



**FOR THE YEAR ENDED DECEMBER 31, 2016****Table of Contents**

	<u>Page</u>
Independent Auditor's Report	1 - 3
Director's Report	4 - 13
<b>FINANCIAL STATEMENTS</b>	
Statement of financial position	14
Statement of income	15
Statement of changes in net assets	16
Statement of cash flows	17
Notes to the financial statements	18 - 42

To the Minister of Tourism, Economic Affairs,  
Traffic and Telecommunications  
Attn. Mr. S. Johnson  
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, 2016, 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 (reference is hereby made to the contents of page 14 up to and including page 42 of the 2016 financial statements of the Bureau). We expressed a qualified audit opinion on those financial statements in our report dated June 5, 2019.

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, 2016 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 June 5, 2019. 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 2016 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 2016 financial statements of the Bureau's at ANG 136,800. This materiality has been based on 3% of the total expenses of Bureau Telecommunications and Post Sint Maarten for the year 2016. 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 2016 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 subsequent effects of the 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. In 2016 these are, according to Lv. BTP art. 21, which states "the income received by the Bureau from the telecommunications sector, reduced by, operational and infrastructural expenditures, operational and capital investment reserves, shall be deposited into the coffers of Country Sint Maarten (Government)" reclassified to the income statement as revenue. Based on the above, the 2015 financial statements are restated for comparative purposes.
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 2017 until 2019 has been used to verify statements related to 2016. 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 2016 financial statements of Bureau Telecommunications and Post Sint Maarten.

Philipsburg, June 5, 2019

On behalf of

Stichting Overheidsaccountantsbureau,

  
R.E. Faneyte  
Associate Director

Initial for identification purposes:





## **Director's Report**

FOR THE YEAR ENDED DECEMBER 31, 2016

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 31 December 2016. 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 31 December 2016. This report is prepared as at 3 May 2019 (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 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**

The Bureau recognizes the importance of, and the need for, a Telecommunications environment, that will stimulate the continued introduction of new technologies and services, through state of the art facilities 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 Telecommunications 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
- Cyber Security
- E-waste policies
- Mergers in the industry and wider region
- Teleco's investment in cable companies
- 5G and 4G LTE deployment
- Internet-of-Things and Machine-to-Machine communications
- Total quality improvement

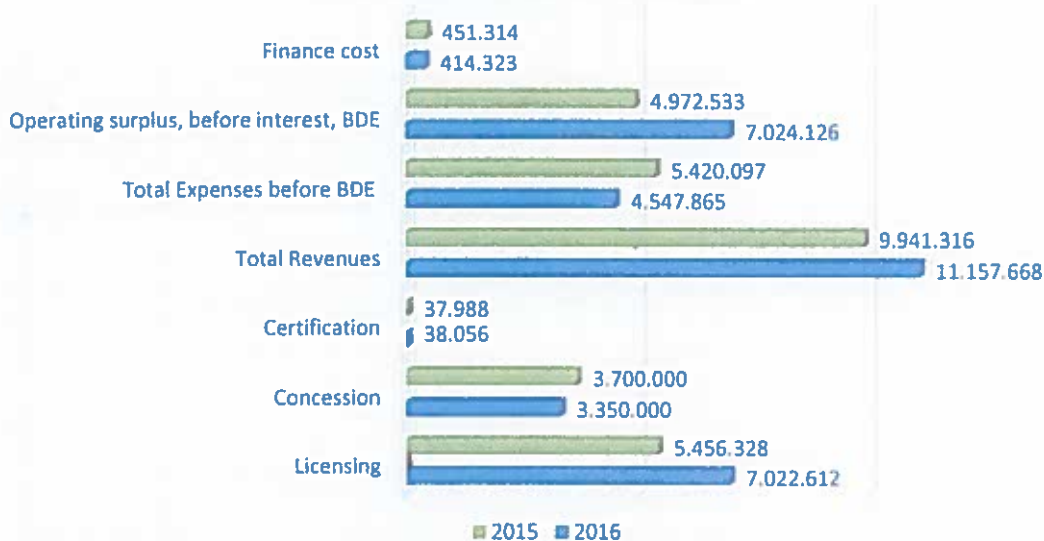
We are aware that the current economic climate in our Country and the region may stricken the successful achievement of research and developments, so continued forecasting and scenario planning have been utilized to ensure viability of advancements. Economically, we are operating in a soft market that 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**

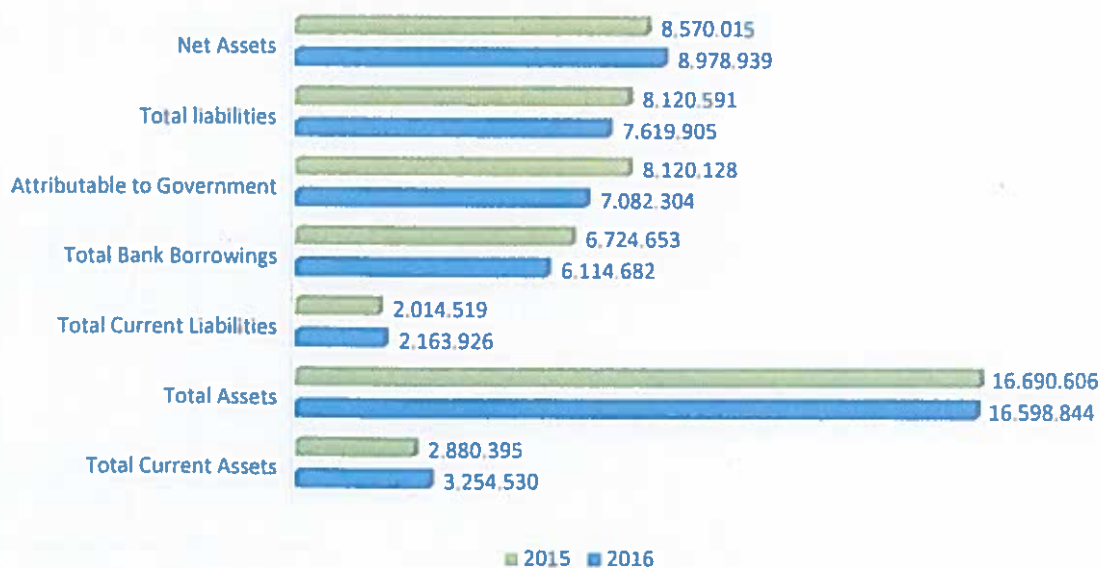
Results of operations and key performance indicators for the year then ended 31 December 2016, and comparative 31 December 2015, are as follows (in Antillean Guilders):

**FINANCIAL PERFORMANCE**



\*DBE = bad debt expense

**FINANCIAL POSITION**





## Director's Report

### FINANCIAL PERSPECTIVE (CONTINUED)

#### Trend and Ratio Analysis

##### **Liquidity**

- Current ratio – was 1.5 and 1.4 for the years ended 2016 and 2015 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 103%.
- Accounts receivable turnover (excluding rental and other income) – was 1.3 and 1.6 times for the years ended 2016 and 2015 respectively. An indication that collections have deteriorated with days in sales of 291 (2015: 234), as a result of continued default on payments by a few main concession clients, in particularly TELEM. Although, it's a negative Y/Y change the impact is trivial on year end 31 December 2016 current cash position, and the going concern. However, we remain alerted that, if not paid in the future this deficit will significantly decrease liquidity and the going concern of the Bureau.
- Working capital per day – was ANG 2,988 and ANG 2,372 for the years ended 2016 and 2015 respectively; supporting the increase in liquid assets such as cash and cash equivalents.

##### **Solvency**

- Total debt-to-net assets – was 0.8 and 0.9 times for the years ended 2016 and 2015 respectively. This indicates that the Bureau is less leveraged by 0.1 basis points comparative to prior year. An increased solvency position to service long-term obligations as they come due and support of the going concern.

##### **Profitability**

- Licensing % of total revenues – was 63% and 55% for the years ended 2016 and 2015 respectively, an increase of ANG 1.566M or 29% in Licensing revenues. This demonstrates continued strength in regulatory activities over Operators.
- Concession % of total revenues – was 30% and 37% for the years ended 2016 and 2015 respectively. The decrease was due to the fact that AACR concession of 2014 was billed in the year 2015.
- Operating margin (before other expense and BDE) - was 63% and 50% for the years ended 2016 and 2015 respectively, an increase in operating surplus of ANG 2.052M or 41%. Main attributors of the change were a 12% increase in “total revenues” and a Y/Y decrease in “total expenses before BDE” of -16% or ANG 872K. The sub-categories that experienced such decreases were mainly “depreciation” cost of capital for income generating assets by -17% or ANG 97K, “professional fees” for financial, consulting and related activities decreased by -41% or ANG 391K, “personnel expenses” decreased by 15% or ANG 303K, “rent expense” decreased by -11% or ANG 23K, and “telephone expense” decreased by -58% or ANG 35K. Adversely, “travel & lodging” increased by 70% or ANG 82K Y/Y as the Bureau had not participated in all workshops and/or Sector foreign conferences during 2015, but reconvened attendance to all events in 2016, as continued development of its personnel remains key to success. “Bad debt expense” for amounts due from clients increased by 191% or 2.726M.

## Director's Report

### FINANCIAL PERSPECTIVE (CONTINUED)

- Return-on-assets was 42% and 30% for the years ended 2016 and 2015 respectively, an increase of 12.5% of entity's value, 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.
- Quality of earnings (QOE) – is an index used to measure whether the net result for the year is a fair view of cash flows generated and retained in bank. QOE ratio was 87% and 34% for the year ended 2016 and 2015 respectively.

### OPERATIONAL PERSPECTIVE

- **Technical activities** – major technical activities carried out during 2016 were as follows;
  - 1) Illegal DECT sales – in the second week of June 2016, technicians of the BTP performed regular inspections, whereby it was discovered that a large business establishment on St. Maarten was illegally selling Digital Enhanced Cordless Telecommunication (DECT) phones to the public. A stern warning was issued, that the sale and use of DECT phones is in direct violation of St. Maarten Telecom laws of; 1995 No.196, art.15 sub.1, and art.20. It states, a maximum penalty of six (6) months imprisonment or an administrative fine of ANG 25,000 can be issued. The use of DECT devices causes disruption and impairs performance of licensed mobile phone networks. The public was warned that BTP will continue inspections within neighborhoods to track, and trace the sale, and use of DECT devices.
  - 2) On June 8 through 10<sup>th</sup> 2016, the regulatory administrators of St. Maarten, France, Anguilla, the State of Saba and St. Eustatius represented by the Netherlands met in Anguilla on the coordination, and monitoring of FM, UHF and Mobile frequencies. The focus was on the legal, and technical affairs of the neighboring islands as it pertains to the shared spectrum usage, and the avoidance of cross-border interference. Agreements were signed for the monitoring of mobile frequency bands, from which, cross border measurements will be conducted at different intervals, and the results of these measurements, first, are to be shared amongst the regulatory agencies, and then made public. This was a necessary condition of, checks and balances, to ensure that all operators are in compliance with the agreed upon division of frequency usage. Thus, the meeting was qualified as a success for all representatives as agreements were secured for the continued collaboration, and monitoring of spectrum usage, and the ultimate eradication of cross-border interference.
  - 3) During the first week of March 2016, BTP's technicians performed a site inspection at one of the larger transmission sites on St. Maarten that's located on Fort William Hill. The measurements conducted formed part of the ongoing spectrum management duties of BTP, and was executed in order to get valuable data on signal levels originating from the Fort William site. The gathered data forms a crucial part of spectrum management as it allows the regulator to check the compliance in regards to spectrum allocation plans of Dutch St. Maarten, as well as, compliance with the spectrum coordination agreement signed by Anguilla, French St. Martin, Saba and St. Eustatius represented by Netherlands and Dutch St. Maarten.

## Director's Report

### OPERATIONAL PERSPECTIVE (CONTINUED)

- **License and Certification disbursements were as follows:**

<u>Item</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>
Mobile	2	7	(5)
VHF	28	17	11
Amateur radio	2	6	(4)
Type approval	97	92	5
Air to ground	2	1	1

- **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 31 December 2015.

During 2016, BTP performed extensive measurement test which concluded that there were signal levels originating from mobile cell sites in St. Kitts, causing interference in St. Maarten. The regulators were able to identify the mobile cell-sites, and the respective mobile operators were requested to make the necessary adjustments to their antennas.

In conjunction with proper regulatory steps taken between the two islands, BTP also issued two new frequency channels in the UMTS band to Telcell, in order to, aid with improving their service capacity. To conclude, BTP's extensive work with regulatory Authority of St. Kitts (NTRC) had been fruitful, and the issue was resolved with no further interference. The mobile spectrum in St. Maarten was assessed free of the unwanted signals originated from St. Kitts, within the UMTS spectrum bands.

- **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. No customer issues were recorded for the year ended 2016. To ensure customer satisfaction the following was undertaken;

Equipment upgrade: BTP purchased advanced measurement probes to effectively measure the quality of telecommunication services as provided by St. Maarten's telecommunications Operators. The objective is to obtain actual performance data of the networks from the consumers' perspective. The equipment have extensive control capabilities that will allow BTP as the regulator to collect valuable data on mobile and fixed telecom networks on St. Maarten. Attributes are parameters such as network availability, coverage area, connectivity, throughput, measurement of download and upload speeds with military precision, and a tailor made software solution for the use of storing and analyzing data.



## Director's Report

### OPERATIONAL PERSPECTIVE (CONTINUED)

- **Corporate Social Responsibility** – amongst others the following were undertaken during the year;

Donations: December 2016, BTP's management and staff visited the Sister Basilia Center, and the ICAN foundation to celebrate Christmas with their angels. BTP personally hand over Christmas gifts, sports items, educational material, music instruments, computers, tablets and entertainment sets to over 75 clients of the Sister Basilia Center with mental and/or physical disabilities, psychiatric illness, orphans and victims of abuse. Additionally, over 25 children (age group 4-18) of the ICAN Foundation were served with gifts and treats for the Christmas.

Environment: As it relates to our environment, the Bureau has been engaged in a regional E-Waste program. The objective is 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.

- **Operational Constraints** – 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.

In the same vein, we wish to outline, the conclusion in the 2016 study carried out by BTP "FttX Policy Outline", with the involvement of all large operators, and service providers. Therein, it was noted, "the best approach for the St. Maarten society, economy, and telecom market is to combine resources in a nationwide fiber network upon which all, present and future network operators, service and content providers, can deliver services to their customers in an indiscriminate fashion". The ultimate objective is to "attain a balance environment in which consumer interest are protected". And, systems to support the introduction of new technologies, and services which will promote socio-economic development and overall growth in quality services in the nation.

- **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.

## Director's Report

### KEY OPERATIONAL SUBSEQUENT EVENTS

- **Developments and Projects** - the Bureau is currently occupied with the following ongoing projects;
  - Cyber security
  - Energy regulations execution of the SOW for utilities regulator as mandated
  - One infrastructure MOU between stakeholders
  - Quality of service
  - Market Study as it relates to the lifting or not of the telecom moratorium
  - Rate sheet review
  - Update LTV with internet service billing
  
- **Network Sharing Agreement** – On 20 June 2018, BTP (the Telecom Regulator of country St. Maarten) met with management of the Telem Group of Companies, and UTS to coordinate telecom recovery efforts in the event St. Maarten sustains a natural disaster in the future. Key matters considered were, the telecom infrastructure, network resilience, and the availability of communication services in the immediate aftermath of a disaster. Having experienced the aftermath of hurricane Irma 2017, the operators agree that there is a greater good in working together to ensure service continuity where customers of TELCELL can gain connectivity via UTS network, and vice-versa when necessary.
  
- **Government of St. Maarten Cyber Attack** – On 2 April 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) on behalf of the Government when agreement is achieved. 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.
  
- **Disaster** - On 6 September 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 and Sustainability Plan**” and its Stakeholders in these sectors to restore Country St. Maarten and make it more resilient.



## Director's Report

### KEY OPERATIONAL SUBSEQUENT EVENTS (CONTINUED)

- **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.

### 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.

In our partnership involvement efforts, BTP participated in CANTO 32nd AGM and mini exhibition regional workshop that took place in Haiti, February 2016. We look-forward to continued participation in such workshops to strengthen our knowledge and coordination within the region. In this event, over ninety delegates comprising c-level telecom executives, regulators, government officials and suppliers from across the region attended the event in a working session on a variety of projects to realize further improvements of the Telecom services in our region. Main topics discussed during the forum included: Corporate Social Responsibility, E-Waste and Mobile Handheld Disposal in the Caribbean, Cyber Security, Internet-of-Things (IoT) and regional Broadband Development.

- **Governance and Management** – a new Supervisory Board of Directors for the Bureau has been installed as of the 1 October 2017 and we foresee a good working relationship. On 15 January 2018 a new Minister of TEAT was appointed, having direct influence over the Bureau's ongoing and future developments. On 2 April 2018 the newly elected 15 Members of Parliament was sworn into office under the oath at the Governor's Office. The foregoing, changes remain consistent and the channels of direct Governance from the ministers remain unchanged.
- **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, Sister Basilia Center, ICAN foundation, and SXM Doet.

## Director's Report

### FORWARD-LOOKING STATEMENTS (CONTINUED)

- **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, 2016  
(Stated in Antillean Guilders)**

<u>ASSETS</u>	Notes	December 31, 2016	2015*
<b>NON-CURRENT ASSETS</b>			
Tangible assets, net	(3)	7,651,723	7,977,429
Investment Property, net	(3)	5,692,591	5,832,782
<b>Total non-current assets</b>		<u>13,344,314</u>	<u>13,810,211</u>
<b>CURRENT ASSETS</b>			
Prepayments and other current assets	(4)	179,615	142,693
Trade receivables, net	(5)	490,911	1,237,599
Time deposit held	(7)	451,042	450,591
Cash and cash equivalents	(8)	2,132,962	1,049,512
<b>Total current assets</b>		<u>3,254,530</u>	<u>2,880,395</u>
<b>TOTAL ASSETS</b>		<u>16,598,844</u>	<u>16,690,606</u>
 <b><u>NET ASSETS AND LIABILITIES</u></b>			
<b>NET ASSETS</b>			
Attributable to government	(9)	7,082,304	8,120,128
Operational reserve fund	(10)	1,080,000	449,887
Investment reserve fund	(10)	816,635	--
<b>Total net assets</b>		<u>8,978,939</u>	<u>8,570,015</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term debt	(11)	5,455,979	6,106,072
<b>Total non-current liabilities</b>		<u>5,455,979</u>	<u>6,106,072</u>
<b>CURRENT LIABILITIES</b>			
Short-term portion of long-term debt	(11)	658,703	618,581
Payroll liabilities	(12)	1,008,648	1,039,537
Trade payables and accruals	(13)	496,575	356,401
<b>Total current liabilities</b>		<u>2,163,926</u>	<u>2,014,519</u>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<u>16,598,844</u>	<u>16,690,606</u>

\*Prior year figures have been adjusted for comparative purposes.

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

**STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

	Notes	Jan 1- Dec 31, 2016	Jan 1- Dec 31, 2015*
<b><u>REVENUES</u></b>			
Licensing		7,022,612	5,456,328
Concession		3,350,000	3,700,000
Certification		38,056	37,988
Numbering		99,000	99,000
Lease income		648,000	648,000
<b>Net revenues</b>	(14)	<u>11,157,668</u>	<u>9,941,316</u>
<b><u>OPERATING EXPENSES</u></b>			
Personnel	(15)	1,706,756	2,009,721
Housing	(16)	281,306	355,330
Legal and Professional	(17)	551,935	936,672
Insurance	(18)	130,224	136,806
General and administrative	(19)	981,221	950,759
Depreciation	(3)	482,100	579,495
Bad debts expense	(6)	4,156,624	1,430,359
<b>Total operating expenses</b>		<u>8,290,166</u>	<u>6,399,142</u>
<b>Operating income</b>		2,867,502	3,542,174
<b><u>OTHER INCOME (EXPENSE)</u></b>			
Other income		451	9,752
Loss on asset disposal		(2,270)	--
Finance cost		(414,323)	(451,314)
<b>Total other income (expense)</b>	(20)	<u>(416,142)</u>	<u>(441,562)</u>
<b>Net result for the year</b>		<u><u>2,451,360</u></u>	<u><u>3,100,612</u></u>

\*Prior year figures have been adjusted for comparative purposes.

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

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

	Attributable To Government	Operational Reserve Fund	Investment Reserve Fund	Net Assets
Balance as at December 31, 2014	8,451,904	449,887	--	8,901,791
Prior years' concession revenue	10,459,106	--	--	10,459,106
Prior years' concession bad debt	(1,500,000)	--	--	(1,500,000)
Paid to Government	(9,665,663)	--	--	(9,665,663)
Payments onbehalf of Government	(683,192)	--	--	(683,192)
Lease receivable from Government	(2,042,639)	--	--	(2,042,639)
Net result for the year	3,100,612	--	--	3,100,612
Balance as at December 31, 2015*	8,120,128	449,887	--	8,570,015
Paid to Government	(1,121,236)	--	--	(1,121,236)
Payments onbehalf of Government	(273,313)	--	--	(273,313)
Lease receivable from Government	(648,000)	--	--	(648,000)
Provision for reserve funds	(1,446,635)	630,113	816,635	113
Net result for the year	2,451,360	--	--	2,451,360
Balance as at December 31, 2016	7,082,304	1,080,000	816,635	8,978,939

\*Prior year figures have been adjusted for comparative purposes.

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



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

	Jan 1- Dec 31, 2016	Jan 1- Dec 31, 2015*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net result for the year	2,451,360	3,100,612
Adjustments made to reconcile net result to net cash Used in operating activities:		
Depreciation and amortization	482,100	579,495
Bad debts expense	4,156,624	1,430,359
Loss on asset disposal	2,270	--
Changes in net working capital items:		
(Increase) in trade and other receivables, net	(3,409,936)	(202,439)
(Increase) Decrease in prepayments and other current assets	(36,922)	4,538
(Increase) in attributable to Government	(2,042,549)	(4,068,590)
(Decrease) Increase in payroll liabilities	(30,889)	251,474
Increase (Decrease) in trade payables and accruals	140,174	(128,599)
Increase in short-term portion of long-term debt	40,122	51,206
<b>Net cash provided by operating activities</b>	<b>1,752,354</b>	<b>1,018,056</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in short-term investments	(338)	(571)
Investments in tangible assets	(18,473)	(306,618)
<b>Net cash (used in) investing activities</b>	<b>(18,811)</b>	<b>(307,189)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(650,093)	(624,185)
<b>Net cash (used in) financing activities</b>	<b>(650,093)</b>	<b>(624,185)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,083,450</b>	<b>86,682</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,049,512</b>	<b>962,830</b>
<b>Cash and cash equivalents, end of year</b>	<b>2,132,962</b>	<b>1,049,512</b>

\*Prior year figures have been adjusted for comparative purposes.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(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 of 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's 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.
- 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 through 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, 2016  
(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 the functional currency of Antillean Guilders, while the Bureau's transactions are denominated in United States Dollars (USD). The exchange rate is fixed at 1.80 Antillean Guilder (ANG) to 1.00 USD.

b) Transactions and balances;

Foreign currency transactions are translated into the functional currency using the exchange rate of 1.80 ANG to 1.00 USD at the reporting date. Monetary assets and liabilities denominated in foreign currencies are translated using the prevailing 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, 2016  
(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. Transactions denominated in USD are converted at the fixed exchange rate of 1.80 ANG.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(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, 2016  
(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. Revenue**

Revenues from licenses, concession, certification, numbering, and rental income are recognized on the accrual basis of accounting in the related period when control over the goods or services is transferred to the customer.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(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's presentation.

As it relates to the financial year of 2016, the reclassification of concession billings from current account government to a first-time presentation on the statement of income was realized. This first-time adoption was done to conform to the Landsverordening BTP article 21, which states "the income received by the Bureau from the telecommunications sector, reduced by, operational and infrastructural expenditures, less operational and capital investment reserves, shall be deposited into the coffers of the Country of St. Maarten". The ordinance made no distinction of income, and as such, all income inclusive of concession fees are now recognized on the statement of income.

The prior year accounts were adjusted retrospectively as a result of the change in accounting policy to recognize concession fees from the statement of financial position to the statement of income. The retrospective treatment resulted in restated classes of transactions and account balances of the prior year 2015 as it relates to revenues, net income, current account government and retained surplus. The accumulated net due from (to) Government current account balance was reclassified from assets-to-net assets to enhance the understanding of attributable amounts to Government in accordance with Lv.BTP art.21.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**3. Tangible Assets, net**

	<u>Building</u>	<u>Office Equipment</u>	<u>Furniture &amp; fixtures</u>	<u>Vehicles</u>	<u>Operations equipment</u>	<u>Total</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)
At book value	7,434,322	88,430	46,772	60,520	347,385	7,977,429
Changes in book value						
Additions	--	4,187	4,968	--	9,318	18,473
Disposals	--	--	(2,270)	--	--	(2,270)
Depreciation	(179,361)	(40,351)	(16,129)	(18,123)	(87,945)	(341,909)
Net change for the period	(179,361)	(36,164)	(13,431)	(18,123)	(78,627)	(325,706)
Balance as at December 31, 2016						
Cost	7,949,849	420,746	199,235	132,462	1,448,967	10,151,259
Accumulated depreciation	(694,888)	(368,480)	(165,894)	(90,065)	(1,180,209)	(2,499,536)
At book value	7,254,961	52,266	33,341	42,397	268,758	7,651,723

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 5<sup>th</sup> and 6<sup>th</sup> 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 (comprises investment property and owner-occupied portions).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(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, 2015	
Cost	6,230,693
Accumulated depreciation	(397,911)
<b>Net book value</b>	<b>5,832,782</b>
Changes in book value for the year	
Additions	--
Depreciation	(140,191)
<b>Net change for the year</b>	<b>(140,191)</b>
Balance as at December 31, 2016	
Cost	6,230,693
Accumulated depreciation	(538,101)
<b>Net book value</b>	<b>5,692,591</b>

**4. Prepayments and Other Current Assets**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Security deposits	29,189	28,811
Personnel advances	1,035	1,260
Advances to suppliers	136,535	99,794
Prepaid insurance	12,856	12,828
	<b>179,615</b>	<b>142,693</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**5. Trade Receivables, net**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Scarlet N.V (SXM Network Management)	--	398,982
Netstar N.V.	250,946	212,447
Radcomm Corporation NV (UTS)	242,899	45,507
TELEM Group of companies	2,138,122	517,557
Global Comtrade	2,141,909	1,782,909
3SCS Station	101,100	89,400
Caribbean Teleview Services N.V	--	101,477
Corporate Innovations	1,750,000	1,300,000
All Americas cable and radio Curacao	2,099,999	1,400,000
New Technologies Group N.V (Caribserve)	22,399	--
Beach Mart Television N.V	899,986	449,986
Critical Communication Caribbean	66,547	63,997
EBS Executive Business Services	22,500	20,000
Wireless Telecom Network (WTN)	43,199	--
Others	<u>317,018</u>	<u>304,426</u>
	10,096,624	6,686,688
<b>Less: provision for doubtful accounts</b>	<u>(9,605,713)</u>	<u>(5,449,089)</u>
	<u>490,911</u>	<u>1,237,599</u>

Significant matters regarding trade and other receivables are as follows; Global Comtrade is a significant account that comprises stale dated and current invoices for which legal actions are ongoing. Ruling Netstar: On April 4<sup>th</sup>, 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 conversely reduced 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 outstanding concession fees to BTP. BTP thereby proceeded to pursue collection activities on these invoices in accordance with its debt collection policy. Instruction received from Minister TEZVT regarding WTN: On December 12<sup>th</sup>, 2017 BTP received an instruction from the Minister of TEZVT to offset specific outstanding invoices in the amount of ANG 420.314,78 against the attributable to Government and cleared from the client's receivables balance. The Bureau has duly complied with the Minister's instruction whereby receivables were reduced, provisions for bad debt reduced and receivable from Government increased accordingly. The amounts categorized as "others" relates to the smaller accounts which are presented in aggregate form.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**5. Trade Receivables, net (Continued)**

Government accounts receivable and that of its sub-entity, Facility services department, was reclassified to attributable to Government to enhance the understandability and presentation of trade receivables. **TELEM Group**: since the passing of hurricane Irma and the publication of the vereffeningssakkoord, the group has adopted the position of non-payment of BTP outstanding invoices. This position has also been communicated to the Minister TEVZT whereby TELEM informed Government of St. Maarten that they intend to offset all uncollected Government bills against BTP's outstanding invoices. This position has exacerbated the already precarious situation of BTP's bad debts, and as such, provisions for doubtful accounts were increased accordingly.

**6. Provision for Doubtful Accounts**

	Balance 31-Dec-16	Bad debt 2016	Balance 31-Dec-15
Telem Group	2,138,122	2,138,122	--
Radcomm Corporation NV (UTS)	--	(45,507)	45,507
Netstar N.V.	250,946	38,499	212,447
3SCS	101,100	11,700	89,400
Beach Mart	899,986	449,986	450,000
Global Comtrade	2,141,909	714,514	1,427,395
AACR	2,100,000	350,000	1,750,000
Corporate Innovations	1,750,000	450,001	1,299,999
Critical Communications	56,645	--	56,645
Executive Business Services	22,500	2,500	20,000
Others	144,505	46,809	97,696
	<b>9,605,713</b>	<b>4,156,624</b>	<b>5,449,089</b>

A particular situation occurs when there is uncertainty about the collection of receivables for which the related revenue has already been recognized in net income. In such cases, the amounts of which are uncertain are recognized as an expense. The invoices relating to Netstar for which provisions have been made are all open invoices which existed as at October 10, 2010, or directly pertains 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 instructions received in 2016 and 2017. Due to ministerial instructions, WTN receivables were reduced by ANG 57,598 and ANG 110,897 for the years 2016, 2015 respectively.

For the year ended 2016, bad debt on receivables from Government was charged to net income (to the extent of the amount that directly pertains to concession revenues which were also recognized for the first time in net income, in accordance to the matching principle). This accounting treatment is contrary to that of prior years' (2010-2014 ended) wherein concession bad debt was recognized as a contra account on the statement of financial position for presentation purposes. The aggregated net adjustment of prior years was charged to retained surplus to correct the carrying balances accordingly.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**7. Time Deposit Held**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Certificate of deposit - Windward Islands Bank Ltd.	450,937	450,486
Interest income, thereon	105	105
	<u>451,042</u>	<u>450,591</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 is updated annually as per the budgeted reserve amounts and 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%.

**8. Cash and Cash Equivalent**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Windward Island Bank USD	1,523,418	780,253
Windward Island Bank ANG	609,177	268,737
Petty Cash	367	522
	<u>2,132,962</u>	<u>1,049,512</u>

The cash and cash equivalent are at free disposal of the Bureau.

**9. Attributable to Government**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Retained surplus of prior years (2010 - 2014)	--	8,451,904
Attributable to Government, Opening	8,120,128	--
Prior years' concession revenue	--	10,459,106
Prior years' concession bad debt	--	(1,500,000)
Paid to Government	(1,121,236)	(9,665,663)
Payments on behalf of Government	(273,313)	(683,192)
Lease receivable from Government	(648,000)	(2,042,639)
Net result for the year	2,451,360	3,100,612
Provision for reserve funds	(1,446,635)	--
	<u>7,082,304</u>	<u>8,120,128</u>

Figures presented for 2015 represents the accumulated amounts for the years 2010 – 2015 and 2016 figures represents mutations for the current year ended 2016.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**9. Attributable to Government (continued)**

In accordance with Lv.BTP art.21, which states, “the income received by the Bureau from the telecommunications sector, reduced by, operational and infrastructural expenditures, operational and capital investment reserves, shall be deposited into the coffers of Country Sint Maarten (Government). Hence, the established “attributable to Government” account as a means to enhance the understandability and transparency of the users to the financial statements.

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 (Unaudited)  
TTL: ANG 9,736,899

Reported in prior year’s annual reports and omitted above are payments made to Government for the years 2010-2015 of the aggregated amount ANG 2,500,000.

**Other significant matters related to attributable to Government account**

As it relates to the division of assets on the balance sheet, as per October 9th 2010, of BTP Netherlands Antilles, there was an amount of approximately ANG 16 million taken up in the books as a receivable from the Country of St. Maarten under the heading “vordering inzake telecom providers 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 of 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, executed a separate investigative research into the aforementioned claim made by BTP NA, as it pertains to the framework of the entire verification of the division of assets of the former Netherlands Antilles entity. The reason for an entire process of separate review, lies in the fact that, the division of assets of the former Netherlands Antilles must be determined and finalized accurately, however tedious the task. Consequently, BTP NA was embedded in the review process as the former National entity bearing custody of these assets. Presently, there is still little clarity on the status of the division of assets process. Furthermore, no clarity was received on the, extent and amount, of the claims to be included in the undertaking of the division of assets. To the best of our knowledge, as of reporting date, no decision regarding this matter has been made by Country Saint Maarten. And, if the contrary exist, no formal position has been indicated to BTPSXM by the Minister of Finance regarding the findings of the “Vereffeningsakkoord 10-10-10”.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**10. Operational and Investment Reserve Fund**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Operational reserve fund	1,080,000	449,887
Investment reserve fund	816,635	--
	<u>1,896,635</u>	<u>449,887</u>

Operational reserve fund: basis of recognition

In accordance with Lv.BTP art.20.lid 3, it states, the Bureau is authorized, with previous permission of the Minister of TEZVT, to establish a reserve fund with the purpose to cover possible future losses of the Bureau.

Investment reserve fund: basis of recognition

In accordance with Lv.BTP art.20.lid 4, The Bureau is authorized, with the previous permission of the Minister of TEZVT, to establish an investment reserve fund for the specific purpose of financing special projects of its own; and of third parties within the scope of the objectives of the Bureau under special advice from the Council of Ministers.

Establishment of the reserve funds of BTP Sint Maarten

In accordance with art.18, of AB 2013 GT no.466, which legislates the preparation and approval of BTPSXM's budget; the budget of 2013 was approved on, 28 September 2012 by the Minister of Tourism, Economic Affairs, Transportation and Telecommunication (TEZVT). In the budget of 2013 an amount of ANG 450,000 was budgeted for the establishment of the operational reserve fund with the objective to cover possible future operational losses. The reserve fund was first recognized, by way of an approved budget allocation for the year 2014, and increased by ANG 630,000 for the approved budget year of 2016. Respective of the investment reserve fund of the amount ANG 816,635, this account was first recognized within the financial statements in accordance with the approved budget of 2016.

Noteworthy, pursuant to Lv.BTP art.18 sub.7, the budget is automatically approved if within six (6) months of being submitted by the Director to the Minister of TEZVT there is no response or approval thereof from the Minister.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**11. Long-Term Debt**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
<b>Long term liabilities</b>		
W.I.B loan facility. a	496,516	663,718
W.I.B loan facility. b	5,618,166	6,060,935
<b>Total liabilities</b>	<u>6,114,682</u>	<u>6,724,653</u>
<b>Less: short term portion</b>		
W.I.B loan facility. a	(179,883)	(168,241)
W.I.B loan facility. b	(478,820)	(450,340)
<b>Total Short-term portion</b>	<u>(658,703)</u>	<u>(618,581)</u>
<b>Total long-term portion</b>	<u>5,455,979</u>	<u>6,106,072</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 29<sup>th</sup>, 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, 2016  
(Stated in Antillean Guilders)**

**11. 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 7<sup>th</sup> 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.

**12. Payroll Liabilities**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
AVBZ	25,063	25,429
AOV/AWW	7,472	5,315
ZV/OV	2,210	1,734
Wage tax	86,834	99,102
Pension liability	745,632	766,570
Pension contributions refundable to employees	109,400	109,400
Management salaries by Versant Accountants	32,037	31,587
Cessantia premiums	--	400
	<u>1,008,648</u>	<u>1,039,537</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 to 2013 of whom were not yet registered and/or recognized by APS. Hence, these deductions were never paid to APS. Given the fact that these deductions did not start at the same point-in-time for all BTP 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.

Pension liability of the amount ANG 745,632, was computed by use of roll-forward procedures on opening balances as at 31 December 2015, plus 2016 invoices, less payments and credits. Motivation for roll-forward procedures is; the continued inconsistencies experienced with APS billings and credits to reporting date. APS statement balance at 31 December 2016 was ANG 714,666, however the roll-forward balance was accrued to avoid any upwards future adjustment. On 9 April 2019, BTP received written confirmation from APS that the pension liability of the years 2010 to 2015 was paid in full.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**13. Trade Payables and Accruals**

	<u>31-Dec-16</u>	<u>31-Dec-15</u>
Stichting Tercera	16,632	33,264
Actis	40,500	40,500
Accountability Center	33,934	15,696
Curtis White	11,250	22,591
SOAB	93,625	154,093
Versant Accountants	20,016	31,050
Other, trade payables	26,572	37,201
Accrued liabilities, UPU	153,598	--
Credit cards	5,013	16,966
Redeemable checks	95,435	5,040
	<u>496,575</u>	<u>356,401</u>

As it relates to the first-time recognition of UPU (Universal Postal Union) accruals, in 2017, it was noted that Sint Maarten was the only Kingdom partner that had not contributed its portion to the UPU. The portion allocated to Sint Maarten, was paid by Aruba and Curacao, and subsequently in 2018, billed to Sint Maarten for settlement.

**14. Revenue**

	<u>2016</u>	<u>2015</u>
Licensing	7,022,612	5,456,328
Concession	3,350,000	3,700,000
Certification	38,056	37,988
Numbering	99,000	99,000
Lease income	648,000	648,000
	<u>11,157,668</u>	<u>9,941,316</u>

A key change in accounting policy for gross revenue recognition, and more specifically the recognition of concession revenue was implemented during the financial year 2016. The change in accounting policy for the recognition of concession revenue was enacted to conform to Lv.BTP art.21, which states “the income received by the Bureau from the telecommunications sector reduced by operational and infrastructural expenditures, less operational and capital investment reserves, shall be deposited into the coffers of the Country of St. Maarten”. The ordinance made no distinction of income, and as such, all income inclusive of concession fees are now recognized on the statement of income.

Prior to the adoption of the change in recognition of concession revenue, concession receivable and received were accounted for within the balance sheet account titled “Due from (to) Government”, that served as a cash register for Government. However, this treatment was not in compliance with Lv.BTP art.21, hence the significant change in revenue policy to present all revenue on the statement of income and derecognize the “Due from (to) Government account. The effect, is the emergence of a new account “attributable to Government” that comprises revenue, less, operating expenses, less operational reserve to cover possible future losses, less investment reserve for financing of projects to a net balance attributable to Government in accordance with Lv.BTP art.21.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**14. Revenue (continued)**

The accounting treatment of the change in accounting policy was done retrospectively. As a result, concession revenue of prior year 2015 was recognized on the statement of income for presentation purposes. The aggregate of 2010-to-2014 concession revenue transactions and balances were captured in retained surplus.

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 usage and all regulatory oversight charges related to the assignment and usage of assigned spectrum. Spectrum assignment is done by the Minister of TEZVT through licenses or concessions. The continued regulations over spectrum usage have encouraged operators to be more efficient with their spectrum assignment and usage over 2016. Licensing revenue increased year-on-year (Y/Y) by ANG 1.566M as a direct consequence of main operators increasing the number of assigned circuits as a means to enhance their service capacity and quality.

As it relates to concession revenues as a new line item on the statement of income, the impact was an increase in gross revenues of ANG 3.35M and ANG 3.7M for the years ended 2016 and 2015, respectively. Concession revenues experienced a negative Y/Y change of ANG 350K due to the fact that AACR concession of 2014 was billed in the year 2015.

All other revenue categories, such as, certification, numbering, and lease income remained on par with prior year.

**15. Personnel**

	<u>2016</u>	<u>2015</u>
Gross salaries and wages	1,376,473	1,562,366
Social premiums	77,379	75,582
Pension premiums	170,231	278,422
Other personnel expense	82,673	93,351
	<u>1,706,756</u>	<u>2,009,721</u>

Personnel expenses decreased for the year 2016, primarily due to the discontinuation of one key employee for whom rent, telephone and other expenses were incurred.

For the year ended 2016, a total of thirteen (13) persons were employed by the Bureau, comparative to the year 2015 of a total thirteen (13) employees.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**16. Housing**

	<u>2016</u>	<u>2015</u>
Rent	172,800	195,585
Utilities	31,647	37,998
Telephone, data and Internet	31,229	70,674
Janitorial expense	5,276	7,009
Security expense	12,402	13,824
Parking	27,952	30,240
	<u>281,306</u>	<u>355,330</u>

The rent account comprises rent payable to the owner of the 1<sup>st</sup> floor of the Leah building complex. Other rent expense relates to a partial year of rental allowance to the COO of BTP SXM as per his labor agreement.

**17. Legal and Professional**

	<u>2016</u>	<u>2015</u>
Professional fees – legal and financial services	352,351	737,088
Management fees	199,584	199,584
	<u>551,935</u>	<u>936,672</u>

Management fees represent payments to an external entity for various consultation services on behalf of BTP SXM. Professional fees represent financial (28%) and legal (72%) services over the year 2016, of which the most significant were legal representation for various legal proceedings. The second highest fees were for audit and other financial services. Several audits of both a financial, fiscal and operational nature have been ongoing as commissioned in 2013 onto 2016 by the Minister of TEZVT and the Supervisory Board.

**18. Insurance Amortization**

	<u>2016</u>	<u>2015</u>
Personnel	54,875	61,750
Vehicles	5,720	5,459
Furniture	2,716	2,705
Equipment	6,577	6,570
Building	59,875	59,861
Public liability	461	461
	<u>130,224</u>	<u>136,806</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**19. General and Administrative**

	<u>2016</u>	<u>2015</u>
Numbering Plan	162,112	162,128
Membership Fees	39,714	1,147
Advertising & Promotion	3,098	2,813
Travel and lodging	198,748	117,174
Representation	57,230	39,245
Donations & Charitable Contribution	40,802	45,861
Postage and Courier	14,831	12,932
Automobile expense	17,700	29,625
Repair and Maintenance	235,926	256,364
Office Supplies	26,308	33,866
Computer & Equipment	39,170	35,352
Network Support Expense	85,256	63,436
Bank Charges	10,349	12,303
foreign exchange variances	7,374	35,561
Penalties and Fines	9,659	38,806
LTE 3A project, ISOC and other	32,944	64,146
	<u>981,221</u>	<u>950,759</u>

The most significant accounts of General and Administrative expenses were numbering plan, travel, repairs & maintenance and network support. Travel & lodging was directly related to the traveling responsibilities of the director and support staff for the Bureau during 2016. The major component of repairs and maintenance derived from a maintenance contract for the Leah Complex Building. Numbering plan expenses are further discussed below and network support expenses are incurred annually under a support and maintenance contract with a specific outsourcer. 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.

**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.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**19. General and Administrative (Continued)**

**Travel Expenses**

Travel expenses was one of the highest incurred under general and administrative. 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.

**Other 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 11). Loss on asset disposal represents a disposed asset

**20. Contingent Liabilities**

On 6 May 2019, BTP received an updated listing of pending court cases from the legal counsel of the Ministry of TEZVT dated 29 April 2019. The updated listing of court cases comprised pending legal matters as of 9 November 2018. The following were matters reported by legal counsel;

**Minister of TEZVT vs Netstar N. V. (Lar 30/2018):**

Netstar submitted a Lob request in this case by letter of 4 August 2017, in which it requested the Minister to provide information on, among other things, proof of approval and the training background of certain BTP employees. The Minister rejected these requests by decision of 16 February 2018. Netstar then brought an action before the General Court against the decision. A statement of defense was submitted to the General Court on 3 October 2018. The Court of First Instance ruled on 11 February 2019, ruling that the Ministers must provide Netstar with the requested information about the employees' training grounds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**20. Contingent Liabilities (continued)**

Minister van TEZVT vs Netstar N.V. (Lar 312/2018):

Netstar filed a Lob request in this case on 9 February 2017, requesting an overview of all legal entities and license holders receiving bills based on the category: "distribution frequency fee holders: data services without speech in any form whatsoever". A request was also made for copies of their permits and accounts issued in 2016. The Minister rejected the requests by decision of 4 July 2017. Netstar appealed against this decision to the Court. October 2018, the General Court upheld the appeal and instructed the Minister to take a new decision within four weeks on the forfeiture of a penalty of Naf 500 per day with a maximum of Naf 50,000.

Minister of TEZVT vs Netstar N.V. (Lar SXM201900178):

By judgment of 18 October 2018 (Lar 312/2018), the General Court instructed the Minister to take a decision on the Lob request in respect of the overview requested by Netstar of all legal entities and license holders receiving bills based on the category: "distribution of frequency fee holders: data services without speech in any form whatsoever ". On 11 January 2019, the Minister made a (positive) decision on the Lob request. By an appeal of 21 February 2019, Netstar appealed pro forma against this decision. The grounds for the appeal had not yet been submitted as of the date of this letter.

Minister of TEZVT vs Netstar N.V. (Lar SXM201801586):

By an appeal of 9 April 2018, Netstar brought an action before the General Court against two decisions of 15 November 2018, issued on 20 November 2018 under numbers 17098A/18 and 17098B/18. Through these decisions, the Minister has grounds for the authorization granted to Netstar in the year 2002 an annual fee from Naf. 42,000 per year imposed in connection with the supervision of compliance with the legal requirements and the use of the allocated frequencies. Netstar states, among other things, that the authorization expired in 2008 and that, as a result, the Minister cannot base the imposition of the annual fee on the authorization. After a statement of defense has been submitted to the General Court by the Minister, a date will be set for the oral proceedings.

Minister van TEZVT vs Caribbean Teleview Services N.V. ('Cable TV') (Lar-57 /18):

The shares in Cable TV have been disposed of without having obtained the necessary permission. In addition, the activities of Cable TV are carried out by a third party, and its employees are dismissed. Cable TV has therefore violated various conditions of its license and has also failed to follow the instructions of the director of BTP. Fines were subsequently imposed by order of 5 May 2018 for a total amount of \$ 7,777.78. Cable TV appealed to the General Court on 15 June 2018. A statement of defense was submitted to the General Court on 3 September 2018. The proceedings before the General Court were temporarily suspended in order to give the parties the opportunity to reach an amicable solution.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**20. Contingent Liabilities (continued)**

Minister van TEZVT vs Caribbean Teleview Services N.V. ('Cable TV') (Lar-108/18):

By order of 5 May 2018, BTP imposed fines of \$7,777.78 on behalf of the Minister that Cable TV did not pay. (See previous case, Lar 57/18), As Cable TV did not pay these fines, BTP imposed an administrative fine of 1.5% on the outstanding fines of Cable TV by letter of 16 July 2018. Cable TV appealed to the General Court by letter of appeal of 24 August 2018. A statement of defense was submitted on 2 October 2018 on behalf of the Minister. The proceedings before the General Court were temporarily suspended in order to give the parties the opportunity to reach an amicable solution.

Minister van TEZVT vs Caribbean Teleview Services N.V. ('Cable TV') en Sint Maarten Telephone Company N.V. ('Telem') (Lar-97/18):

Telem has submitted a request on behalf of Cable TV to the Minister to change the name on the authorization and license of Cable TV to the name of Sint Maarten Telephone Company N.V. By order of 18 June 2018, the Minister rejected the request for name change. Telem and Cable TV brought an action before the General Court against that decision. A statement of defense was lodged with the General Court on 25 September 2018. The proceedings before the General Court were temporarily suspended in order to give the parties the opportunity to reach an amicable solution.

Minister van TEZVT vs Sint Maarten Telcommunication Operating Company N.V en Telcell N.V. (Lar 34/18):

Telem and Telcell have lodged an objection with the Minister against invoices charged to them for frequencies assigned to them. Telem and Telcell, state that a number of frequencies are no longer in use by them and that for this reason a number of invoices have been incorrectly charged to them. The Minister by ruling on 21 February 2018, stated that the objection was inadmissible because TELEM had submitted their claim too late. Telem and Telcell, appealed to the Court of First Instance against the decision on the objection, and the Ministry of TEZVT was subsequently advised to withdraw the contested decision on the objection, and have a new decision on the objection from Telem and Telcell.

Minister van TEZVT vs Sint Maarten Telcommunication Operating Company N.V. en Telcell N.V. (Lar 42/18):

Telem and Telcell, have appealed against a letter from BTP dated 15 March 2018, in which, following correspondence from 11 December 2017, BTP claims that it has imposed an administrative fine of 1.5% on Telem and Telcell in its own name (not on behalf of the Minister), due to late payment of invoices sent by BTP to these entities. A statement of defense was filed on 5 July 2018 on the advice of BTP, arguing that the imposition of the fine is a legal act under private law, and that the Court of First Instance must declare itself inadmissible, or declare Telem and Telcell inadmissible in their action. The proceedings before the General Court were temporarily suspended in order to give the parties the opportunity to reach an amicable solution.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**20. Contingent Liabilities (continued)**

Minister van TEZVT vs TELEM (Lar 74/18), SMITCOMS (Lar 75/18), TELCELL (Lar 76/18):

These procedures concern the same discussion with regard to the imposition of administrative fines of 1.5% for late payment of invoices as described in the above procedure under 'Lar 42/18'. A statement of defense was submitted on 14 August 2018 on behalf of the Minister. The proceedings before the General Court were temporarily suspended in order to give the parties the opportunity to reach an amicable solution.

Minister van TEZVT vs Caribbean Teleview Services N.V. (Cable TV) [Lar 155/2018]:

By letter of 29 October 2018, BTP imposed an administrative fine of 1.5% per month on Cable TV for the unpaid bill dated 4 May 2018 of \$7,777.78. By an appeal of 7 December 2018, Netstar brought an action before the General Court against the imposition of that fine. On behalf of the Minister, a statement of defense was filed on 11 January 2019, requesting the General Court to declare Netstar inadmissible, or the application unfounded. The Court of First Instance still has to set a date for the oral procedure.

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.

**21. Subsequent Events**

Passing of Hurricane Irma: On 6 September 2017, a catastrophic 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 8 October 2017, a damaged report was made for Hurricane Irma claim. The report stated that a visual inspection approach was applied throughout the Building on 26 September 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 26 March 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 9 April 2018 from NAGICO as final settlement for the Building.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**21. Subsequent Events**

***Impact on Equipment, Vehicles and Furnishings:***

On 17 November 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 17 November 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 8 December 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 13 November 2017 from NAGICO as final settlement for policy # V84010/06.

***Litigations:***

**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. Subsequently, Global Comtrade requested for the cancellation of their international concession that was granted, retroactive to 2017 and executed on April 5, 2018.

**Instruction Minister TEZVT regarding WTN:** On 12 December 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 attributable to Government, and cleared from the clients AR balance. This instruction has been followed accordingly, whereby resulting with the effects being reflected in attributable to Government, and provisions for bad debt. Of the entire amount to be written off, only the amounts relating to the years 2012 – 2016 were derecognized of the amounts ANG 40,524, ANG 102,150, ANG 102,147, ANG 110,896, ANG 57,598 respectively as per 31 December 2016. The remaining balance of ANG 7,200 will be processed subsequently in the year 2017.

**Mandate for Utility Sector:** As per publication in the National Gazette of 1 September 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).



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Stated in Antillean Guilders)**

**21. Subsequent Events**

TELEM Group of Companies:

Re: Offset of TELEM's receivables against Country of Sint Maarten's payables

On 6 July 2018, TELEM wrote a letter to the Minister of Finance, seeking a resolution on the subject matter for the offset of its outstanding receivables against its payables.

The Bureau's financial exposure on the subject matter, is the collectability of outstanding spectrum fees receivable from TELEM of the amount ANG 3,303,419.65; as the proposed amount to be set-off against Government of Sint Maarten's payables as of reported date 28 March 2018. TELEM's position is for the set-off of the spectrum fees payable against its outstanding claim receivable from Government of the amount ANG 32,643,038.73. Within the same letter, TELEM informed the Minister of Finance that it will be offsetting future spectrum fees payable against the net balance of the ANG 32,643,038.73 until full settlement to "NIL".

Historical background of TELEM Group Outstanding Receivables

As of January 2014, TELEM started defaulting on its payments of spectrum fees. The outstanding amount of ANG 2,138,122 as presented in Note 5, represents the period mainly January 2014 to December 31, 2016.

TELEM was disputing that the accuracy and allocation of the spectrum by the Bureau, and as such, refused to pay on its outstanding obligations. The issue was independently investigated, and have been since resolved. In light of this fact, TELEM continued its non-payment campaign that resulting in the Bureau sending its receivables to the collection agency in April 2018.

Thereafter, TELEM had no other grounds for non-payment, so it submitted a letter of request to the Minister of TEATT on 6 July 2018, to have its spectrum fees payable to the Bureau set-off against its receivables from Government of Sint Maarten.

This matter remained unresolved as of reporting date 31 December 2016, and we make note of the financial exposure it creates for the Bureau as it more specifically relates to liquidity.