



**Bureau Telecommunications
and Post St. Maarten**

FINANCIAL STATEMENTS

December 31, 2015

Expressed in Antillean Guilders



FOR THE YEAR ENDED DECEMBER 31, 2015

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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 Sint Maarten ("the Bureau"), Cannegieter Street 15 – Unit 5.1, Philipsburg, Sint Maarten comprises the financial position as at December 31, 2015, 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 April 26, 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, 2015 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 April 26, 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 2016 financial statements. Therefore, the possible effect of this division on the assets and liabilities of the Bureau as reported in the 2015 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 2015 financial statements of the Bureau's at ANG 162.000. This materiality has been based on 3% of the total expenses of Bureau Telecommunications and Post Sint Maarten for the year 2015. 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 2015 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 (TEZVT).
2. Concession fees (annual). BTP collects this on behalf of the government. These are based on the concessions granted by the Ministry of TEZVT. 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 2015 - 2017 has been used to verify statements related to 2015.

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 "Landsverordenening 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.

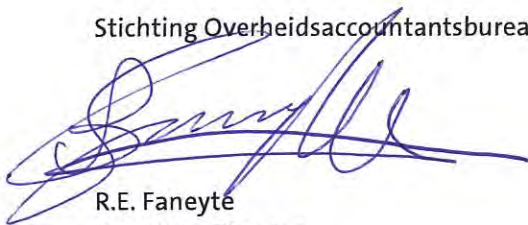
Report on other legal and regulatory requirements

Furthermore, we report that the management board report, to the extent we can assess, is consistent with the 2015 financial statements of Bureau Telecommunications and Post Sint Maarten.

Philipsburg, April 26, 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, 2015

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, 2015. 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, 2015. This report is prepared as at April 20, 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;

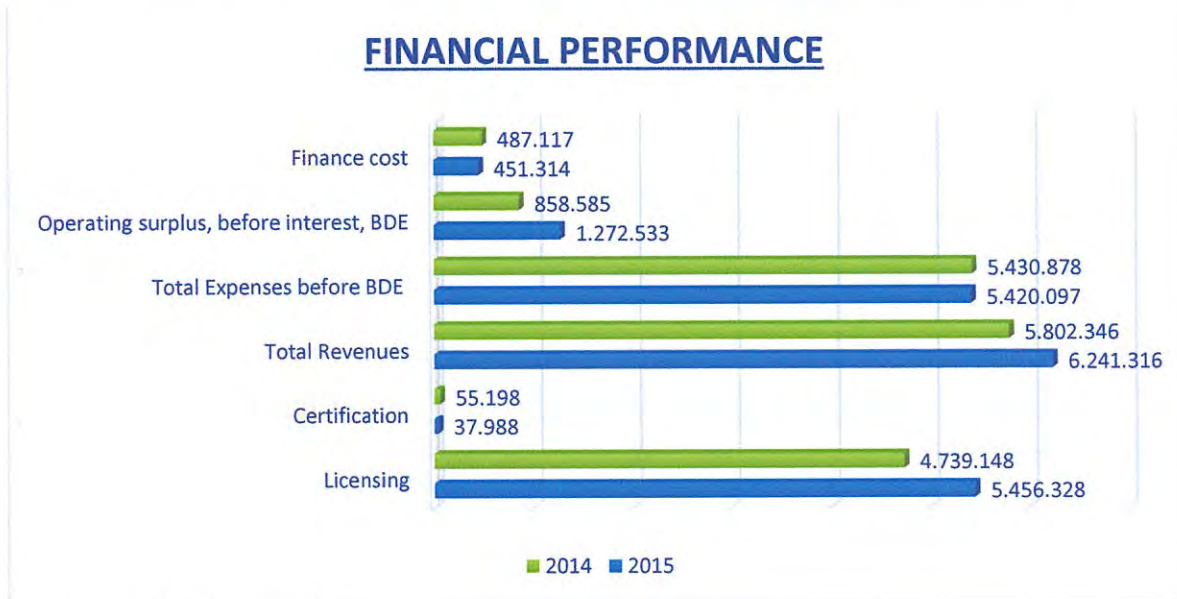
- Fiber optic to the home projects
- Net neutrality
- Dominance of over-the-top players
- Preparations for 5G networks
- Cyber Security
- E-waste policies
- Mergers in the region
- Teleco's investment in cable companies
- 4G LTE deployment
- Internet-of-Things and Machine-to-Machine communications
-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

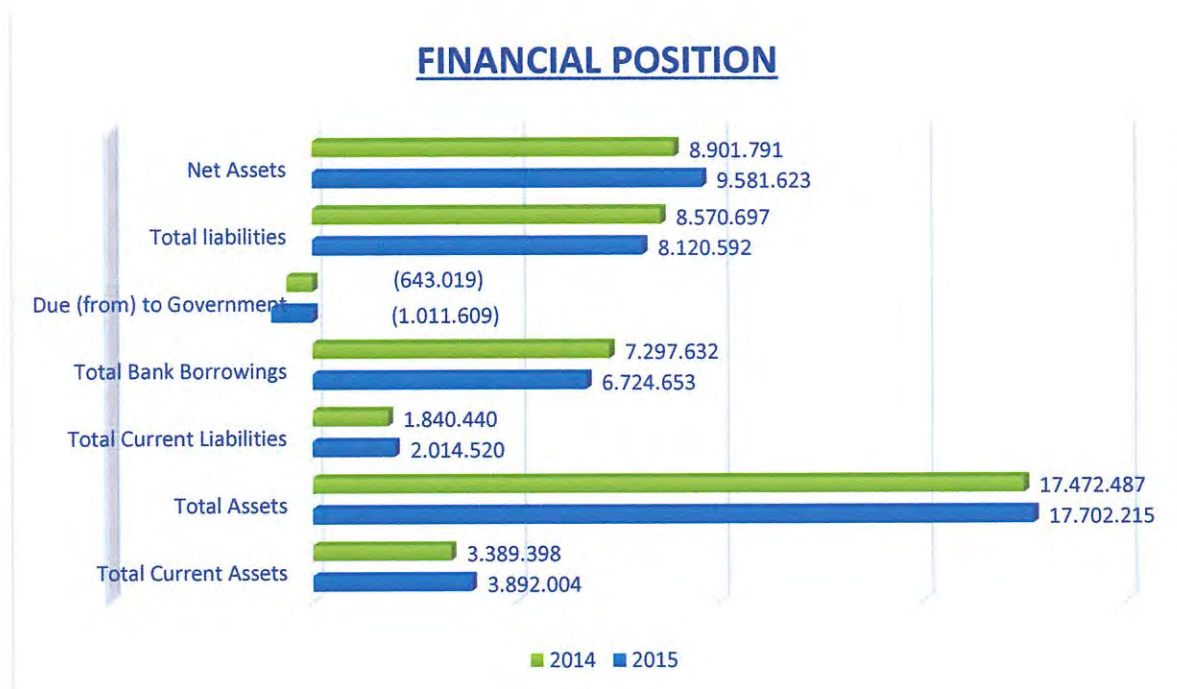
Director's Report

FINANCIAL PERSPECTIVE

Results of operations and key performance indicators for the year ended December 31, 2015, compared to the year ended December 31, 2014, are as follows (in Antillean Guilders):



*DBE = bad debt expense



Director's Report

FINANCIAL PERSPECTIVE (CONTINUED)

Trend and Ratio Analysis

Liquidity

- Current ratio – was 1.9 and 1.8 for the years ended 2015 and 2014 respectively. This indicates a slightly improved liquidity position due to continued management of current liabilities and increases in current asset bases; in particular, cash and cash equivalents year-on-year (Y/Y) change of a positive 9%.
- Accounts receivable turnover (excluding rental and other income) – was 0.9 and 1.1 times for the years ended 2015 and 2014 respectively. An indication that collections have slightly decreased by 0.2 basis points, as a result of continued default on payments by a few main concession clients. Although it's a negative Y/Y change the impact is trivial and bears no weight on the cash position nor the going concern basis of reporting for the year ended December 31, 2015.
- Working capital per day – was ANG 5,144 and ANG 4,244 for the years ended 2015 and 2014 respectively; supporting the increase in liquid assets such as cash and the intended to be settled “due from Government” account with a Y/Y increase of ANG 368,590 or 57%.

Solvency

- Total debt-to-net assets – was 0.8 and 1.0 for the years ended 2015 and 2014 respectively. This indicates that the Bureau is less leveraged by 0.2 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 87% and 82% for the years ended 2015 and 2014 respectively, an increase of ANG 717,180 or 15% in Licensing revenues. This demonstrates continued strength in regulatory activities over Operators.
- Certification % of total revenues – was 0.6% and 1.0% for the years ended 2015 and 2014 respectively, an decrease of ANG 17,210 or -31% in Certification revenues, indicating a possible decrease in certification activities that may be interpreted as a result of Operators non-compliance and/or loosened controls in regards to the need for annual certification.
- Operating margin (before other expense and BDE) - was 20% and 15% for the years ended 2015 and 2014 respectively, an increase in operating surplus of ANG 413,948 or 48%. Main attributors of the change were an 8% increase in “total revenues” and a Y/Y decrease in “total expenses before BDE % to total revenues” of -6.8%. The sub-categories that experienced such decreases were mainly “depreciation” cost of capital for income generating assets by -20%, “membership fees” for sector awareness and participation in events decreased by -96%, “Travel expenses” decreased by -50%, “rent expense” decreased by -45% and “bad debt expense” for non-concessionaire clients decreased by -88%. Return-on-assets was 7% and 5% for the years ended 2015 and 2014 respectively, an increase of 2%, due to the foregoing discussion over revenues and expenses. An indication that Management is exercising good stewardship over the resources entrusted under their due care.

Director's Report

OPERATIONAL PERSPECTIVE

- **Technical activities** – major technical activities carried out during 2015 were as follows;

- 1) The continued testing, measuring and other remediation activities on the cross border interference issue between St. Maarten and St. Kitts.
- 2) Initiated an investigation into a possible frequency transmission interference originating from Pic du Paradis, St. Martin. At reporting date, the Bureau's personnel were still occupied executing additional testing and measurements with a final report to be furnished upon conclusion.

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

<u>Item</u>	<u>2015</u>	<u>2014</u>
Mobile	7	2
VHF	17	37
Amateur	6	2
Type approval	92	65

- **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. This cross-border interference spilled over into 2015 and was still under remediation at December 31, 2015.

- **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 2015, two issues were logged;

- 1) The existing St. Kitts over-reaching interference on Telcell's channel #3 remained unresolved with remediation activities ongoing and;
- 2) A newly emerged Postal Services St. Maarten (PSS) issue. A client of PSS sent a package to another Caribbean destination via PSS for which the client received a tracking number. However, the tracking number proved futile to the client as the packaged could not be located using the tracking number. PSS failed to resolve the issue so the client (thereafter referred to as the Complainant) logged a complaint with the Ombudsman's office. The office of the Ombudsman filed a complaint with the Bureau seeking a resolution. However, the package was not recovered triggering compensation to the Complainant for the loss incurred. At the conclusion of this matter it was stated that more should have been done to resolve this issue before the intervention by the office of the Ombudsman.

Director's Report

OPERATIONAL PERSPECTIVE (CONTINUED)

- **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, as far as the required approvals and inputs from the Executive Body.

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
- **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.
- **Spectrum Upgrade** – A spectrum protocol between the French Regulator (ANFR) and the Anguillan PUC was amended to include the allocation of frequency usage for LTE prior to the quadripartite protocol meetings held during 2016 in Anguilla. The essence of this meeting was improved frequency coordination to enhance collaboration between the neighboring islands in an effort to eradicate cross-border interferences.

Government of St. Maarten Cyber Attack – On April 2, 2018 a cyberattack paralyzed the Government of St. Maarten's Information and Communications Technology system (ICT) causing closure of public services and a serious threat to the underlying information assets. This recent occurrence remains at the forefront of BTPSXM's concerns and we will continue to explore preventative measures. As one can imagine, inaction is unwarranted as Cybercrime is a fast-growing area of crime whereby criminals conduct illegal activities by utilizing ICT networks or the internet. Common types of cybercrime include hacking, online scams, identity theft, and attacks on computer or network systems. The Bureau will continue collaboration with different stakeholders to provide assistance in implementing policies that can prevent cybercrime and safeguarding of any vulnerable infrastructure. One of the top priorities of the Bureau is to establish a national Cyber Emergency Response Team (CERT). The CERT will be tasked with the prevention of cyber related incidents, mitigating activities in face of incurrence, collection of useful data, execution of forensic analysis and network penetration testing to evaluate the security of an ICT infrastructure. Another important task of the CERT will be creating awareness as it relates to Cybercrime and the associated Security.

Director's Report

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. On April 2, 2018 the newly elected 15 Members of Parliament was sworn into office under the oath at the Governor's Office. However, the channels of direct Governance from the ministers remain unchanged with the caretaker Government unmoved.
- **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, sports institutions, youth initiatives and cultural activities. Amongst these activities is our annual support to the carnival foundation, art saves lives foundation, and SXM Doet.

As it relates to our environment in 2015 the Bureau engaged in a regional E-Waste program. The objective was to raise awareness amongst telecom providers in the Caribbean region regarding the global Electronic Waste problem and to assist them in finding sound solutions for the collection and disposal of end of life (EoL) mobile phones. E-waste is harmful to the environment thus a permanent solution is eminent, especially with the rate of smart phone development in our new age. Moving forward we will continue to work on a policy framework where E-Waste is concern.

- **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, 2015
(Stated in Antillean Guilders)**

<u>ASSETS</u>	Notes	December 31, 2015	2014
NON-CURRENT ASSETS			
Tangible assets, net	(3)	7,977,429	8,110,116
Investment Property, net	(3)	5,832,782	5,972,973
Total non-current assets		<u>13,810,211</u>	<u>14,083,089</u>
CURRENT ASSETS			
Due from Government	(10)	1,011,609	643,019
Prepayments and other current assets	(7)	142,693	147,231
Trade receivables, net	(5)	1,237,599	1,186,299
Time deposit held	(8)	450,591	450,019
Cash and cash equivalents	(4)	1,049,512	962,830
Total current assets		<u>3,892,004</u>	<u>3,389,398</u>
TOTAL ASSETS		<u><u>17,702,215</u></u>	<u><u>17,472,487</u></u>
 <u>NET ASSETS AND LIABILITIES</u>			
NET ASSETS			
Retained earnings	(13)	9,131,736	8,451,904
Reserve fund		449,887	449,887
Total net assets		<u>9,581,623</u>	<u>8,901,791</u>
NON-CURRENT LIABILITIES			
Long-term debt	(9)	6,106,072	6,730,257
Total non-current liabilities		<u>6,106,072</u>	<u>6,730,257</u>
CURRENT LIABILITIES			
Short-term portion of long-term debt	(9)	618,581	567,375
Payroll liabilities	(11)	1,039,537	788,063
Trade payables and accruals	(12)	356,402	485,001
Total current liabilities		<u>2,014,520</u>	<u>1,840,440</u>
TOTAL NET ASSETS AND LIABILITIES		<u><u>17,702,215</u></u>	<u><u>17,472,487</u></u>

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

**STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(Stated in Antillean Guilders)**

	Notes	Jan 1- Dec 31, 2015	Jan 1- Dec 31, 2014
<u>REVENUES</u>			
Licensing		5,456,328	4,739,148
Certification		37,988	55,198
Numbering		99,000	198,000
Lease income		648,000	810,000
Net revenues	(14)	6,241,316	5,802,346
<u>OPERATING EXPENSES</u>			
Personnel	(15)	2,009,721	1,851,110
Housing	(16)	355,330	515,575
Legal and Professional	(17)	936,672	778,885
Insurance	(18)	136,806	140,786
General and administrative	(19)	950,759	935,835
Depreciation	(3)	579,495	721,569
Bad debts expense	(6)	151,139	1,299,134
Total operating expenses		5,119,922	6,242,895
Operating income (loss)		1,121,394	(440,549)
<u>OTHER INCOME (EXPENSE)</u>			
Other income		9,752	7,552
Finance cost		(451,314)	(487,117)
Total other income (expense)	(20)	(441,562)	(479,565)
Net result for the year		679,832	(920,115)

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

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Stated in Antillean Guilders)**

	Retained Earnings	Reserve Fund	Total Net Assets
Balance as at January 1, 2014	9,185,095	449,887	9,634,982
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
<u>Movements for the year</u>			
Net result for the year	679,832	--	679,832
Balance as at December 31, 2015	9,131,736	449,887	9,581,623

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Stated in Antillean Guilders)**

	Jan 1- Dec 31, 2015	Jan 1- Dec 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net result for the year	679,832	(920,115)
Adjustments made to reconcile net result to net cash Used in operating activities:		
Depreciation	579,495	721,569
Bad debts expense	151,139	1,299,134
Changes in net working capital items:		
(Increase) in trade receivables, net	(202,439)	(274,802)
Decrease (Increase) in prepayments and other current assets	4,538	(55,454)
(Increase) in due from (to) Government	(368,590)	(2,058,004)
Increase in payroll liabilities	251,474	89,586
(Decrease) in trade payables and accruals	(128,599)	(5,251)
Increase in short-term portion of long-term debt	51,206	28,461
Net cash provided by (used in) operating activities	1,018,056	(1,174,876)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(571)	(450,019)
Investments in tangible assets	(306,618)	(64,364)
Net cash (used in) investing activities	(307,189)	(514,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mutations to retained earnings	--	186,923
Mutations to long-term debt	(624,185)	(565,638)
Net cash (used in) financing activities	(624,185)	(378,715)
Net increase in cash and cash equivalents	86,682	(2,067,974)
Cash and cash equivalents, beginning of year	962,830	3,030,804
Cash and cash equivalents, end of year	1,049,512	962,830

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (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, 2015 (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, 2015 (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, 2015 (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, 2015 (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, 2015 (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, 2015 (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, 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>
Changes in book value						
Additions	--	13,776	20,853	45,000	226,989	306,618
Depreciation	(178,712)	(112,933)	(53,139)	(17,629)	(76,891)	(439,304)
Net change for the period	<u>(178,712)</u>	<u>(99,157)</u>	<u>(32,286)</u>	<u>(27,371)</u>	<u>(150,098)</u>	<u>(132,686)</u>
Balance as at December 31, 2015						
Cost	7,949,849	416,559	196,537	132,462	1,439,649	10,135,056
Accumulated depreciation	(515,527)	(328,129)	(149,765)	(71,942)	(1,092,264)	(2,157,627)
Net book value	<u>7,434,322</u>	<u>88,430</u>	<u>46,772</u>	<u>60,520</u>	<u>347,385</u>	<u>7,977,429</u>

Depreciation percentages are:

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

In February of 2013, 5 floors inclusive of the roof of the Leah Complex building was purchased by BTP SXM for USD 6.6 million dollars or ANG 11,880,000. In addition to the purchase price, additional work or betterments were done to the interior of the 5th and 6th floors, elevator shaft and roof to make the office spaces suitable for occupancy by BTP staff. The final value of the building inclusive of the betterments to the interior was ANG 14,180,542.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

3. Investment Property, net

The vacant floors of the Leah Building Complex are being rented out, and/or, destined for occupancy by Government of St. Maarten departments. Given the fact that the Leah Building Complex is partially owner occupied and rented out the property was proportionately recognized in the financial administration, as Building and Investment property.

<u>INVESTMENT PORTION OF LEAH BUILDING</u>	<u>Investment</u>
Balance as at December 31, 2014	
Cost	6,230,693
Accumulated depreciation	<u>(257,720)</u>
Net book value	5,972,973
Changes in book value	
Additions	--
Depreciation	<u>(140,191)</u>
Net change for the period	(140,191)
Balance as at December 31, 2015	
Cost	6,230,693
Accumulated depreciation	<u>(397,911)</u>
Net book value	<u>5,832,782</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

4. Cash and cash equivalents

Cash and cash equivalents comprises the following:

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Windward Island Bank USD	780,253	614,410
Windward Island Bank ANG	268,737	347,534
Petty Cash	522	886
	<u>1,049,512</u>	<u>962,830</u>

5. Trade receivables, net

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Scarlet N.V (SXM Network Management)	398,982	1,124,736
Netstar N.V.	212,447	170,448
Radcomm Corporation NV (UTS)	45,507	641,536
Actis	--	45,000
TELEM Group of companies	517,557	456,558
Global Comtrade	1,782,909	1,423,910
3SCS Station	89,400	77,701
Caribbean Teleview Services N.V	101,477	55,739
Corporate Innovations	1,300,000	850,000
All Americas cable and radio Curacao	1,400,000	--
WTN Wireless Telecom Network	--	--
Zenitel Caribbean N.V	--	86,884
Beach Mart Television N.V	449,986	--
Critical Communication Caribbean	63,997	--
EBS Executive Business Services	20,000	--
Others	304,426	272,517
	<u>6,686,688</u>	<u>5,205,029</u>
Less: provisions for doubtful accounts	<u>(5,449,089)</u>	<u>(4,018,730)</u>
	<u>1,237,599</u>	<u>1,186,299</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (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 of the amount of ANG 50,400 were declared null and void. BTP was instructed by Minister TEZVT to nullify these invoices in our administration via letter referenced DIV # 135401. This ruling resulted in a reduction of provisions for doubtful receivables of the amount ANG 50,400 in 2014. 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 thereby proceeded to pursue collection activities of these invoices in accordance with its debt collection policy. Instruction received from 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 Government and cleared from the clients AR balance. The Bureau has duly complied with the Minister's instruction whereby receivables were reduced, provisions for bad debt reduced and Due from Government increased accordingly. 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-15	Bad debt 2015	Reclassifications C/A Provisions	Balance 31-Dec-14
Radcomm Corporation NV (UTS)	45,507	(596,029)	--	641,536
Netstar N.V.	212,447	42,001	--	170,446
3SCS	89,400	11,700	--	77,700
Beach Mart	450,000	450,000	--	--
Global Comtrade	1,427,395	3,486	--	1,423,909
Scarlet	350,000	(424,736)	--	774,736
AACR	1,400,000	1,400,000	--	--
Corporate Innovations	1,299,999	450,000	--	849,999
Critical Communications	56,645	56,645	--	--
Executive Business Services	20,000	20,000	--	--
Others	97,696	17,293	--	80,403
Government Concessions	--	(1,279,221)	1,279,221	--
	5,449,089	151,139	1,279,221	4,018,729

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

6. Provisions for doubtful accounts (Continued)

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. In very rare cases as with Government of St. Maarten current account provisions were not expensed but accrued on the balance sheet. The invoices relating to Netstar 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. Provisions for Netstar of the year 2013 have been adjusted retrospectively in 2014 due to court rulings and ministerial decisions received in 2016 and 2017. Due to ministerial decisions WTN receivables and provisions were reduced by ANG 110,897 and ANG 244,820 for the years 2015, 2014 respectively. For the years 2015 and 2014 Government bad debt expense of ANG 1,279,221 and ANG 1,500,000 net were reclassified to provisions within current account on the balance sheet for presentation purposes.

7. Prepayments and other current assets

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Security deposits	28,811	30,494
Personnel advances	1,260	1,468
Advances to suppliers	99,794	102,509
Prepaid insurance	12,828	12,760
	<u>142,693</u>	<u>147,231</u>

8. Time deposit held

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Certificate of deposit - Windward Islands Bank Ltd.	450,486	449,758
Interest income, thereon	105	261
	<u>450,591</u>	<u>450,019</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 0.1%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

9. Long-term debt

Long term liabilities	31-Dec-15	31-Dec-14
W.I.B loan facility. a	663,718	820,012
W.I.B loan facility. b	6,060,935	6,477,620
Total liabilities	6,724,653	7,297,632
Less: short term portion		
W.I.B loan facility. a	(168,241)	(143,837)
W.I.B loan facility. b	(450,340)	(423,538)
Total Short-term portion	(618,581)	(567,375)
Total long-term portion	6,106,072	6,730,257

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, 2015 (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.
- 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, 2015 (Stated in Antillean Guilders)**

10. Due (from) to Government

	<u>31-Dec-15</u>	<u>2015</u>	<u>31-Dec-14</u>
Payments to Government of SXM	(9,665,663)	(1,972,000)	(7,693,663)
Radcomm Group - concession	3,848,101	800,000	3,048,101
Telcell/Smitcoms/Telem - concession	4,864,340	950,000	3,914,340
Global Comtrade - concession Fees	1,750,000	350,000	1,400,000
Scarlet - concession	1,050,000	--	1,050,000
Corporate Innovations - concession	1,366,665	450,000	916,665
All Americas cable & radio Curacao	700,000	700,000	--
Beach Mart Television N.V- concession	580,000	450,000	130,000
Total concession fees payable	<u>4,493,443</u>	<u>1,728,000</u>	<u>2,765,443</u>
Provision doubtful acct Government	(2,779,221)	(1,279,221)	(1,500,000)
Net Concession Payable	<u>1,714,222</u>	<u>448,779</u>	<u>1,265,443</u>
Other payables/ receivables			
Payments on behalf of Government	(110,337)	--	(110,337)
Caribbean Telecom Union	(54,000)	--	(54,000)
Minister of TEZVT (WTN)	(420,527)	(110,896)	(309,631)
Membership fees - UPAEP	(98,328)	(58,473)	(39,855)
	<u>(683,192)</u>	<u>(169,369)</u>	<u>(513,823)</u>
Less: other receivables			
Lease receivables	(2,042,639)	(648,000)	(1,394,639)
Balance at December 31,	<u>(1,011,609)</u>	<u>(368,590)</u>	<u>(643,019)</u>

The observed concession payments made to Government by BTP from 2013 – 2017 are as follows:

2013: ANG 3,000,000
 2014: ANG 2,193,663
 2015: ANG 1,972,000
 2016: ANG 1,121,236
2017: ANG 1,450,000
TTL: ANG 9,736,899

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

10. Due to Government (Continued)

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 “Vereffeningssakkoord 10-1-10”.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

11. Payroll liabilities

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
AVBZ	25,429	23,669
AOV/AWW	5,315	3,706
ZV/OV	1,734	1,383
Wage tax	99,102	61,599
Pension fund liabilities	766,570	556,664
Pension fund refundable to employees	109,400	109,400
Management salaries by Versant Accountants	31,587	31,642
Cessantia premiums	400	--
	<u>1,039,537</u>	<u>788,063</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 of whom 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.

12. Trade Payables and Accruals

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Anite Finland Ltd.	--	21,764
Stichting Tercera	33,264	21,060
Actis	40,500	40,500
Accountability Center	15,696	--
Carl Critchlow	--	91,260
Curtis White	22,591	22,595
R-Experts	--	16,460
SOAB	154,093	183,355
Versant Accountants	31,050	31,050
Other, trade payables	37,202	65,271
Credit cards	16,966	(10,974)
Redeemable checks	5,040	2,660
	<u>356,402</u>	<u>485,001</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

13. Retained Earnings, Government Interest

	<u>31-Dec-15</u>	<u>31-Dec-14</u>
Balance at January 1,	8,451,904	9,634,982
Net result current year	679,832	(920,115)
Adjustments for prior years	--	186,924
Retained earnings	<u>9,131,736</u>	<u>8,901,791</u>
Less: Operating reserve fund	--	(449,887)
Retained earnings, net (Government of SXM interest)	<u>9,131,736</u>	<u>8,451,904</u>

14. Revenues

	<u>2015</u>	<u>2014</u>
Licensing	5,456,328	4,739,148
Certification	37,988	55,198
Numbering	99,000	198,000
Lease income	648,000	810,000
	<u>6,241,316</u>	<u>5,802,346</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 during 2015. As it relates to the performance over revenues, actual performance trend higher than prior year solely due to licensing. Year-on-year (Y/Y) licensing experienced a 15% increase, Certification during 2015 declined by 31% and numbering declined by 50%.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)**

15. Personnel

	<u>2015</u>	<u>2014</u>
Gross salaries and wages	1,562,366	1,515,397
Social premiums	75,582	71,659
Pension premiums	278,422	226,186
Other personnel expense	93,351	37,868
	<u>2,009,721</u>	<u>1,851,110</u>

The pension premiums recognized in 2015 is significantly greater than 2014 expense, because several adjustments upon prior years' invoices and related credit notes were applied as received from APS.

16. Housing

	<u>2015</u>	<u>2014</u>
Rent	195,585	356,580
Utilities	37,998	41,813
Telephone, data and Internet	70,674	72,290
Janitorial expense	7,009	5,592
Security expense	13,824	6,540
Parking	30,240	32,760
	<u>355,330</u>	<u>515,575</u>

The rent account comprises rent payable to the owner of the 1st floor of the Leah building complex. Other rent expense relates to rental contribution to the COO of BTP SXM as per his labor agreement.

17. Legal and Professional

	<u>2015</u>	<u>2014</u>
Professional fees – legal and financial services	737,088	584,979
Management fees	199,584	193,906
	<u>936,672</u>	<u>778,885</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 2015, of which the most significant were legal representation for various legal proceedings. The second highest fees were for audit and accounting services. Several audits of both a financial, fiscal and operational nature have been ongoing as commissioned in 2013 onto 2015 by the Minister of TEZVT and the Supervisory Board.

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18. Insurance Amortization

	<u>2015</u>	<u>2014</u>
Personnel	61,750	59,697
Vehicles	5,459	5,338
Furniture	2,705	2,863
Equipment	6,570	9,593
Building	59,861	62,799
Public liability	461	496
	<u>136,806</u>	<u>140,786</u>

19. General and Administrative

	<u>2015</u>	<u>2014</u>
Numbering Plan	162,128	162,098
Membership Fees	1,147	26,398
Advertising & Promotion	2,813	5,330
Travel and lodging	117,174	233,508
Representation	39,245	14,028
Donations & Charitable Contribution	45,861	39,376
Postage & Courier	12,932	16,170
Vehicle expense	29,625	16,520
Repair & Maintenance	256,364	235,989
Office Supplies	33,866	21,868
Computer & Equipment	35,352	17,496
Network Support Expense	63,436	47,428
Bank Charges	12,303	7,731
foreign exchange variances	35,561	32,788
Penalties and Fines	38,806	1,899
LTE 3A project, ISOC and other	64,146	57,208
	<u>950,759</u>	<u>935,835</u>

The most significant accounts of General and Administrative expenses were numbering plan, travel and repairs & maintenance. Travel & lodging was directly related to the traveling responsibilities of the director and support staff for the Bureau during 2015. Repairs and maintenance charges derive from a maintenance contract for the Leah Complex Building. Numbering plan expenses are further discussed below. Noteworthy, significant exchange rate losses are realized on foreign currency translations between the USD and the ANG. Bank transactions have incurred an approximate 1% charge levied by the banks when making payments in USD.

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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 year-on-year G&A expenses.

20. Interest Income/ Expense

Interest income represents earnings of 1.0 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).

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
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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
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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. Other significant effects are as follows;

Impact on Leah Complex Building:

Hurricane Irma battered the Leah Complex Building (thereafter referred to as the “Building”) causing damage to the property and the subsequent benefits to be enjoyed from insurance coverage settlement. The total insured sum of the Building is USD 3,500,000 as indicated on policy number F05413/12. On October 8, 2017 a damaged report was made for Hurricane Irma claim. The report stated that a visual inspection approach was applied throughout the Building on September 26, 2017 whilst the utilities on the island were not restored; and as such, the functionality of the utilities, furniture, security, internet, cable and other equipment infrastructure/systems were not determinable. The assessed damage on the Building was USD 800,098.65 as determined by the damage experts. After further deliberations with the Loss Adjuster(s) an agreed upon settlement was signed on March 26, 2018 of the amount USD 640,000 for the full discharge of all loss claims on the Building. This means an under-settlement loss for the Bureau of the amount USD 160,098.65, as a result of rejected loss claims. Payment of the amount USD 634,693.47 (USD 640,000 less re-instatement fee USD 385.15 less Policy “AR00197/11 and V84010/06 renewal premiums USD 4,921.38) was received on April 9, 2018 from NAGICO as final settlement for the Building.

Impact on Equipment, Vehicles and Furnishings:

On November 17, 2017 a damaged report was made for Hurricane Irma claim. The assessed damage on all equipment/systems insured under policy # AR00197/11 was USD 78,614.50. The assessed damage on all furniture and furnishings insured under policy # AR00185/11 was USD 62,962.38. The assessed damage on all vehicles insured under policy # V84010/06 was USD 10,795.50. The aggregated sum total of damaged claims under the above policies was USD 152,372.38. After further deliberations with the Loss Adjuster(s) the following agreed upon settlements for policy# AR00197/11 and AR00185/11 were signed on November 17, 2017 of the amounts USD 74,377.92 and USD 60,962.38 respectively for each policy. For policy# V84010/06 the agreed upon settlement was USD 9,108.90. This means an aggregated under-settlement loss for the Bureau of the amount USD 7,923.18 as a result of rejected loss claims. Payment of the amount USD 74,169.77 (USD 74,377.92 less re-instatement fee USD 208.15) and USD 60,394.55 (USD 60,962.38 less re-instatement fee USD 568.83) was received on December 8, 2017 from NAGICO as final settlement for policy # AR00197/11 and # AR00185/11 respectively. And, final payment of the amount USD 9,108.90 was received on November 13, 2017 from NAGICO as final settlement for policy # V84010/06.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Stated in Antillean Guilders)

22. Subsequent Events (Continued)

Litigations

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.

Ruling on International and Mobile concession fees: In July of 2017, the judge ruled in favor of BTP against Global Comtrade, Scarlet AARC and Beach Mart whereby they were instructed to pay all billed concession fees to BTP. BTP has hereby proceeded to pursue collection activities for these invoices in accordance with its debt collection policy. **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 – 2015 were derecognized respectively of the amounts ANG 40,524, ANG 102,150, ANG 102,147 and ANG 110,896 as per Dec 31, 2015. The remaining balance of ANG 64,797 will be processed subsequently in the respective years.

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 2015 financial statement under the heading of “Net assets”.