

REPORT
to
the Board of the
ST. EUSTATIUS NATIONAL PARKS
FOUNDATION
SINT EUSTATIUS, N.A.

re
financial statements 2006

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To: The Board of Directors and Management of
St. Eustatius National Parks Foundation
SINT EUSTATIUS, N.A.

AUDITORS' REPORT

We have audited the accompanying balance sheet as at December 31, 2006 included in the financial statements of St. Eustatius National Parks Foundation, Sint Eustatius, Netherlands Antilles, and the notes thereto.

Management's responsibility

Management of the foundation is responsible for the preparation and fair presentation of the financial statements, in accordance with Book 2 of the Netherlands Antilles Civil Code. Management has elected to prepare the balance sheet and notes thereto in accordance with accounting principles generally accepted in the Netherlands. Management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the balance sheet and notes thereto that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

This was our first audit of the financial statements of the foundation and the scope of our audit was not sufficient with respect to the financial statements for the preceding year to enable us to express, and we do not express, an opinion on the profit and loss statement for the year ended December 31, 2006.

Our responsibility is to express an opinion on the balance sheet and notes thereto based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the balance sheet and notes thereto are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the balance sheet and notes thereto. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the balance sheet and notes thereto, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the balance sheet and notes thereto 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 entity'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 balance sheet and notes thereto.

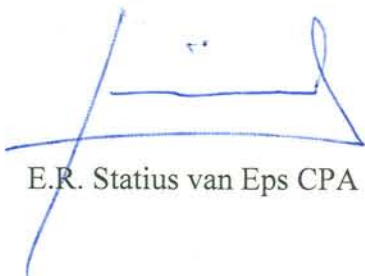
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the balance sheet and notes thereto give a true and fair view of the financial position of St. Eustatius National Parks Foundation as at December 31, 2006 in accordance with accounting principles generally accepted in the Netherlands.

Curaçao, June 30, 2006
0514 112/17418

for Ernst & Young



E.R. Status van Eps CPA

FINANCIAL STATEMENTS

BALANCE SHEET AS AT DECEMBER 31, 2006
(after appropriation of result)**A s s e t s**

	2006	2005
	ANG	ANG
Non-current assets		
Property, plant and equipment	309,480	154,677
Current assets		
Grants	66,782	186,970
Other receivables	4,010	2,116
Cash and cash equivalents	140,437	218,920
	<u>211,229</u>	<u>408,006</u>
Total assets	<u><u>520,709</u></u>	<u><u>562,683</u></u>

E q u i t y a n d l i a b i l i t i e s

	2006	2005
	ANG	ANG
Foundation's equity		
Capital	100	100
Retained earnings	456,249	380,966
	456,349	381,066
 Non-current liabilities		
Deferred income	33,033	172,414
 Current liabilities		
Taxes and social security payable	6,381	2,132
Other liabilities	24,946	7,071
	31,327	9,203
 Total equity and liabilities	520,709	562,683

STATEMENT OF OPERATIONS FOR THE YEAR 2006

	2006	Budget 2006	2005
	ANG	ANG	ANG
I n c o m e			
Grants	636,606	120,000	520,698
Grant BZK	446,356	-	-
Fundraising and donations	36,485	79,744	40,046
Sale of merchandise (net)	4,607	5,696	3,836
Other income	44,605	1,869	15,342
	<u>1,168,659</u>	<u>207,309</u>	<u>579,922</u>
E x p e n s e s			
Personnel expenses	327,317	307,584	246,046
Operating costs	130,691	187,968	103,196
Housing expenses	8,000	5,340	8,528
Administrative and general expenses	115,411	107,619	150,661
Depreciation expenses	65,601	-	55,189
Contribution Trust Fund	446,356	-	-
	<u>1,093,376</u>	<u>608,511</u>	<u>563,620</u>
Result for the year	<u>75,283</u>	<u>(401,202)</u>	<u>16,302</u>

CASH FLOW STATEMENT FOR THE YEAR 2006

	<u>2006</u>	<u>2005</u>
	ANG	ANG
Operating activities		
Operating result	75,283	16,302
Adjustment to reconcile result to net cash flows:		
Non-cash:		
Depreciation expenses	65,601	55,189
Working capital adjustments:		
Movements of grants	120,188	183,119
Movements of other receivables	(1,894)	(2,116)
Movements of taxes and social security payable	4,249	(1,686)
Movements of other liabilities	17,875	(3,808)
Movement of deferred income	(139,378)	(197,952)
Net cash flow from operating activities	<u>141,924</u>	<u>49,048</u>
Investing activities		
Purchase and proceeds form sale of property, plant and equipment (net)	(220,407)	(32,547)
Net cash flow from investing activities	<u>(78,483)</u>	<u>(16,501)</u>
Financing activities		
Adjustment to retained earnings	-	16,155
Disbursement of loans	-	-
Repayment of loans	-	-
Net cash flow from financing activities	<u>(78,483)</u>	<u>(346)</u>
Net increase/decrease in cash and cash equivalents	(78,483)	(346)
Cash and cash equivalents at January 1	218,920	219,266
Cash and cash equivalents at December 31	<u>140,437</u>	<u>218,920</u>

NOTES TO THE FINANCIAL STATEMENTS

General

Foundation information

St. Eustatius National Parks Foundation is a foundation incorporated and domiciled in the Netherlands Antilles. The principal activities of the foundation are the acquisition, preservation, protection and administration of parcels of land/water on Sint Eustatius, worthy of preservation.

Accounting policies

General

The financial statements have been prepared on a historical cost basis and are presented in ANG.

The financial statements have been prepared in accordance with generally accepted accounting principles in the Netherlands.

Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the cost of day to day servicing, less accumulated depreciation. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and at hand.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Income

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the foundation receives non-monetary grants, the assets and that grant are recorded at nominal amounts and are released to the income statement over the expected useful life of the relevant asset by equal instalments.

Other income is recognised to the extent that it is probable that the economic benefits will flow to the foundation and the income can be reliably measured. Income is measured at the fair value of the consideration received, excluding discounts and rebates.

Income from sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Expenses

Expenses are being recognised according to the accrual method, taking the valuation principles as mentioned above into consideration.

Losses are taken into account when foreseeable.

Cash flow

The cash flow statement is compiled according to the indirect method. The cash flow statement gives details of the source of cash which became available the year and the use to which these funds were applied. Sources and application of cash are categorised into activities they relate to.

NOTES TO THE BALANCE SHEET

Property, plant and equipment

	2006	2005
	ANG	ANG
Land and buildings	220,227	37,540
Transportation equipment	42,014	80,625
Other fixed assets	47,239	36,512
	<u>309,480</u>	<u>154,677</u>

	Land and buildings	Trans- portation equipment	Other fixed assets	Total
	ANG	ANG	ANG	ANG
January 1, 2006				
Purchase value	96,189	198,223	76,741	371,153
Accumulated depreciation	(58,649)	(117,598)	(40,229)	(216,476)
Book value	<u>37,540</u>	<u>80,625</u>	<u>36,512</u>	<u>154,677</u>
Changes				
Additions	194,987	-	25,420	220,407
Disposals	-	-	-	-
Depreciation expenses	(12,300)	(38,611)	(14,692)	(65,603)
Depreciation disposals	-	-	-	-
	<u>182,687</u>	<u>(38,611)</u>	<u>10,728</u>	<u>154,804</u>
December 31, 2006				
Purchase value	291,176	198,223	102,161	591,560
Accumulated depreciation	(70,949)	(156,209)	(54,922)	(282,080)
Book value	<u>220,227</u>	<u>42,014</u>	<u>47,239</u>	<u>309,480</u>

	2006	2005
	Years	Years
Useful lives		
The useful lives of the assets are estimated as follows:		
Land and buildings	15	15
Transportation equipment	3 – 10	3 – 10
Other fixed assets	3 – 10	3 – 10

Grants

	2006	2005
	ANG	ANG
AMFO	53,338	115,971
IUCN-NL	6,291	-
UNEP	5,894	5,894
KNAP	552	552
NFWF	41	65,744
Others	666	(1,191)
	66,782	186,970

Merchandise

The foundation carries merchandise inventory on stock. As the value of this merchandise could not be determined the entire value has been provided for.

Capital

The capital amounts to ANG 100.

	2006	2005
	<u>ANG</u>	<u>ANG</u>
Retained earnings		
Balance at January 1	380,966	364,664
Result current year	75,283	16,302
Balance at December 31	<u>456,249</u>	<u>380,966</u>
 Deferred income		
IUCN-NL	-	5,933
AMFO	32,992	95,805
UNEP	41	5,894
NFWF	-	64,782
Total	<u>33,033</u>	<u>172,414</u>
 Taxes and social security payable		
Income tax payable	2,157	1,254
Social security payable	4,224	878
	<u>6,381</u>	<u>2,132</u>
 Other liabilities		
Accrued expenses	5,368	6,239
Utilities	3,487	-
Other	16,091	832
	<u>24,946</u>	<u>7,071</u>

Contingent liabilities

BZK has granted Euro 1 million per year for the coming ten years to support nature conservation in the Dutch Caribbean. One of the conditions set by BZK for the 10 years subsidy is that the parks would create a Trust Fund in which Euro 18.9 million should be capitalised in 10 years. This asset in turn would then guarantee sustainable support and management of the natural resources to the parks going forward.

The parks have signed an agreement with DCNA, in which they agree to contribute an amount equal to what they receive from BZK to the Trust Fund, which is managed by DCNA. The Trust Fund agreed to manage the received funds properly and to provide sustainable support after a 10 year period for an indefinite timeframe. The Trust fund guaranteed that it will cover indefinitely all the operational cost of one land and one marine park on each island.

NOTES TO THE STATEMENT OF OPERATIONS

Income

	<u>2006</u>	<u>2005</u>
	ANG	ANG
DOEN	142,380	212,648
IUCN	122,167	122,220
Islands government	120,000	120,000
Prins Bernhard Culture Fund	82,318	-
NFWF	65,703	23,968
AMFO	62,635	10,084
USONA	33,731	865
UNEP	5,894	-
KNAP	1,778	2,563
MINA	-	28,350
	<u>636,606</u>	<u>520,698</u>

Grant BZK

The grant received from BZK is subsequently contributed to a trust fund, which in turn will guarantee sustainable support and management to the foundation.

Personnel expenses

	<u>2006</u>	<u>2005</u>
	ANG	ANG
Wages and salaries	264,455	188,171
Social security costs	37,414	27,211
Other	25,448	30,664
	<u>327,317</u>	<u>246,046</u>

The foundation employed an average of 9 personnel during 2006.

	2006	2005
	ANG	ANG
Operating costs		
Project expense	106,097	45
Repair and maintenance	15,604	3,275
Fuel	7,027	7,237
Freight and Harbour expense	1,105	901
Other	858	91,738
	130,691	103,196

Housing expenses

Utility expenses	7,955	2,611
Other	45	5,917
	8,000	8,528

Administrative and general expenses

Accounting, auditing, consulting and lawyer's expenses	47,320	28,742
Office expenses	24,073	73,902
Communication expenses	7,419	7,029
Insurances	3,649	392
Advertisements and promotions	22,355	1,680
Travel and entertainment	15,858	27,307
Other	(5,263)	11,609
	115,411	150,661