Pension Fund
Tourism Sector Aruba Foundation

Annual Report 2019

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Report by the Executive Board (Board)

1 General

a) Legal structure

General

Pension Fund Tourism Sector Aruba Foundation ("PFTSA", "the Fund"), with registered offices in Oranjestad, ARUBA, was established on March 27, 1992. The Fund is registered at the Chamber of Commerce under number S171.

The Fund is responsible for implementing a pension plan for employees of member companies and is responsible for proper implementation of the pension plan for vested participants and retirees in accordance with existing laws and regulations and works based on an ABTN report. PFTSA registers and archives all signed contracts and / or other commitments with (former) member companies.

The Fund currently manages two plans, namely a Defined Benefit plan (“DB”) and a Defined Contribution plan (“DC”). As of January 1, 2004, the Fund ceased allowing participation into the DB-Plan and the participants were allowed to continue only with the DC-plan. The pensions built up in the DB-Plan until December 31, 2003 have not been transferred to the new pension plan (DC-plan).

PFTSA has an Executive Board that is composed out of employer’s and participant’s representatives who elect the independent chairman of the Executive Board. The Executive Board is assisted upon request by an external actuary and an external auditor. The Fund has 9 permanent employees, including the Executive Director, who together with the Executive Board are responsible for all the work (pension administration, payout, investment portfolio, communication, etc.) at the Fund.

Articles of Foundation

The current Articles of Foundation have been revised and notarized as of May 18, 2018.

Affiliated companies

During 2019, 5 (2018: 7) new companies have joined and 7 (2018: 3) companies became vested. At the end of 2019, a total of 168 (2018: 163) companies were affiliated with the Fund of which 121 (2018: 123) are active and 47 (2018: 40) are vested.

b) Composition of the Executive Board and committees

Executive Board

The Executive Board ("Board") consists since July 1, 2012 of 2 employer representatives and 2 participant's representatives. The composition of the Executive Board is as stated here below.

Independent Chairman of the Executive Board:

- Mr. G.K. Farro

Appointed by the employers:

- Mr. E.F.C. Albertus
- Mr. E.I.R. de Cuba

Appointed by the participants:

- Mr. C.E. Heyliger
- Mrs. M.R. Croes

At the end of February 2019, Mr. A. Kolman's reached his 3rd term as a Board member and stepped down in accordance with the provision of Article 7.3 of the Articles of Foundation and was subsequently removed from the Chamber of Commerce registry as per April 8, 2019. On June 20, 2019, a new board member Mr. E.F.C. Albertus was appointed.

The Board members on behalf of the employers are elected for a period of four years by nomination of member employers. Procedures regarding the election of board members are defined in the articles of foundation under article 8.

Executive Board and daily management

The Executive Board has appointed an Executive Director for the daily management of the Fund. In July 2019, Mrs. Sanaa Baroud resigned as Executive Director of the Fund. On November 1, 2019, Mr. Marion M. Agunbero was appointed as the new Executive Director, after a thorough evaluation process of several candidates. The responsibilities of the Executive Board are in accordance with the article of foundation, the Rules and Regulations of the Fund as well the "Actuariële Bedrijfstechnische Nota" ("ABTN").

Audit committee

As part of the new governance structure of PFTSA the Board has appointed in 2020 three committees, being the Risk and Compliance Committee, the Investment Committee, and the Audit Committee. As part of its assignment the Audit Committee also has reviewed the 2019 Financial Statements and provided its comments and discussed it with the external auditors.

2 Financial position

a) Financial position and funding development

As of January 1, 2019, the Fund actuarial rate is 4% (2018: 4%), the mortality tables in use are GBM /GBV 2005-2010 (2018: GBM /GBV 2000-2005) and the applied age correction factor -1 in 2019 (2018: -1).

The Fund kept operating expenses in 2019 within budgeted margins to maintain the Fund's financial position.

The investment portfolio consisted in 2019 mainly of government bonds, secured loan facilities and real estate investment resulting in a steady flow of interest income.

3 Risk policy and management

a) Risk policy

The Executive Board has expressed its policy in the "Actuariële Bedrijfstechnische Nota" ("ABTN"). The ABTN is revised regularly. Below is an explanation of the principal risks identified by the Executive Board and the Board's policy for mitigating those risks:

- Financing risks;
- Actuarial risks;
- Investment risks;
- Operational risks.

The first three categories are financial in nature and the last one is non-financial.

Financing risk

To limit the financing risk, a (financing) agreement has been concluded between the fund and the employer. Liability is limited if financing by the employer is omitted. The legal liability for the lack of pension accrual remains with the employer. The employer indemnifies the Fund against all financial consequences because of providing incorrect, incomplete, late statements or late payments.

Actuarial risks

Due to the limited size of the Fund, the Fund is exposed to various actuarial risks.

- Within the DC scheme, there is no short-life risk for active members.
- The short-life risk for the pension entitlements granted (widow's, widower's, and orphan's pension) is very limited and verifiable.
- The longevity risk is run by the fund itself from the moment that a pension is paid and kept under its own management (upon retirement or death). The fund for the time being has not formed an additional provision for future longevity risk. The fund strives for sufficient prudence in its choice of the survival table used. The Fund aims to meet or exceed the minimum requirements set by the CBA.

Investment risks

The Fund is exposed to investment risks related to the pension entitlements already allocated, which are financed at an actuarial interest rate of 4%. A negative result can be partly compensated for by allocating a lower or no return on the savings capital. However, the board strives to limit this risk by limiting strongly negative outliers of the return by means of a risk-averse investment policy. The board has laid down rules for this in an Investment Policy Statement.

Operational risk

As the administrative organization of the Fund is small, the risk of loss of knowledge is absorbed by a large involvement of the board members and cross responsibilities among key staff members. The board strives for an organization that is optimal in terms of operational risk and cost structure. All incoming information is widely distributed, and decisions are taken by a large majority.

The pension administration is managed in-house. A daily backup takes place. In the event of a system failure, it is possible to fall back on the backup system where historical data is available.

The financial administration is conducted in-house. The pensions are paid via the payroll.

Operational risk: internal control

Within the Fund, the four eyes principle is strictly adhered to. All investments require the approval of the Executive Board. The operational risks are limited by the annual audit and the actuary's audit. The auditor checks the basic data, after which the actuary determines the provision and checks whether the surrenders and amount of retirement benefits calculated by the Fund are correctly determined. An extensive annual report and an actuarial report are drawn up annually for the benefit of the Fund and in keeping with regulatory requirements, reported to the CBA.

4 Information on state of affairs

The Fund has shown growth in 2019 in the number of policies and participants. The number of policies increased from 10,923 to 11,680 during 2019 and the number participants increased from 10.286 in 2018 to 11.044 in 2019.

Of the total policies 4,987 (2018: 5,073) are active policies of the DC Fund. The change in the active policies is specified in the following table.

Movement in active policies	2019	2018
Active policies as of January 1	**5,073**	**4,928**
New policies from new participants from existing and new affiliated companies	672	772
Less: Allocation to the following categories: vested policies, new annuitant's policies and policies related to one-time payments and transfers	(758)	(627)
Active policies as of December 31	**4,987**	**5,073**

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The project for granting mortgages to the participants, which started in 2008, has further expanded in 2019. At the end of 2019 there were 71 (2018: 58) mortgages issued, with a total value of AWG 11,701,813 (2018: AWG 8,350,751) of which AWG 591,979 is still pending to be disbursed for construction mortgages. Overdue mortgage loans are monitored, and necessary action is taken. As of December 31, 2019, no provision was deemed necessary. Of one construction property the sale was not closed. This property is now for sale.

5 Investment development

General economic developments have a direct impact on the investments of the Fund. As a result, thereof, the following developments have had an impact on the investments of the Fund.

Developments in the investments

The Fund's investment approach is embedded in maximizing the return on investment while minimizing the possible negative impact on the continuity of the Fund. In 2013 the Fund started with a real estate project entailing the development of 11 houses. In 2019, two plots of this property (2018: 2) were sold. At the end of 2019, only 1 house remains to be sold.

The following table illustrates the allocation into different categories of the total investment of the Fund:

	2019	2018
	%	%
Bonds	30	32
Loans	23	28
Time deposits	10	5
Mortgages	9	8
Fixed income investments	**72**	**73**
Investment property	16	15
Shares	12	12
Balance as of 31 December	**100**	**100**

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6 Actuarial developments

a) Actuarial analysis

In calculating the technical pension provision for risk of the Fund, the Fund makes assumptions for interest, mortality, and costs. During the year, these parameters may deviate from the assumptions previously used. Consequently, these changes may result in the realization of a gain or loss. The total result on the income and expenses consists of the sum of the result on each of the individual assumptions. An actuarial analysis of the total result is displayed in the following table.

in AWG	2019	2019	2018	2018
Result on the contributions and others				
Contribution by the employers and participants	13,182,359		12,513,051	
Calculated premium	13,182,384		12,513,682	
		(25)		(631)
Result on investments				
Result on investments	7,212,656		5,038,388	
Yield on pension for the risk of the fund including DC pensioners	(725,055)		(678,441)	
Yield on pension for the risk of the participants	(3,650,740)		(3,129,254)	
Impairment mortgages	-		-	
		2,836,861		1,230,693
Result on mortality and others				
Result on disability	-		266,222	
Result on mortality	144,724		112,470	
		144,724		378,692
Result on distribution cost				
Pension administrative expenses	(2,270,563)		(1,739,174)	
Cost component included in premium	1,389,267		1,283,482	
Release calculated cost	12,415		10,595	
		(868,881)		(445,097)
Result on value transfers and refunds				
Release due to value transfers and refunds	1,006,351		739,074	
Refunds and value transfers	(995,572)		(727,284)	
		10,779		11,790
Other results				
Result on change in actuarial assumptions	(745,284)			
Result on others	18,951		55,032	
		(726,333)		55,032
Net result according to financial statements		**1,397,125**		**1,230,479**

b) Actuarial developments

In 2019 the Fund applied the new mortality tables GBM /GBV 2005-2010 (2018: GBM /GBV 2000-2005). For further details on the actuarial developments we refer to the actuarial report 2019 as issued by Actuarial Consultancy Caribbean (AC²) B.V.

7 Pension Fund Governance of the Centrale Bank van Aruba ("CBA")

a) General

According to the CBA's Sound Governance Practices, members of the Executive Board of a financial institution falling under its supervision should follow the practices as outlined below:

- Ensure competent management on an ongoing basis;
- Ensure appropriate plans and policies for the institution;
- Monitor operations to ensure compliance and adequate control;
- Oversee business performance.

b) The Board's responsibilities

To ensure competent management on an ongoing basis

The Fund has an experienced Executive Director who is being assisted by a team of qualified staff. The Fund keeps investing in its staff to maintain quality, while integrity and sound technical skills are a must.

To ensure appropriate plans and policies for PFTSA

- Planning

The rapid changes in the financial industry call for clear strategies and swift decision making. Long-term strategic planning at PFTSA is carried out in close contact between the Executive Director and the Executive Board and is deduced from the ALM study (dated July 2018).

- Investment Policy and an AO/IC-Manual

The investment activities are laid down in the Investment Policy Statement (IPS) dated August 22, 2018. All major investment decisions are initiated by following written policies and procedures. The IPS is communicated through all levels within the Fund. The Administrative and Internal Control Procedures are contained in an AO/IC manual. The update of the AO/IC manual will be completed in September 2020 and the IPS was updated in 2018.

- To monitor operations to ensure compliance and adequate control

The Executive Board meets monthly to ensure that management exercises adequate internal controls on the institution's operations. Upon the Board's request all reports are generated.

The Executive Board receives the following information quarterly to evaluate the Fund's performance:

  - analysis of actual versus budgeted income and costs, including key ratios and trends;
  - information on accounting, policy and compliance matters (relevant laws and regulations);
  - information of investments opportunities and ongoing investments of the Fund;
  - information on important external developments;
  - internal and external audit reports (management letter, management's comments); and
  - on-site examination letters of CBA and other relevant correspondence.

c) Developments in 2019

Details of the pension portfolio

As per year-end, the Fund has a total of 11,680 (2018: 10,923) policies; of which the composition is specified in the following table.

DB policies	2019	2018
Active policies	214	219
Vested policies	316	318
Annuitants policies	138	138
Partners pension policies	9	9
Orphan policy	-	1
Total policies	**677**	**685**

DC policies	2019	2018
Active policies	4,987	5,073
Vested policies	5,663	4,859
Annuitants policies	336	288
Partners pension policies	15	16
Orphan policy	2	2
Total policies	**11,003**	**10,238**
Total policies	**11,680**	**10,923**

The number of participants can be specified as follows:

Group	DC participants		DB participants		Total participants	Total participants
	2019	2018	2019	2018	2019	2018
Active	4,788	4,841	208	213	4,996	5,054
Vested and apprehended	5,301	4,553	308	310	5,609	4,863
Annuitants policies	289	214	124	128	413	342
Partners and orphan pension	17	18	9	9	26	27
Total participants	**10,395**	**9,626**	**649**	**660**	**11,044**	**10,286**

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Interest rate, technical provision of the risk of the pension Fund and Fund's equity

For the year 2019 the actuarial interest percentage was 4% (2018: 4%).

The Fund also decided to grant for the fiscal year 2019 an interest of 4% (2018: 4%) to the active participants in the defined contribution plan. For the vested participants, the Fund granted an interest of 4% with a deduction of 0.5% for cost loading.

The annual interest, however, will be evaluated each year by the Executive Board of PFTSA and depends among others on the performance of the Fund's investment.

Remuneration of the Executive Board

All Board members receive a monthly remuneration.

Approval financial statements

On August 28, 2020, the Executive Board approved the 2019 financial statements of PFTSA to be presented for approval at the General Assembly. Also, the 2019 financial statements were reviewed by the Audit Committee. During the General Assembly Meeting held on August 28, 2020 the members approved these financial statements.

Aruba, August 31, 2020

Original signed by Mr. G.K. Farro
Chairman of the Executive Board

Original signed by Mr. C.E. Heyliger
Secretary of the Executive Board
Board Member representing participants

Original signed by Mr. E.I.R de Cuba
Board Member representing employers

Original signed by Mrs. M.R. Croes
Board Member representing participants

Original signed by Mr. E.F.C. Albertus
Board Member representing employers

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Financial Statements

Statement of financial position

As at December 31, 2019 *in AWG*	***Note***	**December 31, 2019**	**December 31, 2018**
PLAN ASSETS			
Investments for the risk of the Fund	*4*	11,706,020	10,762,818
Investments for the risk of the participants	*5*	67,152,469	61,233,454
Investment property for the risk of the participants	*6*	19,034,050	15,388,930
Total non-current plan assets		**97,892,539**	**87,385,202**
Short term Investments for the risk of the Fund	*4*	3,123,341	1,651,596
Short term Investments for the risk of the participants	*5*	17,364,573	9,529,811
Receivables	*7*	2,667,694	2,419,536
Cash and cash equivalents	*8*	9,706,964	11,994,816
Total current plan assets		**32,862,572**	**25,595,759**
TOTAL PLAN ASSETS		**130,755,111**	**112,980,961**
NON-PLAN ASSETS			
Property, plant, and equipment	*9*	226,438	167,498
Total non-current non-plan assets		**226,438**	**167,498**
Receivables and prepaid expenses	*10*	12,600	-
Total current non-plan assets		**12,600**	**-**
TOTAL NON-PLAN ASSETS		**239,038**	**167,498**
Total assets		**130,994,149**	**113,148,459**

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Statement of financial position *(continued)*

As at December 31, 2019 *in AWG*	***Note***	**December 31, 2019**	**December 31, 2018**
CAPITAL AND LIABILITIES			
Fund capital		-	-
Reserves	*11*	10,855,932	9,496,680
Total Fund Capital		**10,855,932**	**9,496,680**
PLAN LIABILITY			
Provision for pension liabilities for risk of the Fund	*12*	13,268,218	12,583,124
Provision for pension liabilities for risk of the participants	*13*	104,897,133	89,959,091
Other provisions	*14*	-	-
		118,165,351	102,542,215
Lease liability	*15*	660,694	-
Total non-current plan liabilities		**118,826,045**	**102,542,215**
Provision for pension liabilities for risk of the Fund	*12*	233,874	222,013
Provision for pension liabilities for risk of the participants	*13*	493,509	396,751
Current lease liability	*15*	2,824	-
Other liabilities and accrued expenses	*16*	293,909	278,169
Total current plan liabilities		**1,024,116**	**896,933**
NON-PLAN LIABILITY			
Other liabilities and accrued expenses	*16*	288,056	212,631
Total current non-plan liabilities		**288,056**	**212,631**
Total capital and liabilities		**130,994,149**	**113,148,459**
Pension liability reserve funding ratio - CBA		***102.40%***	***102.00%***
Pension liability reserve funding ratio		***102.40%***	***102.60%***

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Statement of comprehensive income

For the year ended December 31

in AWG	*Note*	2019	2018
REVENUES			
Premium Contribution for the risk of the participants	*20*	13,182,359	12,513,051
Net investment result for risk of the participants	*21*	6,420,447	4,483,196
Net investment result for risk of the Fund	*22*	792,209	555,192
Total revenues		**20,395,015**	**17,551,439**
EXPENSE			
Retirement benefits and refunds	*23*	995,572	727,284
Changes in pension provision for risk of the Fund	*12*	696,955	215,150
Changes in pension provision for risk of the participants	*13*	15,034,800	13,840,394
Pension administrative expenses	*24*	2,270,563	1,739,174
Net value of transfers		-	65,180
Changes in other provisions	*14*	-	(266,222)
Total operating expenses		**18,997,890**	**16,320,960**
Total net income for the period		**1,397,125**	**1,230,479**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**1,397,125**	**1,230,479**
APPROPRIATION OF COMPREHENSIVE INCOME			
Added to the reserve for risk of the Fund	*11*	(221,953)	54,124
Added to the reserve for risk of the participants	*11*	1,619,078	1,176,355
		1,397,125	**1,230,479**

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Statement of changes in Fund capital

For the year ended December 31

in AWG	*Note*	Fund Capital	Reserves	Total Fund Capital
Balance as of January 1, 2018		-	**8,266,201**	**8,266,201**
Net income for the period		-	1,230,479	1,230,479
Total comprehensive income for the period		**-**	**1,230,479**	**1,230,479**
Balance as of December 31, 2018	*11*	-	**9,496,680**	**9,496,680**
Balance as of January 1, 2019		-	**9,496,680**	**9,496,680**
Adjustment from the adoption of IFRS 16			(37,873)	(37,873)
Adjusted balance on January 1, 2019		**-**	**9,458,807**	**9,458,807**
Net income for the period		-	1,397,125	1,397,125
Total comprehensive income for the period		**-**	**1,397,125**	**1,397,125**
Balance as of December 31, 2019	*11*	-	**10,855,932**	**10,855,932**

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Statement of cash flows

For the year ended December 31 *in AWG*	*Note*	2019	2018
Cash flow from pension activities			
Net contributions for the risk of the participants		13,647,217	12,437,901
Disbursement due to refunds and transfers		-	(65,180)
Disbursements due to refunds and transfers and paid retirement benefits	*23*	(995,572)	(727,284)
Paid administrative expenses		(2,084,251)	(1,773,966)
Net cash from pension activities		**10,567,394**	**9,871,471**
Cash flow from investing activities			
Proceeds from investments for risk of the Fund		723,510	576,144
Proceeds from investments for risk of the participants		4,080,660	4,055,185
Investments redeemed for risk of the Fund		1,032,112	4,673,458
Investments redeemed for risk of the participants		11,597,138	13,427,198
Acquisition of investments for risk of the Fund		(3,379,666)	(5,928,362)
Acquisition of investments for risk of the participants		(26,754,912)	(17,091,242)
Acquisition of tangible fixed assets	*9*	(154,088)	(77,316)
Net cash used in investing activities		**(12,855,245)**	**(364,935)**
Net decrease of cash and cash equivalents		**(2,287,851)**	**9,506,536**
Cash and cash equivalents as of January 1	*8*	**11,994,816**	**2,488,280**
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents as of December 31	*8*	**9,706,964**	**11,994,816**

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Notes to the financial statements for the year ended December 31, 2019

1. General information

a) Fund information

Pension Fund Tourism Sector Aruba Foundation ("PFTSA" or "the Fund") was founded in 1992 on the initiative of Aruba Hotel And Tourism Association ("AHATA") and the Federacion di Trahadornan di Aruba ("FTA"), as they both shared the same vision for the need to create a pension plan that would provide workers in the tourism industry with additional income after retirement on top of the general old age pension provided by the government.

Currently there are 168 (2018: 163) member companies affiliated with PFTSA, who together represent 11,693 policies and 11,057 participants.

PFTSA is under supervision of the "Centrale Bank van Aruba" ("CBA").

PFTSA is a foundation Pension Fund as described in the State Ordinance for Company Pension Funds ("SOCPF") (in Dutch: "Landsverordening Ondernemingspensioenfondsen (LOP)"). The SOCPF rules, among others, the character, contents, regulation, reporting and form of pension funds. Its main objective is to protect the participants' interests.

PFTSA's registered and principal place of business is Avenida E.J. Watty Vos 24, Oranjestad, Aruba.

b) Activities of the Fund

The objective of the Fund is to provide old age, widow/widower/orphan pension benefits to the participants and their families.

c) Managed Pension Plans

As of January 1, 2004, the Fund administers two plans, namely, a Defined Benefit (DB) Plan ("for the risk of the pension Fund") and a Defined Contribution (DC) Plan ("for the risk of the participants"). As of this date the Fund ceased allowing participation into the DB-Plan and the participants can continue only with the DC-plan. The pensions built up in the DB-Plan until December 31, 2003 have not been transferred to the new pension plan (DC-plan).

The CBA in her Supervisory role regarding Pension Funds issues directives and guidelines. Among others it regulates the actuarial calculation of the pension plan as mentioned in its actuarial directive. In this respect the usage of an actuarial calculation rate of maximum 4% ("rekenrente") is mandated. The technical provisions and pension liabilities are in principle not stated at market value but are determined in accordance with the actuarial directives prescribed by the CBA.

Starting from January 1, 2009, the Fund changed the actuarial calculation rate previously used in the calculation of the defined benefit plan. Based on this new approach the rate used equals the average interest percentage earned on all investments pertaining to the defined benefit plan. Consequently,

applying this interest rate is considered an equivalent to using an interest market rate approach for the calculation of the technical provision for the defined benefit plan.

2. Significant accounting policies

a) Basis of preparation

The Fund's financial statements for the year ended December 31, 2019 have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties, investments, and derivatives. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standard Board (IASB). They have been prepared under the assumption that the Fund operates on a going concern basis.

b) Foreign currency translation

i) Functional and presentation currency

These financial statements are presented in Aruban florin ("AWG"), which is the Fund´s functional currency.

ii) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Fund entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The following foreign currencies are translated into AWG at the following fixed exchange rates:

- 1 USD: AWG 1.80
- 1 ANG: AWG 1.00.

c) Comparative figures

The classification of comparative figures for the previous financial year has only been adjusted, where applicable, for comparison.

d) Use of estimates and judgments

i) Assumptions and estimation uncertainties

The main estimates concern:

• the estimate of the provision for pension obligations (actuarial risk); and

• the determination of fair values of both financial and non-financial assets and liabilities.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 4 – investments for the risk of the Fund;
- Note 5 – investments for the risk of the participants;
- Note 6 – investment property for the risk of the participants.

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 12 – Provision for pension liabilities for risk of the Fund;
- Note 13 – Provision for pension liabilities for risk of the participants;
- Note 14 – Other provision.

Information on critical judgments in applying the policies and on significant assumptions about estimates related to the defined benefit obligations has been included.

Determination of fair values

Certain accounting policies and disclosures require the determination of fair values, both for financial instruments and for non-financial assets and liabilities.

The fair value of financial instruments traded in active markets is based on the market prices indicated on the balance sheet reference date. The stated market price used for the financial investments held by the foundation is the current market price. From time to time, the foundation may hold financial instruments that are not listed on active markets, such as derivative over-the-counter instruments.

Various valuation methods are used to determine the fair value of the financial instruments. The table below provides an overview of the valuation method used to determine the fair value.

Investment for the risk of the Fund

in AWG	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current Plan Assets				
Listed investment funds	1,873,341	-	-	1,873,341
Investment in unlisted loans & bonds	-	-	12,956,020	12,956,020
Balance as of December 31	**1,873,341**	**-**	**12,956,020**	**14,829,361**

Investment for the risk of the Participant

in AWG	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current Plan Assets				
Listed investment funds	2,934,683	-	2,516,000	5,450,683
Unlisted loans & bonds	-	-	67,286,030	67,286,030
Unlisted investment funds and shares	-	-	11,780,329	11,780,329
Balance as of December 31	**2,934,683**	**-**	**81,582,359**	**84,517,042**

Related to published price quotations in an active market (Level 1)

This category includes financial instruments, the fair value of which is determined directly based on published quotations in an active market. A financial instrument is considered to be quoted in an active market if the quoted price is readily and regularly available from a stock exchange, trader, stockbroker, industry group, pricing institution or supervisory institution and these prices reflect current and regularly occurring market transactions.

Valuation method based on market information (Level 2)

This category includes financial instruments, the fair value of which is not determined directly on the basis of published quotations in an active market but uses variables from an active market or which are observable in the market. When certain variables are not observable in the market, but all other significant variables are, this instrument is still classified in this category, assuming the impact of these elements on the overall valuation is insignificant. This includes instruments whose value is derived from quoted prices or comparable instruments.

Valuation method not based on market information (Level 3)

This category includes financial instruments whose fair value has been determined using a valuation technique (a model) and for which more than a non-significant part of the variables for the purpose of the total valuation are not observable in the market. For the applied valuation methods of these "Level 3" investments, reference is made to the investment table above.

If the variables used to determine the fair value of an asset or liability fall within different levels of the fair value hierarchy, the determined fair value as a whole is classified in the same level of the fair value hierarchy as the lowest-level variable relevant to the entire measurement.

The foundation recognizes any reclassifications between the levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

More information about the assumptions for determining fair values is included in note 6 "Investments".

ii) Fair value measurement of Financial Instruments

The financial assets and financial liabilities of the Fund consist of investments (i.e. the 'plan assets'), receivables and prepaid expenses, cash and cash equivalents and other short-term liabilities and accrued expenses.

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the financial instrument. Regular purchases and sales of financial instruments are recorded on the transaction date, the date on which the Fund undertakes to buy or sell the financial instrument. The transaction costs for all financial instruments are accounted for through the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled, or when it expires.

Both realized and non-realized gains and losses on investments are accounted for in the statement of comprehensive income under “Net investment result for risk of the participants” and “Net investment result for risk of the Fund”. Realized gains and losses on the sale of investments are calculated on the basis of the difference between the selling price and the historical cost.

Financial instruments recognized at fair value for which changes in value have been incorporated into the statement of comprehensive income are not subject to an impairment test. The fair value of these financial instruments already reflects possible impairments.

Financial instruments at amortized cost are valued at amortized cost after the first withdrawal using the effective-interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial instruments are netted and the resulting net amount is presented in the statement of financial position only if the Fund has a legally enforceable right to this netting and if it intends to settle on a net basis or settle the asset and the liability simultaneously.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the instruments, either directly or indirectly
- Level 3: unobservable inputs for the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other assumptions used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Fund uses widely recognized valuation models for determining the fair value of common and simpler financial instruments such as interest rate. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives, e.g. interest rate swaps.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

iii) Valuation of Investment Property

An external, independent valuation company is used and has appropriate, experience and knowledge, recognized professional qualifications and recent experience in the location and category of property being valued, values the Fund's investment property every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuation is prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation. Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Fund and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time. For the purposes of preparing the valuation the following aspects were taken into consideration: occupancy, duration of lease agreement, location of the property, expectation towards renewal of lease agreements and expected selling price.

e) Impairment

i) Impairment of Financial Assets

The financial instruments related to the Fund's operational activities are accounted for in accordance with IFRS 9 and are classified as financial instruments at amortized cost. IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses - the "expected credit loss (ECL) model". This replaced IAS 39's 'incurred loss model'. Recognition of credit losses is no longer dependent on the Fund first identifying a credit loss event. Instead the Fund considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

- ‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognized for the first category while ‘lifetime expected credit losses’ are recognized for the second category.

ii) Impairment of Non-Financial Assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Investments

Investments for the risk of the Fund, investments for the risk of the participants and their related investment income receivables are accounted for in accordance with IAS 26 and are categorized as financial instruments at fair value through profit and loss.

The Fund classifies these financial instruments in the following categories:

A. Investments for the risk of the Fund (refer to note 4):

A1. investments in unlisted loans and bonds;

A2. investments in unlisted investment funds and shares; and

A3. investments in listed investment funds.

B. Investments for the risk of the participants (refer to note 5 and 6):

B1. investments in unlisted loans and bonds;

B2. investments in unlisted investment funds and shares; and

B3. investments in listed investment funds.

1. Investments in unlisted loans and bonds

These are assets with a fixed repayment value that have been purchased to be held until maturity to match the 'obligations of the plan'.

These assets are valued at first recognition at fair value plus any directly attributable transaction costs. After initial recognition, they are valued at amortized cost using the effective interest method.

Investments in unlisted loans and bonds consist of issued private loans and purchased Land Aruba government bonds, corporate bonds, term deposits and other. The latter category contains two investment accounts. These investments, which are not listed on an active market, are characterized by

fixed or determinable payments (interest and repayments) and by a fixed maturity. The Fund intends to hold these loans and bonds until the end of the term. Since these investments were acquired with the aim of meeting the obligations with IAS 26.33, based on the final redemption value at the end of the maturity.

Changes in the value of these investments in unlisted loans and bonds, as well as the interest income earned, are accounted for as investment income in the statement of comprehensive income.

2. Investments in unlisted investment funds and shares

Investments in unlisted investment funds and shares consist of a participation in Aruba Growth Fund C.V. (AGF) and shares Mack's Total Finance N.V. (cumulative preferred shares). These investments are recognized at their fair value at first recognition and then revalued at the last known fair value and increased or reduced by any (de)investments until the end of the financial year. In this respect, investments in AGF at the end of the financial year are valued at fair value per share as provided by the asset manager. The fair value of Mack's Total Finance N.V. shares is based on the purchase price of these cumulative preferred shares.

Changes in the value of these investments in unlisted investment funds and shares, as well as dividend yields, are accounted for as net investment result for risk of the participants in the statement of comprehensive income.

3. Investments in listed investment funds

Investments in listed investment funds, consisting of foreign bond and equity funds, are valued at their fair value at first recognition and then revalued at the last known fair value. In this respect, these investments are valued at fair value at the end of the financial year as provided by the asset manager.

Changes in the value of these investments in listed investment funds, as well as the interest and dividend income earned, are accounted for as net investment result for risk of the participants in the statement of comprehensive income.

g) Investment property

Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model. Investment properties are revalued annually with resulting gains and losses recognized in the statement of comprehensive income. These are included in the statement of financial position at their fair values.

h) Leased assets

As described in Note 3, the Fund has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

The Fund as a lessee

For any new contracts entered into on or after 1 January 2019, the Fund considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Fund assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Fund
- the Fund has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Fund has the right to direct the use of the identified asset throughout the period of use. The Fund assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Fund recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Fund, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Fund depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Fund also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Fund measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Fund's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero

The Fund has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

The Fund as a lessor

The Fund's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Fund classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

Accounting policy applicable before 1 January 2019

The Fund as a lessee

For Finance leases Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Fund obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See Note 9 for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

i) Receivables

The Fund makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Fund uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses using a provision matrix.

The Fund assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

j) Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

k) Property, plant, and equipment

Property, plant, and equipment are stated at historical cost, less straight-line depreciation. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciation is calculated based on historical cost less estimated residual value and the related useful life of the asset. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The estimated useful lives are:

-	Vehicles	5 years
-	Furniture & equipment	3 – 5 years
-	Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

l) Fund Capital

Fund capital consists of a capital contribution by the members of the Fund and the accumulation of results retained by the Fund.

m) Provision

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The calculation of the pension provision is determined by the following assumptions:

i) Provision for the risk of the Fund (defined benefit)

- Discount rate: 4% (2018: 4%).
- Mortality table: The mortality table used is, GBM/GBV 2005-2010 (2018: GBM/GBV 2000-2005), as drafted by the Society of Actuaries and in conformity with the CBA actuarial directives, with an age correction of -1 year for non-retirees and age correction of -1 year (2018: -1 year) for retirees. For children, the mortality risk was set at zero.
- Age difference: All participants are assumed to be married. Male participants are assumed to be 2 years older than female participants; the provision is set at the net cash value of the regulatory benefits accrued until statement of financial position date. The age at statement of financial position date is determined by deducting the date of birth from the statement of financial position date. The

period until retirement date is determined by deducting the age at statement of financial position date from the retirement age.

- Exit costs: The Fund applies a 2% exit costs.
- Cost deduction: 0.5% (2018: 0.5%).

Due to the method of payment chosen (monthly in arrears), pension premiums due or pension premiums prepaid have not been considered for the calculation of the provision.

ii) Provision for the risk of the participants (defined contribution)

- Discount rate after retirement: 4% (2018: 4%).
- Mortality table: The mortality table used is, GBM/GBV 2005-2010 (2018: GBM/GBV 2000-2005), as drafted by the Society of Actuaries and in conformity with the CBA actuarial directives, with an age of -1 year (2018: -1 year) for retirees. For children the mortality risk was set at zero.
- Cost deduction: 10% (2018: 10%).
- Cost retention for pension acquisition at retirement date: 2% acquisition of pension based on actual marital status.
- Exit costs: The Fund applies a 2% exit costs.
- Interest granted: 4% (2018: 4%).

Due to the method of payment chosen (monthly in arrears), pension premiums due or pension premiums prepaid have not been considered for the calculation of the provision.

iii) Other provision

In 'Other provisions' are included provisions for risks that are associated with the pension liabilities to the extent that they are not included in the calculation of the provision for pension liabilities. As per January 1, 2018 the Fund discontinued to reserve a provision for disability benefits.

n) Other liabilities and accrued expenses

The fund initially recognizes other liabilities on the trade date at which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Fund has the following non-derivative financial liabilities: trade and other payables are recognized initially at fair value plus any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

o) Revenues

i) Premium contributions

Premium contributions are attributed to the period to which they relate. An estimate is made based on extrapolation if the necessary information has not been received from employers. The amount allowed to cover the costs of collection is accounted for in the benefit payments and administrative expenses.

ii) Net investment result

Investment results for the risk of the Fund and for the risk of participants are attributed to the period to which they relate. Capital gains and losses are accounted for in the period in which they occur.

iii) Other income

Other income consists of administrative fees and investments income fees (if any) and is attributed to the period to which it relates.

p) Expenses

i) Retirement benefits and refunds

The benefits represent payments made to the participants and annuitants and are based on actuarial principles and are allocated to the year in which the liability was incurred.

ii) Changes in pension provision for risk of the Fund (defined benefit)

Pension accruals are attributed to the period in which the accrual of pension rights takes place. An exception to this is the assumed continuation of active service for the purposes of pension accrual in the case of a participant dying. This future accrual of pension rights is recognized immediately in the year in which the participant dies. The change in the pension provision for the risk of the Fund consists of the following items:

- Interest addition: The interest cost added is calculated based on the nominal interest rate for a period of one year included in the interest rate structure published by CBA for pension funds. The interest is calculated on the opening balance and the movements during the year.
- Retirement benefits and other claims: The amount released from the provision for pension is credited to the statement of income and expenses in the period for which provision for the expenses concerned was made in the calculation of the provisions.
- Pension rights transfers: Changes in respect of transfers of pension rights are attributed to the period to which they relate.
- Change in interest rate: The effect which the adjustment of the actuarial interest rate in line with guidelines has on the provisions for pension is recognized in the statement of income and expenses at the end of the reporting period.
- Change in actuarial assumptions: The effect which the adjustment of the actuarial assumptions has on the provision for pension is recognized in the statement of income and expenses at the end of the reporting period.

iii) Changes in pension provision for risk of the participants (defined contribution)

The changes reflect the difference between the beginning and ending values at statement of financial position date of the provision.

- Interest addition: The interest cost added is calculated based on the nominal interest rate for a period of one year included in the interest rate structure maintained by the Fund. The interest is calculated on the opening balance and the movements during the year.
- Retirement benefits and other claims: The amount released from the provision for pension is credited to the statement of income and expenses in the period for which provision for the expenses concerned was made in the calculation of the provision.
- Pension rights transfers: Changes in respect of transfers of pension rights are attributed to the period to which they relate.
- Change in interest rate: The effect which the adjustment of the actuarial interest rate in line with guidelines has on the provisions for pension and insurance liabilities is recognized in the statement of income and expenses at the end of the reporting period.
- Change in actuarial assumptions: The effect which the adjustment of the actuarial assumptions has on the provision for pension is recognized in the statement of income and expenses at the end of the reporting period.

iv) Administrative expenses

Administrative expenses are attributed to the period to which they relate. The Fund is further exempted from profit tax.

v) Net value of transfers

The net value of transfers reflects the value of the pension rights of the participants that have decided to transfer these to another pension fund.

q) Related parties

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. All transactions, outstanding balances and other relationships with entities identified as related parties are disclosed in accordance with International Accounting Standard 24 Related Party Disclosures.

Key management personnel comprise of the members of the Executive Board and the members of the management team who have authority and responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly.

The key management officers of the Fund deemed to be able to materially influence the performance and the future of the Fund are provided salary, benefits and incentives based on individual performance.

r) Cash-flow statement

The statement of cash flows has been prepared using the direct method. The notes to the statement of cash flows explain the variances between movements in the items in the statement of income and

expenses and the items in the statement of cash flows. Receipts and expenditures in foreign currencies are translated into Aruban Florin ("AWG") at transaction date exchange rates. The differences arising because of differences between the transaction rate of exchange and the settlement rate of exchange are included in the direct investments income received.

3. New or revised Standards or interpretations

The Fund has adopted the new accounting pronouncements which have become effective this year, and are as follows:

a) New and amended standards adopted by the Fund

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Fund recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Fund has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Fund has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Fund has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Fund has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Fund has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 5.95%.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

in AWG	**Carrying amount at December 31, 2018**	**Remeasurement**	**IFRS 16 carrying amount at January 1, 2019**
Land right-of-use asset	-	628,312	628,312
Lease liabilities	-	666,185	666,185

The cumulative effect of adopting IFRS 16 of AWG 37,873 has been recognized in equity as an adjustment to the opening balance of retained earnings for 2019.

b) Standards, amendments, and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Fund

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Fund. Other Standards and amendments that are not yet effective and have not been adopted early by the Fund include:

- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Conceptual Framework for Financial Reporting

This standard and these amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

Notes to the financial position

4. Investments for the risk of the Fund

The Investments for risk of the Fund are assets relating to the Defined Benefit plan and consist of investments at fair value through statement of comprehensive income. The classification depends on the nature and the purpose of the investments and is determined at the time of initial recognition.

The Fund intended to hold the investments to profit from the changes in fair value change as well as income derived from these assets. When needed these will be converted (net of transaction costs) into cash and cash equivalents.

The total carrying amount of the investments is based on external estimates and confirmations. The value of the investment portfolio is therefore largely based on data from independent sources.

The investments for risk of the Fund can be classified in the following categories:

in AWG	**December 31, 2019**	**December 31, 2018**
4.1 Investment in listed investment funds	1,873,341	901,596
4.2 Investment in unlisted loans and bonds	12,956,020	11,512,818
	14,829,361	12,414,414
Minus: Short term investments	(3,123,341)	(1,651,596)
	11,706,020	**10,762,818**

4.1 Investment in listed investment funds

This concerns the financial assets managed by Solar Asset Management N.V. and held for trading. These financial assets can be specified as follows:

in AWG	Bonds	Shares	**Total**
Balance as of December 31, 2018	523,013	378,583	**901,596**
Acquisitions	785,892	368,436	**1,154,328**
Redemption	(153,960)	(128,152)	**(282,112)**
Change in fair value of investment in shares / corporate bonds	59,622	39,907	**99,529**
Balance as of December 31, 2019	1,214,567	658,774	**1,873,341**
Minus: Short term investments	(1,214,567)	(658,774)	**(1,873,341)**
Long-term portion	-	-	-

Grant Thornton

4.2 Investment in unlisted loans and bonds

The governments bonds have a maturity period that varies between 1 to 15 years. These bonds earn, depending on terms, between 4.25% and 6.5% interest per annum.

The time deposits have a maturity period that varies between 1 to 5 years. These deposits earn between 5.0 to 5.95% interest per annum. The terms and conditions of the bonds, loans and time deposits were as follows:

in AWG	Bonds	Time deposits	Loans	**Total**
Balance as of December 31, 2018	8,181,982	2,000,000	1,330,836	**11,512,818**
Acquisitions	-	1,000,000	1,225,339	**2,225,339**
Redemption	-	(750,000)	(32,137)	**(782,137)**
Balance as of December 31, 2019	8,181,982	2,250,000	2,524,038	**12,956,020**
Minus: Short term investments	-	(1,250,000)	-	**(1,250,000)**
Long-term portion	**8,181,982**	**1,000,000**	**2,524,038**	**11,706,020**

in AWG	Type	Amount	Interest %	Maturity in year(s)
Land Aruba	Bonds	8,181,982	4.25-6.5	2021-2033
Volkskredietbank van Aruba	TD	2,250,000	5.0-5.95	2020-2024
Loan SOGA – HOH	Loan	2,524,038	6.5	2038

5. Investments for the risk of the participants

The Investments for risk of the Fund are assets relating to the Defined Contribution plan and consist of investments at fair value through statement of comprehensive income. The classification depends on the nature and the purpose of the investments and is determined at the time of initial recognition.

The Fund intended to hold the investments to profit from the changes in fair value change as well as income derived from these assets. When needed these will be converted (net of transaction costs) into cash and cash equivalents.

The total carrying amount of the investments is based on external estimates and confirmations. The value of the investment portfolio is therefore largely based on data from independent sources.

The investments for risk of the participants can be classified in the following categories:

in AWG	**December 31, 2019**	**December 31, 2018**
5.1 Investment in listed investment funds	5,450,683	3,163,659
5.2 Investment in unlisted loans and bonds	67,286,030	57,677,791
5.3 Investment in unlisted funds and shares	11,780,329	9,921,814
	84,517,042	70,763,264
Minus: Short term investments	(17,364,573)	(9,529,811)
	67,152,469	**61,233,454**

5.1 Investment in listed investment funds

in AWG	Bonds	Shares	**Total**
Balance as of December 31, 2018	1,969,273	1,194,386	**3,163,659**
Acquisitions	2,689,400	590,909	**3,280,309**
Redemption	(712,451)	(592,429)	**(1,304,880)**
Change in fair value of investment in shares / corporate bonds	119,992	191,603	**311,596**
Balance as of December 31, 2019	4,066,214	1,384,469	**5,450,683**
Minus: Short term investments	(1,264,156)	(1,384,469)	**(2,648,625)**
Long-term portion	**2,802,058**	-	**2,802,058**

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Bonds

	Type	Maturity	Interest	Outstanding 12-31-2019	Outstanding 12-31-2018
Building Depot Curacao B.V.	Bonds	11-30-28	5.00%	1,666,000	-
Kovack Securities Inc.[1]	Bonds	-	-	1,264,157	1,119,273
Prime Real Estate Fund Brion B.V. dba Curaçao Heritage Fund	Bonds	11-30-23	5.00%	850,000	850,000
CIBC First Caribbean securities[2]	Bonds	-	-	286,057	-
				4,066,214	**1,969,273**

BUILDING DEPOT CURAÇAO B.V.

In 2019, the Fund participated in a bond issue of Building Depot Curaçao B.V. (BDC) for a total amount of ANG 1,700,000. The total bond issue has a value of ANG 34,000,000. The bond is issued for a period of ten (10) years, with a fixed coupon interest payment of 5% per annum which are paid quarterly. Principal amount is paid annually and is 2% of the original issuance amount commencing November 30, 2019. The bond is listed through the Dutch Caribbean Securities Exchange, that is subject to the supervision by the Central Bank of Curaçao and Sint Maarten. The security agent and bond agent is Vidanova Bank N.V.

The bond is secured, and share pro rata based on the participation, by the following collaterals:

First rank collateral

- a first ranking mortgage deed on the real estate located at Zeelandia, Curaçao – market value ANG 47.5 million.
- a first ranking mortgage deed on the real estate located at Industrial Park Brievengat, Curaçao – market value ANG 6.75 million.
- First pledge on furniture, fixtures, and equipment – market value ANG 2.0 million.

Second source of collateral

- debt service shortfall guarantee of BDC in an amount of ANG 2.4 million which is the equivalent of 1-year debt service.

Third source of collateral assets of BDC

- First ranking omnibus pledge agreement in respect of:
  - All cash and accounts receivables
  - All moveable assets
  - The Debt Service Reserve Account with the paying Agent to which BDC will make monthly standing order payments of ANG 200,000.

[1] Kovack Securities Inc. in bonds are held for trade, therefore the maturity date is not considered.
[2] CIBC First Caribbean securities in bonds are held for trade, therefore the maturity date is not considered.

Kovack Securities Inc. (Bonds)

This concerns the financial assets that managed by Kovack Securities. These financial assets can be specified as follows:

in AWG	2019	**2019**	2018	**2018**
	Cost	**Fair value**	Cost	**Fair value**
Listed corporate bonds	1,221,877	**1,264,157**	1,183,097	**1,119,273**
Cash and cash equivalents	25,036	**25,036**	30,796	**30,796**
Balance as of December 31	1,246,913	**1,289,193**	**1,213,893**	**1,150,069**

Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund

In 2018, the Fund participated in a bond issue for ANG 850,000 (AWG 850,000) managed by Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund and is listed on the Dutch Caribbean stock Exchange (DCSX). The DCSX is subjected to supervision by the Central Bank of Curaçao and Sint Maarten. The security agent is Amicorp Trustees Foundation.

The total bond issue has a value of ANG 7,400,000. The bonds have a maturity of 5 years and earns an interest of 5% per annum.
This bond issue is secured, and shared pro rata based on the participation, by the following collaterals:

- First mortgage right on the real estate
- Pledge on Accounts Receivables
- First loss Payee on relevant insurance coverage

CIBC FirstCaribbean International Bank (Curaçao) N.V.

This concerns the financial assets that are managed by CIBC FirstCaribbean International Bank (Curaçao) N.V. – Wealth Department These financial assets can be specified as follows:

in AWG	2019	**2019**	2018	**2018**
	Cost	**Fair value**	Cost	**Fair value**
Listed corporate bonds	147,375	**286,057**	-	**-**
Cash and cash equivalents	651,419	**651,419**	(90)	**(90)**
Balance as of December 31	798,794	**937,476**	**(90)**	**(90)**

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Shares

	Type	Outstanding 12-31-2019	Outstanding 12-31-2018
Kovack Securities	Shares	844,272	694,386
Prime Real Estate Fund Brion B.V. dba Curaçao Heritage Fund	Shares	540,197	500,000
		1,384,469	**1,194,386**

Kovack Securities Inc.(Shares)

This concerns the financial assets that are managed by Kovack Securities. These financial assets can be specified as follows:

in AWG	2019	**2019**	2018	**2018**
	Cost	**Fair value**	Cost	**Fair value**
Listed shares	747,369	**844,272**	752,334	**694,386**
Balance as of December 31	747,369	**844,272**	**752,334**	**694,386**

Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund

In 2018 the Fund participated for ANG 500.000 (AWG 500,000) in shares of which an amount of ANG 250,000 in common shares and an amount of ANG 250,000 in preferred shares managed by Prime Real Estate Fund Brion B.V. doing business as Curaçao Heritage Fund. This fund invests in various properties located within the UNESCO World Heritage boundaries of Willemstad, Curaçao. The security agent is Amicorp Trustees Foundation.

From the net profit, as reflected in the statement of comprehensive income account, and provided that the net profit is sufficient to this end, to the shareholders of non-cumulative preference shares a dividend of seven percent (7%) shall be paid calculated on the basis of nominal value of their shares being one hundred guilders currency of the Netherlands Antilles (ANG 100.00).

5.2 Investment in unlisted loans and bonds

in AWG	Bonds	Time deposit	Loans	Mortgages	**Total**
Balance as of December 31, 2018	20,815,019	2,500,000	26,319,064	8,043,709	**57,677,792**
Acquisitions	1,000,000	8,300,000	5,121,158	3,412,011	**17,833,169**
Redemption	-	(1,000,000)	(6,879,043)	(345,888)	**(8,224,931)**
Balance as of December 31, 2019	21,815,019	9,800,000	24,561,179	11,109,832	**67,286,030**
Minus: Short term investments	(52,000)	(7,800,000)	(6,414,019)	(449,929)	**(14,715,948)**
Long-term portion	**21,763,019**	**2,000,000**	**18,147,160**	**10,659,903**	**52,570,082**

Bonds

The bonds have a maturity period that varies between 1 to 15 years. These bonds earn, depending on terms, between 4.50% and 7.25% interest per annum.

	Type	**Maturity**	**Interest**	**Outstanding 12-31-2019**	**Outstanding 12-31-2018**
Land Aruba	Bonds	2020-2035	4,5%-6.125%	16,133,019	15,133,019
NuCapital Beheer Aruba N.V.	Bonds	01-Dec-24	7.25%	4,800,000	4,800,000
RBC Royal	Bonds	08-Apr-26	4.50%	882,000	882,000
				21,815,019	**20,815,019**

Time Deposits

The time deposits have a maturity period that varies between 0.5 to 5 years. These deposits earn, depending on terms, between 0.9% and 5.95% interest per annum.

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Loans

	Maturity	Interest	Outstanding 12-31-2019	Outstanding 12-31-2018
W.E.B. Aruba N.V.	Dec-19	5.03%		2,240,136
Stichting Onroerend Goed Aruba (HOH)	Apr-38	6.5%	7,103,382	3,745,363
Servicio di Telecomunicacion di Aruba (SETAR) N.V.	Oct-21	5.50%	285,714	428,571
Aruba Ports Authority N.V.	Nov-32	5.00%	4,537,621	4,778,762
Aruba Ports Authority N.V. (tugboat)	Jan-33	5.00%	1,270,612	1,286,012
Les Vents Development Holding N.V.	Jul-18	12.00%	0	2,049,127
Stichting Fundacion Cas pa Comunidad Arubano (FCCA)	Sep-32	5.00%	5,000,000	5,000,000
Wondersea Investment N.V.	Sep 20	8.50%	5,836,594	6,516,541
AAA – Gateway 2030 project	Dec-38	4.50%	527,256	274,552
			24,561,179	**26,319,064**

W.E.B. Aruba N.V.

In 2011 the Fund participated in a syndicated loan that is managed by the AIB Bank N.V., as syndication leader. The borrower is W.E.B. Aruba N.V. (WEB). The total nominal amount of the loan was AWG 67,727,000. The loans were disbursed in 2012 and the borrower started with its repayment of the loans. The loan (divided in two tranches) has a maturity period of 10 to 12 years and earns interest of 5.875% per annum. In 2016 all the loans are transferred to Term Loan I for a total amount of AWG 176,322,330.03. The Term Loan I earned an interest of 5.50% per annum. As of April 30, 2019, the interest was set to 5,03% based on an agreed mechanism set out in Clause 5.1(b) of the Term Facilities Agreement.

The loan was secured, and share pro rata based on the participation, by the following collaterals:

- First credit mortgage in the amount of AWG 277,260,000 or equivalent in USD, plus 50% interest and costs, on all real property of the Borrower, including additional real estate property for the Recipes III that is in the process of being transferred;
- First priority security ranking assignment of the rights of the Privatization Agreement;
- First priority security ranking assignment of the rights of the Elmar Contract;
- First priority security ranking assignment of monies and claims;
- First priority security ranking fiduciary transfer inventory and equipment;
- First priority security ranking assignment of rights of supply contracts;
- First priority security ranking assignment of rights of (relevant) insurance policies;
- First priority security ranking assignment of installation/construction contracts.

In December 2019, the loan was fully repaid. This was done due to a strategic decision to restructure at the holding level all the external financing of the group of Utilities Aruba N.V., including the WEB loans.

Stichting Onroerend Goed Aruba (HOH)

In 2013 the Fund participated in a syndicated loan that is managed by the AIB Bank N.V., as syndication bank. The borrower is Stichting Onroerend Goed Aruba. The total nominal amount of the dual currency loan is AWG 252,700,000. The loan consists of three tranches. The Fund participates for a total amount of AWG 4,750,000 in tranche A (AWG 212,200,000) of the total syndicated loan. Upon completion of the project this tranche will roll forward in tranche B. The loan is currently being disbursed. The interest due during the construction period is capitalized as part of the loan.

In 2017 at request of the Borrower the loan was increased to a total amount of AWG 335,959,011. The Fund participated with an additional amount of AWG 5,000,000 and participates in this project for a total amount of AWG 9,750,000.

The construction period is estimated at 5 years and 6 months. During this period, the Fund will earn 6.75% on the disbursed amounts. The loan was fully disbursed in July 2019 and has a maturity of 25 years and earns interest of 6.50% per annum. The loan is secured, and share pro rata based on the participation, by the following collaterals:

- First priority credit mortgage established in the amount of AWG 256,200,000 plus 40**%** interest and costs on the rights of long lease land and the HOH building thereon;
- Second priority credit mortgage is established in the amount of AWG 83,259,011 plus 40% interest and costs on the right of long lease and the HOH building thereon:
    - of an aggregated 79,974 m² of land, with the facilities of the Hospital Complex thereon;
    - on two parcels located on Juan Irausquin Boulevard at Eagle Beach totaling 32,721 m² ;
- Assignment of claims to the Lease Agreement, present and future;
- Specific assignment of movable properties related to the Hospital Complex;
- Project including furniture, fixtures & equipment and all building materials belonging to the Borrower, present and future;
- Assignment of extended fire and burglary insurance naming the Security Agent as loss payee on all assets assigned as security;
- Assignment of all rights and claims arising from the performance bond extended to the Borrower by the general contractor related to the Project;
- Assignment of the Construction All Risk Insurance;
- Assignment of all bank accounts held by the Borrower in relation to the Project and the Hospital Complex including the Project Account, Debt Service Reserve Account, and the Maintenance Reserve Account.

Servicio di Telecomunicacion di Aruba (SETAR) N.V.

In 2014, the Fund participated in a loan that is managed by the RBC Merchant Bank (Caribbean) Limited., as syndication leader. The borrower is Servicio di Telecomunicacion di Aruba (SETAR) N.V. The total nominal amount of the dual currency loan is USD 59,000,000. The Fund participates for a total amount of AWG 1,000,000. The loan has a maturity of 6 years (October 1, 2015 - October 1, 2021) and earns interest of 5.50% per annum.

The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- A First Charge by way of Legal Mortgage over all Real Estate and Buildings of the Issuer and the assignment of all leases over the Poles and Transfer Houses used by the Issuer For the provision of all services, stamped to cover the amount of the Issue [AWG];
- A First Priority Right of Pledge over all the Fixed and Floating Assets of the Issuer stamped to cover the amount of the Issue;
- Assignment of material contracts;
- A First Priority Right of Pledge over all valid Property, third party liability as well as business interruption insurance policies underwritten by acceptable insurance companies;
- Other such security as reasonably recommended by the Lender's council.

Aruba Ports Authority N.V.

In 2014 the Fund participated in a loan that is managed by the AIB Bank N.V., as agent bank. The borrower is Aruba Ports Authority N.V. The total nominal amount of the dual currency loan is AWG 62,650,000. The Fund participates for a total amount of AWG 3,500,000. In October 2017, the fund increased its participation amount in the loan with the amount of AWG 2,190,727. The loan has a maturity of 17 years and earns interest of 5.00% per annum. In 2017 a refinancing took place whereby the interest rate has been adjusted downwards to 5.00% per year. The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- First Mortgage established in the amount of AWG 62,650,000 plus 40% interest and costs on 34 plots of the aggregate of approximately 237,727 m2 located at Oranjestad;
- First Mortgage established in the amount of AWG 1,700,000 plus 40% interest and costs on the tugboat Andicuri;
- First Mortgage established in the amount to be determined plus 40% interest and costs on the new tugboat;
- First Mortgage established in the amount to be determined plus 40% interest and costs on the new pilot boat;
- General assignment of monies and claims of the Borrower present and future including insurances naming the Security Agent as loss payee on all assets assigned as security;
- Fiduciary transfer of ownership of all movable properties, furniture, fixtures and equipment belonging to the Borrower, present and future including the pilot boat Urirama;
- Assignment of all rights arising out of the Concession Agreement;
- Assignment of all rights arising out of the Direct Agreement.

Aruba Ports Authority N.V. (tugboat)

In 2018, the Fund participated in a loan that is managed by the AIB Bank N.V., as agent bank. The borrower is Aruba Ports Authority N.V. The total nominal amount of the loan is AWG 17,000,000. The total amount of AWG 1,621,796 was allotted to PFTSA. In August 2019, Aruba Ports Authority N.V. canceled the undrawn portion of the loan. As result, the total participation of PFTSA in the loan is AWG 1,286,011.52.

The loan has a maturity of 15 years and earns interest of 5.00% per annum. The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- First Mortgage established in the amount of AWG 17,000,000 plus 40% interest and costs on the new tugboat;
- Pledge on security provided to Aruba Ports Authority N.V. by seller of the vessel.

Les Vents Development Holding N.V.

In 2016 the Fund participated in a loan that is managed by the AIB Bank N.V., as syndication leader. The borrower is Les Vents Development Holding N.V.

The total nominal amount of the dual currency loan is USD 6,550,000 (two tranches). The Fund participates for a total amount of USD 2,550,000. The loan has a maturity of 24 months and earns interest of 12.0% per annum. The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- First Mortgage established in the amount of USD 6,550,000 plus 40% interest and costs on 53 condominium units and 5 townhouses of the aggregate of approximately 11,381 m2 located at Eagle Beach, Aruba;
- Pledge of receivables;
- Pledge of movable properties including but not limited to construction materials, inventory, furniture and equipment, vehicles and machinery;
- Assignment of fire and burglary insurance on buildings;
- Assignment of Construction All Risk (CAR) insurance during the construction period.

In October 2018, the lenders received a request from a Canadian Group to take over the loan. In January 2019, this group negotiated a discount with the lenders (AIB Bank N.V. and PFTSA). The Fund has granted the discount of USD 332,854 (AWG 595,809) which appears as an impairment in our books. The loan has been fully repaid on May 2, 2019 to PFTSA.

Stichting Fundacion Cas pa Comunidad Arubano (FCCA)

In 2017, the Fund participated in a loan that is managed by the Vidanova Bank N.V., as agent bank. The borrower is Stichting Fundacion Cas Pa Comunidad Arubano.

The total nominal amount of the loan is AWG 95,000,000. The Fund participates for a total amount of AWG 5,000,000. The loan has a maturity of 15 years and earns interest of 5.0% per annum. The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- A limited silent pledge up to a maximum amount of AWG 95,000,000 on the mortgage loan portfolio of the issuer.

WONDERSEA INVESTMENTS N.V.

In 2017, the Fund participated in a loan that is managed by the AIB Bank N.V., as agent bank. The borrower is Wondersea Investments N.V.

The total initial nominal amount of the loan was USD 5,500,000. In January 2018, at the request of the Borrower the loan was increased with USD 2,500,000 to a total amount of USD 8,000,000.

The Fund increased its participation from USD 2,500,000 to a total amount of USD 3,636,364. The loan had a maturity of 30 months and earns interest of 8.5% per annum. In June 2019, at the request of the borrower, and with the approval of both lenders, the maturity of the loan was extended.

The loan is secured, and shared pro rata based on the participation, by the following collaterals:

- First credit mortgage established on the property land plot of 7,260 m2 known as Noord, parcel 2-D-247;
- Assignment of cash and receivables arising out of sales contract and claims arising out of the reservation agreements;
- Assignment on all relevant insurances;
- Pledging of shares of Wondersea Investments N.V.

The Fund is continuously evaluating the real estate market whether it is favorable to proceed with the execution of the collaterals or whether it is prudent to prolong the credit facility in short time intervals in view of the units that have been pre-sold and considering the continuous maintenance that is being conducted on the real estate by the borrower. On request of the borrower and due to the continuing deterioration in the economy of Venezuela (where the client base of the borrower is located), in December 2019 it was considered prudent to prolong the credit facility under strict conditions with another six months till June 2020. Due to the critical economic developments caused by the Covid-19 pandemic, on request of the borrower, the Fund is considering to provide a Grace Period of six months on payments under the facility agreement, capitalize interest payments and extend the maturity to September 2020. The Fund will continue to closely monitor the development of the real estate market and assess the possibility of executing the collaterals against the alternative of providing short term interval extensions on the maturity date of the loan.

AAA- GATEWAY 2030 PROJECT

In October 2018, the Fund participated in a total Loan Facility of AWG 495,000,000, that has Vidanova Bank N.V. as the agent bank, security agent and paying agent. The borrower is Aruba Airport Authorities N.V. (AAA). The purpose of the loan is to finance the constructions project related to Gateway 2030. All lenders participate in the construction Bridge Loan period of 5 years. Thereafter, either in a 10-year or 15-year term loans.

The Fund participated in the Bridge Loan Facility A for a total amount of AWG 5,000,000 with a fixed interest rate of 4.5%. After the construction period the loan will be converted in three 15-years AWG adjustable rate Term loans Facility, i.e., C-I: AWG 1,666,667, C-II: AWG 1,666,667 - and C-III: AWG 1,666,666. The interest rate on the Term Loan Facility C is as follows:

At Financial close and until the fifth anniversary of the Financial Close and as of the respective Term Loan Facility Creation Dates, 5% per annum fixed for the duration of this period and calculated over the outstanding balance of each such Term Loan Facility.

As of the fifth anniversary of the Financial Close, the then applicable interest rate will be increased by 50 basis points in the event that the weighted average interest rate of 15-year Aruba government AWG-bonds over the preceding three (3) year period is more than 100 points above the then applicable interest rate.

As of the tenth anniversary of the Financial close, the then applicable interest rate will be increased by 50 basis points in the event that the weighted average interest rate of 15-year Aruba government AWG-bonds over the preceding three (3) year period is more than 100 points above the then applicable interest rate.

The loan is secured, by the following collaterals:

- First ranking credit mortgage plus 50% interest and costs on all the real property and assets of the borrower;
- First Priority pledge by AAA to the Security Agent on all receivables present and future;
- First Priority pledge by AAA to the Security Agent on all bank accounts;
- First Priority pledge of by AAA to the Security Agent on all movable properties, furniture, fixtures & equipment belonging to the borrower and all construction/ installation materials, present and future;
- First Priority pledge by AAA to the Security Agent on the rights from the installation/ construction contracts;
- Non-notarized positive-negative undertaking to establish a second ranking credit mortgage for an amount equal to the aggregate of the then outstanding Principal Obligation minus the amount of the first ranking mortgage, plus 50% interest and costs.

This loan is currently being disbursed.

Mortgages

Mortgages are granted to participants of the Fund. They have a maturity period that varies between 2-30 years. The mortgages earn, depending on terms, between 5.95% to 7.50% interest per annum.

5.3 Investment in unlisted funds and shares

Shares

in AWG	Shares		**Total**
	AGF	Mack's Total Finance	
Balance as of December 31, 2018	3,421,814	6,500,000	**9,921,814**
Acquisitions	892,755	-	**892,755**
Change in fair value of investment in shares / corporate bonds	965,760	-	**965,760**
Balance as of December 31, 2019	**5,280,329**	**6,500,000**	**11,780,329**

Aruba Growth Fund C.V.

From July 27, 2015 the Fund participates as a limited partner in Aruba Growth Fund C.V. ("AGF"). The Fund has committed itself to a total investment of AWG 4.2 million.

in AWG	2019	2018
Balance as of January 1	**2,645,826**	**2,748,715**
Acquisition of shares from AGF and capital calls	892,755	-
Repayment	-	(102,889)
Balance as of December 31 (value at cost)	**3,538,581**	**2,645,826**
Balance as of January 1	**775,988**	**431,963**
Change in fair value	965,760	344,025
Balance as of December 31 (change in fair value)	**1,741,748**	**775,988**
Net asset value as of December 31	**5,280,329**	**3,421,814**

Mack's Total Finance VBA

From November 2016 the Fund participates in Mack's Total Finance VBA. The Fund has bought 20,000 shares with a nominal value of AWG 100 with a fixed annual cumulative preferred dividend with a rate of return of 8%. This rate of return is fixed for the period 2021 - 2026. After 2026, the current rate of return will be re-evaluated. These shares do not have voting rights and only receive annual cumulative interest. In June 2018, the Fund has increased the investment with AWG 1.5 million. The total cumulative preferred shares participation in Mack's Total Finance is valued against purchase price for AWG 6.5 million.

6. Investment properties for the risk of the participants

As of January 1, 2019, the properties with a leasehold provision have valued the right of use assets according to IFRS 16. The value of this is shown in the overview below. Other information regarding these long land lease rights can be found under Note 15. The movement in the category of investment property is specified as follows:

in AWG	Investment property (excluding project in Progress)	Project in progress	**Total 2019**	Investment property (excluding project in Progress)	Project in progress	**Total 2018**
Balance as of January 1	**9,928,000**	**5,460,930**	**15,388,930**	**4,751,000**	**5,474,802**	**10,225,802**
Change in fair value	489,295	(102,824)	**386,471**	5,378	(415,709)	**(410,331)**
Completed projects	-	(166,908)	**(166,908)**	-	(427,340	**(427,340)**
Project in progress	-	909,944	**909,944**	-	-	**-**
Investments	100,705	1,799,739	**1,900,444**	5,171,622	829,177	**6,000,799**
Balance as of December 31	**10,518,000**	**7,900,881**	**18,418,881**	**9,928,000**	**5,460,930**	**15,388,930**
Land right-of-use	373,286	241,883	615,169	-	-	-
Balance as of December 31	**10,891,286**	**8,142,764**	**19,034,050**	**9,928,000**	**5,460,930**	**15,388,930**

Investment property currently consists of 5 commercial properties of which two are leased to third parties.

The fair value of the Fund's main property assets is estimated based on appraisals performed by independent, professionally qualified real estate appraiser. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Executive Board at each reporting date.

The range of yields applied to the net annual rentals to determine the fair value of properties for which current prices in an active market are unavailable vary between 6.5-7.0% (2018: 6.75-7%). The impact of the fair value valuation method, while also taking into consideration among other the net free cash flows, relevant period for each property and individual assumptions is disclosed hereunder.

The movement per investment property in 2019 is specified in the following table:

in AWG	Investment property			Project in progress					Total 2019
	Orange Plaza Mall	*FSLMA*	***Subtotal***	*Bloemond Project*	*Eagle Center*	*Executive Tower*	*Jan Flemming project*	***Subtotal***	
Balance as of January 1	4,929,000	4,999,000	**9,928,000**	500	4,974,991	20,412	465,027	**5,460,930**	**15,388,930**
Change in fair value	(567,270)	1,056,565	**489,295**	(7,239)	-	-	(95,584)	**(102,824)**	**386,471**
Completed projects	-	-	-	-	-	-	(166,908)	**(166,908)**	**(166,908)**
Project in progress	-	-	-	-	840,587	(20,412)	89,769	**909,944**	**909,944**
Investments	11,270	89,435	**100,705**	1,799,739	-	-	-	**1,799,739**	**1,900,444**
Balance as of December 31	**4,373,000**	**6,145,000**	**10,518,000**	**1,793,000**	**5,815,578**	-	**292,304**	**7,900,881**	**18,418,881**
Right of use asset	243,546	129,740	**373,286**	-	241,883	-	-	**241,883**	**615,169**
Total balance as of December 31	**4,616,546**	**6,274,740**	**10,891,286**	**1,793,000**	**6,057,461**	-	**292,304**	**8,142,764**	**19,034,050**

1) Orange Plaza Mall:

On July 2nd, 2018, the Fund purchased the Orange Plaza Mall property. This property consists of 18 units. As per December 2019, there were 16 units rented out of which each has a rental agreement of one year with the option to renew. The average monthly rental income is AWG 37,640 (2018: AWG 41,462). Due to the chosen valuation method, the value of the building has been adjusted downwards with an amount of AWG 567,270.

2) Fundacion Servicio Laboratorio Medico Aruba (FSLMA):

The lease contract will expire on December 31, 2022. The increase of the value of the investment property is the result of the increase in cash flows. The monthly lease term of this property is AWG 46,507. Due to the chosen valuation method, the value of the building has been adjusted upwards with an amount of AWG 1,056,565.

3) Bloemond project:

On June 21, 2019, the Fund purchased a lot in the Bloemond area. The Fund is contemplating to develop this land in a small-scale housing project for elderly care. Due to the chosen valuation method, the value of the property has been adjusted downwards with an amount of AWG 7,239.

4) Eagle Centre project:

On June 14, 2017, the Fund purchased a partially constructed property in Eagle. The plan is to furnish and rent out the building to be able to offer specific care. Detailed plans for a dialysis center have been worked out and negotiations are ongoing with the care provider to complete this project. The property has been valued at cost as the building is under construction.

5) Jan Flemming Project:

Furthermore, during the fiscal year 2014 the Fund started with a real estate housing project aimed at its participants. The project is divided into 11 parcels, of which 10 (2018: 8) are completed. Participants that purchase a parcel are financed by means of a mortgage granted by the Fund for which the parcel is granted as collateral. Upon completion of a portion of the project, this part is considered realized (sold) and the related income and expenses are recognized in the statement of comprehensive income. The Fund recognized a net loss in the financial year 2019 of AWG 95,584 on the completed parcels.

7. Receivables

The receivables can be specified as follows:

in AWG	2019	2018
Receivables from employers	1,149,696	1,015,973
Interest receivables – for the risk of the pension Fund	209,700	209,239
Interest receivable – for the risk of the participants	1,286,960	1,089,835
Other	21,338	104,489
Balance as of December 31	**2,667,694**	**2,419,536**

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8. Cash and cash equivalents

The cash and cash equivalents can be specified as follows:

in AWG	2019	2018
Caribbean Mercantile Bank N.V.	4,494,894	4,322,860
Aruba Bank N.V.	3,995,754	3,934,421
FirstCaribbean International Bank (Cayman) Limited, Aruba Branch	31,182	1,120,206
FirstCaribbean International Bank Curaçao N.V.	651,419	(90)
RBC Bank – WISE, Trinidad & Tobago	99,265	59,326
RBC Bank N.V.	251,313	1,667,528
Kovack Securities – bank accounts	25,036	30,796
VP Bank (Switzerland) AG, Zurich	33,433	859,782
Vidanova Bank N.V.	124,668	(13)
Balance as of December 31	**9,706,964**	**11,994,816**

The bank balances consist of current accounts and savings accounts. The savings accounts earn an interest of 0.1%. The interest is paid quarterly. Furthermore, the cash and cash equivalents are not encumbered. In the event of a debit balance the Caribbean Mercantile Bank N.V. will charge an interest of 18% per annum.

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9. Property, plant and equipment

Details of the Funds equipment and their carrying amounts are as follows:

in AWG	*Furniture & Equipment*	*Vehicles*	*Computer equipment*	**Total**
Balance as of January 1, 2018				
Cost	69,272	65,000	131,860	**266,132**
Accumulated depreciations	(35,086)	(5,850)	(66,202)	**(107,138)**
Carrying amount	**34,186**	**59,150**	**65,658**	**158,994**
Changes in 2018				
Investments	18,180	-	59,136	**77,316**
Depreciation	(12,358)	(11,700)	(44,753)	**(68,811)**
Total change	**5,822**	**(11,700)**	**14,383**	**8,505**
Balance as of December 31, 2018				
Cost	87,452	65,000	190,996	**343,448**
Accumulated depreciations	(47,444)	(17,550)	(110,956)	**(175,950)**
Carrying amount	**40,008**	**47,450**	**80,040**	**167,498**
Changes in 2019				
Investments	28,502	72,000	53,586	**154,088**
Depreciation	(16,347)	(24,660)	(54,141)	**(95,148)**
Total change	**12,155**	**47,340**	**(555)**	**58,940**
Balance as of December 31, 2019				
Cost	115,954	137,000	244,582	**497,536**
Accumulated depreciations	(63,791)	(42,210)	(165,097)	**(271,098)**
Carrying amount	**52,163**	**94,790**	**79,485**	**226,438**
Depreciation years in useful life	3-5	5	3	

The equipment is not encumbered.

All depreciation and impairment charges are included within depreciation, amortization, and impairment of non-financial assets.

10. Receivables and prepaid expenses

The receivables and prepaid expenses consist of deposits regarding the lease on Vondellaan.

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11. Pension Fund capital and reserves

The pension fund capital and reserves can be specified as follows:

	Fund Capital	Risk of the Fund	Risk of the participants	**Total**
Balance as of January 1, 2019	**-**	**620,144**	**8,876,536**	**9,496,680**
Adjustment from the adoption of IFRS 16	-	-	(37,873)	(37,873)
Adjusted balance at January 1, 2019	-	620,144	8,838,663	9,458,807
Net income for the period	-	(221,953)	1,619,078	**1,397,125**
Balance as of December 31, 2019	**-**	**398,191**	**10,457,741**	**10,855,932**

12. Provision for pension liabilities for risk of the Fund

The movements in the provision for the risk of the Fund were as follows:

in AWG	Retirement benefits	Survivor benefits	**2019**	Retirement benefits	Survivor benefits	**2018**
Balance as of January 1,	**10,754,069**	**2,051,068**	**12,805,137**	**10,555,401**	**2,034,586**	**12,589,987**
Correction			**(5,885)**			
Interest	424,465	81,556	**506,021**	416,943	80,988	**497,931**
Retirement benefits	(210,619)	(14,256)	**(224,875)**	(199,499)	(12,532)	**(212,031)**
New partner pension	-	17,768	**17,768**	-	-	**-**
Surrender value	(43,647)	(3,163)	**(46,810)**	(15,677)	(4,881)	**(20,558)**
Deceased members with or without partners	(70,037)	(9,816)	**(79,853)**	(60,156)	(6,969)	**(67,125)**
Risk premiums	67,614	(42,572)	**25,042**	61,047	(39,873)	**21,174**
Paid out costs	(4,212)	(285)	**(4,497)**	(3,990)	(251)	**(4,241)**
Correction by change mortality table	593,826	(83,782)	**510,044**	-	-	**-**
Balance as of December 31	**11,511,459**	**1,996,518**	**13,502,092**	**10,754,069**	**2,051,068**	**12,805,137**
Less: short term portion			**(233,874)**			**(222,013)**
Long term portion			**13,268,218**			**12,583,124**

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The technical provision for the risk of the Fund can be specified per category as follows:

in AWG	2019	2019	2018	2018
	Policies	*AWG*	*Policies*	*AWG*
For active members – regular / additional	214	4,134,324	219	3,942,840
Vested members – regular / additional	316	6,201,881	318	5,789,487
For existing pensioners	138	2,958,189	138	2,883,533
Widows / Widowers / Orphans	9	207,698	10	189,277
Balance as of December 31	**677**	**13,502,092**	**685**	**12,805,137**

13. Provision for pension liabilities for risk of the participants

The movements in the provision for the risk of the participants were as follows:

in AWG	Defined contribution	Defined contribution (pensions)	2019	2018
Balance as of January 1	**85,193,768**	**5,162,074**	**90,355,842**	**76,515,450**
Corrections prior year	17,060	(11,898)	**5,162**	**(31,750)**
Pension accrual and contribution	13,182,384	-	**13,182,384**	**12,513,682**
Surrender value	(320,712)	-	**(320,712)**	**(228,567)**
Result on Surrender	(18,045)	-	**(18,045)**	**(25,354)**
Deceased	(47,883)	(101,919)	**(149,801)**	**(103,675)**
Interest	3,650,888	219,019	**3,869,907**	**3,309,776**
Pensioners	(1,173,051)	1,149,168	**(23,883)**	**(23,283)**
Retirement benefits	-	(396,660)	**(396,660)**	**(317,131)**
Disbursements expenses	(1,389,645)	(7,933)	**(1,397,578)**	**(1,216,457)**
Risk premiums	-	48,332	**48,332**	**36,528**
Correction by change mortality table	-	235,694	**235,694**	**-**
Balance as of December 31	**99,094,765**	**6,295,877**	**105,390,642**	**90,355,842**
Less: short term portion			**(493,509)**	**(396,751)**
Long term portion			**104,897,133**	**89,959,091**

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The provision for pension liabilities for the risk of the participants can be specified per category as follows:

in AWG	2019	2019	2018	2018
	Policies	*AWG*	*Policies*	*AWG*
For active members – regular	4,987	70,422,252	5,073	62,531,069
Vested members – regular	5,663	28,672,512	4,859	22,662,699
Annuitants	353	6,295,878	306	5,162,074
Balance as of December 31	**11,003**	**105,390,642**	**10,238**	**90,355,842**

14. Other provisions

The other provisions can be specified as follows:

in AWG	2019	2018
Balance as of January 1	**-**	**266,222**
Release of the provision	-	(266,222)
Balance as of December 31	**-**	**-**

The Board of PFTSA has decided (after obtaining the approval of the members at the General Assembly Meeting in 2018) to abolish the benefit regarding disability as per January 1, 2019. So, onwards no benefits for disability will be paid out and the premium has been stopped from January 1, 2018.

Taking this into account, the decision has been made to eliminate the reserve for disability.

15. Lease liability

in AWG	2019	2018
Current	2,824	-
Non-current	660,694	-
Balance as of December 31	663,518	-

a) Long lease right (investment property)

The Fund has in connection with the ownership of the investment properties obligations arising from the use of long land lease rights. Each lease is reflected on the statement of financial position as a

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right of use – asset under the investment properties for risk of the participant and a lease liability. The long land lease right can be specified as follows:

- Parcel 1K-3334 also known as FSLMA at Sasaki: The long lease right will expire on July 8, 2068. The annual long lease term amounts to AWG 9,960.
- Parcel 1K-2429 also known as Eagle Centre: The long lease right will expire on September 1, 2065. The annual long lease term amounts to AWG 16,290.
- Parcel 1K-2431 also known as Orange Plaza Mall: The long lease right will expire on June 8, 2066. The annual long lease term amounts to AWG 16,053.

The table below describes the nature of the Fund's leasing activities by type of right-of-use asset recognized in the investment properties:

Right-of- use asset	Remaining term	Lease with extension options	Lease with option to purchase	Lease with variable payments linked to an index	Lease with termination option
Leasehold land FSLMA	48	No	No	No	No
Leasehold land Eagle Centre	45	No	No	No	No
Leasehold land Orange Plaza Mall	46	No	No	No	No

Future minimum lease payments at 31 December 2019 were as follows:

	Minimum lease payments due						
As per December 31, 2019	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
in AWG							
Lease payments	42,303	42,303	42,303	42,303	42,303	1,770,396	1,981,911
Finance charges	39,479	39,311	39,133	38,945	38,745	1,122,779	1,318,393
Net present values	2,824	2,992	3,170	3,358	3,558	647,617	663,518

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16. Other liabilities and accrued expenses

The other liabilities and accrued expenses can be specified as follows:

PLAN LIABILITY

in AWG	2019	2018
Insurances	230,784	202,444
Deposits and rent received in advance	63,125	75,725
Balance as of December 31	**293,909**	**278,169**

NON-PLAN LIABILITY

in AWG	2019	2018
Accrued liability	290,302	191,477
Payroll and related accruals	(2,246)	21,154
Balance as of December 31	**288,056**	**212,631**

17. Risk management

a) Risk management

In the report by the Executive Board of PFTSA, the Executive Board sets out what the risks are that the Fund faces and what policy has been implemented to control, manage, and mitigate those risks. This section discusses the quantitative and qualitative aspects of the control measures.

Risk management, the Executive Board has the following policies available:

- Coverage Policy;
- Financing Policy;
- Premium Policy;
- Reinsurance Policy.

Which policy the Executive Board will use and how it will apply this will be based on extensive analysis of the likely future developments of the obligations and developments in financial markets. Management and Executive Board of the Fund prepared in 2018 an Asset-Liability Management Study (ALM) in corporation with the actuary. Based on the results of the aforementioned analysis, the investment guidelines established by the Fund, management and the Executive Board will be amended.

b) Interest rate risk

i) Profile of interest rate risk

Interest rate risk is the risk that the value of the portfolio of fixed income securities and pension changes, due to unfavorable changes in market interest rates. The interest rate risk is limited as most of the

investments are in fixed interest securities, such as time deposits issued by banks, government bonds, secured loan facilities and secured mortgages.

At the reporting date the interest rate profile of the Fund's interest-bearing financial assets was as follows:

in AWG	2019	2018
Bonds	35,277,780	31,489,286
Loans	27,085,217	27649900
Mortgages	11,109,834	8,043,709
Time deposits	12,050,000	4,500,000
Total fixed rate financial assets	**85,522,831**	**71,682,895**

ii) Sensitivity analysis

The Fund's policy is to minimize interest rate cash flow risk exposures on long-term investments. Longer-term investments are therefore usually at fixed rates. On December 31, 2019, the Fund is exposed to changes in market interest rates through investments at variable interest rates. The Fund's investments in bonds and debentures all pay fixed interest rates. The exposure to interest rates for the Fund's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% (2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

In AWG	**Profit for the year**		**Equity**	
	+ 1%	**- 1%**	**+ 1%**	**- 1%**
31 December 2019	108,942	(378,033)	-	-
31 December 2018	1,250,860	(322,012)	-	-

c) Other price sensitivity

The Fund is exposed to other price risk in respect of its listed equity securities. For the listed equity securities, an average volatility of 8.98% has been observed during 2019 (2018: (6.27%)). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, profit or loss and equity would have changed by AWG 540,809 (2018: AWG (194,507)).

The investments in listed equity securities are considered long-term, strategic investments. In accordance with the Fund's policies, no specific hedging activities are undertaken in relation to these investments.

d) Currency risk

Currency risk is the risk that the value of a financial instrument will change due to changes in foreign currency exchange rates. The Fund transacts in the following foreign currencies:

- The United States Dollar ("USD"), and the
- Netherlands Antilles Guilder ("ANG").

Currently the investments of the Fund are denominated for 85% (2018: 94%) in local currency and for 15% (2018: 6%) in foreign currency (ANG and USD). The local currency has historically been linked to the United States Dollars and has a fixed exchange rate with AWG. Consequently, the Fund currency risk is considered limited.

The total investment of the Fund into local and foreign currencies can be specified as follows:

in AWG	2019	2019	**Total**	2018	2018	**Total**
	Local	*Foreign*		*Local*	*Foreign*	
	85%	*15%*	***100%***	*94%*	*6%*	***100%***
Bonds	29,115,000	6,162,780	**35,277,780**	28,115,000	3,374,286	**31,489,286**
Time deposits	8,450,000	3,600,000	**12,050,000**	4,500,000	-	**4,500,000**
Loans	21,248,623	5,836,594	**27,085,217**	27,649,900	-	**27,649,900**
Mortgages	11,109,834	-	**11,109,834**	8,043,709	-	**8,043,709**
Investment property	19,034,050	-	**19,034,050**	15,388,930	-	**15,388,930**
Shares	11,780,328	2,043,244	**13,823,572**	9,921,814	1,572,969	**11,494,783**
Balance as of December 31	**100,737,836**	**17,642,618**	**118,380,453**	**93,619,353**	**4,947,255**	**98,566,608**

The investments in foreign currencies are denominated in ANG and USD. The ANG is also pegged to the USD. The Fund is not exposed to any fluctuations in these currencies and therefore a sensitivity analysis is not required.

e) Credit risk

i) Sector risk

Credit risk is the risk of financial loss to the Fund because of (potential) bankruptcy or insolvency of the Fund's counterparties in which it has investments. This can include parties which are considered bond issuers, banks where deposits are placed and others.

To reduce this risk, the Fund sets requirements for the creditworthiness of counterparties, ensuring adequate coverage or additional collateral required. The spread is partly reflected in the different sectors in which it invests. The following table gives a breakdown of the investments by sector:

in AWG	%	Government	Financial institutions	Financial like institutions	Real Estate	Others	**Total**
2019							
Bonds	30%	26,042,261	1,919,519	-	2,516,000	4,800,000	**35,277,780**
Time deposits	10%	-	12,050,000	-	-	-	**12,050,000**
Loans	23%	6,621,204	0	5,000,000	5,836,594	9,627,419	**27,085,217**
Mortgages	9%	-	11,109,834	-	-	-	**11,109,834**
Investment property	16%	-	-	-	19,034,050	-	**19,034,050**
Shares	12%	-	6,783,374	6,500,000	540,198		**13,823,572**
Balance as of December 31	**100%**	**32,663,465**	**31,862,727**	**11,500,000**	**27,926,842**	**14,427,419**	**118,380,453**

in AWG	%	Government	Financial institutions	Financial like institutions	Real Estate	Others	**Total**
2018							
Bonds	32%	24,197,000	-	1,373,013	-	5,919,273	**31,489,286**
Time deposits	5%	-	2,000,000	2,500,000	-	-	**4,500,000**
Loans	28%	-	27,649,900	-	-	-	**27,649,900**
Mortgages	8%	-	-	-	-	8,043,709	**8,043,709**
Investment property	15%	-	-	-	15,388,930	-	**15,388,930**
Shares	12%	-	-	878,583	-	10,616,200	**11,494,783**
Balance as of December 31	**100%**	**24,197,000**	**29,649,900**	**4,751,596**	**15,388,930**	**24,579,182**	**98,566,608**

The values represent the direct investments held by the Fund. Furthermore, these values exclude the interest receivables.

With regard to the creditworthiness of borrowers of fixed-income portfolio, these are held in the form of government bonds (30% of the total investment in 2019) or time deposits and loans at local banks or comparable institutions (25% of the total investment in 2019) that fall (partially) under the supervision of either the CBA or the CBCS.

The credit risk of the secured loan facilities is also limited by the fact that these loans are secured by tangible assets.

The credit risk of the mortgages is limited as these mortgages are extended up to 100% of the execution value of the property. Contrary to the other types of investments, these mortgages provide protection to the Fund through sale of the mortgaged property in the event of default in payments by the participant.

The Fund participated in a corporate bond issued by “NuCapital Beheer Aruba N.V.” for an amount of AWG 4,800,000 (2018: AWG 4,800,000). This bond is included in the category “Others”. This corporation

invests in several alternative projects in the Caribbean. This investment is currently not quoted. The Fund will continue to monitor the results closely. As at statement of financial position there is no indication that the third party is unable to meet its payment obligations.

ii) Impairment losses

The ageing of loans and receivables (including other receivables) at the reporting date for respectively risk of the fund and risk of the participants, was:

Loans and receivables for risk of the fund (including other receivables)

	December 31, 2019		December 31, 2018	
in AWG	Gross	Impair-ment	Gross	Impair-ment
Not past due	2,733,738	-	1,540,076	-
Past due less than a year	-	-	-	-
Past due more than a year	-	-	-	-
Total	**2,733,738**	**-**	**1,540,076**	**-**

Loans and receivables for risk of the participants (including other receivables)

	December 31, 2019		December 31, 2018	
in AWG	Gross	Impair-ment	Gross	Impair-ment
Not past due	36,753,425	-	36,573,071	-
Past due less than a year	43,370	-	-	-
Past due more than a year	-	-	-	-
Total	**36,796,795**	**-**	**36,573,071**	**-**

Management considered an allowance for impairment in respect for amounts past due less than a year. Management has taken measures to pursue the collection of the amounts past due less than a year.

f) Concentration risk

In general, concentration risk may occur if an appropriate diversification of assets and liabilities is missing. Concentration risks can occur when there is among others a concentration of the portfolio in the regions, economic sectors, and counterparties. A portfolio of loans that are highly sector-specific, sector concentration can be at increased risk. Currently approximately 7% (2018: 6%) of the investment portfolio is located abroad (United States, Trinidad & Tobago, Curacao, and Bonaire) and consist of government bonds and loans. This region is stable (economically and politically) and as such the concentration risk is considered low.

in AWG	2019	2019	**Total**	2018	2018	**Total**
	Local	*Foreign*		*Local*	*Foreign*	
	93%	*7%*	***100%***	*95%*	*5%*	***100%***
Bonds	29,115,000	6,162,780	**35,277,780**	28,115,000	3,374,286	**31,489,286**
Time deposits	12,050,000	-	**12,050,000**	4,500,000	-	**4,500,000**
Loans	27,085,217	-	**27,085,217**	27,649,900	-	**7,649,900**
Mortgages	11,109,834	-	**11,109,834**	8,043,709	-	**8,043,709**
Investment property	19,034,050	-	**19,034,050**	15,388,930	-	**15,388,930**
Shares	11,780,328	2,043,244	**13,823,572**	9,921,814	1,572,969	**11,494,783**
Total	**110,174,429**	**8,206,024**	**118,380,453**	**93,619,353**	**4,947,255**	**98,566,608**

g) Liquidity risk

Liquidity risk is the risk that the Fund is not able to obtain the financial resources needed to comply with its obligations. The liquidity risk within the Fund is limited. Virtually all investments have a direct or indirect quotation.

Premium revenues are higher than the pension benefits and the costs of the Fund. Therefore, it is unlikely that the Fund will face payment problems in the short and medium-term.

The following are the contractual maturities of financial liabilities:

in AWG	Carrying Amount	Less than 1 year	More than 1 year
Pension liabilities for risk of the Fund	13,507,977	233,874	13,274,103
Pension liabilities for risk of the participants	105,442,040	493,509	104,948,531
Other liabilities	581,965	581,965	-
Balance as of December 31, 2019	**119,531,982**	**1,309,348**	**118,222,634**

in AWG	Carrying Amount	Less than 1 year	More than 1 year
Pension liabilities for risk of the Fund	12,805,137	222,013	12,583,124
Pension liabilities for risk of the participants	90,355,842	396,751	89,959,091
Other liabilities	490,800	490,800	-
Balance as of December 31, 2018	**103,651,779**	**1,109,564**	**102,542,215**

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h) Insurance risk (actuarial risk)

i) Profile of insurance risk (actuarial risk)

The main insurance risks are longevity, and mortality risk. The principal actuarial risk is longevity risk (the risk that participants are living longer than average which is considered when determining the provision for pension).

The Fund applies the published Dutch mortality tables GBM /GBV 2005-2010 (2018: GBM /GBV 2000-2005) which is based on the whole Dutch population with sampling years 2005 – 2010, and with an age correction of -1 in 2019 (2018: -1). These tables, in accordance with the actuary of the Fund, provide a prudent insight into the life expectancy of (former) participants, pension earners and / or survivors. By applying these tables, the longevity risk for the Fund is greatly reduced.

Mortality risk means that in case of death, the Fund may grant a survivor's benefit for which the funds have not been provided. This risk can be expressed as capital risk. The Fund manages this risk in house.

Since the introduction of the DC-plan, the Fund's Executive Board adopted a 4% actuarial interest rate for determining the Fund's technical provision as per the guidelines of the CBA. As of 2019 the same interest rate has been applied to DB-plan and 0.5% is deducted for costs for the vested participants.

ii) Sensitivity analysis

The following table illustrates the sensitivity of provision to a reasonably possible change in interest rates of +/- 1% and +/- 0.50%). These changes are reasonably possible based on observation of current market conditions. All other variables are held constant.

	-0.50%	basis	+0.50%
Discount rate	**3.50%**	**4.00%**	**4.50%**
Defined Benefit Provision	14,714,661	13,502,092	12,422,006
Defined Contribution Provision	105,706,870	105,390,642	105,098,861

	-1.00%	basis	+1.00%
Discount rate	**3.50%**	**4.00%**	**4.50%**
Defined Benefit Provision	16,079,636	13,502,092	11,457,398
Defined Contribution Provision	106,050,204	105,390,642	104,829,164

18. Contingent liabilities, assets, and commitments

a) Commitments

The commitments consist of signed agreements regarding investment and related investment property. The total committed amounts are specified in the following overview.

in AWG	Commitments
Commitments as of December 31, 2018	**17,647,638**
Correction	**(83,256)**
Less: realized commitments	9,879,900
Less: withdrawn from commitments	2,696,936
Commitments as of December 31, 2019	**4,987,546**

The commitments are expected to be disbursed in the following one to two and half years.

b) Lease contract (office building at Vondellaan)

On August 27, 2015, the Fund signed a lease agreement with an automatic 1-year renewal in connection with the Fund's office. The annual long lease term amounts to AWG 80,136, which also includes a warehouse as per January 1, 2019 for an amount of AWG 1,800 per month. As of April 2020, the lease has been terminated and the Fund signed a new lease agreement in March 2020 for an office building at the Watty Vos Boulevard.

c) Property tax and land lease (investment property)

	Within 1 year	1 to 5 years	Later than 5 years
Property tax	92,604	358,724	3,439,712
Property land lease	42,303	169,212	1,770,396
	134,907	**527,936**	**5,210,108**

19. Related parties

a) Transactions with members of the Executive Board and management of the Fund

All personnel including some key management officers participate in the defined contribution pension plan. In 2019, the basic salaries, social security contributions and other short-term benefits to the key officers of the Fund was AWG 313,993 (2018: AWG 264,309).

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in AWG	2019	2018
Short-term employee benefits:		
Salaries including bonuses	271,280	222,632
Social security costs	33,172	30,011
Company car allowance		-
	304,452	252,643
Post-employment benefits:		
Defined contribution pension plans	9,541	11,666
	9,541	11,666
Termination benefits	-	-
Total remuneration	**313,993**	**264,309**

Furthermore, the Fund has granted one mortgage to one of the Board members. As of December 31, 2019, the outstanding balance of this mortgage amounts to AWG 95,339 (2018: AWG 111,887).

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Notes to the statement of comprehensive income for the year ended December 31, 2019

20. Premium contribution for risk of the participants

The premium contribution consists of contributions made by the employers and participants (including additional premium contributions that they have made).

The premium contribution to PFTSA, as described in the rules and regulations (RRDC172018), is based on a minimum fixed percentage of 6% (employer 3% and employee 3%) of the participant's annual pension salary. Participants are given the opportunity to make an additional premium contribution of a minimum of 1% up to a maximum of 19%. Employers may also contribute with additional premium; however, the total contribution may not exceed 25%.

The contribution made by employers and participants can be specified as follows:

in AWG	2019	2018
Employers contributions	6,307,669	5,895,286
Regular contributions by the participants	6,307,669	5,895,286
Additional contribution by the participants	567,021	722,479
	13,182,359	**12,513,051**

a) Concentration

The top 10 participating employers with the Fund represent approximately 72% (2018: 70%) of the annual premium contributions.

21. Net investment result for risk of the participants

The result of the investments of the risk of the participants can be specified as follows:

in AWG	2019	2018
Interest income	3,915,101	3,882,210
Investment property income	1,053,090	768,302
Dividend income	537,160	741,845
Change in fair value of investment property	386,471	(410,331)
Change in fair value of investment in shares/bonds	1,276,509	262,811
Change in fair value of investment loans	-	(595,809)
Other income	67,477	111,311
	7,235,808	4,760,339
Direct expenses investment property and shares/bonds	(815,361)	(277,143)
	6,420,447	**4,483,196**

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Other income consists mainly of Investment charges, commitments fees and administrative fees.

Interest income:

in AWG	2019	2018
Bonds	1,471,703	1,304,035
Time deposits	128,550	56,502
Mortgages	635,825	523,364
Loans	1,672,212	1,993,892
Savings	6,811	4,417
	3,915,101	**3,882,210**

22. Net investment result for risk of the Fund

The result of the investments of the risk of the Fund can be specified as follows:

in AWG	2019	2018
Interest income bonds, time deposits and loans	691,610	611,060
Dividend income	14,596	4,028
Change in fair value of bonds and shares	98,055	(53,807)
Other income	1,148	-
	805,409	561,281
Direct expenses	(13,200)	(6,089)
	792,209	**555,192**

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23. Retirement benefits and refunds

The retirement benefits consist of the following:

in AWG	2019	2018
For risk of the Fund		
Retirement benefits	224,987	201,581
Partner pension	14,295	14,615
Orphan pension	472	918
Deceased benefit	14,849	-
Emigration	2,887	20,544
For the risk of the Participants		
Retirement benefits	488,255	463,128
Partner pension	17,165	13,507
Orphan pension	1,763	102
Deceased benefit	25,915	-
Emigration	204,984	12,889
	995,572	**727,284**

24. Pension administrative expenses

The pension administrative expenses can be specified as follows:

in AWG	2019	2018
Salaries and remuneration (excluding Executive Board)	934,813	728,480
Accounting, administrative and consultants' fees	292,387	150,058
Board fee and expenses	197,111	100,158
Office expenses	175,214	151,419
Information and technology	150,044	170,214
Other operating expenses	146,092	66,962
Audit fees	112,038	118,000
Depreciation	95,148	68,811
Actuary fees	62,699	96,073
Legal fees and expenses	37,634	28,542
Product promotion	32,476	40,444
Car expenses	21,482	12,633
Bank charges and fees	13,424	7,381
	2,270,563	**1,739,174**
Number of permanent employees employed by the Fund	9	10

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The salaries and remuneration (excluding Executive Board) can be specified as follows:

in AWG	2019	2018
Salaries and wages	714,698	558,555
Social premiums	104,240	86,711
Pension premium contribution	35,757	28,479
Other staff expenses	80,118	54,735
	934,813	**728,480**

25. Changes in the technical pension provision for risk of the Fund

a) Pension accrual

This item reflects the effect of mortalities on the pension liabilities for active participants calculated on a nominal interest rate basis.

b) Added interest

The value of the participants' pension rights also increases annually with the accrual of interest, in addition to the actual pension accruals. This means an increase in liabilities and hence requires an addition to the provision for pension liabilities, which represents an expense. The expenses relating to the increased liabilities should generally be met from the results achieved on the investment of the pension capital.

c) Provision utilized for benefit payments and administrative expenses

Future benefits payments are calculated actuarially in advance, based on probability systems, and are included in the provision for pension liabilities. This provision represents the present value of the expected future benefits. Each year, an amount of the provision is utilized to fund the benefits for that year. This item also includes the results on probability systems.

26. Changes in the provision for pension liabilities for risk of participants

The changes in the provision for pension liability for the risk of participants is calculated by deducting the ending balance of the provision from its beginning balance.

27. Events after statement of financial position date

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a Pandemic, and on March 13, 2020 the first two positive cases were identified in Aruba. On March 15, 2020, the Government of Aruba announced that there would be a lockdown on all inbound international travel commencing at midnight of 16 March 2020 and closed its border on March 31, 2020 in order to

contain the spread of the virus. The Government also introduced "shelter in place" restrictions, which in combination with the border closure had adverse impact on the tourism and tourism-related businesses and indirectly negatively impacted the retail and other supporting businesses. The Aruban economy is almost completely dependent upon its tourism industry. According to the World Travel and Tourism Council [3]in 2019 tourism accounted for 98.3% of Aruba's GDP of US$ 2,876 billion and generated 47,000 jobs, that is 99% of all employment. WTTC estimated that visitors spent US$1.876 billion in Aruba in 2019. Based on the recent global impact on the global travel industry, the government concluded that the best scenario for the projection of the COVID-19 impact on Aruba's economy would be a drop of 80% on tourist arrivals and a drop of 80% on cruise tourist. This assumes that the effects of COVID-19 will continue up to December 2020.

As a result of these effects, our cumulative income in the first 6 months of 2020 was approximately 3% lower than our 2019 revenues in the same period (2019: AWG 6,433.135 and 2020 AWG 6.214,082). This decline was lower than originally expected and is mainly related to "loonsubsidie" issued by the Aruban Government to compensate the loss of revenues in the tourism sector. The fund's operating results is expected to decline in 2020 due to the relatively limited number of local investment opportunities and the Centrale Bank van Aruba's restriction on foreign exchange transactions. In anticipation hereof the fund has introduced several measures (discussed in following paragraphs).

In connection herewith the Executive Board of PFTSA has performed an assessment of the COVID-19 impact. First on its business continuity to guarantee its operations and the well-being of its staff and secondly, its impact on the future results, cash flows and financial position of the fund. In this regard, PFTSA performed several scenario analyses to determine the possible impact of COVID-19 on the pension fund in 2020. In working out these scenarios the following developments were considered:

- Most of the member employers will have a sharp decline in their revenues and most of our member employers will no longer be able to meet their pension contributions obligations in full or partially as prescribed by the current individual pension agreements with PFTSA during much of the rest of 2020.
- Further the employers will be contributing less to the cost loading of the fund. As a consequence, that the fund will need to finance a large part of its operational costs with the investment returns of the participants. To mitigate these costs the Fund has decreased the operational costs including staff expenses.
- The COVID-19 crisis will impact our investment portfolio as the payment capacity of the various entities in which the fund invested will be impacted, including the Aruban government. This requires a case by case review.
- An overall possible negative impact on the coverage ratio ("dekkingsgraad") for the fund.

The fund management has prepared an elaborate action plan which was submitted the Executive Board for discussion. The purpose of the Action Plan was twofold:

[3] **When will Aruba's tourism industry recover? Page 4,** James Hepple, BA, PhD, April 25, 2020

First, it focused on the impact of the COVID-19 crisis on the fund's overall performance, specifically:

- The cash flow based on several scenarios
- Its implications on the local & foreign investment portfolio
- Impact on technical provisions
- Coverage ratio

Secondly, it discussed mitigating strategies to contain the potential financial impact of the COVID-19 crisis. The mitigating strategies were divided into two categories:

Measure 1: Adjustment investment policy: Review & adjust the investment policy as a measure to increase the policy funding ratio.

Measure 2: Review actuarial assumptions: Looking at options to mitigate the pressure on the pension scheme.

Hereunder the series of specific measures adopted by the Executive Board are listed to mitigate the financial risk on short and longer term. It should also be noted that these measures have been discussed with the actuary.

Measure	Description	Proposed Timeframe
Revise mortality tables	Proposal to change the current mortality tables & to adopt the mortality table 2005 - 2010	As per annual account 2019
Apply an actuarial interest of 3.75% to all new pensioners, while maintaining 4% for the existing pensions	Proposal to reduce the current actuarial interest ("rekenrente") only for all new pensioners.	Effective June 2020
Temporarily reduce the return on investments allocated to the DC plan (2 options)	Proposal is to reduce the annual allocation of the return of the DC plan to 2% These options will be evaluated at the end of the financial year 2020.	Financial years 2020/2021
Cost reductions	Following actions have been adopted: 1. Reduce costs by seeking alternative allocation through outsourcing options or establish cost sharing arrangements between the pension funds to spread the costs & to train our staff to reduce the outsourcing costs. 2. Strict cash flow management	2020

	3. Reduction of non- essential and other costs (e.g. reduction of staff costs)	

Overall, based on its assessment of the impact of the Coronavirus for the year 2020 and beyond, the measures introduced and taking into account the uncertainties that exist as per the date of issuance of these financial statements, management concludes that it does not consider the impact to cast significant doubt upon the PFTSA's ability to continue as a going concern. The fund's liquidity is expected to remain adequate. The subsequent event has not had any impact on the current year results of the financial statements.

Other information

Proposition for the appropriation of net result for the year 2019

According to the Articles of Foundation of Pension Fund Tourism Sector Aruba Foundation, the appropriation of the net result is at the disposal of the Executive Board.

The profit for the year 2019 amounting to AWG 1,397,125 is added to the Fund's equity. The financial position as of December 31, 2019 has been prepared taking this decision into account.

Aruba, August 31, 2020

Original signed by Mr. G.K. Farro
Chairman of the Executive Board

Original signed by Mr. C.E. Heyliger
Secretary of the Executive Board
Board Member representing participants

Original signed by Mr. E.I.R. de Cuba
Board Member representing employers

Original signed by Mrs. M.R. Croes
Board Member representing participants

Original signed by Mr. E.F.C. Albertus
Board Member representing employers

Grant Thornton

Independent Auditor's Report

Independent auditor's report

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Our ref.:138788/ A-31694

To the Executive Board and Executive Director of
Pension Fund Tourism Sector Aruba Foundation
Aruba

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Pension Fund Tourism Sector Aruba Foundation, Aruba (the Foundation) as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Foundation's financial statements comprise:

- the statement of financial position as at December 31, 2019;
- the statement of comprehensive income for the year ended December 31, 2019;
- the statement of changes in Fund capital for the year ended December 31, 2019;
- the statement of cash flows for the year ended December 31, 2019;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

Emphasis of Matter – Effects of the Coronavirus (COVID-19)

We draw attention to note 27 of the financial statements which includes the Executive Board's assessment of the Coronavirus (COVID-19) on the future results, cash flows and financial position of the Foundation. As stated in this note, based on its assessment of the impact of the Coronavirus for the year 2020 and beyond, and taking into account the uncertainties that exist as per the date of issuance of these financial statements, the Executive Board concludes that it does not consider the impact to cast significant doubt upon the Foundation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Executive Board is responsible for the other information. The other information comprises the following:

- Report by the Executive Board (Board);
- Other information Proposition for the appropriation of net result for the year 2019;
- Independent Actuary's Report.

(but does not include the financial statements and our auditor's report thereon).

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsibilities of the Executive Board for the Financial Statements

The Executive Board is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Board is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Board either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.

- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aruba, August 31, 2020
Grant Thornton Aruba

Original signed by Herbert van Elferen

Independent Actuary's Report

Actuarial Consultancy Caribbean

Actuarial Declaration

Aruba, August 31, 2020

Assignment

The assignment to issue an actuarial declaration for the Pension Fund Tourism Sector Aruba for the year 2019 is granted to Actuarial Consultancy Caribbean.

Data

The data on which this audit was based were provided by and were compiled under the responsibility of the management board of the pension fund. In evaluating the assets of the pension fund and in assessing its financial position, we have based ourselves on the financial data in the annual report of August 31, 2020. The pension fund's auditor has signed a declaration regarding the correctness and completeness of the basic administrative data and other assumptions which are of importance to our assessment. We received the signed declaration on August 31, 2020 from Grant Thornton Aruba.

Activities

In carrying out the assignment, we have calculated the provisions referred to in the Actuarial Report. The actuarial assumptions were set up by the Board of the fund.

As part of the activities pertaining to the assignment:

- We have assessed whether the technical provisions have been determined adequately; and
- We have formed an opinion on the financial position of the pension fund.

Our audit was carried out in such a way that with a reasonable degree of certainty the results do not contain any inaccuracies of material importance. We have formed an opinion on the probability with which the pension fund will be able to meet its liabilities incurred until the balance-sheet date, also considering the financial policy of the pension fund.

Opinion

The technical provisions are equal to Afl. 118,892,734 as per December 31, 2019. This is inclusive of 4% interest added in 2019 to the Defined Contribution capitals. The provisions are calculated on sufficiently prudent assumptions. The amount of the provision is prudent.

Actuarial Consultancy Caribbean

The assets of the fund are enough to cover the liabilities. The funding ratio, considering the necessary solvency margin, amounts to 102.4% per December 31, 2019. The financial position of the fund is sufficient.

In the context of this judgment, I would like to indicate the developments after the date of balance resulting from the crisis due to Covid-19, as explained by the pension fund in the annual report issued by the Board.

Original signed by Elma Velgersdijk, actuary AG
Managing Director