



**Bureau Telecommunications
and Post St. Maarten**

FINANCIAL STATEMENTS

December 31, 2014

Expressed in Antillean Guilders

FOR THE YEAR ENDED DECEMBER 31, 2014

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To the Minister of Tourism, Economic Affairs,
Traffic and Telecommunications
Attn. Mr. C. de Weever
Soualiga Road 1
Sint Maarten

INDEPENDENT AUDITOR'S REPORT

Opinion

The financial statements of Bureau Telecommunications and Post St. Maarten ("the Bureau"), Cannegieter Street 15 – Unit 5.1, Philipsburg, Sint Maarten comprises the financial position as at December 31, 2014, the income statement, the statement of changes in equity and the statement of cash flows for the year then ended, a summary of significant accounting policies and related notes. We expressed a qualified audit opinion on those financial statements in our report dated March 8, 2018.

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Bureau as at December 31, 2014 and of its result for the year then ended in accordance with the accounting principles as set out in the notes and, for the preparation of the management board report, in accordance with the "Landsverordening Bureau Telecommunicatie en Post" (AB 2013 GT no 466).

Basis for qualified opinion

We expressed a qualified audit opinion on the audited financial statements in our report dated March 8, 2018. The basis for our qualified opinion relates to the division of the assets and liabilities of the Bureau's predecessor, Bureau Telecommunicatie en Post Nederlandse Antillen, which is being executed in accordance with the Kingdom decree 'Onderlinge regeling vereffening boedel Nederlandse Antillen (Staatscourant nr. 14725)'. As per date of this auditor's report, the mentioned division of assets and liabilities of the Bureau's predecessor has not been processed. This was finalized in 2017 but will be processed retroactively in the 2015 and 2016 financial statements. Therefore, the possible effect of this division on the assets and liabilities of the Bureau as reported in the 2014 financial statements is unknown.

Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion

Based on our professional judgement we have determined the materiality for the 2014 financial statements of the Bureau's at ANG 165.000. This materiality has been based on 3% of the total expenses of Bureau Telecommunications and Post St. Maarten for the year 2014. Furthermore, we also take into consideration misstatements and/or errors that in our opinion are material for reasons of a qualitative nature.

Key audit matters

The key audit matters of the Bureau's 2014 financial statement audit are described in this section. These are matters that in our professional judgment were of most significance in the audit of the financial statements of the current period.

The financial statements as a whole is the basis for determining the work we needed to perform related to these key audit matters. Any findings related to individual key elements should therefore be considered as part of the financial audit as a whole rather than as specific findings or judgments on these key elements.

The effects of the subsequent event of the natural disaster of hurricane Irma in 2017

In September 2017 Sint Maarten, which is the island on which the Bureau resides, has been affected by the category 5 hurricane Irma. We performed various substantive procedures in order to verify the existence and valuation of assets of the Bureau. We discussed with the client whether the insurance will cover the materials and building damages caused by the hurricane. According to the management of the Bureau there is no formal decision yet from the insurance company. We verified whether the Bureau is insured for the hurricane incident and if the insurance covers the estimated loss.

Revenues

Risk:

The main risk with respect to revenues is the incomplete recognition of revenues or allocating revenues to wrong periods.

Our response:

The Bureau has several types of revenue streams. Revenues are the most significant activity of income of the Bureau. The revenue streams are:

1. License fees (annual and monthly) for several sub-sectors such as Telecom, T.V., Internet, Radio, Maritime, Aviation, etc. This is based on issued licenses (through the Bureau) by the Ministry of Tourism, Economic Affairs, Traffic and Telecommunication (TEATT).
2. Concession fees (annual). BTP collects this on behalf of the government. These are based on the concessions granted by the Ministry of TEATT. These are processed through the balance sheet instead of the income statement.
3. Certification and numbering.

Our substantive procedures are therefore focused on the completeness of revenues. We verified whether the revenues were processed in the correct period, and if the tariffs used are in line with the approved tariffs. We moreover performed trends analyses and discussed unusual fluctuations.

Balance sheet items

Risks:

The main risks related to the balance sheet items are: 1. Completeness of the provision for doubtful debt. 2. Completeness of provision related to contingent liabilities.

Our response:

The audit of the various balance sheet items is mainly focused on the existence, valuation and allocation of the assets and the completeness of liabilities and provisions. Various substantive procedures have been performed. Data of the subsequent years 2014 - 2017 has been used to verify statements related to 2014.

We obtained sufficient and suitable audit evidence to provide a basis for an audit opinion and to verify compatibility with applicable laws and regulations. Furthermore, we also performed analytical procedures in order to further determine our test work.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of the financial statements in accordance with the accounting principles as set out in the notes and for the preparation of the management board report, both in accordance with the "Landsverordening Bureau Telecommunicatie en Post" (AB 2013 GT no 466). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. As part of the preparation of the financial statements, management is responsible for assessing the Bureau's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Bureau or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Bureau's ability to continue as a going concern in the financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

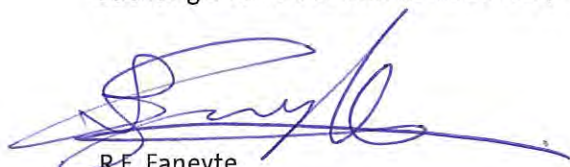
Report on other legal and regulatory requirements

Furthermore we report that the management board report, to the extent we can assess, is consistent with the 2014 financial statements of Bureau Telecommunications and Post St. Maarten.

Philipsburg, March 8, 2018

On behalf of

Stichting Overheidsaccountantsbureau,



R.E. Faneyte
Associate Director

Signature for authentication purposes:



SOAB | We know government.

Director's Report

For the year ended December 31, 2014

This is the annual report of the Director of Bureau Telecommunications and Post St. Maarten (hereinafter referred to as "The Bureau") that embodies a discussion and analysis from management's view of the operations, industry, financial position, performance and cash flows of the Bureau for the year then ended December 31, 2014. The following disclosures and associated financial statements are presented in accordance with generally accepted accounting principles in St. Maarten and as prescribed by the Supervisory Board. This annual report should be read in conjunction with the information disclosed within the financial statements and notes thereto for the year ended December 31, 2014. This report is prepared as at February 7, 2018 (unless otherwise stated). All amounts are shown in millions of Antillean Guilders unless otherwise indicated.

Our Vision and Mission remain unchanged as follows;

Mission

Our mission is to serve the general interest of the public ensuring a safe and sound environment in which operators can be viable and are supported in the development and maintenance of good and supporting infrastructure. An infrastructure essential for the introduction of technology and services in support of the overall development of all citizens of St. Maarten. The industries shall be regulated, innovations stimulated, close cooperation with stakeholders' initiated and policies shall be developed to achieve and maintain a competitive environment.

Vision

BTP recognizes the importance of and the need for a Telecommunications environment that will through, state of the art Telecommunication facilities stimulate the continued introduction of new technologies and services to support the economic development of St. Maarten and its people. Having such an infrastructure will not solely serve to enhance the quality of life on St. Maarten, but shall also enhance the overall business viability within the industry even in a small economy of scale. The geographic location of St. Maarten and the demographics present the potential for St. Maarten to position and establish itself as a leading Telecommunication Hub in the region. Such an establishment of a hub would enable service offerings that exceed national borders, resulting in increased viability of businesses on St. Maarten.

Director's Report

Overview and strategy

As envisioned by the Government of St. Maarten to develop a competitive and supportive next-generation-network environment that will attract investments for further growth, universal access to all, establishment and promotion of E-Commerce, health, education, training, research and development in information and communication technologies; we are at the forefront championing this vision. We will continue to demonstrate leadership in the establishment of St. Maarten as a regional telecommunications hub, serving as the connecting link between the Caribbean and North America.

The vast information and telecommunications development over the years on St. Maarten are indicative of our capabilities, equipped to serve a much broader market than ours. This Telecommunications Policy, which has been the first policy for the Country of St. Maarten, serves as the basis for a competitive, consumer and provider-friendly telecommunications environment. Enhancing the quality of life through not only telecommunications, but also through post and utilities is the ultimate goal!

Industry and economic Perspective

The Bureau recognizes the need to remain up-to-date with industry standards and innovation, to enable the successful execution of strategies and realization of the vision. To that effect, we are poised on the following industry developments;

- Fiber optic to the home projects
- Net neutrality
- Dominance of over-the-top players
- Preparations for 5G networks
- Cyber Security
- E-waste policies
- Mergers in the region
- Teleco's investment in cable companies
- 4G LTE deployment
- Internet-of-Things and Machine-to-Machine communications
- Total quality improvement

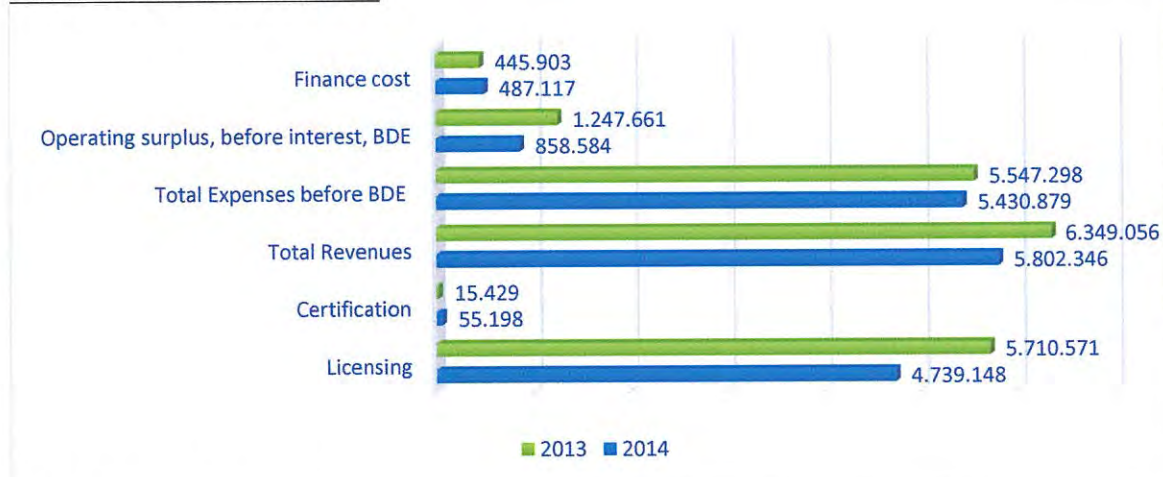
We are aware that the current economic climate in our Country and the region may stricken the successful achievement of research and developments, so continued forecasting and planning have been utilized to ensure viability of advancements. Economically, we are operating in a soft market that negatively affects our operations and that of its Stakeholders. Hence, our drive to ensure proper infrastructure, regulations and networks to strengthen the service capacity of industry operators and the consequential economic benefits for all.

Director's Report

FINANCIAL PERSPECTIVE

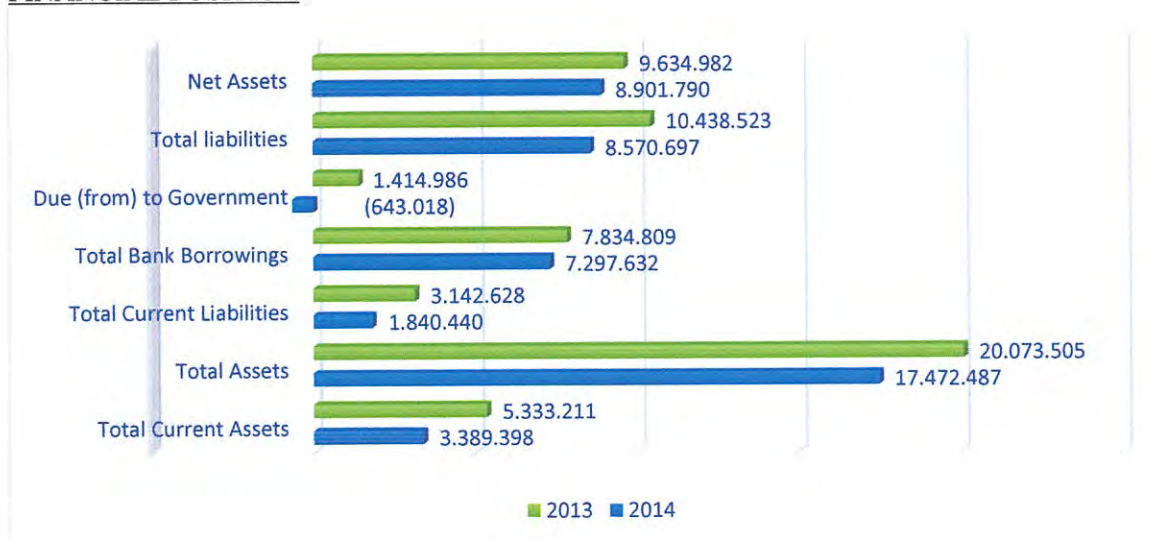
Results of operations and key performance indicators for the year ended December 31, 2014, compared to the year ended December 31, 2013, are as follows (in Antillean Guilders):

FINANCIAL PERFORMANCE



*DBE = bad debt expense

FINANCIAL POSITION



Director's Report

FINANCIAL PERSPECTIVE (CONTINUED)

Trend and Ratio Analysis

Liquidity

- Current ratio – was 1.8 and 1.7 for the years ended 2014 and 2013 respectively. This indicates a slightly improved liquidity position due to a significant reduction in current liabilities of -41% over the year 2014. Consequently, cash position was reduced simultaneously.
- Accounts receivable turnover – was 1.1 and 2.0 for the years ended 2014 and 2013 respectively. An indication that collections have decreased by 0.9 basis points due to the rate adjustments which rendered Operators insufficient time to service payments. The collections cycled improved over the year 2015.
- Working capital per day – was ANG 4,244 and ANG 6,002 for the years ended 2014 and 2013 respectively, supporting the sharp reduction in current liabilities. The net result is an increased efficiency in collections and payables cycle going forward.

Solvency

- Total debt-to-net assets – was 1.0 and 1.1 for the years ended 2014 and 2013 respectively. This indicates that the Bureau is less leveraged by 0.1 basis points comparative to prior year. An increased position to service debt in the long-term as they come due and support of the going concern.

Profitability

- Licensing % of total revenues – was 82% and 90% for the years ended 2014 and 2013 respectively, a decline of ANG 971,423 or -17% in Licensing revenues. The change was due to higher pre-adjusted revenues recorded in 2013 which were adjusted downwards in 2014 with the implementation/ratification of the newly approved rate sheet.
- Certification % of total revenues – was 1.0% and 0.2% for the years ended 2014 and 2013 respectively, an increase of ANG 39,769 or 258% in Certification revenues, indicating strengthened regulatory activities over Operators.
- Operating margin (before other expense and BDE) - was 15% and 20% for the years ended 2014 and 2013 respectively, a decline in operating surplus of ANG 389,077 or -31%. Main attributors of that change were downwards adjusted revenues and an increased “total expenses before BDE % to total revenues” of 6.2%, year-on-year. The sub-categories that experienced such increases were mainly “repairs and maintenance”, “rent expense” and “bad debt expense”. At the finalization of 2013 annual report certain underlying contracts which form most of these expenses were still under deliberation between parties, and as such, the expenses were not recognized in prior year. Bad debt expense increased by ANG 1,293,620 in 2014 due to uncollectibility of prior years’ receivables carried forward. Many receivables tied-up in legal proceedings during 2014 rendered them doubtful so provisions were increased.
- Return-on-assets - was 5% and 6% for the years ended 2014 and 2013 respectively, a decline of -1%, due to the foregoing discussion over revenues and expenses.

Director's Report

OPERATIONAL PERSPECTIVE

- **Technical activities** – major technical activities carried out during 2014 were the routine drive test as to ascertain the quality of service of the mobile networks on St. Maarten. And, resolutions over the cross border interference issue between St. Maarten and St. Kitts.

- **License and Certification disbursement:** were as follows;

<u>Item</u>	<u>2014</u>	<u>2013</u>
Mobile	2	2
VHF	37	40
Amateur	2	4
Type approval	65	68

- **Spectrum Quality** – In principle the quality of the spectrum is constant (good/clean), but if the user of the spectrum causes unwanted spurious then the quality diminishes. For example, the major issue in 2014 wherein St. Kitts mobile Operator's signal was over-reaching its national boundaries whereby causing disturbance to Telcell's transmission.
- **Consumer Satisfaction** – is measured from a Regulator's perspective on the quality of the product that is delivered to the consumer (QoS) and their satisfaction therewith. If a complaint is filed with the Bureau regarding a particular Telecom service, then an investigation is launched to identify the root-cause with reference to the issued license and industry standards. Corrective actions will then pursue any infringements identified. For the year ended 2014, only the St. Kitts over-reaching issue was logged.
- **Operational Constraints/limitations** - the instability of the Country's governing system hinders the Bureau's long-term vision and goals as it relates to Telecom Industry. Such goals as establishing the national network into a "One Infrastructure" has been affected, whereas approvals and inputs from the Executive Body would be required.

KEY OPERATIONAL SUBSEQUENT EVENTS

- **Regulations** – with the added utilities mandate issued to the Bureau, we will continue the studies in this sector to realize an improved regulatory environment in which desired performance will be enjoyed in Country St. Maarten.
- **Developments and Projects** - the Bureau is currently occupied with the following ongoing projects;
 - Cyber security
 - One infrastructure
 - Spectrum rate review
 - Energy regulations
 - Quality of service
 - Update LTV with internet service billing

Director's Report

KEY OPERATIONAL SUBSEQUENT EVENTS — (CONTINUED)

- **Disaster** - On September 6, 2017 a catastrophic category 5, Hurricane Irma, passed over Country St. Maarten causing severe damage to the Telecommunications, Post and Utilities infrastructure. To that effect, we are poised to continue our active involvement, leadership and contribution of our expertise towards the “**National Recovery Plan**” and its Stakeholders in these sectors to restore Country St. Maarten and make it more resilient.

FORWARD-LOOKING STATEMENTS

- **Partnerships in the Industry** – the Bureau has working relations with PUC Anguilla, ANFR France and Agentschap telecom of the Netherlands with its responsibility to oversee Saba and St. Eustatius. Whereas parties have an agreement on frequency management in the hope to avoid interferences on the different Service Providers in the industry. The frequency coordination meeting is held annually. Collaboration amongst the regulators in the region continues to be consistent in soliciting the experience and best practices from each other.
- **Governance and Management** – a new Supervisory Board of Directors for the Bureau has been installed as of the 1st October 2017 and we foresee a good working relationship. On 15th January 2018 a new Minister of TEAT was appointed, having direct influence over the Bureau's ongoing and future developments.
- **Good Corporate Citizenship Practices** – the Bureau have always participated in activities that positively impact our community, with the objective to contribute to the social- and cultural development of St. Maarten, which is part of our Corporate Social Responsibility (CSR). We have established an annual donation budget to assist schools, cultural centers, sport institutions, youth initiatives and cultural activities. Amongst these activities is our annual support to the carnival foundation, art saves lives foundation, and SXM Doet.
- **Stakeholders' involvement** – “Sector Development” is an important task of the regulatory authority. Over the past years, we have organized numerous events and seminars to promote technology, and accelerate broadband development. We have successfully organized an Internet forum in the summer of 2017, to inform and educate the general public on the latest developments, with no less than 8 speakers from abroad. We furthermore had in-depth discussion with the captains of our telecom industry. Moving into the foreseeable future we will continue on this path of Stakeholders development as it directly impacts the competitiveness of Country St. Maarten relative to our region and the world.

**STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014
(Stated in Antillean Guilders)**

<u>ASSETS</u>	Notes	December 31, 2014	2013
NON-CURRENT ASSETS			
Tangible assets, net	(3)	8,110,116	8,627,130
Investment Property, net	(3)	5,972,973	6,113,163
Total non-current assets		<u>14,083,089</u>	<u>14,740,293</u>
CURRENT ASSETS			
Prepayments and other current assets	(7)	147,231	91,777
Trade receivables, net	(5)	1,186,299	2,210,630
Time deposit held	(8)	450,019	--
Cash and cash equivalents	(4)	962,830	3,030,804
Due from Government	(10)	643,019	--
Total current assets		<u>3,389,398</u>	<u>5,333,211</u>
TOTAL ASSETS		<u>17,472,487</u>	<u>20,073,504</u>
 <u>NET ASSETS AND LIABILITIES</u>			
NET ASSETS			
Retained earnings	(13)	8,451,904	9,634,981
Reserve fund		449,887	--
Total net assets		<u>8,901,791</u>	<u>9,634,981</u>
NON-CURRENT LIABILITIES			
Long-term debt	(9)	6,730,257	7,295,895
Total non-current liabilities		<u>6,730,257</u>	<u>7,295,895</u>
CURRENT LIABILITIES			
Due to Government	(10)	--	1,414,986
Short-term portion of long-term debt	(9)	567,375	538,914
Payroll liabilities	(11)	788,063	698,477
Trade payables and accruals	(12)	485,001	490,251
Total current liabilities		<u>1,840,440</u>	<u>3,142,628</u>
TOTAL NET ASSETS AND LIABILITIES		<u>17,472,487</u>	<u>20,073,504</u>

- See auditor's report and accompanying notes to the financial statements -

**STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014
(Stated in Antillean Guilders)**

	Notes	Jan 1- Dec 31, 2014	Jan 1- Dec 31, 2013
<u>REVENUES</u>			
Licensing		4,739,148	5,710,571
Certification		55,198	15,429
Numbering		198,000	45,000
Lease income		810,000	486,000
Other revenues		--	92,056
Net revenues	(14)	<u>5,802,346</u>	<u>6,349,056</u>
<u>OPERATING EXPENSES</u>			
Personnel	(15)	1,851,110	2,193,201
Housing	(16)	515,575	253,279
Legal and Professional	(17)	778,885	708,627
Insurance	(18)	140,786	131,983
General and administrative	(19)	935,835	1,044,812
Depreciation	(3)	721,569	769,494
Bad debts expense	(6)	1,299,134	5,514
Total operating expenses		<u>6,242,895</u>	<u>5,106,910</u>
Operating (loss) income		(440,549)	1,242,146
<u>OTHER INCOME (EXPENSE)</u>			
Other income		7,552	2,662
Finance cost		(487,117)	(445,902)
Total other income (expense)	(20)	<u>(479,565)</u>	<u>(443,240)</u>
Net result for the year		<u><u>(920,115)</u></u>	<u><u>798,906</u></u>

- See auditor's report and accompanying notes to the financial statements -

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Stated in Antillean Guilders)**

	Retained Earnings	Reserve Fund	Total Net Assets
Balance as at January 1, 2014	9,634,982	--	9,634,982
Reclassifications	(449,887)	449,887	--
Restated balance as at January 1, 2014	9,185,095	449,887	9,634,982
Movements for the year			
Adjustment to retained earnings	186,924	--	186,924
Net result for the year	(920,115)	--	(920,115)
Balance as at December 31, 2014	8,451,904	449,887	8,901,791

- See auditor's report and accompanying notes to the financial statements -

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Stated in Antillean Guilders)**

	Jan 1- Dec 31, 2014	Jan 1- Dec 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net result for the year	(920,115)	798,906
Adjustments made to reconcile net result to net cash Used in operating activities:		
Depreciation	721,569	769,494
Bad debts expense	1,299,134	5,514
Changes in net working capital items:		
(Increase) in trade receivables, net	(274,802)	(491,068)
(Increase) Decrease in prepayments and other current assets	(55,454)	7,839,255
(Decrease) in due from (to) Government	(2,058,004)	(559,459)
Increase in payroll liabilities	89,586	408,796
(Decrease) in trade payables and accruals	(5,251)	(324,756)
Increase in reservation pension funds	--	123,740
Increase in short-term portion of long-term debt	28,461	401,200
Net cash (used in) provided by operating activities	(1,174,876)	8,971,622
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in short-term financial instruments	(450,019)	--
Investments in tangible assets	(64,364)	(14,784,398)
Net cash (used in) investing activities	(514,383)	(14,784,398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mutations to retained earnings	186,923	--
Mutations to long-term debt	(565,638)	6,331,221
Net cash (used in) provided by financing activities	(378,715)	6,331,221
Net (decrease) increase in cash and cash equivalents	(2,067,974)	518,445
Cash and cash equivalents, beginning of year	3,030,804	2,512,359
Cash and cash equivalents, end of year	962,830	3,030,804

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)

1. GENERAL

Bureau Telecommunication and Post (“the Company”) principal activity is to carry out telecommunication and post regulation activities on the island of St. Maarten. The Bureau has the following responsibilities:

- a) The development of policy framework on telecommunications and post
- b) Implementing and executing policy framework established by the Minister on telecommunications and post
- c) The preparation of the national laws and regulations relating to telecommunications and post
- d) The provision of at or under ordinance commanded executive work in the field of telecommunications and post
- e) It, as necessary as instructed by the Council of Ministers, representing St. Maarten interests in respect of telecommunications and postal in kingdom regional and international context
- f) Advising the Minister, and other requested members of the Council of Ministers, in respect of the matters listed above under
- g) The request to advise or provide services on behalf of government and third parties on matters relating to telecommunications and postal activities
- h) Carry out other proceedings instructed by the Minister
- i) Performing others by or under Ordinance instructed progress of works

Basis of preparation:

The financial statements of Bureau Telecommunications and Post are based on accounting principles which are determined by the supervisory board.

Accounting policies that relate to the financial statements as a whole are set out below in note 2, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented, however amended to reflect the adoption of new standards, adjustments to evolving standards, interpretations and presentation thereon as required to remain in conformity with the reporting framework.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for the revaluation of certain financial instruments.

Statement of cash flows

The statement of cash flows is presented using the indirect method, cash used in or available from operations are calculated by adjusting the operating surplus or deficit for the accounting period for the effects of non-cash items included in the operating surplus or deficit and for any accruals of past or future operating cash receipts or payments. Activities over the reported period have been classified as operating, investing and financing activities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

Basis of preparation (Continued)

Going concern

The Bureau's business activities, together with the factors likely to affect its future development, performance and position are all taken into consideration when assessing its risk management systems. Emphasis is given to its financial position, income, cash flows, borrowing capabilities, and exposures to liquidity risk.

The Bureau prepares regular forecasts and projections which include sensitivity analysis taking into account a number of downside risks to the forecast including reasonably possible changes in performance, asset values and assesses the potential impact of these on the entity's liquidity position and available resources.

After reviewing the most recent projections and sensitivity analysis, the Director of the Bureau consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Entity's financial statements. A limitation in the Going Concern assessment exist where projected collections are concerned due to the soft economic climate being experienced in our region. However, from an operational, resource availability, solvency and liquidity stance point the Going Concern seems relevant.

Foreign currency transactions

a) Functional currency;

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Antillean Guilders, while the Entity's functional and presentation currency is United States Dollars. The exchange rate is fixed at 1.8 Antillean Guilder to 1.00 US Dollar.

b) Transactions and balances;

Foreign currency transactions are translated into the functional currency using the exchange rate of 1.8 Antillean Guilder to 1.00 US Dollar at the reporting date. Monetary assets and liabilities denominated in foreign currencies are retranslated using the rates of exchange at the reporting date and the gains and losses on translation are included in the statement of income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)

Basis of preparation (Continued)

Critical accounting estimates and judgments

The preparation of financial statements in conformity with standards set by the supervisory board requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgment at the date of the financial statements. In the future, actual experience could differ from those estimates.

The principal estimates and judgments that could have a significant effect upon the Bureau's financial results relate to the fair value of capital assets, receivables, provisions in respect of debtors, and contingent liabilities. Further details of estimates and judgments are set out in the related notes to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Financial assets

Financial assets are initially recognized at fair value plus transaction cost. Financial assets include cash and cash equivalents, client receivables, trade receivables, other receivables, amounts due from related parties and long-term loans. All financial assets, with the exception of derivatives, are classified as loans and receivables and have fixed or determinable payments that are not quoted in an active market.

b. Loans and receivables

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any impairment. Provision for impairment represents an allowance for doubtful debts that is estimated, based upon current observations and historical trends. Interest income, when applicable is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

c. Cash and cash equivalents

Cash and cash equivalents may comprise deposit in banks, cash in hand, overdrafts, on demand deposits and other short-term highly liquid investments. Cash on hand and in banks are stated at nominal value. United States Dollars are converted at an exchange rate of 1.8.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Financial liabilities

The entity determines the classification of its financial liabilities at initial recognition. Financial liabilities include trade payables, other payables and amounts due to related parties.

e. Loans and borrowings

Loans and borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest rate method. Interest cost is recognized by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial. Borrowing costs incurred for the reporting period are expensed in the statement of income for each respective period.

f. Financial guarantees

Financial guarantees are measured initially at their fair values and are subsequently measured at the higher of:

- The amount of the obligation under the contract is determined as Provisions, Contingent Liabilities and Contingent Assets; or
- The amount initially recognized less, where appropriate, cumulative amortization.

g. Provisions

Provisions are recognized when the entity has a present legal or constructive obligation as a result of a past event and it is probable that the entity will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation, at the balance sheet date, and are discounted to present value where the effect is material. The increase during the period in the discounted amount, arising from the passage of time and the effect of any change in the discount rate, is charged to the income statement as a finance cost.

h. Fair value measurement of non-derivative financial instruments

Non derivative financial instruments comprise of cash and cash equivalents, receivables, loans and borrowings, trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Related party transactions

Related parties are those entities and individuals that are either in control of the Bureau, or are controlled by the Bureau, or can exercise significant influence over the Bureau. Control exists when an entity has the power, directly or indirectly, to govern the financial and operating policies of Bureau so as to obtain benefits from its activities. Related parties transactions as of reporting date comprise Government of Sint Maarten account that has significant control over the activities of the Bureau Telecommunications and Post Sint Maarten.

j. Current/non-current classification

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realized in, or intended for sale or consumption in, the course of the entity's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the entity's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

k. Tangible assets

Tangible assets of property and equipment are stated at cost net of accumulated depreciation and impairment losses, if any. The cost of tangible assets includes the purchase price of the asset and other acquisition costs directly attributable to prepare a tangible asset for its intended use.

Depreciation is determined on the straight-line basis based on the estimated useful lives of the assets and an eventual residual value has been taken into consideration. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in the statement of income for the period. The cost of maintenance and repairs is charged to the statement of income as incurred.

l. Revenues/ Income

Revenues from licenses, certification, numbering, rental income are recorded on accrual basis of accounting in the related period when earned.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m. Leases

Leases are classified as a finance or operating lease according to the substance of the transaction. A lease that transfers substantially all the risks and rewards of ownership to the lessee is classified as a finance lease. All other leases are classified as operating leases.

n. Expenses

Expenses are recorded on the accrual basis of accounting when incurred in the period to which they relate.

o. Comparative figures

Certain prior years' figures may have been reclassified to be in conformity to the current year presentation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

3. Tangible assets, net

	<u>Building</u>	<u>Office Equipment</u>	<u>Furniture & fixtures</u>	<u>Vehicles</u>	<u>Operations equipment</u>	<u>Total</u>
Balance as at December 31, 2013						
Cost	7,949,849	367,390	158,467	87,462	1,200,906	9,764,074
Accumulated depreciation	(157,943)	(97,990)	(58,842)	(38,570)	(783,599)	(1,136,944)
Net book value	<u>7,791,906</u>	<u>269,400</u>	<u>99,625</u>	<u>48,892</u>	<u>417,307</u>	<u>8,627,130</u>
Changes in book value						
Additions	--	35,393	17,217	--	11,754	64,364
Depreciation	(178,872)	(117,206)	(37,784)	(15,743)	(231,774)	(581,379)
Net change for the period	<u>(178,872)</u>	<u>(81,813)</u>	<u>(20,567)</u>	<u>(15,743)</u>	<u>(220,020)</u>	<u>(517,015)</u>
Balance as at December 31, 2014						
Cost	7,949,849	402,783	175,684	87,462	1,212,660	9,828,438
Accumulated depreciation	(336,815)	(215,196)	(96,626)	(54,313)	(1,015,373)	(1,718,323)
Net book value	<u>7,613,034</u>	<u>187,587</u>	<u>79,058</u>	<u>33,149</u>	<u>197,287</u>	<u>8,110,115</u>

Depreciation percentages are:

Office Equipment:	3 yrs : 33.33%/yr, residual value 10%
Furniture & Equipment:	3 yrs : 33.33%/yr, residual value 10%
Vehicles:	5 yrs : 20.00%/yr, residual value 10%
Equipment:	3 yrs : 33.33%/yr, residual value 10%
Building:	40 yrs : 2.5%/ yr, residual value 10%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

In February of 2013, 5 floors and the roof of the Leah Complex was purchased by BTP SXM for \$6.6 million dollars. In addition to the purchase price of the building, there was also additional work done to the interior of the 5th and 6th floors as well as the elevator shaft and roof in order for the office spaces to be suitable for occupancy by BTP staff. The final value of the building including interior work is ANG 14,180,542.00.

The vacant floors are being rented out to Government for occupancy by their departments. Given the fact that the Leah Complex is partially used by the owner and partially rented out, the property needed to be split in the financial administration as well.

**INVESTMENT PORTION
OF LEAH BUILDING**

	<u>Investment</u>	<u>Total</u>
Balance as at December 31, 2013		
Cost	6,230,693	6,230,693
Accumulated depreciation	<u>(117,530)</u>	<u>(117,530)</u>
Net book value	6,113,163	6,113,163
Changes in book value		
Additions	--	--
Depreciation	<u>(140,191)</u>	<u>(140,191)</u>
Net change for the period	(140,191)	(140,191)
Balance as at December 31, 2014		
Cost	6,230,693	6,230,693
Accumulated depreciation	<u>(257,721)</u>	<u>(257,721)</u>
Net book value	<u>5,972,972</u>	<u>5,972,972</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

4. Cash and cash equivalents

Cash and cash equivalents comprises the following:

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Windward Island Bank USD	614,410	2,351,758
Windward Island Bank USD – Reserve account	--	449,887
Windward Island Bank ANG	347,534	228,611
Petty Cash	886	548
	<u>962,830</u>	<u>3,030,804</u>

The reserve account was created in accordance with LV BTP art.21 for the amount in the approved budget of 2013. During the year 2014 the reserve funds was invested into a certificate of deposit to earn passive income periodically. This account does not form part of the daily operational activities of BTP SXM.

5. Trade receivables, net

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Scarlet N.V (SXM Network Management)	1,124,736	728,240
Netstar N.V.	170,448	283,760
Radcomm Corporation NV (UTS)	641,536	2,064,381
Actis	45,000	450
TELEM Group of companies	456,558	(644,403)
Global Comtrade	1,423,910	355,514
3SCS Station	77,701	58,500
Caribbean Teleview Services N.V	55,739	37,300
Corporate Innovations	850,000	399,999
Facility Services Department	--	98,639
WTN Wireless Telecom Network	--	40,524
Zenitel Caribbean N.V	86,884	47,453
Government of St. Maarten	--	486,410
Others	272,517	(250,908)
	<u>5,205,029</u>	<u>3,705,859</u>
Less: provisions for doubtful accounts	<u>(4,018,730)</u>	<u>(1,495,229)</u>
	<u>1,186,299</u>	<u>2,210,630</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

5. Trade receivables, net (Continued)

On May 23, 2014 the appeals court issued a ruling to Radcomm Corporation regarding spectrum invoices for the years 2011 and 2012 for ANG 600,000 per annum for a total of ANG 1.2 million. In this ruling Radcomm Corporation was instructed to settle the outstandings with BTP SXM. Settlement of these bills was done on January 23rd, 2015. Global Comtrade is another significant account that comprises stale dated invoices plus lack of payments on current invoices for which legal actions are ongoing. Ruling Netstar: On April 4th, 2016 the judge in first instance issued a ruling on Case: LAR 109 /2015 with decision nr.26. In this ruling invoices for the amount of ANG 50,400 were declared null and void. BTP was instructed by Minister TEZVT to nullify these invoices in our Fin. Admin in the letter with DIV # 135401. This ruling has an effect on the provisions for doubtful debt amounts for 2014, whereby the provisioned amount is reduced with ANG 50,4000. Ruling on International and Mobile concession fees: In July of 2017, the judge ruled in favor of BTP against Global Comtrade, Scarlet AARC and BeachMart whereby they were instructed to pay all billed concession fees to BTP. BTP has hereby proceeded to pursue collection activities for these invoices according to our debt collection. Instruction Minister TEZVT regarding WTN: On December 12th, 2017 BTP received an instruction from the Minister of TEZVT whereby invoices for the amount of ANG 420.314,78 are to be offset against the Current Account Gov and cleared from the clients AR balance. This instruction has been followed accordingly with the result that the Current Account Gov and provision for bad debt will be affected hereby.

The amounts categorized as “others” relates to the smaller accounts which are presented in aggregate form.

Government accounts receivable and that of its sub-entity, Facility services department, was reclassified to related parties account “Due from (to) Government” to enhance the understandability and presentation of trade receivables.

6. Provisions for doubtful accounts

	Balance 31-Dec-14	Bad debt 2014	Corrections Div Assets/ Rel. Bad Debt	Balance 31-Dec-13
Radcomm Corporation NV (UTS)	641,536	(42,176)		683,712
Netstar N.V.	170,446	121,797	(235,110)	283,759
3SCS	77,700	27,199		50,501
WTN	--	--	(40,524)	40,524
Global Comtrade	1,423,909	1,068,395		355,514
Scarlet	774,736	774,736		--
Corporate Innovations	849,999	849,999		--
Others	80,403	(817)		81,220
Government Concessions	--	(1,500.000)	1,500,000	--
	4,018,730	1,299,133	1,224,366	1,495,229

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

A particular situation occurs when there is uncertainty about the collection of receivables for which the related revenue has already been recognized in the profit and loss account. In such cases, the amounts of which are uncertain are recognized as an expense. So it is not allowed to regard these receivables as a reduction of revenue previously recognized. The invoices relating to Netstar, WTN and Radcomm (2012) for which provisions have been made are all invoices prior to, or pertaining to the last quarter of 2010 for which formal objections have been filed and court cases are ongoing. The Radcomm invoices relate to invoices from 2010 for which payment was claimed to be made to BTP NA prior to 10/10/10. There are no proofs of these payments on file at BTP SXM. Provisions for WTN and Netstar for the year 2013 have been adjusted retrospectively in 2014 due to court rulings and ministerial decisions received in 2016 and 2017. Effect on WTN provision for 2013 was a reduction of ANG 40,524. In the case of Netstar an adjustment of ANG235,110 was made for invoices that relate to the division of assets for the former Netherlands Antilles. The correction of ANG 1,500,000 for bad debt Government, relates to concessions revenues that have not been collected and as such remain unsettled with Government as per reporting date.

7. Prepayments and other current assets

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Security deposits	30,494	68,555
Personnel advances	1,468	--
Advances to suppliers	102,509	4,286
Prepaid insurance	12,760	18,936
	<u>147,231</u>	<u>91,777</u>

8. Time deposit held

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Certificate of deposit - Windward Islands Bank Ltd.	449,758	--
Interest income, thereon	261	--
	<u>450,019</u>	<u>--</u>

Financing for the short-term investment derived from funds retained in bank that forms part of the required reserved funds in accordance with LV BTP art.21 an approved allocation by budget. During the year 2014 the funds held in bank was invested into a certificate of deposit to maintain the principal while earning passive income periodically. This account does not form part of the daily operational activities of BTP SXM. The principal is invested for a term of 12 months and enjoys interest at a rate of 0.25%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

9. Long-term debt

Long term liabilities	31-Dec-14	31-Dec-13
W.I.B loan facility. a	820,012	966,000
W.I.B loan facility. b	6,477,620	6,868,808
Total liabilities	<u>7,297,632</u>	<u>7,834,808</u>
Less: short term portion		
W.I.B loan facility. a	(143,837)	(147,201)
W.I.B loan facility. b	(423,538)	(391,712)
Total Short-term portion	<u>(567,375)</u>	<u>(538,913)</u>
Total long-term portion	<u>6,730,257</u>	<u>7,295,895</u>

On March 24, 2011 The Windward Island Bank Ltd. made available to Bureau Telecommunications & Post St. Maarten a non-revolving loan for the amount of US\$ 150,000 to assist with the purchase of a vehicle and the completion of leasehold improvements, at a yearly interest rate of 6.75% for a term of 6 months.

On September 13, 2011 The Windward Island Bank Ltd. made available an increase in the non-revolving loan for the amount of US\$ 560,000 to assist with the purchase of software and measuring equipment at a yearly interest rate of 6.75% for a term of 5 years.

During the course of 2012 and 2013, several loan agreements were made by The Windward Island Bank Ltd. to facilitate operational activities. In July of 2012 an overdraft facility was signed for the maximum amount of USD 649,664. In addition, there is also a non-revolving loan of USD 910,000, a mortgage of \$4,408,000.00 and credit facility of USD 616,008.35 as further detailed in the following.

On January 29th, 2013 a commitment letter was signed with The Windward Island Bank Ltd. to make available additional credit facilities for the Bureau. As confirmed in this agreement the previously signed agreement of July 25, 2012 was nullified. Facilities drawn are;

Facility A: a non-revolving loan up to the amount of USD 616,008.35 for a term of 79 months, bearing a floating interest rate of 6.25% per annum. Repayment is scheduled for a combined monthly lump sum of USD 9,625 for principal and interest.

Facility B: a non-revolving loan for the amount of USD 4,408,000.00 for the purchase of six (6) rights of apartment units, located at the Lea Building, cadastrally described as SXM PB 173/2012 Unit A2 up to and including A7 for the amount of USD 4,104,000.00. Further financing for notary and closing costs for the amount of USD 304,000.00. This facility bears a floating interest rate of 6.25% per annum for a term of 15 years. Repayment is scheduled for a combined monthly lump sum of USD 37,796 for principal and interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

9. Long-term debt (Continued)

Securities pledged are as follows:

- 1) A First Credit Mortgage for the amount of USD 5,936,000.00, increased by 40% for interest and costs in case of default, in favor of The Windward Island Bank Ltd. on the rights of apartment units, located on the 2nd up to and including the 7th floor of the commercial building known as the Lea Building Complex, situated at Cannegieter Street, in the district of Philipsburg, on the island of St. Maarten and further described in Certificate of Admeasurement nos. SXM PB 173/2012 A2 up to and including A7.

Securities pledged (continued):

- 2) Assignment of adequate insurance on the above-mentioned property, policy mentioning The Windward Island Bank Ltd. as first beneficiary.
- 3) Lien on receivables.
- 4) Lien on all equipment, plus adequate insurance, mentioning The Windward Island Bank Ltd. as first beneficiary.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

10. Due to Government

	<u>31-Dec-14</u>	<u>2014</u>	<u>31-Dec-13</u>
Payments to Government of SXM	(7,693,663)	(2,193,663)	(5,500,000)
Radcomm Group - concession	3,048,101	636,903	2,411,198
Telcell/Smitcoms/Telem - concession	3,914,340	692,831	3,221,509
Global Comtrade - concession Fees	1,400,000	1,050,000	350,000
Scarlet - concession	1,050,000	350,000	700,000
Corporate Innovations - concession	916,665	450,000	466,665
Beach Mart Television N.V- concession	130,000	130,000	--
Total concession fees payable	<u>2,765,443</u>	<u>1,116,071</u>	<u>1,649,372</u>
Provision Doubtful Acct Gov	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>
Net Concession Payable	<u>1,265,443</u>	<u>(383,929)</u>	<u>1,649,372</u>
Other payables/ receivables			
Payments on behalf of Government	(110,337)	(74,617)	(35,720)
Postal Services St. Maarten N.V.	--	40,000	(40,000)
Caribbean Telecom Union	(54,000)	--	(54,000)
Minister of TEZVT (WTN)	(309,631)	(244,820)	(64,811)
Membership fees - UPAEP	(39,855)	--	(39,855)
	<u>(513,823)</u>	<u>(279,437)</u>	<u>(234,386)</u>
Less: other receivables			
Lease receivables	(1,394,639)	(1,394,639)	--
Balance at December 31,	<u>(643,019)</u>	<u>(2,058,005)</u>	<u>1,414,986</u>

Negative amounts are concession fees settled with government for 2011 -2014 and payments made by BTPSXM on behalf of the government of St. Maarten for 2011 - 2014. The concession payments made to Government by BTP from 2011 – 2015 are as follows:

2011: ANG 2,000,000
 2012: ANG 500,000
 2013: ANG 3,000,000
 2014: ANG 2,193,663
2015: ANG 1,981,000 (per 11.24.16)
TTL: ANG 9,674,663

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)

Other negative amounts presented in the “Due to Government” account represent various payments extended to third parties by the Bureau on behalf of Government of Sint Maarten.

Other significant matters related to Government account

In the division of assets on the balance sheet, as per October 9th 2010, of BTP Netherlands Antilles, there was an amount of approximately NAFL. 16 million taken up in the books as a receivable from the Country of St. Maarten under the heading “vordering inzake telecomproviders Sint Maarten”.

BTP St. Maarten has not recognized this debt in their financial administration or Financial Statements for the following reasons:

- The formalization and finalization of the collectable debt by the Country St. Maarten has not taken place as yet.
- No formal position in regards to the acceptance of the receivable amount has been taken by the Country of St. Maarten.
- The actual valuation of the debt is still unclear and unsettled.

The Minister of Finance of St. Maarten, at that point in time, as pertains to the framework of the entire verification of the division of assets of the former Netherlands Antilles project, executed a separate investigative research into the aforementioned claim made by BTP NA. The reason for the separate review lies in the fact that the entire process for the finalization of the division of assets for the Netherlands Antilles was a slow and tardy process, of which BTP NA was inherently incorporated into being a former National entity. To present there is still little clarity as to how advanced the division process is. There is also little clarity as to what extent and for which amount the claims shall be included in the asset division discussions. To the best of our knowledge no decision regarding this matter has been made to date. No formal position has been indicated to BTP by the Minister of Finance regarding the findings of the “Vereffeningsakkoord 10-1-10”.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

11. Payroll liabilities

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
AVBZ	23,669	21,944
AOV/AWW	3,706	4,964
ZV/OV	1,383	1,812
Wage tax	61,599	60,863
Pension fund liabilities	556,664	350,690
Pension fund refundable to employees	109,400	109,400
Vacation Plan	--	146,399
Net wages	--	2,405
Management salaries by Versant Accountants	31,642	--
	<u>788,063</u>	<u>698,477</u>

The amount of ANG 109,400 for “Pension Fund refundable to employees” relates to the employees premiums that were deducted from employees for the years 2010 – 2013 that were not yet registered and/or recognized by APS. These deductions were never paid to APS as the employees were not recognized by APS. Given the fact that the deductions did not start at the same moment for all BTP SXM employees, the proposal has been made for BTP SXM to assume responsibility for the entire premium and reimburse the deductions made over said period to the employees. This liability is directly related to the individual employees. Vacation plan expenses are included in the Gross Salary expenses.

12. Trade Payables and Accruals

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Anite Finland Ltd.	21,764	--
BDO	--	18,342
Stichting Tercera	21,060	25,127
Actis	40,500	40,500
Carl Critchlow	91,260	123,120
Curtis White	22,595	11,347
R-Experts	16,460	23,390
SOAB	183,355	96,079
VanEps Kunneman Van Doorne	--	10,597
Versant Accountants	31,050	28,800
Other, trade payables	65,271	53,586
Credit cards	(10,974)	(2,519)
Redeemable checks	2,660	61,882
	<u>485,001</u>	<u>490,251</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

13. Retained Earnings, Government Interest

	<u>31-Dec-14</u>	<u>31-Dec-13</u>
Balance at January 1,	9,634,982	8,712,336
Net result current year	(920,115)	798,964
Adjustments for prior years	186,924	--
Reservation Pension Funds	--	123,682
Retained earnings	<u>8,901,791</u>	<u>9,634,982</u>
Less: Operating reserve fund	<u>(449,887)</u>	<u>(449,887)</u>
Retained earnings, net (Government of SXM interest)	<u>8,451,904</u>	<u>9,185,095</u>

14. Revenues

	<u>2014</u>	<u>2013</u>
Licensing	4,739,148	5,710,571
Certification	55,198	15,429
Numbering	198,000	45,000
Lease income	810,000	486,000
Other	--	92,056
	<u>5,802,346</u>	<u>6,349,056</u>

The most significant revenue stream for BTP SXM is the licensing category. In this sector spectrum fees are charged. Spectrum fees include all fees for frequency use and all regulatory oversight charges related to the assignment and use of assigned spectrum. Spectrum assignment is done by the Minister TEZVT via licenses or via concessions. The more favorable proposed rates encouraged operators to be more efficient with their spectrum assignment and usage. As it relates to the overall performance of BTP SXM's revenues, actual performance was way below projections as the market impact was underestimated. This under-performance trend negatively impacted revenues year on year as follows; Licensing experienced a 17% decline, Certification income increased by 258% and Numbering income increased by 340%. Noteworthy, several corrections as per the revised legal rates were made during the year 2014 to correctly state the accounts and balances of sector operators. Lease income relates to the rental of the 1st to the 4th floor to the Government of St. Maarten for the housing of various departments. Lease income 2013 was for 9 months compared to 12 months in 2014. The last quarter of 2013 is included in the current year accounts as the continuance of invoicing was under deliberations at the time of 2013 financial statements audit finalization. Numbering revenues as reported also reflect 2013 billing, as this fee was newly introduced in the revised rate sheet in 2014.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

15. Personnel

	<u>2014</u>	<u>2013</u>
Gross salaries and wages	1,515,397	1,550,455
Social premiums	71,659	80,892
Pension premiums	226,186	449,109
Vacation plan	--	80,434
Other personnel expense	37,868	32,311
	<u>1,851,110</u>	<u>2,193,201</u>

The pension premium recognized in 2014 is substantially less than 2013 premiums because formalization of all employees into APS pension fund was concluded at the preparation stage of 2013 financial statements, at which point past plus current service costs was then recorded. Vacation plan expenses are recorded in Gross salary expenses.

16. Housing

	<u>2014</u>	<u>2013</u>
Rent	356,580	91,552
Utilities	41,813	30,092
Telephone, data and Internet	72,290	73,420
Janitorial expense	5,592	11,293
Security expense	6,540	24,872
Parking	32,760	22,050
	<u>515,575</u>	<u>253,279</u>

The rent account comprises rent payable to the owner of the 1st floor of the Leah building complex (24 months of rent expense was recognized for the year 2014 which includes 2013 portion, as this contract was still under much deliberation at the conclusion date of 2013 year-end audit). Other rent expense relates to rental contribution to the COO of BTP SXM as per his labor agreement.

17. Legal and Professional

	<u>2014</u>	<u>2013</u>
Professional fees – legal and financial services	584,979	558,821
Management fees	193,906	149,806
	<u>778,885</u>	<u>708,627</u>

Management fees represent payments to an external entity for various consultation services on behalf of BTP SXM. Professional fees represent legal and financial services over the year 2014, which was the most significant cost incurred for legal representation, accounting and auditing expenses. Several audits of both a financial, fiscal and operational nature were commissioned in 2013 onto 2014 by the Minister of TEZVT and the Supervisory Board.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

18. Insurance Amortization

	<u>2014</u>	<u>2013</u>
Personnel	59,697	56,662
Vehicles	5,338	5,103
Furniture	2,863	2,479
Equipment	9,593	15,481
Building	62,799	51,675
Public liability	496	583
	<u>140,786</u>	<u>131,983</u>

19. General and Administrative

	<u>2014</u>	<u>2013</u>
Numbering Plan	162,098	171,859
Membership Fees	26,398	44,965
Advertising & Promotion	5,330	9,274
Travel and lodging	233,508	342,451
Representation	14,028	7,899
Donations & Charitable Contribution	39,376	42,305
Postage & Courier	16,170	15,922
Vehicle expense	16,520	18,770
Repair & Maintenance	235,989	162,204
Office Supplies	21,868	34,144
Computer & Equipment	17,496	16,446
Network Support Expense	47,428	36,000
Bank Charges	7,731	13,314
foreign exchange variances	32,788	43,042
Penalties and Fines	1,899	162
LTE 3A project, ISOC and other	57,208	86,055
	<u>935,835</u>	<u>1,044,812</u>

The two main contributors to General and Administrative expenses are directly related to the traveling responsibilities of the director and support staff for the entity, and the maintenance fee that was regulated via a maintenance contract for the Leah Complex (The first full year was recognized in 2014). There are also continued exchange rate losses which are recognized from the currency variances between the USD and the ANG. Bank transactions have incurred an approximate 1% charge levied by the banks when making payments in USD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)

19. General and Administrative (Continued)

Numbering Plan

Numbering plan was another significant portion of the general and administrative expenses. The Numbering Plan and the resulting expenses concern the adoption of the North American Numbering Plan (NANP) on St. Maarten which concerns the assignment of a new country- and dialing code for St. Maarten. The government of St. Maarten opted for admittance to the NANP with the dissolution of the Netherlands Antilles. In order to enter the NANP St. Maarten has to comply with the rules, regulations, standards and conventions set by the North American Numbering Association. The allocation and management of numbering resources (codes) are also key activities of participation in the NANP.

Travel Expenses

Travel expenses are the highest expense under general and administrative expenses. Like many other international industries and sectors, the telecommunications and post sector holds many conferences and seminars throughout the year in diverse locations in the world. BTP SXM has attended several of these conferences and seminars over the fiscal year. BTP SXM has also incurred travel and lodging expenses while attending meetings with suppliers, third parties and partners.

Repairs & Maintenance

In 2013 BTP SXM acquired its own building. In doing so a maintenance contract was also put in place for the upkeep of the building. The fees related thereto are recorded under the category repairs and maintenance and form a significant part of the G&A expenses as of December 31, 2014.

20. Interest Income/ Expense

Interest income represents earnings of 2.5 basis percentage points on a certificate of deposit held at The Windward Island Bank Ltd. Finance cost represents the 6.25% interest paid on the non-revolving credit facilities granted by WIB to BTP SXM (see note 9). Other income items represent written-back payables of prior years.

21. Contingent Liabilities

BTP has been unfruitful in obtaining an updated list of pending court cases from the Ministry of TEZVT's legal counsel. As a result thereof, we are unable to present an updated pending Court Cases listing as of reporting date. The following were previously known and presumed ongoing pending updates;

Minister Radcomm LAR 98/2011 negotiations BTP.

The case has been postponed for an indefinite period during the hearing/negotiations by BTP. A new court date is unknown.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)**

21. Contingent Liabilities (Continued)

Minister Antelecom LAR 97/2011 negotiations BTP

The case has been postponed for an indefinite period during the hearing/negotiations by BTP. A new court date is unknown.

Minister Radcomm LAR 34/2012

A decision was rendered by the Court of First Instance on July 22, 2013.

An Objection of Appeal was filed on September 2, 2013 23 May 2014:

The case was handled in appeal on April 10, 2014. The appeal of the Minister was founded well by decision dated

May 23, 2014. The appeal filed by Radcomm was still unfounded.

Minister Antelecom LAR 27/2012 negotiations BTP

The case has been postponed for an indefinite period during the hearing/negotiations by BTP. A new court date is unknown.

Minister WTN LAR 117/2011 negotiations BTP

A draft settlement agreement was prepared and the case was settled

LAR 084/2012 was dealt with by the Department of Finance and Telecommunications. The case was settled out of court.

Minister Radcomm LAR 151/2010 The case has been postponed for an indefinite period during the hearing/negotiations by BTP. A new court date is unknown.

Minister Radcomm LAR 152/2010 The case has been postponed for an indefinite period during the hearing/negotiations by BTP. A new court date is unknown.

Minister Radcomm LAR 154/2010 The case has been postponed for an indefinite period during the hearing/negotiations by BTP. A new court date is unknown.

Minister Radcomm LAR 155/2010 The case has been postponed for an indefinite period during the hearing/negotiations by BTP. A new court date is unknown.

For a portion of these pending court cases, provision for non-collection of the related receivables has been made under the account "Provisions for doubtful accounts". For all other pending cases that remain unknown the required provisions will be made upon obtaining sufficient evidence thereon.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (Stated in Antillean Guilders)

22. Subsequent Events

Passing of Hurricane Irma: On September 6th, 2017 a super category 5 hurricane passed over St. Maarten and caused severe damage to the island on both an economic and infrastructural level. As a result hereof there is an increased exposure as it relates to our billing and collections.

Ruling Netstar: On April 4th, 2016 the judge in first instance issued a ruling was issued on Case: LAR 109 /2015 with decision nr.26. In this ruling invoices for the amount of ANG 50,400 were declared null and void. BTP was instructed by Minister TEZVT to nullify these invoices in our Fin. Admin in the letter with DIV # 13540¹. This ruling has an effect on the provisions for doubtful debt amounts for 2014, whereby the provisioned amount is reduced with ANG 50,400.

Ruling on International and Mobile concession fees: In July of 2017, the judge ruled in favor of BTP against Global Comtrade, Scarlet AARC and BeachMart whereby they were instructed to pay all billed concession fees to BTP. BTP has hereby proceeded to pursue collection activities for these invoices according to our debt collection. **Scarlet** : LAR 75/2015-76/2015-77/2015; **BeachMart**: LAR 11/2016 – 12/2016; **Global Comtrade**: LAR 14/2016- 14/2014- 18/2015

Instruction Minister TEZVT regarding WTN: On December 12th, 2017 BTP received an instruction from the Minister of TEZVT whereby invoices for the amount of ANG 420.314,78 are to be offset against the Current Account Gov and cleared from the clients AR balance. This instruction has been followed accordingly with the result that the Current Account Gov. and provision for bad debt will be affected hereby. Of the entire amount to be written off, only the amounts relating to the years 2012 – 2014, being respectively ANG 40,524, ANG 102,150 and ANG 102,147 were de-recognized as per Dec 31st, 2014. The remaining balance of ANG 175,494 will be processed in respective subsequent years accordingly.

Mandate for Utility Sector: As per publication in the National Gazette of September 1st, 2017, BTP SXM has been tasked with the necessary studies for the regulation of the utility sector.

Extension moratorium Telecom industry: The present moratorium that is to expire in May of 2018 (DIV –TEZVT -4928); has been extended for 12 months via ministerial decree (DIV Nr. 15408).

23. Other

Establishment of the reserve fund BT&P St. Maarten: As per article 18, of AB 2013 GT no.466, wherein the preparation and approval of the budget for BT&P is legislated; the budget of 2013 was approved on September 28th, 2012 by the Minister of Tourism, Economic Affairs, Transportation and Telecommunication. In the budget of 2013 an amount of USD 250,000.00 was budgeted for the establishment of a reserve fund to cover possible future operational losses. The reserve fund was established in 2014 in accordance with the approved budget and is reflected in the 2014 financial statement under the heading of “Net assets”.