel expenses incurred in 2022. To prevent an increase in the water tariffs, the Regulator permits a component in the electricity tariffs to compensate for the shortfall in the water tariffs.

1.2.3 Customers

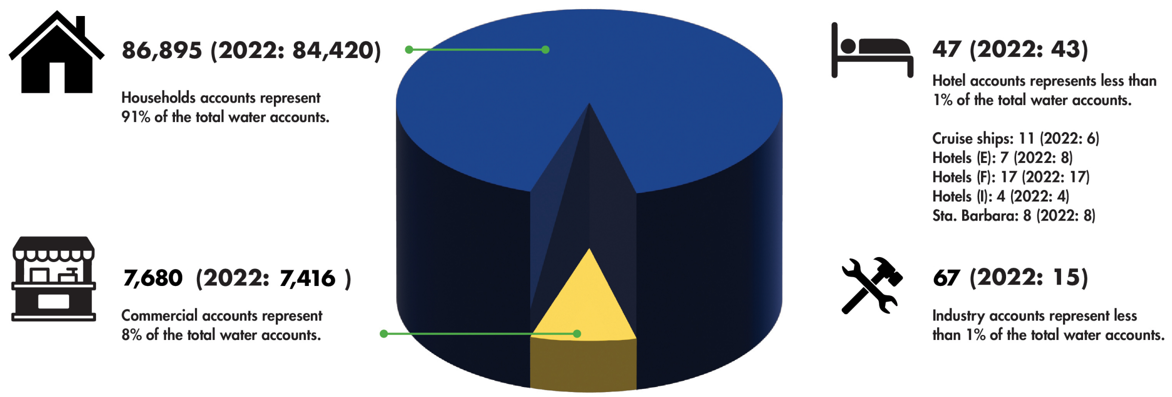
Aqualectra's customer base consists of 97,422 electricity customers (2022: 94,618) and 94,689 water customers (2022: 91,953). The following pie chart depicts the composition of the electricity customers' database:

Electricity - Contract accounts per rate group

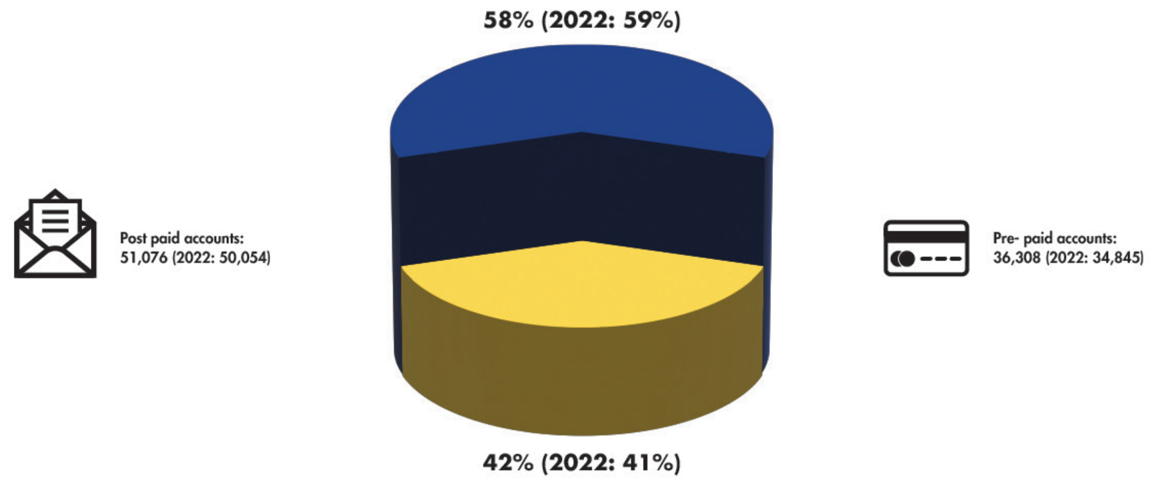


42% (2022: 41%) of these accounts are pre-paid accounts and make use of Aqualectra's product called Pagatinu and 58% (2022: 59%) pay their electricity bill periodically, at the end of each month.

The following pie chart provide insight in the share of accounts using prepaid and postpaid service:



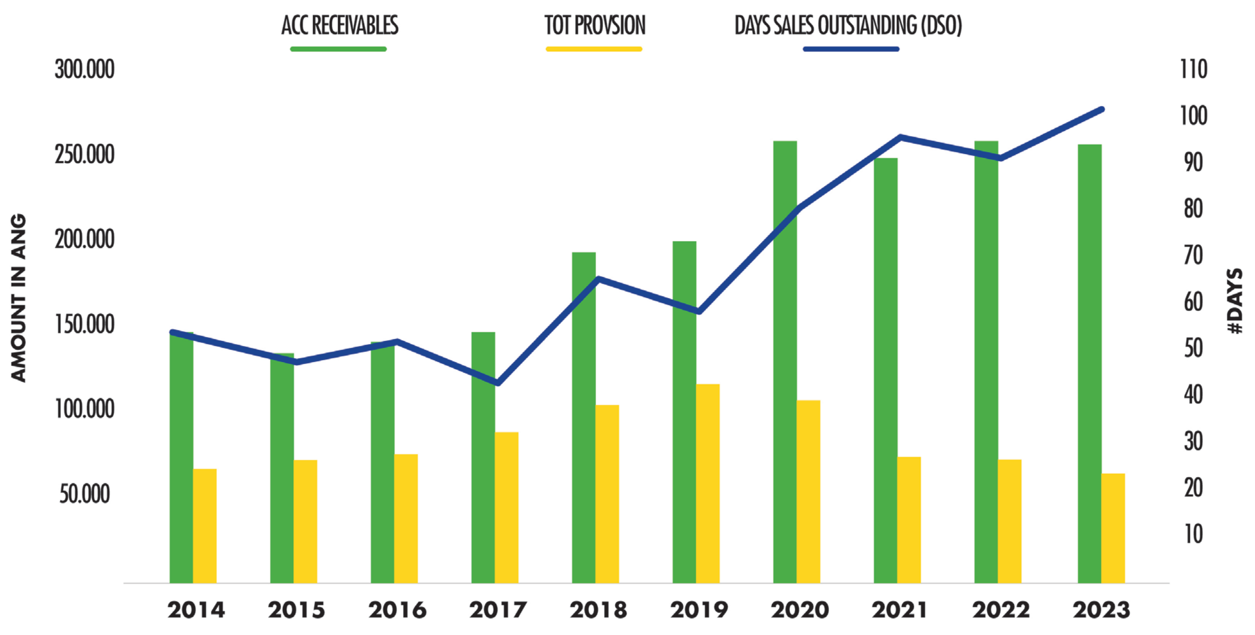
The following pie chart depicts the composition of the water accounts database:



1.2.4 Accounts receivables management

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

Total provision vs Account receivables



The accounts receivables balance decreased by ANG 2.6 million (1.0%) compared to 2022 due to continuous efforts and improvements in the collection and dunning process, leading to a decrease in default risk and total provision.

The focus on collections in 2023 led to a review and reconfiguration of the dunning process, contracting of an external collection bureau, and increased efforts by the Revenue Protection and Inspection department to detect irregularities and theft.

However, the graph above depicts a skewed relationship between the Days Sales Outstanding ('DSO') and the accounts receivables balance on one hand, and the provision for doubtful receivables on the other hand. The following explains this:

- One of the customers that influenced the total outstanding balance and DSO upward is the Government of Curaçao. During the first quarter of 2024, a settlement agreement was entered into with the Government, significantly reducing their balance and DSO. The aim was to execute this agreement prior to year-end, but it was delayed due to various unforeseen circumstances. If we had succeeded in executing this agreement prior to year-end, the accounts receivable balance would have been ANG17.7 lower, and the DSO would have been 11 days lower.

- Another material chunk in the accounts receivables is the Regulatory Receivables, which have increased in 2023 by ANG 3.3 million with no subsequent decreases as Aqualectra remains pending of the continuation of the recovery component in the tariffs. Once this is included in the tariffs, the Regulatory Receivables will gradually but steadily decrease.

Improvements in the configuration of the dunning process will also continue to be implemented in 2024. The aim is to continue reducing trade accounts receivables and days sales outstanding to acceptable levels and ensure that Aqualectra can continue to invest in and guarantee the production and distribution of water and electricity.

FINANCIAL PERFORMANCE 1.3

1.3.1 Statement of Comprehensive Income

Aqualectra's net result before tax is ANG 10.3 million (2022: ANG 19.6 million – gain). The following table details important financial performance drivers:

(ANG x 1,000)	Dec 31,2023	Dec 31,2022	Change in ANG	Change in %
Revenues electricity	461,333	470,152	(13,565)	3%
Sales electricity in MWh	634,795	610,112	24,683	4%
Revenues water	118,677	115,642	1,878	2%
Sales water in 1000 m3	10,145	9,896	249	3%
Direct cost production and other direct cost of sales	(322,574)	(335,918)	13,344	4%
Gross profit	267,732	260,285	(7,447)	(3%)
Gross profit margin	45%	45%		
Operating expenses	247,212	230,908	17,494	(8%)
Operating profit	20,520	29,377	(10,047)	(34%)
Interest expenses, net	(10,221)	(9,765)	456	(5%)
Net result before tax	10,299	19,612	(10,503)	(54%)

Both the comparison with 2022 and budget (budgeted profit before tax: ANG 18.5 million) display variances when compared to 2023 actual financial performance.

2023 versus 2022

Aqualectra's financial performance for the year shows a decrease in results compared to the previous year, with a reported gross profit that is higher than the prior year. The decrease in direct costs by ANG 13.3 million can be attributed to lower fuel expenses, resulting from both lower fuel prices and lower intake of wind farms. However, the intake of electricity from Curacao Utilities Company (Hereafter: CUC) led to an increase of ANG 23 million in fuel expenses, impacting the overall direct costs. The Company is facing challenges in its available installed capacity and the production mix to meet customers' demand due to the sudden increase following economic growth that surpassed all projections. This development, among others, prompted the development of a strategic investment plan for the future, including the implementation of a Battery Energy Storage System for load shifting and a new plant to meet the rising demand. Had this increasing (peak) demand been supplied with electricity generated by our own diesel plants or wind, a much lower fuel expense would have been reported.

Operating expenses for 2023 increased by ANG 17.5 million compared to the previous year, primarily driven by higher Depreciation expenses (ANG 10.6 million), Repair and maintenance expenses (ANG 14.1 million), and the recognition of an impairment of GT-2 for ANG 4.6 million, offset by a release of the provision for doubtful receivables (ANG 8.1 million).

The budgeted Repair and maintenance expenses already accounted for a significant increase of ANG 11.1 million compared to 2022 based on the planned overhauls for the year. An additional ANG 3 million was incurred due to unexpected interruptions and research conducted on the blackouts. The increase in depreciation costs was another factor influencing this difference. This occurred due to the completion and capitalization of multiple work-in-progress (WIP) projects by the conclusion of 2022, resulting in their depreciation throughout the entirety of 2023.

The impairment was recorded after it was determined that the Gas turbine would not yield future economic benefits for the company despite repair efforts. This impairment reflects the difference between the recoverable amount and the book value as of December 31, 2023. The release of the provision for doubtful receivables is the result of improved collection efforts and better customer default rates. Overall, the operating profit for the current year has decreased by ANG 10.1 million due to the higher operating expenses incurred.

2023 versus budget

Aqualectra budgeted a profit before tax of ANG 18.5 million and is reporting an amount of ANG 9.1 million. resulting in a variance of ANG 9.4 million. This significant difference can be attributed primarily to the increase in operating expenses, specifically personnel expenses, as the implementation of the rightsizing plan faced delays. The company is currently undergoing assessments and reallocating personnel, a process that will continue throughout 2024. Additionally, the higher depreciation expenses also contributed to this variance. This was caused by the capitalization of several work-in-progress (WIP) projects at the end of 2022, which are now being depreciated for the entire year in 2023.

Coverage calculations

The Coverage calculations are detailed as follows:

COVERAGE CALCULATION (ANG * 1,000)	REALIZED DEC-23	REALIZED DEC-22
Coverage calculations fuel component		
Coverage fuel component E	252,681	264,574
Coverage fuel component W	42,873	41,937
Recovery component E & W	(14,206)	(12,828)
Total coverage fuel component	**281,348**	**293,683**
Expenses in the fuel component E & W	(319,255)	(334,038)
Sales electricity to RO-1,2,3	4,253	4,229
Total realized expenses in the Fuel Component E & W	**(315,002)**	**(329,809)**
Under-coverage fuel component developed during the reporting period	(33,654)	(36,126)
Recovery fuel component		
Recovery component E	13,707	12,828
Recovery component W	498	-
Recovered during the reporting period	**14,205**	**12,828**
NRE Norm	12.30%	12.30%
NRW Norm	22.80%	22.80%
NRE Actual	19.45%	20.16%
NRW Actual	29.23%	31.14%
Estimated NRE effect	**21,352**	**18,300**
Estimated NRW effect	**1,286**	**1,187**

In 2023, Aqualectra experienced an undercoverage on the fuel component, amounting to ANG 33.6 million. Out of this, ANG 22.6 million is estimated to be the result of surpassing the Non-Revenue norms, while the remaining amount is due to fuel correction applied by the regulatory authority. The non-conformity in fuel usage norms and the two-month lag in tariff-setting mechanisms also contributed to this undercoverage. However, due to non-compliance with the norms set by the Regulator, particularly the non-revenue norms, only a portion of this under-coverage amount can be recovered. Additionally, Aqualectra faced an under coverage of ANG 68 million on the base component, primarily because the base component has remained unchanged since 2014 and realized expenses being higher than budgeted

Coverage calculations base component		
Coverage base component E	205,215	196,990
Coverage base component RO E	18,065	17,433
Coverage base component Own Usage E	1,391	1,351
Coverage base component W	75,688	73,052
	300,359	**288,826**
Realized expenses (net) in the base component		
Personnel costs	106,822	106,730
Parts, repair and maintenance	47,237	33,166
Customer relations services fees	4,944	4,068
General expenses	36,799	29,504
Depreciations	59,457	48,829
Provision bad debt	(8,047)	7,356
Interest expenses (excluding expenses to CUROIL)	10,221	9,765
Weighted Average Cost of Capital (WACC)	110,690	96,146
	368,123	**335,564**
Under-coverage on base component during the reporting period	**(67,764)**	**(46,738)**

1.3.2 Statement of Financial Position

The following table summarizes the Statement of Financial Position:

(ANG x 1,000)	Dec 31, 2023	Dec 31, 2022	Change in ANG	%
Noncurrent assets	655,228	646,936	8,292	1%
Current assets	361,459	325,697	35,762	11%
Equity	434,919	424,686	10,233	2%
Noncurrent liabilities	349,671	366,597	(16,926)	(5%)
Current liabilities	232,098	181,350	50,748	28%
Investments in PP&E	69,322	50,606	18,716	37%

The increase in non-current assets is mostly related to the increasing work-in-progress assets, partially offset by the amortization and depreciation of property, plants, and equipment.

The current assets increased as a result of the increase in inventory, trade accounts receivables and other receivables, partially offset by a decrease in cash & cash equivalents. Inventory is higher as the Group made significant purchases, which included smart meters, cables and parts in advance for the planned projects and overhauls for 2023 and beyond.

1.3.3 Cash flow statement

The following table provides a summary of the Cashflow Statement:

(ANG x 1,000)	Dec 31, 2023	Dec 31, 2022
Operating cash flow	70,241	54,909
Investing cash flow	(69,322)	(53,606)
Financing cash flow	(7,190)	(16,590)
Net change in cash and cash equivalents	**(6,271)**	**(15,287)**

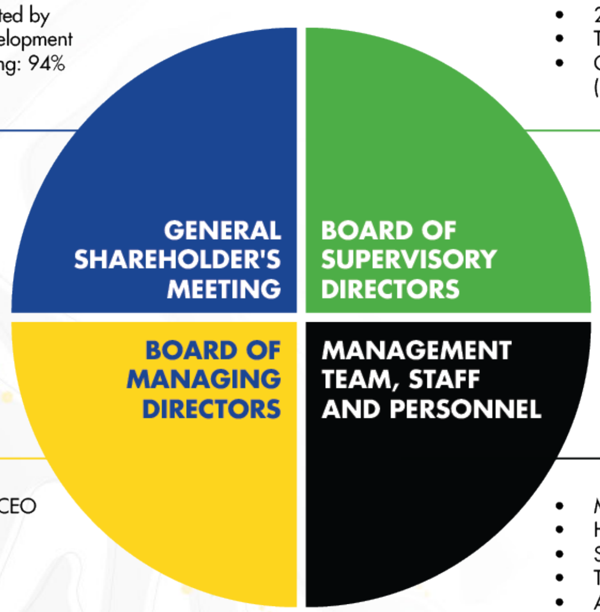
CORPORATE GOVERNANCE

1.4

Aqualectra's governance structure is depicted as follows:

- Country of Curaçao,represented by the Minister of Economic Development
- Governance Compliance rating: 94% (2022: 94%)

- 2023: 4 active members (3 vacancies)
- To date: 5 active members (2 vacancies)
- Governance Compliance rating: 98% (2022: 98%)



- Statutory directors (3): CFO, CEO (vacant since June 16, 2023) and CTO (vacant)
- Legal Counsel (1)
- Advisor to the CTO (1)
- Governance compliance rating: 95% (2022: 98%)

- Management Team: 7
- Heads of Departments: 18
- Supervisors and Coordinators: 73
- Total employees: 592
- Average age: 46.6
- Average tenure: 14.3 years

The year under review was a challenging one for Aqualectra in governance aspects. The Board of Supervisory Directors ('BSD') consisted of only four members at the beginning of the year. March 24, 2023, marked the last day of the appointment of Mrs. Janine Laclé. She retired, and it wasn't until September 5, 2023, that Mr. Kenrick Martis was appointed in the profile of legal expert. Maintaining a BSD of four members was already a challenge: this was even more challenging with only three members.

Mr. Darick Jonis, the Group's Chief Executive Officer, resigned on June 16, 2023. After that, the Board of Managing Directors ('BMD') remained with one statutory director, Mrs. Neysa Isenia, the Chief Financial Officer.

Earlier in the year, Mr. Karel van Haren, the Chairman of the BSD, announced his retirement on January 1, 2024, to assume another position that might not be compatible with Aqualectra. On January 1, 2024, the members Mr. Patrick Aberson and Mr. Austin Martina also announced their retirement with immediate effect to the Shareholders.

From January 1 to February 14, 2024, the Board had only one member remaining, Mr. Kenrick Martis.

On February 14, 2024, we welcomed Mr. Renny Oehlers as Chairman and technical expert of the BSD. Subsequently, on April 4, 2023, we welcomed Mr. Rygane Manuel in the profile of business economics expert, and on April 19, 2023, we welcomed Mr. Melvin Statia in the profile of HR expert and Mr. Geomaly Martes in the profile of financial expert.

Regardless of the turbulences in governance caused by the above resignations, retirements, and appointments, we look back with pride on effective governance and organizational excellence, which have been crucial in guiding our response to the year's challenges. We have adhered to the robust governance frameworks that promote transparency, accountability, and strategic decision-making.

We would like to take this opportunity to thank Mr. Jonis for his remarkable leadership and unwavering dedication to Aqualectra over the years. His resignation marks the end of an era, and we wanted to take this opportunity to acknowledge the profound impact he had on the Company and the community it serves. The initiatives he championed have left a lasting legacy that will continue to benefit the company and its stakeholders for years to come. It has been an honor to witness the growth and success of Aqualectra under his guidance. As he moves on to new endeavors, we would like him to know that his contributions will be remembered with great respect and admiration.

We would also like to thank the retired members of the BSD, Mr. van Haren, Mr. Aberson, Mr. Martina, and Mrs. Lacle. Under their supervision, Aqualectra has not only thrived as a business but has also exemplified corporate responsibility and community engagement. Their commitment to excellence, efficiency, sustainability, and customer satisfaction has set new standards for the Company.

We wish Mr. Jonis and the retired BSD members all the best in their future pursuits and hope that they bring them as much fulfillment and success as they have brought to Aqualectra.

We welcome Mr. Martis, Mr. Oehlers, Mr. Manuel, Mr. Martes, and Mr. Statia and look forward to a fruitful collaboration, constructive supervision, and a sparring partnership that will benefit the Company.

During 2023, we also welcomed Mrs. Nathaly Boeldak-Theodora as Manager of the Water Supply Chain, replacing Mr. Raichel Leito in this position, who retired after many years of service. We express our heartfelt thanks to Mr. Leito and wish Mrs. Boeldak-Theodora wisdom, clarity, and strength to fulfill this position to the best of her abilities. Mrs. Boeldak-Theodora is a professional who has crafted a career for herself of over 25 years within Aqualectra. She has left a positive mark on various departments, and we are sure that she will continue to do so in the Water Supply Chain.

Lastly, we also welcomed Mr. Joseph Everon in the capacity of Advisor to the CTO. Mr. Everon comes with an impressive experience record, mostly based on energy production in Aruba. We have seen his wealth of knowledge being displayed during many challenges in 2023 and look forward to continue counting on his support in the future.

RISK MANAGEMENT

1.5

Risk Management is still evolving and maturing within Aqualectra. In 2023, we embedded Risk Management further within Aqualectra by working with the previously implemented (2022) specific application for continuous assessment and reporting on risks within the Company. This application (Zenya) is a best-in-class system that helps keep the organization alert to things that could go wrong and hamper the achievement of our goals.

The five risks that are considered to have a high impact if occurred and are likely to very likely to occur, are:

Risk	Risk Category	Risk Treatment
The risk of not being able to supply the energy demand of the customers, due to unexpected growth, climate changes or unavailability of engines due to delay in materials. Risk actions: • A thorough Capacity planning exercise was conducted to determine the necessity. Besides the new wind park, the construction of a new plant and the development of a solar park with load shifting batteries were deemed necessary. A budget and project plan were prepared and presented to the BSD for approval; • Fall-back scenarios were prepared, especially for 2024 when new capacity is still not commissioned, to meet the island's demand. The gas turbine must be overhauled (later it was decided that this machine no longer yields significant economic benefits, after which it was impaired), conversations with CRU to come to an affordable tariff per kWh between the companies; • Thorough planning of projects and activities to ensure that parts and materials are obtained in a timely manner.	Techinal	Mitigate
The risk that funding is not secured, or not timely secured, to execute the various strategic projects that are in execution or to be executed. Risk actions: • Periodicity of the revision of the cash planning and projections is shortened to weekly, to ensure that enough cash resources are available for the current and upcoming commitments; • Planning of scenarios has led to the acceleration of conversations with local financial institutions and the inclusion of other (international and local) institutions to ensure that funding is secured in a timely fashion; • Constant communication with financiers and advisors to assess feasibility of the financial projections and understanding of the urgency.	Financial	Mitigate
Given the ambitious strategic goals, the risk that the execution of strategic projects is delayed due to unavailability of resources or lack of execution capacity of Aqualectra. Risk actions: • A blueprint was prepared defining the critical path for Aqualectra for 2024 and detailing the planning, the resources needed, the ways employee and community engagement will be fostered, etc.; • Strategic Program Management is introduced to ensure program and project management is done correctly; • Thorough risk analyses and priority setting exercises conducted periodically to remain abreast of developments and mitigate potential risks before they become an issue; • A well-balanced approach to outsourcing of activities applied, to focus on what is critical to the success of the Company.	Operational / Strategic	Mitigate
The risk of an unmanaged non-revenue of water and electricity and also supply interruptions due to theft and older infrastructure. Risk action: • The Advanced Metering Infrastructure deployment is well on its way and net balancing is being developed and will be launched soon; • A specific project was started in 2023 to intensify the neighborhood inspections through a data driven approach, increase fines and introduce an anonymous line to detect more theft cases and remediate them; • Various remediation investment projects devised based on known problem areas to reduce leakage from own infrastructure.	Operational / Financial / Strategic	Mitigate
The risk of cyber-attacks given the farther-reaching digitalization in all areas of the business. Risk actions: • Rigorous 24/7 monitoring of the Company's systems to detect intrusion timely; • Employee education program to avoid clicking on phishing or compromised correspondence; • Immutable backups to ensure recovery when an attack occurs; • Robust IT Governance and business continuity procedures and policies to prevent an attack but also to properly react to an attack when it happens.	IT / Business continuity	Mitigate

ACKNOWLEDGEMENTS: GOING FAR TOGETHER

1.6

We extend our deepest gratitude to our dedicated employees, whose unwavering commitment and exceptional hard work form the backbone of our Company. Your daily efforts, innovative thinking, and resilience in the face of challenges drive our success and inspire us to strive for excellence continually.

Our appreciation also goes to the unions, whose collaborative spirit and steadfast advocacy for a fair and productive work environment are instrumental in maintaining a harmonious workplace. Your partnership ensures that our workforce remains motivated and our operations run smoothly.

To our valued shareholders, we express our profound thanks for your continued trust and support. Your belief in our vision and your investment in our future enable us to pursue ambitious goals and drive sustainable growth. Your confidence empowers us to make decisions that benefit the company and generate long-term value.

We are sincerely grateful to our esteemed Board of Directors for their strategic guidance and governance. Your wisdom, experience, and foresight have been crucial in navigating the complexities of our industry and steering our company toward a prosperous future. Your leadership ensures that we remain true to our mission and values while adapting to an ever-changing landscape.

To the Regulator: we extend our thanks for your oversight and partnership in maintaining the highest operating standards. Your guidance and regulatory framework are vital in ensuring that we operate responsibly and ethically, upholding the trust placed in us by our stakeholders.

Lastly, we acknowledge the community at large, the press, institutions, and associations, whose engagement and support are vital to our mission. Your trust and cooperation inspire us to be responsible corporate citizens, committed to contributing positively to the community we serve. We are dedicated to fostering a relationship built on mutual respect and shared growth.

As we reflect on our challenges and achievements, we are reminded of the African proverb, "Alone we go fast, together we go far." This wisdom underscores the essence of our collective journey. It is only through our united efforts and continued cooperation that we can achieve lasting success and reach new heights. Together, we are stronger and more resilient, poised to overcome future challenges and ensure sustainable growth and prosperity for all. Let us continue to build on this foundation of collaboration, driving forward with a shared vision and a common purpose.

Willemstad, May 24, 2024

Neysa R. Isenia MSc. RA
Chief Financial Officer

2 REPORT FROM THE BOARD OF SUPERVISORY DIRECTORS

GOVERNANCE, RISK AND COMPLIANCE

BOARD MEETINGS AND DECISIONS

2.1

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 amongst others its 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.

The task of the BSD is to supervise and advise the Board of Managing Directors ('BMD') amongst other, 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:

Core business:
- The need for a strong reduction in NRE and NRW losses;
- Emphasis on BMD to implement KPI's throughout the organization;
- Emphasis on BMD to expedite the execution of the Rightsizing project;
- Emphasis on BMD for strong follow-up on studies regarding and implementation of recommendations on blackouts.

Projects:
- Purchase of parcels of land;
- Various infrastructure projects (e.g., reconstruction part of Banda Bou-ring: (Sint) Willibrordus - Coral Estate - San Sebastian – Fontein; new water tanks Stenen Koraal);
- Reconstruction of the 12k V grid from Substation Weis to Verdeelstation Van Krimpenlaan;
- New 12 & 30 kV switch gears for Substations Zegoe, Montaña and Koraal Tabak;
- New double cable circuit 30 kV between Koraal Tabak and Montaña;
- Investments in GT-2;
- Purchase of 16 MVA Power Transformers;
- Procurement approach batteries and new power plant;
- Information and update on strategic and key projects (Advanced Metering Infrastructure; Rightsizing; New Headquarters; SAP4AQL; Relocation of the Mundu Nobo plant to Hato West; Security of Energy Supply);
- NRE / NRW analysis and solution path;
- Engagement in telecom business (AquaTel);
- Modernizing of Public Streetlight Infrastructure;
- Various commercial projects to be executed by Aqualectra Multi Utility ('AMU') (e.g., procurement of a RO plant at Bapor Kibrá).

Financial matters:
- Approval of the Consolidated Financial Statements 2022;
- Approval of the Budget 2024 & Forward-Looking Projections 2025-2029;
- Periodic financial performance (KPI's);
- Corporate (re)financing strategy;
- Tax matters;
- Indexation salaries personnel Aqualectra;
- Discussion with the external auditor on their findings and any matters of concern regarding the Board of Managing Directors.

Governance related matters:
- Matters related to the performance, resignation and follow-up investigations of the Board of Managing Directors, specifically the Chief Executive Officer;
- Preparation for GSM;
- Internal audit plan;
- Risk management;
- Vacancies BSD;
- Gaining advice on the composition of the Board of Managing Directors

Other business:
- Task setting BMD 2023 and 2024;
- Succession planning.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

2.2

The BSD strives to be compliant with the Code of Corporate Governance. The following compliance rates were achieved during 2023 by the various instances of governance in the Company:
- Compliance to the Code of Corporate Governance by the GSM: 94% (2022: 94%)
- Compliance to the Code of Corporate Governance by the BSD: 96% (2022: 98%)
- Compliance to the Code of Corporate Governance by the BMD: 98% (2022: 98%)

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 did not perform a self-assessment in 2023. A formal performance evaluation of the BMD by the BSD was not executed in 2023. The self-evaluation of the BSD was also not executed in 2023. However, BSD meetings mean a constant evaluation of the decisions made by the BMD and the execution of their 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 the current compliance rates.

COMPOSITION OF THE BSD

2.3

The members of the BSD are appointed for a term of four years with a maximum of two terms. During 2023, the BSD consisted of the following Supervisory Directors:

Name	Function
Mrs. J. Da Silva Goes – Laclé March 25, 2019 – March 24, 2023	**Supervisory Director** Member of the Audit Committee
Mr. K. van Haren September 9, 2020 – December 31, 2023	**Supervisory Director** Chairman of the Board of Supervisory Directors Member of the Risk Committee
Mr. P. Aberson March 5, 2021 – December 31, 2023	**Supervisory Director** Chairman of the Audit Committee
Mr. A. Martina March 5, 2021 – December 31, 2023	**Supervisory Director** Chairman of the Risk Committee
Mr. K. Martis September 5, 2023 – September 4, 2027	**Supervisory Director**
Mr. R. Oehlers February 14, 2024 – February 13, 2028	**Supervisory Director** Chairman of the Board of Supervisory Directors
Mr. G. Martes April 19, 2024 – April 18, 2028	**Supervisory Director**
Mr. M. Statia April 19, 2024 – April 18, 2028	**Supervisory Director**
Mr. R. Manuel April 4, 2024 – April 3, 2028	**Supervisory Director**

In accordance with the Code Corporate Governance, members of the BSD are entitled to financial compensation. During 2023, the following expenses have been incurred to remunerate the BSD members:

Name (AMOUNTS IN ANG)	**2023**	**2022**
Mr. R. Rudolph	-	15,094
Mrs. J. Laclé	5,660	22,641
Mr. K. van Haren	31,446	31,446
Mr. A. Martina	24,640	25,157
Mr. P. Aberson	22,641	22,641
Mr. K. Martis	6,298	-
Total	**90,685**	**116,979**

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 difference between the mentioned net amount and the elucidated gross amounts in above table 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 2023, the BSD held thirteen (13) meetings for Integrated Utility Holding N.V., eight (8) meetings for Aqualectra N.V., one (1) meeting for Aqualectra Multi Utility N.V. and one (1) meeting for Utility Financial Services N.V. All BSD members in function at the date of the respective regular meeting, attended the meetings as scheduled. A majority of the meetings of the BSD and its committees were attended by the secretary to the BSD who was responsible for the minutes. In the absence of the secretary of the BSD, the General Counsel & Corporate Secretary of the Company was responsible for the minutes.

COMMITTEES OF THE BSD

2.4

2.4.1 AUDIT COMMITTEE

The requirement to instate an audit committee becomes valid when a board exceeds five members. The BSD of Aqualectra did not meet this minimum requirement during 2023. Nevertheless, two (2) audit committee meetings were held in 2023. Additionally, other planned audit committee meetings became Board meetings.
The main topics discussed comprised:

- The quarterly financial reports;
- The audited financial statements for the year ended December 31, 2022, 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 budget for 2024 and forward looking projections 2025-2029;
- The functioning of the Internal Audit Department;
- The funding, capital and financing structure of the Company;
- Various other internal control, risk and tariff regulation related matters.

Furthermore, the Chairman of the Audit Committee functioned as first point of contact for the external auditor and met once with the external auditor in the absence of the BMD. The Audit Committee, together with the BMD, thoroughly evaluated the external auditor's role and performance. The GSM appointed Deloitte Dutch Caribbean as the external auditor for the fiscal years 2022 - 2025.

2.4.2 Risk Committee

The Risk Committee was introduced in 2021 to oversee the risk management framework and supervise the management of main risks and mitigating actions. During 2023, Aqualectra's BSD did not meet the minimum requirement for an Audit Committee or a Risk Committee. Hence, topics planned to be discussed in risk committee meetings were added to the agenda of BSD meetings.

Reference is also made to the consolidated financial statements 2010, where it is disclosed that there was an ongoing discussion

INVESTMENT IN THE EQUITY ACCOUNTED INVESTEE CURAÇAO UTILITY COMPANY HOLDINGS N.V. ("CUC HOLDINGS")

2.5

between the Company and the Company's shareholder ("Shareholder") regarding the valuation of the investment in the equity accounted investee, Curaçao Utility Company Holdings N.V. ("CUC Holdings"). Based on the assumptions and valuation model generally used by Management for determining the value of the investment, the Management of the Company was of the opinion that the current value of this investment on December 31, 2010 was approximately ANG 62.1 million. In January 2011, the Shareholder decided to transfer the shares of CUC Holdings to Refineria di Kòrsou (RDK) for a nil consideration. As a consequence of this decision of the Shareholder, as disclosed in the financial statements 2010 of January 21, 2014, Management has impaired the value of the participation in CUC Holdings to nil as per December 31, 2010.

The 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 above-mentioned financial statement, the BSD and GSM approved the consolidated financial statements for the years 2011 up to and including 2018. The auditors' opinions on the consolidated financial statements for these years contained the same qualification, but the auditors' opinion on the financial statements for the year 2018 and after was an unqualified opinion with an emphasis of matter on abovementioned.

None of the undersigned members of the BSD were appointed during the fiscal years when various decisions were reached affecting the Company's financial position, particularly the transfer of CUC to RDK upon the government's instruction and its consequences for the Company's long-term bond financing.

Based on the corporate law of Curaçao, a third party could hold each member of the BSD liable if the consolidated financial statements present a misleading position of the Company. On the other hand, each board member could be liable if the consolidated financial statements are not prepared, signed by the BSD, consequently presented for approval to the shareholder, and published in a timely manner by the Company.

The BSD recommends the Shareholder to approve the consolidated financial statements for the years ended December 31, 2023, and 2022. Work is still ongoing to resolve this matter.
The BSD herewith submits the Consolidated Financial Statements for the year ended December 31, 2023, of Integrated Utility Holding N.V. (d.b.a.

APPROVAL AND DIVIDEND PROPOSAL

2.6

Aqualectra) as prepared by the BMD and approved by the BSD. Deloitte audited the Consolidated Financial Statements and its opinion is included in this report.

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

Considering the aforementioned, the BSD advises the GSM to:

- Accept the consolidated financial statements 2023 as included and approved by the BSD;
- Approve that no dividend payment will be distributed;
- Add the negative total comprehensive result for the financial year 2023 to the balance of the accumulated losses, resulting in a decline in the net equity position;
- Discharge the BMD for the management and the BSD for their supervision during the year under report.

Looking forward

The organization is in the process of an important transformation. Many challenges have to be overcome to make considerable and important progress with this transformation with the aim of ensuring the continuity of IUH N.V.. 2023 was a challenging year for IUH N.V. on Governance matters, resulting in the resignation of the Chief Executive Officer, the majority of the Board members and unresolved investigations that must still lead to a conclusion.

The BSD is content with the agility of the GSM to appoint new members and looks back to a fresh start in this new constellation, and looks forward to effective supervision to ensure the Company attains its strategic goals. The plans and challenges ahead call for knowledge, experience, serenity, and seniority to steer the course of the Group in the right direction. The BSD hopes that all stakeholders will keep a close eye on the interests of the organization as a whole in the continuation and timely execution of the transformation process during 2024 and beyond.

Word of appreciation

The BSD worked together with the BMD through various essential themes and projects and dealt with diverse challenges that were presented from inside and outside the organization during 2023.
The BSD salutes the BMD and all AMU, Aqualectra and UFS employees for their contribution to the successes achieved and looks forward to opening new windows of opportunity for the Company and the community we serve.

Willemstad, June 10, 2024

The Board of Supervisory Directors	
Mr. R. Oehlers Chairman of the Board of Supervisory Directors	Mr. K. Martis Supervisory Director
Mr. M. Statia Supervisory Director	Mr. R. Manuel Supervisory Director
Mr. G. Martes Supervisory Director	

3

HIGHLIGHTS OF THE YEAR

Financial Data (ANG x 1,000)	Dec 31, 2023	Dec 31, 2022
Operating revenues		
Sales electricity	461,333	470,152
Sales water	118,677	115,642
Sales services	10,295	10,409
Operating expenses		
Total operating expenses Aqualectra N.V.	242,625	227,365
Total operating expenses Multi Utility	1,811	370
Total operating expenses Holding	2,799	3,560
Results		
Operating profit / (loss) Aqualectra N.V.	(2,426)	(3,162)
Operating profit Holding	20,520	15,731
Operating (loss) Multi Utility	(1,381)	(316)
Financial data		
Working Capital	100,089	117,191
EBITDA	91,898	89,271
EBIT	20,520	29,377
EBT	10,299	19,612
Equity	434,817	424,686
Non-current liabilities	349,670	339,755
Current liabilities	232,200	181,350
Financial ratio's		
Debt Service Coverage Ratio	3.71	3.68
Adjusted Debt Service Coverage Ratio	0.968	1.19
Debt/EBITDA Ratio	3.35	3.04
Solvency Ratio	43%	44%
Current Ratio	1.56	1.61
Return on equity	0.02	0.04

Operational Data		
Electricity		
Sales electricity in MWh (excl. RO Fuik and own usage)	634,795	610,112
Electricity intake from production in MWh	711,003	667,946
Electricity intake from CUC in MWh	24,971	1,963
Electricity intake from wind farms in MWh	172,670	189,252
Electricity intake from solars in MWh	7,700	7,789
Usage reverse osmosis plants	63,978	61,160
Usage own machine plants	20,190	20,755
Number of postpaid connections at year end	51,076	50,054
Number of prepaid connections at year end	36,308	34,845
Average usage households per month in kWh	286	277
Average sales tariff households in ANG per kWh	0.7327	0.7676
Average sales tariff in ANG per kWh	0.704	0.7415
Unaccounted for usage in % of MWh intake	19.45%	20.52%
Water		
Sales water in 1000 m3	10,144	9,896
Water intake from production in 1000 m3	14,532	14,492
Number of postpaid connections at year end	94,689	91,953
Average usage households per month in m3	7.164	7.207
Average sales tariff households in ANG per m3	11.399	11.2646
Average sales tariff in ANG per m3	11.7013	11.6193
Unaccounted for usage in % of m3 intake	29.23%	29.70%

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4.1

(AMOUNTS IN ANG * 1,000)	As at Dec 31, 2023	As at Dec 31, 2022	For specs, See notes
ASSETS			
Non-current assets			
Intangible assets	40,907	45,027	5.6.1
Property, Plant and Equipment	554,600	544,268	5.6.2
Right-of-use Assets	18,485	16,121	5.6.3
Other non-current financial assets	34,063	34,063	5.6.4
Deferred tax assets	7,173	7,457	5.6.5
	655,228	**646,936**	
Current assets			
Inventories	106,229	75,387	5.6.6
Trade accounts receivable	206,797	201,881	5.6.7
Other receivables	29,515	23,240	5.6.8
Cash & cash equivalents	18,918	25,189	5.6.9
	361,459	**325,697**	
Total assets	**1,016,687**	**972,633**	

(AMOUNTS IN ANG * 1,000)	As at Dec 31, 2023	As at Dec 31, 2022	For specs, See notes
EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	528,000	528,000	4.3/ 5.6.10
Share premium	55,000	55,000	4.3/ 5.6.10
Accumulated losses	(158,166)	(174,045)	4.3
Profit for the year	9,983	15,731	4.2/4.3
	434,817	**424,686**	
Non-current liabilities			
Financial liabilities	225,134	239,658	5.6.11
Customer deposits	27,704	27,049	5.6.12
Lease liabilities	20,137	16,690	5.6.3
Provisions	76,695	83,199	5.6.13
	349,670	**366,597**	
Current liabilities			
Trade accounts payable	90,412	75,360	5.6.14
Current tax payable	3,243	3,004	
Overdraft	29,460	11,038	5.6.9
Other liabilities	109,085	91,948	5.6.15
	232,200	**181,350**	
Total Equity and Liabilities	**1,016,687**	**972,633**	

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

4.2

(Amounts in ANG * 1,000)	For the year ended Dec 31,2023	For the year ended Dec 31,2022	For specs See notes
CONTINUING OPERATIONS			
Revenue from contracts with customers	590,306	596,203	5.7.1
Direct costs production	(319,825)	(334,039)	5.7.2
Other direct costs of sales	(2,749)	(1,879)	5.7.2
Costs of sales	(322,574)	(335,918)	
Gross profit	**267,732**	**260,285**	
Personnel expenses	101,644	103,262	5.7.3
Other (post) employment benefits (net)	3,925	3,709	5.7.3
Reorganization expense	1,254	-	
Parts, repairs & maintenance	47,236	33,166	5.7.4
Customer Relations Service Fees	4,944	4,068	
General expenses	32,184	30,517	5.7.5
Depreciation and amortization expenses	59,457	48,829	5.6.2
Impairment of Property, Plant & Equipment	4,615	-	
Expected credit loss trade receivables	(8,047)	7,356	5.6.7
Total operating expenses	**247,212**	**230,908**	
Operating income	**20,520**	**(29,377)**	
Interest expenses (net)	(10,221)	(9,765)	5.7.6
Net finance costs	**(10,221)**	**(9,765)**	
Profit before income tax	**10,299**	**19,612**	
Income tax	(316)	(3,881)	5.7.7
Profit for the year	**9,983**	**15,731**	

(Amounts in ANG * 1,000)	For the year ended Dec 31,2023	For the year ended Dec 31,2022	For specs See notes
Other comprehensive gains			
Items that will not be reclassified subsequently to Profit & Loss			
Actuarial gains	199	1,599	5.6.14
Deferred tax related to the components of other comprehensive results	(51)	(352)	
Items that might be reclassified subsequently to Profit & loss	-	-	
Other comprehensive gain for the year, net of income tax	148	1,247	
Total comprehensive profit for the year	**10,131**	**16,978**	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

4.3

(Amounts in ANG * 1,000)	Share Capital	Share Premium	Pre-ferred shares	Own shares	Accumulated Losses	Appropriation of total comprehensive income	Total Share-holder's equity	For Spec See notes
Balance at January 1, 2022	528,000	55,000	72,800	(72,800)	(123,748)	(51,544)	407,708	
Profit for the year 2022	-	-	-	-	15,732	-	15,731	
Other comprehensive income for the year 2022	-	-	-	-	-	1,247	1,247	
Balance at December 31, 2022	**528,000**	**55,000**	**72,800**	**(72,800)**	**(108,017)**	**(51,544)**	**424,686**	
Balance at January 1, 2023	528,000	55,000	72,800	(72,800)	(108,017)	(50,297)	424,686	
Profit for the year 2023	-	-	-	-	9,983	-	9,983	4.2
Other comprehensive income for the year 2023	-	-	-	-	-	148	148	4.2
Balance at December 31, 2023	**528,000**	**55,000**	**72,800**	**(72,800)**	**(98,034)**	**(50,149)**	**434,817**	

CONSOLIDATED STATEMENT OF CASH FLOWS

4.4

(Amounts in ANG * 1,000)	For the year ended Dec 31,2023	For the year ended Dec 31,2022	For specs See notes
Cash flow from operating activities			
Profit for the year	9,983	15,731	4.2
Adjustments for non-cash items:			
Depreciations and amortization expenses	59,400	48,829	5.6.2
Expected credit loss	(8,047)	7,356	5.6.7/5.6.8
Disposal of property, plant, equipment (net)	3,657	36	5.6.2
Impairment	4,615		
Change in provision slow moving inventory	3,410	(1,331)	5.6.6
Change in deferred tax asset	233	877	5.7.7
Change in provisions	(6,356)	(5,627)	
Finance costs	7,610	9,919	
Income tax expense	290	3,004	
Operating cash flows before movements in working capital	**64,812**	**63,063**	
Change in inventories	(34,252)	(29,909)	
Change in trade accounts receivable	3,131	(19,716)	
Change in customer deposits	655	486	
Change in other receivables	(6,275)	(11,847)	
Change in trade accounts payable	15,052	18,584	
Change in other liabilities (excluding interest paid)	17,136	18,517	
Total movements in working capital	**(4,553)**	**(23,885)**	
Income taxes paid	-	-	
Total cash flow from operating activities	**70,241**	**54,909**	
Cash flow from investing activities			
Acquisition of intangible assets	-	(3,000)	
Purchases of property, plant, equipment	(69,322)	(50,606)	5.6.2
Total cash flow used in investing activities	**(69,322)**	**(53,606)**	
Cash flow from financing activities			
Repayments of loans	(14,524)	(14,525)	5.6.11
Payments of lease (excluding interest)	(4,424)	(4,190)	
Overdraft	18,422	11,038	
Interest paid	(6,664)	(8,913)	
Total cash flow used in financing activities	**(7,190)**	**(16,590)**	
Balance at start of year	25,189	40,478	
Increase / (decrease)	(6,271)	(15,289)	
Balance at end of year	**18,918**	**25,189**	

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SELECTIVE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

5.1

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, K.A.E. and KODELA were legally integrated and became Aqualectra N.V. The principal activities of the Group are described in the "Profile" of this annual report. The headquarters of the Group are located at Rector Zwijssenstraat 1, Curaçao, which is also the registered address of the Group.

The objectives of the Group are:

- Investing funds in shares of utility companies which have the goal of producing and distributing water and electricity;
- Managing, controlling and administering of other companies and representing interests of the shareholders and financers of the Group;
- Generating electricity and the production of water;
- Distributing electricity and water;
- Offering management consultancy and engineering services; and
- Bottling of drinking water.

The Group's authorized capital amounts to ANG 600 million, consisting of 600 shares at ANG 1 million par value each. 470 shares were issued to the Island Territory of Curaçao on June 1, 1998 with an additional 58 shares issued on January 31, 2013 to the 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 to deliver this to a third party is restricted to the company to which permission has been granted by the Government of Curaçao. 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 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 applied in direct form (own production) and indirect form (contracted production). The amended concession was issued on June 19, 2014 and formalized on November 6, 2014.

Tariff structure

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

Determination of tariffs

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

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

- the fuel component, which covers the direct costs (includes fuel, chemicals, lubricants, and purchase of electricity and water from third parties);
- the recovery component, which covers shortages in the fuel component that developed from January 2011 to, and oncluding, 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.

A detailed breakdown of the regulatory receivables and the corresponding amount recovered through the recover component of ANG 0.0205 is illustrated in the following table, highlighting the yearly progression:

	Feul Comp 2022	Feul Comp 2021	Feul Comp 2020	Feul Comp 2019	Feul Comp 2018	Base Comp 2017	Base Comp 2018	Base Comp 2020	Base Comp 2021	Total
Starting Balance 1/1/2022	-	-	-	9,231	4,006	13,609	12,369	-	-	39,215
Approved 2022	4,816	-	6,290	-	-	-	-	3,897	-	15,003
Recovered in 2022	-	-	(1,238)	(9,231)	(4,006)	-	-	-	-	(14,475)
Ending Balance 31/12/2022	4,816	-	5,052	-	-	13,609	12,369	3,897	-	39,742
Starting Balance 1/1/2023	4,816	-	5,052	-	-	13,609	12,369	3,897	-	39,742
Regulatory Advice 2023	-	600	-	-	-	-	-	-	2,735	3,335
Approved 2023	-	-	3,725	-	-	-	-	-	-	3,275
Recovered in 2023	(4,816)	-	(9,390)	-	-	-	-	-	-	(14,206)
Ending Balance 31/7/2023	-	600	(1,603)	-	-	13,609	12,369	3,897	2,735	32,146

Energy policy

In 2009, the Group was notified by the Government that the 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. It is intended to lower tariffs, upgrade the services offered to customers, provide clients with choices, 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.

SIGNIFICANT ACCOUNTING POLICIES

5.2

Basis of preparation

The consolidated financial statements, which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in Shareholder's equity and consolidated statement of cash flows for the year then ended, and related selective notes, are derived from the audited consolidated financial statements of Integrated Utility Holding N.V. for the year ended December 31, 2023.

The accompanying consolidated financial statements of the Group have been 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 2023 were approved for issue by the Board of Supervisory Directors on June 10, 2024. The Shareholder has the power to amend the consolidated financial statements after the date of issuance.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2023. 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.

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 noncontrolling interests, even if this results in the noncontrolling 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 a subsidiary's ownership interest 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 2023 and 2022
Aqualectra N.V.	100%
Aqualectra Multi Utility Company N.V. (AMU)	100%
Utility Financial Services N.V. *	100%
General Engineering & Utility Services N.V. (GEUS)**	100%
Aqualectra Bottling Co. N.V.**	100%

* UFS NV was incorporated in 2020 and started operations in January 2022.
** GEUS and Aqualectra 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 Aqualectra N.V and Aqualectra Multi Utility N.V., wuth Utility Financial Services N.V. as a subsidiary of AMU, hereinafter collectively referred to as "The Group." The Group is responsible for managing the abovementioned companies. During the year 2023, Aqualectra Bottling and GEUS did not engage in any activities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.3

5.3.1 Fair value measurement

The Group holds no financial assets or liabilities that are measured at fair value on December 31, 2023, or December 31, 2022.

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 to 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 best economic interest.

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

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

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

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

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

5.3.2 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. Nonmonetary 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 from the 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.

5.3.3 Property, plant and equipment

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 longterm 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 on estimations performed by an independent expert. Since the 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.
Construction in progress is stated at cost, net accumulated impairment losses, if any. The cost of work in progress comprises materials, direct labor, service charges, and other costs.

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

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

Major spare parts are depreciated in accordance with the category of Plant & Equipment. An item of property, plant and equipment and any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss resulting in the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss 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.

5.3.4 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 recognized at cost and is credited to the cost of work in progress or is shown as deferred credit in the case where construction has not yet started.

5.3.5 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 righ-to-fuse assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognizes the right to 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 term and the estimated useful lives of the assets, as follows:

• Land lease 10 to 30 years
• Car leases 1 to 6 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. Consult the accounting policies in section I can't find section (g) in the document. 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 is considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses 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.

At the inception date, a lease is classified 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 the 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 its useful life. 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.

1. 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 qualifying asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that the Group incurs in connection with the borrowing of funds.

5.3.7 Intangible assets
The Group holds intangible assets with finite lives. These assets are amortized over their useful economic life and assessed for impairment whenever there is an indication that they may be impaired. The amortization period and 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 and recorded in the 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 Enterprise Resource Planning (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.

5.3.8 Impairment of non-financial assets
Further disclosures relating to the 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 CGUs to which the individual assets are allocated. These budget and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

An assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's CGUs recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.
The reversal is limited so that the carrying amount of the asset does not exceed the lower of its recoverable amount, and the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revaluated amount, in which case, the reversal is treated as a revaluation increase.

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

5.3.9 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. With the exception of certain trade receivables, which are initially recognized at their transaction price. 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 this section. Revenue from contracts with customers.

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.

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.

Starting April 2021, the tariff includes a recovery component of ANG 0,0205 for under-coverages on the fuel component of 2018, amounting to a total of ANG 13.5 million (fully recovered at the end of May 2022). In March 2022, the Council of Ministers approved the under-coverage fuel component for 2019, amounting to ANG 9.2 million. The same recovery component of ANG 0,0205 has been included in the tariffs starting April 1, 2022. On November 1, 2022, another 10.2 million was approved, followed by ANG 4.8 million related to fuel inefficiencies due to the use of the power plant GT-2 on December 23, to be recovered in 2023.

Subsequent measurement

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 are 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 of December 31, 2022 and 2021, 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 of holding 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 deposits included under other noncurrent 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 asset's original carrying amount 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 to 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 based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors, including taking into consideration the deposits received at the inception of the contract and the economic environment.

Notes 5.5.2 'Credit Risk' also provide further disclosure regarding the impairment of trade receivables, including contract assets.

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 loans and borrowings, payables, as derivatives designated as hedging instruments in an effective hedge, or as financial liabilities at fair value through profit or loss, 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, 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.

Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortized costs.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled, 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.

5.3.10 Inventories

Inventories are valued at the lower 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.

5.3.11 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 shortterm, highly liquid investments.

5.3.12 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.

5.3.13 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 the share premium.

5.3.14 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 from the contract, which is the lower cost of fulfilling it and any compensation or penalties arising from failure to fulfill 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 a 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 of executing the reorganization /right-sizing plan within Aqualectra. The provision as of December 31, 2022 and 2021, is based on a one-time redundancy payment scheme that is in accordance with the CLAs of Aqualectra Production and Aqualectra Distribution. The actual termination of employees due to reorganization and rightsizing was expected to take place in 2022, but a delay was experienced in the project and it is now expected to be finalized in 2023.

5.3.15 Employment benefits

General

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

Post-employment benefits

All the post-employment benefit plans within the Group are defined benefit plans, with the exception of the pension plan, which was changed to a Defined Contribution plan as of 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 profit or loss 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 the 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 Other Comprehensive Income.

Below is 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 years. At the reporting date, there was no information available to use benefit accounting. Therefore, the plan is accounted for as if it were a defined contribution plan where the Group's share in the contribution amount is recognized as an expense.

APC Supplementary pension ('Duurtetoeslag')

In 1943, the Government guaranteed civil servants a pension equal to 70% of their average salary received during 24 months before their retirement. The supplementary pension (the so-called 'Duurtetoeslag') is the difference between the guaranteed pension amount and the pension actually built up as per the APC pension agreement. As per the 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 Group's employees who do not participate in the APC pension plan participate in a multi-employer defined contribution plan (Vidanova), in which all employees are obliged to participate if and when they comply with all the required conditions. The pension plan is generally funded by payments from employees and employers, taking into account recommendations of independent qualified actuaries. A level employer premium is charged as an advance for the defined contribution plans.

APC Early Retirement Benefit ('VUT')

In the National Ordinance of December 27, 1995 it is stipulated that civil servants have the option of filing a request with the Governor to retire from service at the age of 55 years. 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 persons concerned.

AOV/BVZ compensation:

Based on a protocol signed in 2017 and renegotiated in 2018, employees reaching 60 years of age up to and including 2023, will have the choice to retire at 60 years or continue working until they reach 65 years of age. This stems from the change of the age at which a citizen of Curaçao is eligible for a general pension grant (Algemene Ouderdomsvoorziening – AOV). In 2013, the lawful age at which a citizen could apply for this grant was changed from 60 to 65 years. Given the strategic goal of Aqualectra to increase efficiency by investing in sophisticated applications and consequently reducing the number of FTEs, it was negotiated with the unions that the age of 60 will be maintained for the employees of Aqualectra as the retirement age.
Up to and including 2023, employees reaching 60 will have the choice to retire or continue working until they reach 65. Acknowledging 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 years, the BMD agreed with the unions that the gap will be duly compensated.
The Provision AOV/BVZ compensation aims at bridging the gap caused by:

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

Provision retirement stimulation:

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

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

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

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

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

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

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

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

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

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

KVA Allowance
Aqualectra can recognize the transaction prices as revenue when the corresponding performance obligation is satisfied, which is through the passage of time. The performance obligation is installing solar panels 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 streetlight maintenance
Revenue for these services can be recognized after the completion of the service. The performance obligation are the services to streetlights installation and removal of spotlights. The costs incurred by Aqualectra for the repair and/or maintenance of these are charged to the government.

Sales and distribution
Revenue for these services can be recognized after the completion of the service. These regards projects of installations for new allotments and/or businesses.

Selikor invoicing services
Selikor's revenue is recognized after invoicing the customers. Aqualectra invoices Selikor for the waste tax and charges Selikor a fixed fee per bill. Aqualectra does not arrange for Selikor to provide the goods or services.

Aquadesign
Aquadesign is recognized upon providing ADNV with electricity, invoicing customers on behalf of Selikor, and providing electricity to Aquadesign. The transaction price is fixed.

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

Additional disclosure with regard to the group's revenue from contracts with customers is provided in note 5.7.1.

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

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

5.3.18 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 substantially enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropiate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax is provided using the balance sheet 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 reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

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

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

Tax benefits acquired as part of a business combination but not satisfying the criteria for separate recognition at that date, are recognized subsequently in case of changes due to new information about facts and circumstances. 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.

The following can be considered domestic income:

- 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.

The determination of domestic income will be based on the ratio between local and foreign direct expenses, excluding the cost of materials for products.

New substance requirements

Also, new requirements with regard to substance have 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 had been a non-resident taxpayer.

5.3.19 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 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

- IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that were issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance, and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

This standard is not applicable to the Group.

- 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 would the terms of a liability not impact its classification

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the Group's consolidated financial statements as no modifications of the Group's financial instruments occurred during the period.

- Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, which provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

The new and amended standards and interpretations 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 IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. An earlier application is permitted, and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

In January 2020 and October 2022, 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 would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current, and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 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.

- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to the IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows, and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but it must be disclosed.

The Group is currently assessing the impact of the amendments.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

5.4

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, 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.

This paragraph discusses the Group's critical accounting estimates and assumptions, and critical judgments in applying the entity's accounting policies.

a. Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, 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 lesseeThe Group determines the lease term as the noncancellable 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 judgment 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 are within its control and affect 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. 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 5.6.17 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. 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. 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 expected credit losses (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 forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Furthermore, cash security deposits of customers are also included in calculating the expected credit loss and, therefore, also impact 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 Company. Taking the aforementioned into consideration, Aqualectra 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 5.5.2.

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 to which ANG is pegged) 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. Note 5.6.13.1 discloses additional information on the applied assumptions.

Provision reorganization
The reorganization provision has been created to execute the reorganization/right-sizing plan within Aqualectra. As of December 31, 2023, the provision is based on the redundancy payment scheme included in Aqualectra's CLAs.

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, 2023, and as of December 31, 2022, 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 Management's income forecast. The income forecast of the Group is based on assumptions with regard to market developments of electricity and water, fuel costs, demographic movements, the level of electricity and water tariffs, etc. Significant changes in these assumptions may have a significant impact on the extent to which the past taxable losses can be utilized.

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

Impairment test Property, Plant and Equipment
In order to assess the recovery amount 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) are calculated. To calculate the future generated cash flows, assumptions and judgments are made with regard to future profits, investments, interest rates and the capitalization rate based on the available information about the business and also the, technological and operational outlook. Significant changes in these assumptions may have a significant impact on the present value of future generated cash flows and therefore on the fair value of the property, plant and equipment. As per December 31, 2023, the GT-2 was impaired as the Company no longer expected future benefit of this turbine engine. The difference between the Not the 'carrying amount'? as of December 31, 2023 and the recoverable amount was recognized in the statement of Profit and Loss and Comprehensive income.

FINANCIAL RISK MANAGEMENT

5.5

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.

5.5.1 Market risk

Market risk consists of foreign exchange risk, interest rate risk, and tariff risk.

5.5.1.1 Foreign Exchange Risk

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

The Group is exposed to foreign exchange risk resulting from purchasing parts, services, and supplies from foreign suppliers. These foreign transactions are mainly invoiced in United States Dollars (USD) and/or EURO (EUR).
The following table summarizes the currency risk with respect to recognized financial assets and financial liabilities:

Monetary assets and liabilities by currency of denomination Foreign currency exposures per December 31, 2023 (Amounts * 1,000)	USD	EURO
Financial assets Cash & cash equivalents	-	-
Financial liabilities Trade accounts payable	(7,172)	(1,773)
Total currency of denomination	(7,172)	(1,773)
Total currency in ANG	**(12,786)**	**(3,748)**

Monetary assets and liabilities by currency of denomination Foreign currency exposures per December 31, 2022 (Amounts * 1,000)	USD	EURO
Financial assets Cash & cash equivalents	-	-
Financial liabilities Trade accounts payable	(6,222)	(1,724)
Total currency of denomination	(6,222)	(1,724)
Total currency in ANG	**(11,323)**	**(3,186)**

There is a fixed exchange rate between the Netherlands Antillean Guilder (ANG) and the USD of ANG 1.82 to the USD, which mitigates the foreign exchange rate exposure of the Group's transactions and positions in USD.
Purchasing transactions, outstanding trade accounts payable positions, and cash positions at banks in EURO can expose the Group to a certain foreign exchange risk. The significance of the risk is shown in the schedule below:

The Group's policy is to regularly review the significant risks resulting from foreign exchange rate exposure and, when appropriate, to hedge significant foreign currency transactions at the point the commitment is entered into by purchasing the foreign currency and/or limiting the period that commitments in foreign exchange rates are exposed to foreign exchange risk. Cash flow constraints, combined with the immateriality of foreign exchange risk per transaction, led to Management's decision to put the aforementioned policies on hold during 2023 and 2022.

(Amounts * 1,000)	Dec 31, 2023	Dec 31, 2022
Total EURO purchase orders made in EURO	9,838	6,620
Total EURO purchase orders made in ANG	19,346	12,600
Average EURO rate	1.9665	1.9033
Foreign exchange (profit)/loss on EURO transactions in ANG	429	149
Outstanding EURO trade payables in EUR per year end	2,022	1,724
Outstanding EURO trade payables in ANG per year end	4,232	3,186
Exchange rate per year end	2.09	1.85

The sensitivity analysis below of the outstanding position of the trade accounts payable in EURO as per year-end to movements against the EURO assumes a change of +/-10% in the exchange rate as of December 31, 2023,
and as of December 31, 2022.

	Carrying amount per Dec. 31, 2023		Sensitivity analysis of an exchange rate change of:	
			10% change (*)	+10% change (*)
	(Amounts * 1,000)		(Amounts * 1,000)	(Amounts * 1,000)
Outstanding trade accounts payable	EUR 1,773	ANG 3,741	ANG (374)	ANG 374
Impact on the profit and loss account	-	-	ANG (374)	ANG 374

(*)A 10% change means a strengthening of the ANG compared to the EUR: 1 EUR: ANG 1.793/ 1 ANG: EUR 0.5521. A +10% change means a weakening of the ANG compared to the EUR: 1 EUR: ANG 2.191/ 1 ANG: EUR 0.4518.

	Carrying amount per Dec. 31, 2022		Sensitivity analysis of an exchange rate change of:	
			10% change (*)	+10% change (*)
	(Amounts * 1,000)		(Amounts * 1,000)	(Amounts * 1,000)
Outstanding trade accounts payable	EUR 1,724	ANG 3,189	ANG (319)	ANG 319
Impact on the profit and loss account	-	-	ANG (319)	ANG 319

(*)A 10% change means a strengthening of the ANG compared to the EUR: 1 EUR: ANG 1.871/ 1 ANG: EUR 0.5345. A +10% change means a weakening of the ANG compared to the EUR: 1 EUR: ANG 2.287/ 1 ANG: EUR 0.4373.

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

5.5.1.2 Interest rate risk

The interest rate risk of the Group can be defined as the risk of incurring extra interest costs due to adverse movements of the interest rate of non-fixed interest-bearing loans of the Group. In managing interest rate risk, Management monitors developments in the Group's loan rates and keeps abreast of interest rates both locally and internationally. The Group has long-term and short-term loans payable with fixed interest rates. As the loan portfolio consists of loans with a fixed interest rate, effects of development in interest rates have no impact on the Group.

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

Interest rate (Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022	Remark
Loan MJP	13,885	13,885	2.50%	2.50%	Fixed
Current maturities of long term loans	(13,885)	(13,885)			
	-	-			
MCB/FCIBC Bank loan facility	239,658	254,183	3.75%	3.75%	Fixed for 5 years
Current maturities	(14,525)	(14,525)			
	225,133	**239,658**			
Total financial liabilities	**225,133**	**254,183**			

5.5.1.3 Tariff risk

The Group is exposed to the volatility of international fuel price developments, which influences the direct cost component of the electricity and water tariffs to consumers. The chart below shows the development in average fuel price throughout the year 2023 and 2022.

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

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

	Realized 2023	Realized 2022	Variance	% Variance
AVG FUEL PRICES PER UNIT in ANG				
Price GO MN	1,486	2,027	(541)	(27%)
Price MGO DW	1,628	1,931	303	(15%)
Price MFO - MN	1,253	-	1,253	(100%)
Price MDO DPP ISLA	1,156	1,421	(265)	(19%)
Price MFO - CUC per MT	1,693	1,897	(204)	(11%)
Price MFO – CUC per MT	1,561	1,948	(387)	(20%)
FUEL USAGE Quantity in ton				
Fuel usage GO MN ton	2,703	12,360	9,657	(78%)
Fuel usage MGO DW ton	126,388	101,722	24,666	24%
Fuel usage MFO - MN	186	-	186	100%
Fuel usage MDO DPP ISLA ton	16,762	26,395	(9,633)	(36%)
Fuel usage MGO – DPP ISLA ton	771	541	(230)	(43%)
Fuel usage MFO – CUC ton	15,228	1,074	14,154	(1318%)
FUEL USAGE ANG (*1000)				
Fuel usage GO MN	4,016	25,052	(21,036)	(84%)
Fuel usage MGO DW	205,734	198,579	7,155	4%
Fuel usage MFO MN	233	22	211	(959%)
Fuel usage MDO DPP ISLA	19,383	37,495	(18,112)	(48%)
Fuel usage MGO – DPP ISLA ton	1,306	1,025	281	27%
Fuel usage MFO – CUC	23,769	2,092	21,677	1036%
Total fuel usage in ANG	**254,441**	**262,160**	**(7,719)**	**(3%)**

5.5.2 Credit risk

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

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

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

Credit risk within the Group also results from cash and cash equivalents with banks and financial institutions. The Group aims to mitigate this credit risk by using reputable financial institutions for investing and cash-handling purposes. As of December 31, 2023, the Group has cash balances placed at 7 reputable banking institutions (2022:7).

The credit risk management within the Group entails:

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

The inactive group is a high-risk group within the trade accounts receivable. These clients have closed their accounts, and the Group has procedures in place to prevent them from reopening the account elsewhere or under another name. Inactive accounts are 100% provided for. The maximum exposure and categorization of the assets that are exposed to credit risk are set out in the table below.

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

December 31, 2023 Trade Receivables Days past due							
Total of Days	0-30	31-60	61-90	91-180	181-365	>365	Total
Expected credit loss rate	3%	9%	14%	16%	22%	35%	25%
Expected total gross carrying amount at default	43,891	12,413	9,003	15,806	23,316	150,904	255,335
Expected credit loss	1,520	1,093	1,309	2,545	5,223	53,011	64,713

December 31, 2022 Trade Receivables Days past due							
Total of Days	0-30	31-60	61-90	91-180	181-365	>365	Total
Expected credit loss rate	5%	11%	20%	26%	37%	58%	39%
Expected total gross carrying amount at default	44,034	10,737	6,484	16,072	21,505	159,246	258,078
Expected credit loss	2,216	1,182	1,422	4,456	8,499	54,102	71,879

5.5.3 Liquidity risk

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

Management applies prudent centralized liquidity management which implies a cash flow matching approach in which projected cash inflows are matched against outflows. The Group's aim is to maintain sufficient cash and lines of credit to be able to comply with its obligations. In this, Management takes the necessary measures to either adapt cash inflows or cash outflows. In broad terms, Management uses long-range projections for a maximum of five years, which has been approved by the Group's BSD. The Group updates the cash flow planning for a period of 12 months on a weekly basis and uses this cash flow planning for control purposes.

With adequate and timely tariff adjustments and prudent reduction in operating expenses, the company is expected to continue making profit, contributing to a positive operating cash flow. Based on the approved 2023 budget and forward-looking projection, the cash flow generated from operations, together with third-party financing will guarantee the realization of the necessary investments included in the budget if past under-coverages are duly recovered.

The liquidity status as of December 31, 2023, and as of December 31, 2022, is shown below:

Liquidity status (Amounts in ANG * 1,000)	Dec 31,2023	Dec 31,2022
Funds encumbered 1 < years < 5	(29,460)	(11,038)
Available cash & cash equivalents at banks	18,918	25,189
Total credit facilities	(10,542)	14,151

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate number of committed credit facilities. The following table analyzes the Group's financial liabilities, including its long-term loans, other non-current liabilities and current liabilities, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The long-term loans and other noncurrent liabilities amounts include the interest expenses for the remaining period at the reporting date.

All amounts are the undiscounted cash flows:

Long term loans and other non-current liabilities						
(amounts in ANG * 1,000)	<1 year	>1 and 5 years	>5 years	<1 year	>1 and >5 years	>5 years
Loan MJP	13,885	-	-	13,885	-	-
Loan MCB/FCIB	14,525	71,250	153,883	14,525	71,250	168,408
	28,410	**71,250**	**153,883**	**28,410**	**71,250**	**168,408**

5.5.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to effectively manage the cost of capital. Capital risk is the risk that the Group loses its value as a result of which financiers (shareholders, lenders, etc.) may lose all or part of the principal amount invested in the Group.

The following chart shows the ratios used by Management in monitoring and measuring the development of capital and reserves:

Ratios and financial covenants (Amounts in ANG * 1,000)	Target	Dec 31, 2023	Dec 31, 2022
Debt service coverage ratio (DSCR)	>1.25	3.71	3.68
Adjusted debt service coverage ratio (ADSCR)	>1.15	0.98	1.19
Debt/EBITDA ratio (D/E)	<3.5	3.35	3.04
Current ratio (CR)	>1.00	1.56	1.61
Solvency ratio (SR)	>30%	43%	44%

EXPLANATORY NOTES TO THE STATEMENT OF FINANCIAL POSITION

5.6

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 in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Intangible assets		
Cost Jan 1	63,100	59,085
Accumulated amortization	(18,073)	(14,028)
Book value January 1	45,027	45,057
Additions - current year	66	4,015
Disposal	(101)	-
Amortization - current year	(4,118)	(4,045)
Amortization Disposal	33	-
Cost December 31	63,065	63,100
Accumulated amortization	(22,158)	(18,073)
Balance at end of year	**40,907**	**45,027**

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.

In January 2022, a sale-purchase agreement was signed to acquire the trademark Pagafásil from PSB Bank. The economic lifespan of the trademark amount paid to PSB Bank is set to indefinite, hence, no amortization is calculated and will be subject to an impairment analysis at year-end. Other investments were made to upgrade and develop the new bill payment platform.

5.6.2 Property, Plant and Equipment

The tables below provide an overview of the property, plant and equipment as per December 31, 2023 and as per December 31, 2022:

2023

(Amount in ANG * 1,000)	Cost	Accum. depr.	Book value	Additions	Disposals	Transfers	Impairment	Depreciation	Disposal	Adjust	Cost	Accum. depr.	Book value
	1-Jan-23	**1-Jan-23**	**1-Jan-23**	**2023**	**2023**	**2023**	**2023**	**2023**	**2023**	**2023**	**31-Dec-23**	**31-Dec-23**	**31-Dec-23**
Communication network	26,726	19,176	7,550	620	-	111		(324)		-	27,457	19,500	7,957
Land and Buildings	240,983	168,811	72,173	872	-	40	-	(4,560)		1	241,896	173,371	68,525
Production Plants	372,912	204,862	168,050	1,623	-	5,844	(4,615)	(17,599)		(238)	375,526	222,461	153,065
Distribution network	781,449	579,335	202,114	1,337	-	4,649	-	(16,705)	-	-	787,435	596,040	191,394
Metering network	53,952	38,802	15,197	10,195	-	690	-	(2,227)	-	47	64,884	41,029	23,855
Industrial Equipment & Accessories	4,678	3,769	909	-	-24	-	-	(79)	24		4,654	3,824	830
Other assets	22,895	15,028	7,867	1,307	-27	3,332	-	(2,302)		21	27,528	17,330	10,198
Spare parts	34,602	27,032	7,570	7,999	-	555	-	(6,923)		(28)	43,127	33,954	9,173
Work in progress	62,838	-	62,838	45,369	(3,384)	(15,221)	-	-			89,603	-	89,603
	1,601,083	1,056,815	544,268	69,322	(3,435)	-	(4,615)	(50,719)	24	(197)	1,662,110	1,107,509	554,600

2022

(Amount in ANG * 1,000)	Cost	Accum. depr.	Book value	Additions	Disposals	Transfers	Depreciation	Adjust	Cost	Accum. depr.	Book value
	1-Jan-22	**1-Jan-22**	**1-Jan-22**	**2022**	**2022**	2022	2022	2022	31-Dec-22	31-Dec-22	31-Dec-22
Communication network	26,254	18,906	7,348	62	-	493	(286)	(67)	26,726	19,176	7,550
Land and Buildings	237,853	163,925	73,929	1,947	-	1,183	(4,886)	-	240,983	168,811	72,173
Production Plants	351,898	192,250	159,649	509	-	20,863	(12,675)	(315)	372,912	204,862	168,050
Distribution network	776,003	561,641	214,363	-	-	6,268	(17,694)	(822)	781,449	579,335	202,114
Metering network	51,908	36,533	15,375	1,422	-	622	(2,222)	(2,000)	53,952	38,802	15,197
Industrial Equipment & Accessories	4,440	3,631	809	237	-	-	(138)	-	4,678	3,769	909
Other assets	17,125	14,139	2,987	435	-	6,349	(875)	(61)	22,895	15,028	7,867
Spare parts	31,843	24,567	7,276	2,759	-	-	(2,465)	-	34,602	27,032	7,570
Work in progress	55,982	-	55,982	43,235	-36	(35,779)	-	(564)	62,838	-	62,838
	1,553,310	1,015,592	537,718	50,606	-36	-	(41,176)	(3,829)	1,601,083	1,056,815	544,268

5.6.3 Leases

Aqualectra leases cars and land. The latter being governmental land leases. 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 terms for cars are 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)	Car lease	Ground lease	Total
Balance at January 1, 2023	3,519	12,602	16,121
Addition	6,925	-	6,925
Depreciation expense	(4,076)	(485)	(4,561)
Balance at December 31, 2023	**6,369**	**12,117**	**18,485**

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

(Amounts in ANG * 1,000)	2023	2022
Balance at January 1	16,690	19,906
Adjustment beginning balance	-	(3,810)
Addition	6,925	4,126
Accretion of interest	946	659
Payments	(4,424)	(4,190)
Balance at December 31	**20,137**	**16,690**

The following are the amounts recognized in profit or loss:

(Amounts in ANG * 1,000)	2023	2022
Depreciation expense right-of-use assets	4,561	3,608
Interest expense on lease liabilities	946	659
Total amount recognized in profit or loss	**5,507**	**4,267**

The total cash outflows for leases amounted to ANG 3 million in 2023 (2022: ANG 4.1 million). The 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. Management negotiates these options to provide flexibility in managing the leased assets portfolio and align it with the Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 5.2).

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

5.6.4 Trade accounts receivable

The composition of trade accounts receivable as per December 31, 2023 and as per December 31, 2022 is as follows:

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Residential Customers	112,080	111,958
Commercial Customers	46,856	48,309
Industrial Customers	37,979	39,217
Street Light Customers	6,603	4,992
Government Customers	12,936	12,873
Billing cycle to be invoiced	22,909	16,669
Regulatory receivables	32,147	39,742
	271,510	273,760
Expected credit loss	(64,713)	(71,879)
Total trade accounts receivable	**206,797**	**201,881**
Allocated cash security deposits	(16,175)	(15,682)
Total trade accounts receivable after allocation of cash security deposits	**190,622**	**186,199**

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. the security cash deposits are used to finance the yet-to-be-registered consumption and to secure the claims against debtors. Additionally, they provide security for consumers to fulfill their financial obligations to the Company. These deposits are disclosed to demonstrate the existing risk exposure associated with trade receivables.

Expected credit loss

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Balance at the beginning of the year	(71,879)	(74,025)
Releases / (Additions)	(7,165)	(7,378)
Write off	-	9,523
Balance at the end of the year	**(64,714)**	**(71,879)**

5.6.5 Financial liabilities

The summary below provides insight in outstanding long term loans as per December 31, 2023 and as per December 31, 2022:

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Balance at January 1		
Loan Meerjarenplan (MJP)	13,885	13,885
Loan CIBC / MCB facility Tr-1A	239,659	254,183
	253,544	268,068
Current maturities	(14,525)	(14,525)
Current maturities of long-term loans	(13,885)	(13,885)
Balance at December 31	**225,134**	**239,658**

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 corresponded with the previous minister of finance regarding the settlement of part of the outstanding amount with receivables 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 & Curiel's Bank N.V. (MCB) and CIBC First Caribbean Bank (CIBC) for ANG 375 million (of which ANG 325 million 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 an overdraft of ANG 40 million. As secured collateral, the banks have a deed of the mortgage on the registered property, a deed of the pledge of movable assets, a deed of the pledge of receivables, and a declaration of the nondisposal and negative pledge.

5.6.6 Provisions

The provisions as of December 31, 2023 and as of December 31, 2022, can be divided into the following categories:

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Provisions employee benefits	60,159	66,117
Other provisions	16,537	17,082
Total provisions	**76,695**	**83,199**

5.6.6.1 Provisions Employee Benefits

The provision for employee benefits as of December 31, 2023, and as of December 31, 2022, is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Provision medical costs retired employees	7,475	7,796
Provision supplementary pension APC (DT)	9,806	10,300
Provision anniversary bonus	17,137	16,415
Provision AOV/BVZ compensation	6,581	9,459
Provision retirement stimulation	-	3,200
Provision reorganization expense	19,160	18,949
Total provisions	**60,159**	**66,117**

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	2023	2022	Applicable for
Indexation	0%	0%	Medical, AOV/BVZ, VUT, DT and Early Retirement stimulation
Discount rate	4%	4%	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	3.00%	3.00%	Anniversary and Early retirement plan

Mortality:	2023	2022
Male:	GBM0813	GBM0813
Female:	GBV0813	GBV0813

Retirement age	2023	2022
Probability to retire at age 60	85%	85%
Probability to retire at age 65	15%	15%

Provision reorganization (Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Provision for reorganization		
Balance at beginning of year	18,949	19,593
Change in provision	(211)	(644)
Balance at end of year	**19,160**	**18,949**

5.6.6.2 Other provisions

Other provisions consists of the provision for the decommissioning of the Mundu Nobo Plant and a provision for CUC fuel expense. The position of the provision is shown below:

Provision decommissioning of Mundu Nobo
The Island Government has identified the south coast as an area for tourism development, and in supporting these efforts Management has subsequently created a provision for the decommissioning of the Mundu Nobo plant. Over the years, an independent valuation expert was engaged for calculating the estimation for the costs of decommissioning (most recent year was 2011). The provision was estimated at ANG 17.0 million. This provision has been reduced by actual demolition costs incurred since 2013 and by change in the valuation of the provision. The provision does not take into account possible proceeds from the sale of the dismantled equipment on the scrap market, as the residual value cannot yet be determined reliably. In 2023 Ang 545 thousand demolition costs were incurred (2022: ANG 588 thousand).

Provision CUC fuel expense
CRU invoiced a sum of ANG 15.2 million for power purchase in 2020. Despite the disputed tariff, the entire invoiced amount was recorded for prudency. While partial payments were made in 2021, the remaining balance is still under dispute. Due to the uncertainty surrounding the payment, it is now classified as a provision rather than a liability.

5.6.7 Trade accounts payable

The Table below provides an overview of the Trade accounts payable as per December 31, 2023 and as per December 31, 2022:

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Curoil	32,315	26,385
Local suppliers	19,280	18,200
Foreign suppliers	10,485	6,784
Government institutions	10,480	9,609
Advanced payments received from clients	14,455	12,531
Other accounts payable	3,397	1,851
Total accounts payable	**90,412**	**75,360**

EXPLANATORY NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

5.7

5.7.1 Revenue from contracts with customers

The total revenues are presented below:

(Amounts in ANG * 1,000) Dec 31, 2023 - SERVICES	Water & electricity sales and KVA Allowance	Pagatinu	Connection fees, fines charges and miscellaneous income	Rental of water meters	Rental of buildings and poles	Services related to streetlights, sales and distribution, Selikor and Aquadesign	Commission income operators	Other revenue	Total
Revenue from contracts with customers	498,301	75,806	5,382	521	-	8,492	634	1,170	590,306
Timing of revenues recognition:									
Services transferred at a point in time	12,215	-	5,382	-	-	4,239	634	1,170	23,639
Service transferred over time	486,086	75,806	-	521	-	4,253	-	-	566,667
Total revenue from contract with customers	498,301	75,806	5,382	521	-	8,492	634	1,170	590,306

(Amounts in ANG * 1,000) Dec 31, 2022 - SERVICES	Water & electricity sales and KVA Allowance	Pagatinu	Connection fees, fines charges and miscellaneous income	Rental of water meters	Rental of buildings and poles	Services related to streetlights, sales and distribution, Selikor and Aquadesign	Commission income operators	Other revenue	Total
Revenue from contract with customers	513,725	70,926	622	521	43	8,484	720	1,162	596,203
Timing of revenues recognition:									
Services transferred at a point in time	21,839	-	622	-	-	4,255	720	1,162	31,634
Service transferred over time	491,886	70,926	-	521	43	4,229	-	-	567,605
Total revenue from contract with customers	513,725	70,926	622	521	43	8,484	720	1,162	596,203

5.7.2 Direct costs production

Direct costs production is specified below:

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Fuel usage	254,441	260,460
Chemicals	4,407	4,085
Lubrication	4,373	4,065
Purchase of water	20,317	21,537
Other direct costs of production	1,766	4,667
Purchase of electricity from CUC	-	1,700
Purchase of electricity from wind farms	34,521	37,524
Total direct costs production	**319,825**	**334,039**

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Cost of service value added services	1,040	162
Merchant Commission fees	1,709	1,717
Total other direct costs of sale	**2,749**	**1,879**

The expenses for the power and water purchase aagreements for the desalination plant, the windpark, and the temporary diesel power plant, are reported as part of the direct costs production.

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, 2023	Dec 31, 2022
Salaries	67,822	69,603
Overtime	4,258	4,534
Social securities	23,755	22,315
Other personnel expenses	5,808	6,810
Total salaries, social securities and other personnel expenses	**101,643**	**103,262**

The development in the labor force during 2023 and 2022 was as follows:

Labor force	Aqualectra N.V.	Integrated Utility Holding N.V.	Aqualectra Multi Utility N.V.	Utility Financial Services	Total
12/31/2022	595	2	3	1	601
12/31/2023	584	1	3	1	589
Net Increase/(decrease)	(11)	(1)	-	-	(12)

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
Other (post) employment benefits (net)	3,925	3,709
Total other (post) employment benefits (net)	3,925	3,709

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.

(Amounts in ANG * 1,000) Dec 31, 2023	Parts	Services	Other	Total
Electricity	11,878	2,339	-	14,217
Water	1,632	2,378	-	4,010
Other assets & facilities	18	1,145	-	1,163
General	2,439	13,675	-	16,114
Other material usage expenses	-	-	8,189	8,189
Other service expenses	-	-	113	113
Provision for obsolete inventory	-	-	3,430	3,430
Total Parts, Repair & Maintenance Expenses	15,967	19,537	11,732	47,236

(Amounts in ANG * 1,000) Dec 31, 2022	Parts	Services	Other	Total
Electricity	10,859	13,013	-	23,872
Water	1,180	2,949	-	4,129
Other assets & facilities	106	1,155	-	1,261
General	2,084	1,386	-	3,470
Other material usage expenses	-	-	1,756	1,756
Other service expenses	-	-	10	10
Provision for obsolete inventory	-	-	(1,331)	(1,331)
Total Parts, Repair & Maintenance Expenses	14,228	18,503	435	33,166

5.7.5 General expenses

General expenses are specified below:

(Amounts in ANG * 1,000)	Dec 31, 2023	Dec 31, 2022
General expenses		
Housing and car fleet	5,367	4,671
Office expenses	3,287	4,485
Insurance and security	7,444	6,069
Consultancy	8,882	8,114
Communications and public relations	6,734	5,467
Regulation and compliance fees	1,250	1,250
Other expenses	(1,018)	147
Supervision expenses	238	314
Total general expenses	**32,184**	**30,517**

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

5.7.6 Related parties

Identification of related parties

Note 5.2 provides the information about the Group's structure including the details of its subsidiaries. In addition to the subsidiaries, the directors, executive officers (key management personnel) and the Vidanova Pension Fund are also considered related parties.

Transactions with key management personnel

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

(Amounts in ANG * 1,000)	2023	2022
Short-term employee benefits	2,754	2,769
Post-employment employee benefits	547	502
Total key management officers' compensation, including the BSD's	**3,301**	**3,271**

As per December 31, 2023 key management consisted of 1 Chief Financial Officer and 8 Tier one Managers (2022: 7).

As per December 31, 2023 the BSD consisted of 4 Directors (2022: 5). Three members resigned on the same date.

Transactions with Vidanova Pension Fund
The Group paid to Vidanova Pension Fund a total amount of ANG 8.5 million for the pension plan in 2023 (2022: ANG 9.1 million).

Transaction with Curoil N.V
The group paid Curoil N.V, which also has the same ultimate beneficial owner, a total amount of ANG 254.2 million in 2023 (2022: ANG 273.9 million).

INDEPENDENT AUDITORS' REPORT

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS AS INCLUDED IN THE ANNUAL REPORT 2023

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

Opinion

The summary consolidated financial statements, which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and related selective notes, are derived from the audited consolidated financial statements of Integrated Utility Holding N.V. and its subsidiaries for the year ended December 31, 2023.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs).

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by IFRSs. Reading the summary consolidated 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 summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated June 21, 2024. That report also includes a paragraph related to the other information included in the annual report. The other information comprises the Report from the Board of Managing Directors, the Report from the Board of Supervisory Directors and the Highlights of the year. Our opinion on the audited consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance Note 5.1.

Auditor's Responsibility

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

Legal Jurisdiction

Any dispute or other legal matter resulting from this correspondence shall be governed by the jurisdiction of the Common Court of Justice of Aruba, Curaçao, Sint Maarten and of Bonaire, Sint Eustatius and Saba. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/aboutto learn more.

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March 18, 2025

Deloitte & Touche
Barbados, W.I.