

FINANCIAL STATEMENTS

December 31, 2017

Expressed in Antillean Guilders

FOR THE YEAR ENDED 31 DECEMBER 2017**Table of Contents**

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To the minister of Tourism, Economic Affairs,
Traffic and Telecommunication
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INDEPEDENT AUDITOR'S REPORT

10-10-2018



Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2017

This is the annual report of the Director of the Bureau Telecommunications and Post (hereinafter referred to as "The Bureau or BTP") that embodies a discussion and analysis from management's view of the operations, industry, financial condition, performance and cash flows of the Bureau for the year then ended 31 December 2017. The following disclosures and associated financial statements are presented in accordance with generally accepted accounting principles in Sint Maarten and as prescribed by the Supervisory Board. The annual report should be read in conjunction with the information disclosed within the financial statements and notes thereto for the year then ended 31 December 2017. This report is prepared as at 18 March 2021 (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 Sint Maarten. One in which, the industries shall be regulated, innovations stimulated, concerted cooperation with stakeholders, and policies 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; equipped to support the economic development of Sint Maarten and its citizenry. Having such an infrastructure will not solely serve to enhance the quality of life on Sint Maarten, but shall also enhance the overall business viability within the industry, even in a small economy of scale as ours. The geographical location of Sint Maarten and its demographics present the potential for Sint Maarten to position and establish itself as a leading telecommunications Hub in the region. In doing so, the hub positioning would enable service offerings that exceed national borders, and resulting in increased viability of businesses on Sint Maarten.

Director's Report

Overview and strategy

As envisioned by the Government of Sint 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 of information and communication technologies; we are at the forefront championing this vision. We will continue to demonstrate leadership in the establishment of Sint Maarten as a regional telecommunications and post hub, serving as the connecting link between the Caribbean and North America.

The vast development of information technology and telecommunications over the years on Sint Maarten are indicative of our capabilities as being equipped to serve a much broader market than ours. Our telecommunications policy was the first set of policies enacted for the Country of Sint Maarten, and as such, serves as the basis for a competitive consumer-and-provider-friendly environment. One in which, 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 overarching vision. To that effect, we are poised on the following industry developments;

- Fiber optic to the home projects
- Net neutrality
- Big data control and regulations
- Cyber Security and Resilience
- E-waste policies
- Robotic process automation (RPA)
- Mergers and consolidations in the industry
- Teleco's investment in technology companies
- 5G and 4G LTE deployment
- Internet-of-Things (IoT) and Machine-to-Machine communications
- Total quality improvement
- Obligatory internet access

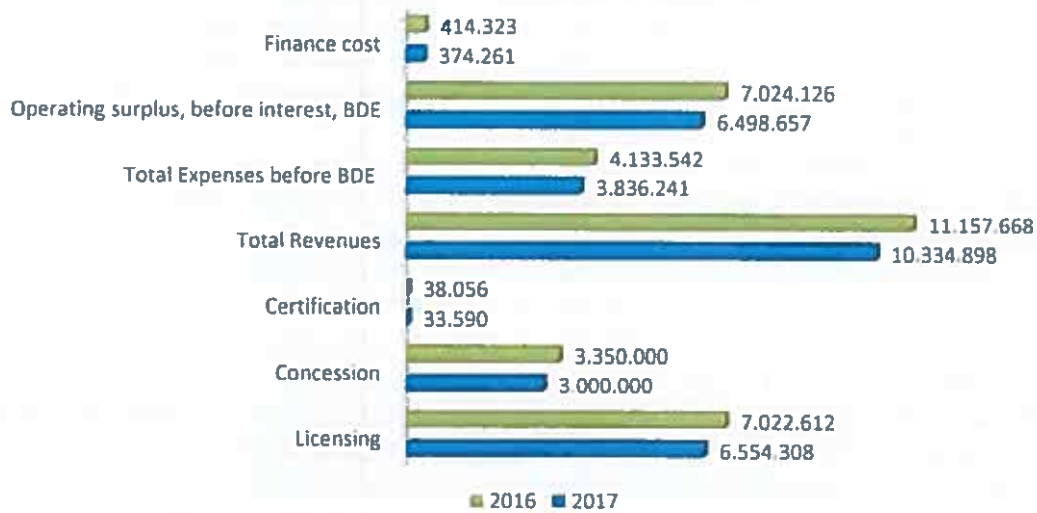
In continuance of the industry developments, we remain alerted of the current economic climate in our Country and the region that's further exacerbated by the ongoing global covid-19 pandemic. These underlying economic shocks have stricken the successful achievement of research and development projects. As such, emphasis is given to lean-forecasting and scenario planning to ensure resource maximization and the realization of overarching technological advancements for the Bureau and Sint Maarten as a whole. Demand for improved telecommunications and technological advancements have heightened over the past twelve months and we remain mindful of such need on a national level. However, one must not forget that, 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

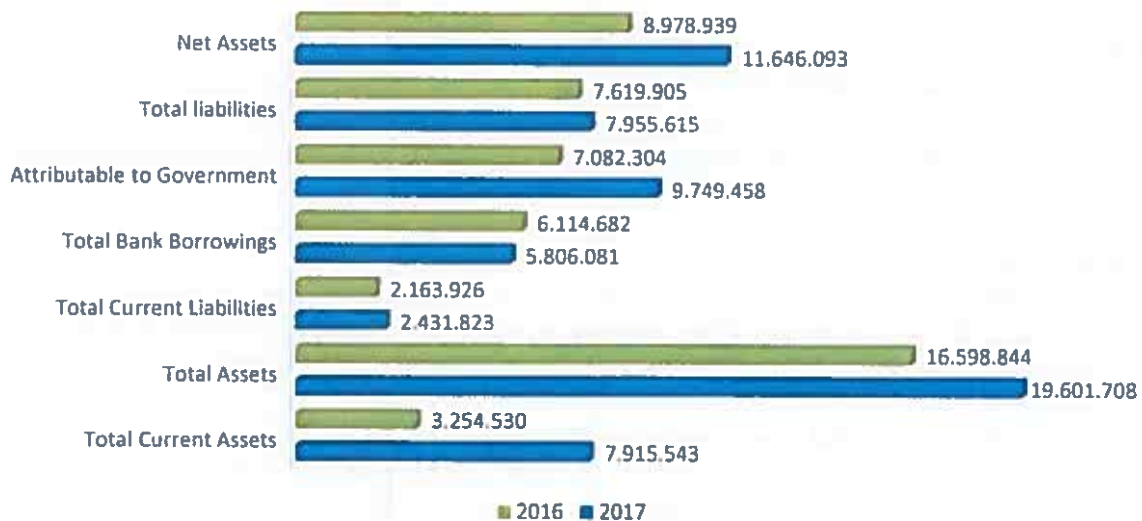
Results of operations and key performance indicators for the year then ended 31 December 2017 and comparative 2016, are as follows (in Antillean Guilders):

FINANCIAL PERFORMANCE



*DBE = bad debt expense

FINANCIAL POSITION



Director's Report

FINANCIAL PERSPECTIVE (CONTINUED)

Trend and Ratio Analysis

Liquidity

- **Current ratio:** was 3.3x and 1.5x for the years ended 2017 and 2016, respectively. The significant increase in liquid assets was mainly the result of TELEM's settlement agreement which rendered doubtful receivables collectible. Other significant current asset increases were amounts receivable from hurricane Irma insurance settlement and cash in bank. This healthy liquidity position enables the Bureau to meet its current obligations as they come due.
- **Accounts receivable turnover (excluding rental and other income):** was 0.8x and 1.2x for the years ended 2017 and 2016, respectively. This is further testament to the sharp increase experienced in receivables due to transferred amounts from TELEM's doubtful to collectible accounts. This situation severely increased receivables with the matching deteriorated effect on AR turnover for the year ended 2017, but, subsequently TELEM'S settlement agreement of 2020 (see FS note 5) gave rise to increased collections on the stale-dated receivables. This result, directly improved AR turnover for the year ended 2020 onto 2021 with equal impact on cash and cash equivalents. Noteworthy, the quality of receivables at year-end 2017 improved as TELEM accounted for 24% of the aging population. Thus, although days in sales slowed down significantly by 140 days (2017:434 and 2016:294), this negative Y/Y change had little adverse impact on the subsequent liquidity and going concern of BTP.
- **Working capital per day:** was ANG 15,024 and ANG 2,988 for the years ended 2017 and 2016, respectively; further supporting the above assertions on liquid assets such as collectible AR, insurance settlement receivable and cash available to cover current liabilities as they come due.

Solvency

- **Total debt-to-net assets:** was 0.7x and 0.8x for the years ended 2017 and 2016, respectively. This indicates that the Bureau was less leveraged by 0.1 basis point compared 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 substantially consistent at 63% for the years ended 2017 and 2016, respectively. This demonstrates continued strength in regulatory activities over Operators and the Bureau's effective monitoring and billing activities over spectrum usage.
- **Concession % of total revenues:** was substantially was on par year-over-year (Y/Y) at 29% and 30% for the years ended 2017 and 2016, respectively. The 1% drop was due to revoked concession of Global Comtrade during the year 2017.

Director's Report

FINANCIAL PERSPECTIVE (CONTINUED)

Trend and Ratio Analysis

Profitability

- **Operating margin (before other expenses and BDE):** was consistent at 63% for the years ended 2017 and 2016, respectively. Significant highlights of operating margin components were as follows:
 - **Revenue:** decreased by an overall -7% or ANG 823K due to the revoked concession of Global Comtrade and a few changes to spectrum license assignments as disclosed under financial statement (FS) note 16. **Legal and professional:** increased by 23% or ANG 129K due to legal fees for ongoing legal affairs of the Bureau, ongoing audits, technological development-and-systems consulting, and sector development consulting. **General and administrative:** decreased by -21% or ANG 211K due to avoided membership registration (ANG -30K), decrease in representation and attendance at sector conferences (ANG -31K), decrease in network support activities (ANG -18K), decrease in travel & lodging for representation of the Bureau (ANG -94K), and deferred quality of service projects (ANG -26K) were the main attributors.
- **Bad debts:** decreased by -108% or ANG 4.5M substantially due to TELEM's July 2020 and January 2021 settlement agreements. This event significantly increased aging receivables and synchronously reduced operating losses the same. Net result of operating margin after bad debt (recovery) expense was a Y/Y increase of 138% or ANG 3.9M.
- **Disaster loss:** was a new financial statement account of a significant ANG 1.6M that significantly decreased net result margin from 62% to 46% after disaster loss. The rights to insurance coverage hedged disaster loss by ANG 1.2M with the remainder ANG 0.4M on the account of the Bureau. This one-time non-operating loss was due to the unprecedented year of the super catastrophic hurricanes Irma and Maria. Irma struck the country at windspeeds over 180 mph (285 km/h) and a minimum pressure of 914 hPa (27.0 inHg). Irma was the most intense tropical cyclone worldwide (before Hurricane Maria) in 2017 in terms of barometric pressure, and the strongest worldwide in 2017 in terms of wind speed, but this record was surpassed by the runner-up hurricane Maria.
- **Return-on-assets (ROA):** was 33% and 42% for the years ended 2017 and 2016, respectively; hence a -9% decrease of the Bureau's efficient usage in generating profitability from invested assets. However, this decline can be attributed to the foregoing discussion over the significant changes in revenues and expenses over the fiscal year 2017. Moreover, whilst ROA is normally a good indicator of management's stewardship over entrusted resources, one must remember that this was an unprecedented year of unusual events and transactions. For example, TELEM's settlement agreement increased receivables and total assets so this will decrease ROA as EBIT before bad debts is the income level used in this calculation of ROA.
- **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 47% and 87% for the years ended 2017 and 2016, vastly due to the significant increase in earnings due to TELEM's bad debt recovery that was not translated into cash at year-end 2017. For explanatory purposes, QOE would have been 109% without the TELEM's bad debt recovery (current net result = ANG 4.8M less bad debt expense pre-Telem's recovery of ANG 2.7M = ANG 2.1M revised net result, so QOE would be cash ANG 2.3M / 2.1M = 109%).

Director's Report

OPERATIONAL PERSPECTIVE

- **Technical events and activities** – major technical activities carried out during 2017 were as follows;
 - 1) **Spectrum monitoring** – as the Bureau's ongoing responsibility our technical department continued their oversight and monitoring of spectrum usage in Sint Maarten over the year 2017. Our technicians performed various site inspections on Sint Maarten to ensure the quality of the country's telecom infrastructure. These inspections enable our technical team to measure and capture valuable data which are instrumental in the ongoing spectrum management duties of the BTP. For example, data collected enables the Bureau to advance its assessment of operators and their compliance to spectrum allocation plans of Dutch Sint Maarten, as well as, compliance with the spectrum coordination agreement signed by Anguilla, French Saint Martin, Saba and Sint Eustatius (represented by the Netherlands) and Dutch Sint Maarten.
 - 2) **Hurricane Irma and Maria**: during September 2017, Sint Maarten got struck by hurricanes Irma and Maria which were category 5+ hurricanes with wind gusts up to 221 mph, at least when struck by Irma. As a result, 13 major cell towers came down, over 30 micro cell sites were severely damaged, and in total close to 65% of the Telecom networks on Sint Maarten were compromised. Due to these major infrastructural damages, phone, internet, broadcasting, and mobilization services were jeopardized or limited in the aftermath. In rebuilding telecom infrastructure on Sint Maarten major restoration works were imminent so the BTP proactively reached out to Telecom operators and Service Providers to assess where it could ease the burden. BTP received mobile network antennas and antenna mast poles which were redistributed to the service providers such as TELEM, UTS and C3 to fast-track their restoration of damaged networks. In BTP's outreach, additional information gathered in the aftermath of these hurricanes further convinced the Bureau more than ever that, Sint Maarten needs the "One Infrastructure" network with cohesive collaboration between the Government, Regulator & Communication Providers.

BTP has always been a proponent of "Infrastructure sharing" in the Telecom industry as outlined in an official publication by BTP on 13th February 2017. Infrastructure sharing is the mechanism of sharing passive and/or active telecom infrastructure amongst telecom service providers to decrease costs (CAPEX and OPEX), improve the quality of service, increase coverage, and potentially lower retail prices whilst having a positive environmental impact due to less duplication of infrastructure.

The underlying benefits of the One Infrastructure network remains limitless, to name a few, superfast internet, more reliable (mobile) phone services, state of the art TV solutions, and affordable rates for telecommunications and TV services are amongst the many advantages to be enjoyed in our society. At the BTP, we do believe that we can achieve this One Infrastructure system with the buy-in of all stakeholders whereby making the interest of the country of Sint Maarten and the end-users the highest priority.

Director's Report

OPERATIONAL PERSPECTIVE (CONTINUED)

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

<u>Item</u>	<u>2017</u>	<u>2016</u>	<u>Change</u>
Mobile	2	2	--
VHF	45	28	17
Amateur radio	5	2	3
Type approval	94	97	(3)
Air to ground	--	2	(2)

- **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. Hence, the critical purpose of the Bureau's continued monitoring activities to ensure the best quality is maintained. For the year ended 2017, no major spectrum quality issues were recorded.
- **Consumer Satisfaction** – is measured from a Regulator's perspective on the quality of the product that is delivered to the consumer (QoS) and their quality of experience (QOE) therewith. If an escalated complaint is filed with the Bureau (in accordance with the complaint policy) regarding a particular Telecom service, then an investigation is launched to identify the root-cause with reference to the issued license, and industry standards. Thereafter, corrective actions will pursue any infringements identified. No customer issues were recorded for the year ended 2017.

To ensure customer satisfaction: the BTP purchased advanced measurement probes (equipment) to effectively measure the quality of telecommunication services as provided by Sint 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 Sint 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.

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

Donations and outreach: on 19th June 2017, the BTP recommitted its support to Qualichi Women's Soccer Association for the second Dutch Caribbean Women's Soccer Cup (DCWS2017) that was held on 23rd to 25th June 2017. BTP fervently believe in the further development of (women's) football on Sint Maarten. The DCWSC is a one-of-a-kind, three-day event that will accentuate the importance of female camaraderie, and inclusion, by welcoming and supporting female football players from the Dutch Caribbean.



Director's Report

OPERATIONAL PERSPECTIVE (CONTINUED)

▪ **Corporate Social Responsibility:**

Donations and outreach: on the 16th February 2017 management and staff of the BTP visited the Sister Basilia Center and the ICAN foundation to celebrate Christmas with their angels, and to personally hand over Christmas gifts which included sporting items, educational materials, musical instruments, computers, tablets and entertainment sets.

The Sister Basilia center is home to over 75 clients with mental and/ or physical disabilities, persons with psychiatric illness, orphans and victims of abuse, while the ICAN Foundation is a foster home that is catering towards 25 children within the age group 4-18. Both organizations are doing a phenomenal job in serving our community by taking care of persons in our society that are facing challenges and need help in their daily life. After several meetings between BTP and the foundations, and by listening carefully to their needs and wishes, BTP allocated funds to provide assistance, with the objective to make it a magical Christmas for them all. As the Director of BTP, myself and staff believe, as part of our social corporate responsibility it's equally paramount to invest in the betterment of our communities apart from our primary task of regulator. We are very proud of the dynamic outreach program the staff of BTP has maintained in uplifting our society.

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 and/or handheld device development in our new age. Moving forward we will continue to work on a policy framework where E-Waste is concern.

- **Operational Constraints** – the successful realization of many projects have experienced bottlenecks due to frequent change in Governing bodies, and with that being said, we anticipate the longevity of the current government administration. The past instability of the Country's governing system has hindered the Bureau's long-term vision and realization of 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.
- **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 the Country of Sint Maarten.

Reconstruction of telecommunications mast - the BTP has working collaboration with the department of VROMI to provide advisory on request by service-providers for new building permit of antenna-mast.

Director's Report

KEY OPERATIONAL SUBSEQUENT EVENTS

- **Developments and Projects** - the Bureau is currently occupied with the following ongoing projects:
 - Cyber security
 - Execution of energy regulations of the SOW for utilities as mandated
 - One infrastructure MOU between stakeholders
 - Quality of service
 - Rate sheet review
 - Update LTV with internet service billing
- **Network Sharing Agreement** – On 20 June 2018, BTP (the Telecom Regulator of country Sint Maarten) met with management of the Telem Group of Companies, and UTS to coordinate telecom recovery efforts in the event Sint 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 hurricanes Irma and Maria, 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 Sint Maarten Cyber Attack** – On 2 April 2018, a cyberattack paralyzed the Government of Sint 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. In a move towards an established cyber security policy, on the 23rd August 2018, BTP submitted to the Minister of TEATT the preliminary findings of the first phase of the "cyber security strategic road map" soliciting stakeholder input and action.

Nonetheless, 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.

Director's Report

KEY OPERATIONAL SUBSEQUENT EVENTS

- **COVID-19** - the novel coronavirus has triggered a series of unfolding events since its outbreak and continues to cripple economies and our way of life. The outbreak sequenced as the discovery of the China-Wuhan outbreak (8th December 2019), the WHO declared public health emergency (30th January 2020), effects of covid-19 first felt on our shores (March 2020), local containment efforts and government relief packages are still ongoing (18th March 2021). As of reporting date, covid-19 remains an ongoing pandemic and the reliance on telecommunications and postal services are more relevant today than ever. We remain on high alert as it relates to the needs of our society and how can we satisfy those needs with resources at our disposal as regulator.

On the 1st May 2020, as head of the ESF 2 (Emergency Support Functions), the BTP executed an assessment within the telecommunication sector to learn more about the measures taken by the service providers to mitigate the effects of COVID-19. The main objective of this COVID-19 assessment was to support the EOC (Emergency Operations Centre) in its de-escalation approach for the country of Sint Maarten. Respondents to the BTP's assessment were those that are providing essential telecom services within our community and/or cater to a large number of subscribers.

Financial statements impact: see financial statements note No.1 (going-concern disclosure) and note No.24.2(a).

- **Utilization BTP building lease spaces** – on 18th March 2021, the BTP was informed by the Minister of TEATT that in accordance with the lease confirmation dated 13th July 2012, the Division of Inspection at the Ministry of Education, Culture, Youth & Sport has been assigned the 4th floor of the Leah Building Complex to use as their office spaces.

FORWARD-LOOKING STATEMENTS

- **Partnerships in the Industry** – the Bureau has working relations with PUC Anguilla, ANFR France (Saint Martin) and Agentschap telecom of the Netherlands with its responsibility to oversee Saba and St. Eustatius. Wherein parties have agreed 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 those regulators in the region continue to be consistent in soliciting the experience and best practices from each other.

We look-forward to continued participation in workshops such as CANTO, to strengthen our knowledge and coordination within the region. These sector workshops normally comprise, c-level telecom executives, regulators, government officials and suppliers from across the region; participating in workshops on a variety of projects aimed at continued improvements within telecom services in our region. Main topics at discussions are usually, Corporate Social Responsibility, E-Waste and Mobile Handheld Disposal in the Caribbean, Cyber Security, Internet-of-Things (IoT), regional Broadband Development and business after Covid-19.

Director's Report

FORWARD-LOOKING STATEMENTS (CONTINUED)

- **Governance and Management** – a new Supervisory Board of Directors for the Bureau was installed on 1st October 2017 and served until 31st October 2020. We are thankful for the contribution enjoyed from the last sitting Supervisory Board and look forward to the installment of the new incoming Board in the near future. On the 28th March 2020, the Jacobs II cabinet was sworn into office with the new Minister of TEAT having direct influence over the Bureau's ongoing and future developments.
- **Good Corporate Citizenship Practices** – the Bureau have always participated in activities that positively impact our community, with the objective to contribute to the social- and cultural development of Sint 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, SXM Doet and the Qualichi Women's Soccer Association.
- **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 will continue to hold forums as those held in 2017 to inform and educate the general public on the latest industry developments. Moving into the foreseeable future we will continue on this path of Stakeholders development as it directly impacts the competitiveness of the Country of Sint Maarten relative to our region and the world.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Stated in Antillean Guilders)**

<u>ASSETS</u>	Notes	December 31,	
		2017	2016
NON-CURRENT ASSETS			
Tangible assets, net	(3)	6,332,796	7,651,723
Investment Property, net	(3)	5,102,477	5,692,591
Work-in-progress	(15)	250,892	--
Total non-current assets		11,686,165	13,344,314
CURRENT ASSETS			
Prepayments and other current assets	(4)	132,551	179,615
Trade receivables, net	(5&6)	3,923,934	490,911
Insurance settlement receivable	(22.1)	1,152,000	--
Time deposit held	(7)	451,493	451,042
Cash and cash equivalents	(8)	2,255,565	2,132,962
Total current assets		7,915,543	3,254,530
TOTAL ASSETS		19,601,708	16,598,844
<u>NET ASSETS AND LIABILITIES</u>			
NET ASSETS			
Attributable to government	(9)	9,749,458	7,082,304
Operational reserve fund	(10)	1,080,000	1,080,000
Investment reserve fund	(10)	816,635	816,635
Total net assets		11,646,093	8,978,939
NON-CURRENT LIABILITIES			
Asset restoration obligation – long term	(14)	396,844	--
Long-term debt	(11)	5,126,948	5,455,979
Total non-current liabilities		5,523,792	5,455,979
CURRENT LIABILITIES			
Short-term portion of long-term debt	(11)	679,133	658,703
Asset restoration obligation – short term	(14)	647,492	--
Payroll liabilities	(12)	494,314	1,008,648
Trade payables and accruals	(13)	610,884	496,575
Total current liabilities		2,431,823	2,163,926
TOTAL NET ASSETS AND LIABILITIES		19,601,708	16,598,844

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

**STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017
(Stated in Antillean Guilders)**

	Notes	Jan 1- Dec 31, 2017	Jan 1- Dec 31, 2016
<u>REVENUES</u>			
Licensing		6,554,308	7,022,612
Concession		3,000,000	3,350,000
Certification		33,590	38,056
Numbering		99,000	99,000
Lease income		648,000	648,000
Net revenues	(16)	10,334,898	11,157,668
<u>OPERATING EXPENSES</u>			
Personnel	(17)	1,586,984	1,706,756
Housing	(18)	263,940	281,306
Legal and Professional	(19)	681,332	551,935
Insurance	(20)	121,139	130,224
General and administrative	(21)	770,540	981,221
Depreciation	(3)	412,306	482,100
Bad debts (recovery) expense	(6)	(316,882)	4,156,624
Total operating expenses		3,519,359	8,290,166
Operating income		6,815,539	2,867,502
<u>OTHER INCOME (EXPENSE)</u>			
Other (expense) income		(3,547)	451
Loss on asset disposal		(5,176)	(2,270)
Finance cost		(374,261)	(414,323)
Disaster loss		(1,635,230)	--
Total other income (expense)	(22)	(2,018,214)	(416,142)
Net result for the year		4,797,325	2,451,360

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

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Stated in Antillean Guilders)**

	Attributable To Government	Operational Reserve Fund	Investment Reserve Fund	Net Assets
Balance as at 31 December 2015	8,120,128	449,887	--	8,570,015
Paid to Government	(1,121,236)	--	--	(1,121,236)
Payments on behalf 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 31 December 2016	7,082,304	1,080,000	816,635	8,978,939
Paid to Government	(1,450,000)	--	--	(1,450,000)
Payments on behalf of Government	(97,772)	--	--	(97,772)
Lease receivable from Government	(648,000)	--	--	(648,000)
Adjustment for prior years	65,601	--	--	65,601
Provision for reserve funds	--	--	--	--
Net result for the year	4,797,325	--	--	4,797,325
Balance as at 31 December 2017	9,749,458	1,080,000	816,635	11,646,093

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
(Stated in Antillean Guilders)**

	Jan 1- Dec 31, 2017	Jan 1- Dec 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net result for the year	4,797,325	2,451,360
Adjustments made to reconcile net result to net cash used in operating activities:		
Depreciation and amortization	412,306	482,100
Bad debts (recovery) expense	(316,882)	4,156,624
Loss on assets disposal	5,176	2,270
Impairment loss	1,628,930	--
Changes in net working capital items:		
(Increase) in trade and other receivables, net	(3,116,141)	(3,409,936)
Decrease (Increase) in prepayments and other current assets	47,064	(36,922)
(Decrease) in attributable to Government	(2,130,171)	(2,042,549)
(Increase) in insurance settlement receivables, net	(1,152,000)	--
Increase in assets restoration obligation	1,044,336	--
(Decrease) in payroll liabilities	(514,334)	(30,889)
Increase in trade payables and accruals	114,309	140,174
Increase in short-term portion of long-term debt	20,430	40,122
Net cash provided by operating activities	840,348	1,752,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(451)	(338)
Increase in work-in-progress	(250,892)	--
Proceeds from assets disposal	9,000	--
Investments in tangible assets	(146,371)	(18,473)
Net cash (used in) investing activities	(388,714)	(18,811)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(329,031)	(650,093)
Net cash (used in) financing activities	(329,031)	(650,093)
Net increase in cash and cash equivalents	122,603	1,083,450
Cash and cash equivalents, beginning of year	2,132,962	1,049,512
Cash and cash equivalents, end of year	2,255,565	2,132,962

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
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1. GENERAL

Bureau Telecommunication and Post (hereafter referred to as "the Bureau or BTP") principal activity is to carry out telecommunication and post regulatory activities on the island of Sint 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 by executive work in the field of telecommunications and post, and
- e) Being it, as necessary as instructed by the Council of Ministers representing Sint Maarten's interests in respect of telecommunications and post 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 the 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, whilst 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 as required to remain compliant with the financial 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, in which, cash used in or available from operations are calculated by adjusting the operating surplus or deficit of the accounting period for the effects of non-cash items included in the operating net result; 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 accordingly.

**NOTES TO THE FINANCIAL STATEMENTS
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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, performance, cash flows, borrowing capabilities, and exposures to overall business risk.

The Bureau prepares regular forecasts and projections which include, sensitivity analysis, taking into account a number of downside risks to the forecast, augmentation of underlying changes to performance factors, and future economic benefits of resources in assessing their related impacts on liquidity and working capital.

COVID-19 and its impact on the going-concern assumption:

The financial statements of the entity are prepared on the assumption that the Bureau is able to continue in existence for the foreseeable future despite the ongoing covid-19 pandemic. In forming this conclusion, management considered the effects of covid-19 on the liquidity, working capital and operational resources to conclude that the pandemic does not create a material uncertainty that casts significant doubt on the entity's ability to continue as a going concern. Despite this fact, looking to the next 12-months the impact of covid-19 on the entity remains at hindsight as we continue to maneuver these turbulent times.

In summary, the Director of the Bureau considered it appropriate to continue to adopt the going concern basis of accounting in preparation of the entity's financial statements.

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, whilst the Bureau's transactions are denominated mainly 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 other than the USD are translated using the prevailing exchange rates 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 31 DECEMBER 2017
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Basis of preparation (Continued)

Critical accounting estimates and judgments

The preparation of financial statements in accordance with standards set by the supervisory board requires management to make estimates and judgments that affect the reported amounts of revenue, expenses, assets and liabilities. These 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 financial statements date. And as such, actual future experience could differ from those estimates.

Those principal estimates and judgments that could have a significant effect on the Bureau's financial results relate to amounts deemed collectible from debtors, related parties' receivable, carrying amounts of impaired properties, 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 when required by the applicable financial reporting framework. Financial assets include cash and cash equivalents, client receivables, trade receivables, other receivables, amounts due from related parties and long-term loans.

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 on 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 on hand, overdrafts, on demand deposits and other short-term highly liquid investments. Cash on hand and in banks are stated at nominal values. Transactions denominated in USD are converted at the fixed exchange rate of 1.80 ANG.

**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Financial liabilities

Financial liabilities are initially recognized at fair value plus transaction cost when required by IFRS. 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 provisions, and
- 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 net income 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, and for instruments at fair value through profit or loss, any directly attributable transaction cost is accounted for accordingly. Subsequently, non-derivative financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS
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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 the Bureau so as to obtain benefits from its relevant activities. Related party transactions as of reporting date comprise attributable to Government of Sint Maarten whom has significant control over the activities of the Bureau Telecommunications and Post.

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 ordinary 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 ordinary course of the entity's operating cycle. 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 repairs and maintenance is charged to net income as incurred.

**NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Revenue

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

The relevant statutes that influence the accounting policy for revenue recognition is Landsverordening BTP article 20 and 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 Sint Maarten”. The ordinance thereby, explicitly, made no distinction of income, and as such, all sources of income form an integral part of revenues.

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 figures of prior years’ may have been reclassified to conform to the current year’s accounts and presentation.

**NOTES TO THE FINANCIAL STATEMENTS
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(Stated in Antillean Guilders)**

3. Tangible Assets, net

	<u>Building</u>	<u>Office Equipment</u>	<u>Furniture & fixtures</u>	<u>Vehicles</u>	<u>Operations equipment</u>	<u>Total</u>
Balance as at 31 December 2016						
Cost	7,949,849	420,746	198,940	132,462	1,448,967	10,150,964
Accumulated depreciation	(694,888)	(368,480)	(165,599)	(90,065)	(1,180,209)	(2,499,241)
Net book value	7,254,961	52,266	33,341	42,397	268,758	7,651,723
Changes in book value:						
Additions	--	19,255	2,898	63,720	60,498	146,371
Disposal	--	(5,619)	(4,311)	(4,246)	--	(14,176)
Impairment loss	(1,079,648)	(53,132)	(23,527)	(19,432)	--	(1,175,739)
Depreciation	(171,085)	(8,704)	(8,401)	(13,030)	(74,163)	(275,383)
Net change for the period	(1,250,733)	(48,200)	(33,341)	27,012	(13,665)	(1,318,927)
Balance as at 31 December 2017						
Cost	6,870,201	381,250	174,000	172,504	1,509,465	9,107,420
Accumulated depreciation	(865,973)	(377,184)	(174,000)	(103,095)	(1,254,372)	(2,774,624)
Net book value	6,004,228	4,066	--	69,409	255,093	6,332,796

Depreciation percentages are:

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

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

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3. Investment Property, net

The vacant floors of the Leah Building Complex are being rented out, and/or, destined for occupancy by Government of Sint 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, 2016	
Cost	6,230,692
Accumulated depreciation	(538,101)
Net book value	<u>5,692,591</u>
Changes in book value for the year	
Additions	--
Impairment loss	(453,192)
Depreciation	(136,922)
Net change for the year	<u>(590,114)</u>
Balance as at December 31, 2017	
Cost	6,230,692
Accumulated depreciation and impairment	(1,128,215)
Net book value	<u><u>5,102,477</u></u>

4. Prepayments and Other Current Assets

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Security deposits	29,189	29,189
Personnel advances	550	1,035
Advances to suppliers	80,676	136,535
Loans	9,720	--
Prepaid insurance	12,416	12,856
	<u>132,551</u>	<u>179,615</u>

**NOTES TO THE FINANCIAL STATEMENTS
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5. Trade Receivables, net

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Netstar N.V.	292,944	250,946
Radcomm Corporation N.V (UTS)	579,119	242,899
TELEM Group of companies	3,064,607	2,138,122
Global Comtrade	2,141,909	2,141,909
3SCS Station	112,800	101,100
Coral Telecom	37,998	--
Corporate Innovations	2,200,000	1,750,000
All Americas cable and radio Curacao	2,450,000	2,099,999
New Technologies Group N.V (Caribserve)	44,798	22,399
Beach Mart Television N.V	1,349,986	899,986
Critical Communication Caribbean	92,168	66,547
EBS Executive Business Services	25,000	22,500
Wireless Telecom Network (WTN)	86,198	43,199
Others	249,632	317,018
	<u>12,727,159</u>	<u>10,096,624</u>
Less: provision for doubtful accounts	<u>(8,803,225)</u>	<u>(9,605,713)</u>
	<u>3,923,934</u>	<u>490,911</u>

Significant matters regarding trade and other receivables are as follows; Global Comtrade is a significant account that comprises current and stale-dated invoices for which legal actions are ongoing. Ruling Netstar: On 4 April 2016, the judge in first instance issued a ruling on Case nr. 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 TEATT 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 fiscal year 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 TEATT regarding WTN: On 12 December 2017, BTP received an instruction from the Minister of TEATT to set-off specific outstanding invoices of the amount ANG 420,514 against the account "attributable to Government" and cleared from the client's receivables balance. The Bureau has duly complied with the Minister's instruction whereby receivables and provisions for bad debt reduced, and due from Government increased, accordingly. The amounts categorized as "others" relates to lower value accounts which are presented in aggregate form.

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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 receivables: since the passing of hurricane Irma and the publication of the vereffeningss akkoord, the group has adopted the position of non-payment of BTP's outstanding invoices. This position has been communicated to the Minister of TEATT, and TELEM informed Government of Sint Maarten that they intended to set-off all uncollected bills of Government against BTP's outstanding invoices. TELEM's position had exacerbated an already precarious situation of BTP's bad debts, and as such, BTP pursued settlement arrangements with TELEM and Government.

TELEM disputed over the accuracy and allocation of ANG 1.267M of spectrum fees billed by the Bureau, and as such, refused to pay these outstanding obligations. The basis for dispute was independently investigated, and have since been resolved. Nonetheless, TELEM continued its non-payment campaign that resulted in the Bureau sending its receivables to the collection agency in April 2018. As of 1 July 2020 (prior to 23 July 2020 settlement agreement), total receivables due from TELEM Group was ANG 14.278M.

TELEM submitted a letter of request to the Minister of TEATT on 6 July 2018, in which, the proposal was made to set-off its spectrum fees payable to BTP against its receivables due from Government of Sint Maarten.

After much deliberations, this matter was subsequently resolved on 23 July 2020 by way of a national decree (in dutch: landsbesluit) nr.20/0384 for a total approved settlement amount of ANG 10,998,889 on stale-dated invoices (set-off ANG 5.5M of TELEM receivables vs. Government payables, and payment by TELEM of ANG 5.499M).

On 27 January 2021, TELEM and BTP further agreed on the payment of ANG 781,845 of the initially disputed ANG 1,267,451 of invoices (UMTS and LTE). The remainder of the disputed balance ANG 485,606 was a written-off expense on the account of BTP. As of reporting date, TELEM's receivables were restated accordingly.

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6. Provision for Doubtful Accounts

	Balance 31-Dec-17	Bad debt 2017	Balance 31-Dec-16
Telem Group	--	(2,138,122)	2,138,122
Wireless Telecom Network (WTN)	86,198	86,198	--
Netstar N.V.	292,944	41,998	250,946
3SCS	112,800	11,700	101,100
Beach Mart	1,349,986	450,000	899,986
Global Comtrade	2,141,909	--	2,141,909
AACR	2,450,000	350,000	2,100,000
Corporate Innovations	2,200,000	450,000	1,750,000
Critical Communications	56,645	--	56,645
Executive Business Services	25,000	2,500	22,500
Others	87,743	(56,762)	144,505
	8,803,225	(802,488)	9,605,713

Trade receivables are considered a financial asset, and as such, must be assessed for impairment at the end of each reporting period. When collectability of receivables is not reasonably assured for previously recognized revenue, doubtful outstanding amounts should either be provided for through a valuation allowance or written off in the statement of operations. Reasonable assurance of collectability means that there is sufficient and appropriate evidence that the receivable will be recovered. As it relates to Netstar, provisions have been made for the majority of its open invoices which existed as of 10 October 2010, and/or directly pertains to Q4 of 2010 for which formal objections have been filed and court cases are ongoing. Netstar's provisions of the year 2013 have been adjusted retrospectively in fiscal year 2014 due to court rulings and ministerial instructions received in 2016 and 2017. WTN is another client that's been provisioned for via ministerial instructions. WTN receivables were reduced by ANG 110,897 and ANG 7,200 for the years 2016 and 2017, respectively (total cumulative set-off as at reporting date was ANG 420,514). Respective of TELEM's settlement agreements of 2020 and 2021 (as detailed in note 5), total provisions for doubtful amounts of ANG 2.138M were reversed and ANG 485K directly written-off in fiscal year 2017.

7. Time Deposit Held

	31-Dec-17	31-Dec-16
Certificate of deposit - Windward Islands Bank Ltd.	451,388	450,937
Interest income, thereon	105	105
	451,493	451,042

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 these funds held in bank was invested into a certificate of deposit to maintain the principal amount 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. The principal is invested for a term of 12 months and enjoys interest at a rate of 0.1%.

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8. Cash and Cash Equivalents

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Windward Island Bank USD	1,921,628	1,523,418
Windward Island Bank ANG	332,817	609,177
Petty Cash	1,120	367
	<u>2,255.565</u>	<u>2,132.962</u>

Cash and cash equivalent funds, less any unallocated reserves and/or restricted funds, are disposable under directives of those charged with governance of the Bureau.

9. Attributable to Government

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Attributable to Government, Opening	7,082,304	8,120,128
Adjustments for prior years refundable and payables	65,601	--
Paid to Government	(1,450,000)	(1,121,236)
Payments on behalf of Government	(97,772)	(273,313)
Lease receivable from Government	(648,000)	(648,000)
Net result for the year	4,797,325	2,451,360
Provision for reserve funds	--	(1,446,635)
	<u>9,749,458</u>	<u>7,082.304</u>

In accordance with Lv.BTP art.21, in essence, "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); the established "attributable to Government" account is presented as a means to enhance the understandability and transparency of the users to the financial statements. Prior years adjustment derived from funds transferred to a third-party outsourcer during the years 2015 to 2019 for the administration and payment of the Director's gross salary. The adjustment of ANG 65,601 was made because the outsourcer failed to pay APS for the pension portion and failed to provide a statement thereof. Thus, upon obtaining a statement in January 2020, the adjustment was made retrospectively.

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

<u>Years</u>	<u>Amounts</u>
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
Total	= ANG 9,736,899

Settlements reported in prior years' annual reports, and omitted from above were payments to Government for the years 2010-2012 of a combined ANG 2.5M.

**NOTES TO THE FINANCIAL STATEMENTS
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Other significant matters related to attributable to Government account

9.1 Government transfer receivable

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Government transfer receivable – boedelscheiding	13,019,323	13,019,323
Allowance for doubtful transfer	<u>(13,019,323)</u>	<u>(13,019,323)</u>
	<u> --</u>	<u> --</u>

As it relates to the division of assets (boedelscheiding), in March 2017, a settlement agreement (vereffenings akkoord) was signed creating enforceable rights and obligations between the island territories of the former Country of Netherlands Antilles.

As at 10 October 2010, the Netherlands Antilles (NA) was split-off, as well as its entities which were under common control and management for the benefit of all Dutch Caribbean island territories, except Aruba.

BTPNA, was one of the spun-off entities from the former Netherlands Antilles. This resulted in Sint Maarten establishing its own separate BTP entity.

Two issues arose from the split-off as follows;

- i) The primary issue was what amount of the former BTPNA was attributable to Sint Maarten,
i.e., percentage of net assets or selected identifiable assets and liabilities. Alternatively, whether only the specific assets and no liabilities as outlined in the settlement agreement should be processed in BTPSXM's books, or a further determination of BTPSXM's enforceable rights to a share percentage of BTPNA's assets and obligations.

The primary issue was resolved by the binding legal and constructive rights to specific identifiable assets as set out in the settlement agreement (vereffeningsakkoord) as signed by all representatives of each island within the Kingdom (Curacao, Sint Maarten, Bonaire, St. Eustatius and Saba).

- ii) The secondary issue at hand was the accounting treatment in the books of BTPSXM.

The secondary issue was resolved by accounting for the specific financial statement (FS) items allocated to Sint Maarten on the basis of the substance of the transaction. On the audited FS of BTPNA as at 09 October 2010, we observed a total of ANG 125,831,614 of valuable assets which are essential for the continuity of an entity. Allocated to BTPSXM was 10.35% or ANG 13,019,323 (trade receivables: ANG 8,024,026 | investment reserve funds: ANG 4,875,000 | fixed assets: ANG 120,297).

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9.1 Government transfer receivable (continued)

Based on the foregoing analysis, the divided assets as of 10/10/10 were transferable to Government of Sint Maarten from Government of Curacao as of effective date, thus it should have already occurred, and if not, the transfer remains legally bonded. Hence, Government of Sint Maarten (upon receipt from BTPNA) had a constructive obligation, created by the vereffening akkoord, to transfer the specific group of assets identified above to BTPSXM to enable the continuity of the spun-off entity from BTPNA. The transaction in substance is a non-reciprocal transfer of monetary and non-monetary assets to be recognized at the fair values unless the transaction lacks commercial substance or the fair values are not reliably determinable, in which case, the carrying values will be recorded. And, if the carrying values are not appropriate a nominal or expected value will suffice. The split-off of Country Netherlands Antilles comprise a past event that effected a settlement agreement, wherein transferred control of the specific assets from Government of Curacao (BTPNA) to Government of Sint Maarten (BTPSXM) justifies the recognition of a "transfer receivable" when the future economic benefits are expected to flow to BTPSXM.

However, as a mandatory requirement the transfer receivable is a financial instrument that must be assessed for impairment at each reporting date from the date of its initial measurement. Therefore, the recognizable value of the transfer receivable was determined as the carrying amounts (as no fair value appraisals were obtained nor reasonably measurable) less provisions for impairment and amortization of the underlying assets as at 31 December 2017. The impact on net assets, performance and cash flows will therefore be "NIL", until new information of a contradictory nature indicate that, the control of economic benefits associated with these items will flow to BTPSXM and collection is reasonably assured.

10. Operational and Investment Reserve Fund

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Operational reserve fund	1,080,000	1,080,000
Investment reserve fund	816,635	816,635
	<u>1,896,635</u>	<u>1,896,635</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 TEATT, to establish a reserve fund with the purpose to cover possible future operational 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 TEATT, 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 BTP's objectives under special advice from the Council of Ministers.

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10. Operational and Investment Reserve Fund (continued)

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 BTP's budget; the budget of 2013 was approved on 28 September 2012 by the Minister of Tourism, Economic Affairs, Transportation and Telecommunication (TEATT). In the budget of 2013, an amount of ANG 450K 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 630K for the approved budget of the year 2016. Respective of the investment reserve fund, an amount of ANG 816,635 was first allocated for the fiscal year 2016 in accordance with the approved budget. For the year ended 31 December 2017, no further increases were made to reserve funds.

Noteworthy, pursuant to Lv.BTP. art. 18 lid.7, the budget is automatically approved, if, within six (6) months of being submitted by the Director to the Minister of TEATT no response nor approval thereof is received.

11. Long-Term Debt

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
W.I.B loan facility. a	387,147	496,516
W.I.B loan facility. b	5,418,934	5,618,166
Total long-term debt	<u>5,806,081</u>	<u>6,114,682</u>
Less: short term portion		
W.I.B loan facility. a	(187,498)	(179,883)
W.I.B loan facility. b	(491,635)	(478,820)
Total Short-term portion	<u>(679,133)</u>	<u>(658,703)</u>
Total long-term portion	<u>5,126,948</u>	<u>5,455,979</u>

On March 24, 2011, The Windward Island Bank Ltd. made available to Bureau Telecommunications & Post (BTP) 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 an annual 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 an amount of US\$ 560,000 to assist with the purchase of software and measuring equipment at an annual interest rate of 6.75% for a term of 5 years.

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11. Long-Term Debt (continued)

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 was a non-revolving loan of USD 910,000, a mortgage of USD 4,408,000, and a credit facility of USD 616,008.35 as further detailed in the following.

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

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 and repayable at a stated monthly balloon payment of USD 9,625 of principal and interest.

Facility B:

A non-revolving loan at the amount of USD 4,408,000 for the purchase of six (6) rights to apartment units, located at the Lea Building, cadastrally described as SXM PB 173/2012 Unit A2 up to and including A7 at the amount of USD 4,104,000. Further financing for notary and closing costs at the amount of USD 304,000. This facility bears a floating interest rate of 6.25% per annum for a term of 15 years and repayable at a stated monthly balloon payment of USD 37,796 of principal and interest.

Securities pledged are as follows:

- 1) A First Credit Mortgage at the amount of USD 5,936,000, increased by 40% for interest and costs, in case of default in favor of The Windward Island Bank Ltd. on the rights to apartment units located on the 2nd up to and including the 7th floor of the commercial building known as the Lea Building Complex, situated at Cannegieter Street, in the district of Philipsburg, on the island of Sint 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.

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12. Payroll Liabilities

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
AVBZ	25,192	25,063
AOV/AWW	9,200	7,472
ZV/OV	3,765	2,210
Wage tax	86,549	86,834
Pension liability	243,310	745,632
Pension contributions refundable to employees	109,400	109,400
Management salaries by Versant Accountants	--	32,037
Net salaries and wages payable	16,898	--
	<u>494,314</u>	<u>1,008,648</u>

The amount of ANG 109,400 "Pension fund refundable to employees" relates to the employees' premium contributions which were deducted for the years 2010 to 2013 for periods when they were not yet registered and/or recognized at APS. Hence, these deductions were never paid to APS. Given the fact that, those deductions were not initiated at the same point-in-time for all employees of BTP, the proposal has been made for BTP to assume responsibility for the entire premium, and reimburse withholdings made over said period to the employees.

Pension liability of the amount ANG 243,310 represents balances of retro-premiums (2010-2015) of the amount ANG 239,043 and current year's premium balance of ANG 4,267. The liability was computed by use of roll-forward procedures on opening balances of 2017, with increments for 2017 premiums, payments and credits. Motivation for roll-forward procedures was due to: the continued inconsistencies experienced with APS billings and credits to reporting date. APS statement balance at 31 December 2017 was ANG 302,634.

For verification purposes, our roll-forward procedures extended to February 2019 when retro-premiums were paid in full. As at 31 December 2018 roll-forward retro-premium balance was ANG 40,825, i.e., approximates APS actual final bills of the amount ANG 39,841 [Jan.2019: ANG 19,920 and Feb.2019: ANG 19,920]. On 9 April 2019, BTP received written confirmation from APS that the pension liability of the years 2010 to 2015 was paid in full.

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13. Trade Payables and Accruals

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Stichting Tercera	26,667	16,632
Actis	40,500	40,500
Accountability Center	53,664	33,934
Curtis White	22,500	11,250
SOAB	221,890	93,625
Versant Accountants	--	20,016
Other, trade payables	62,336	26,572
Accrued liabilities, UPU	180,277	153,598
Credit cards	--	5,013
Redeemable checks	3,050	95,435
	<u>610,884</u>	<u>496,575</u>

As it relates to the UPU (Universal Postal Union) accruals, in 2017 it was noted that Sint Maarten was the only Kingdom partner that failed to contribute 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, hence, provisions were made accordingly.

14. Asset Restoration Obligation

Asset restoration obligation (ARO) was recognized in the financial statements as it embodies a constructive obligation created by the damages sustained due to hurricanes Irma and Maria in September 2017. The restoration works on all assets of the Bureau extended over the periods 2017 to 2019, with the exception of some furniture and equipment to be replaced at some future date. Thus, as the required outflow of economic resources derived from past event of the year 2017, we recognized the need to allocate the expenditures and provision for future restoration works within the financial reporting year of 2017, prospectively.

<u>Description</u>	<u>Amount (ANG)</u>
Furniture, equipment and vehicles	258,611
Building	1,152,000
Generator	69,428
Elevator	58,212
Others	33,485
Total restoration obligation	<u>1,571,736</u>
Less: payments rendered during 4 th quarter 2017	<u>(527,400)</u>
Asset restoration obligation, net	1,044,336
Short-term portion	(647,492)
Long-term portion	<u>396,844</u>

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14. Asset Restoration Obligation (cont'd)

ARO measurement:

As a result of hurricane losses, the Bureau required significant restoration works to return damaged properties to their pre-hurricane conditions. This means new agreements were made and approved between the Bureau and suppliers which created enforceable rights and obligations between parties. Effectively, this means the Bureau has an unconditional obligation to pay for agreed restoration works, and suppliers an unconditional right to cash/settlements. Hence, the emergence of a new financial statement account named asset restoration obligation (ARO).

As per NAGICO letter of acceptance and bank receipt confirmations, the combined settlement amount received for vehicles, equipment, furniture and fixtures was ANG 258,611 (gross of ANG 260,009 less reinstatement fees of ANG 1,397). Respective of the building, the combined settlement amount received was ANG 1,152,000 (gross of ANG 1.278M less deductible of ANG 126K). Total net insurance proceeds available for restoration works was ANG 1,410,612 (excluding generator, elevator and others), decreased by Q4 2017 payments for jobs of an aggregate ANG 527,400, to a net carrying balance of ANG 883,212.

As it relates to uninsured restoration commitments, amounts attributable to the elevator restoration was ANG 58,212, the generator restoration agreement was of the amount ANG 69,428, and security systems at the amount of ANG 33,485.

Based on the foregoing, the net carrying amount of the asset restoration obligation as at 31 December 2017 was ANG 1,044,336. As prescribed by generally accepted accounting principles and accounting policies of the Bureau, the obligation must be separately classified as short and long term portions for financial reporting purposes. Thus, all amounts to be paid beyond the current period were presented as long-term portion and the residual as short-term.

15. Work-in-progress

Work-in-progress is a sub-element of the asset restoration obligation (note 14) as it represents incomplete restoration work-in-progress as at 31 December 2017.

Description	Amount (ANG)
Generator	69,428
Elevator	58,212
Cameras, access controls, and other related items – partially paid	89,768
Cameras, access controls, and other related items - unpaid	33,484
Total work-in-progress	250,892

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16. Revenue

	<u>31-Dec-17</u>	<u>31-Dec-16</u>
Licensing	6,554,308	7,022,612
Concession	3,000,000	3,350,000
Certification	33,590	38,056
Numbering	99,000	99,000
Lease income	648,000	648,000
	<u>10,334,898</u>	<u>11,157,668</u>

Revenue from contracts (whether implied, written or oral) with clients are recognizable when the client request or uses telecommunications and post goods and services which are under the control of the Bureau. The Bureau has control over the economic benefits of those goods and services when it has obtained the power to restrict the access or use by others. Revenue is recognized when the Bureau transfers control over the economic benefits to the operators and/or clients over-time or at a point-in-time as each performance obligation is satisfied.

Licensing revenue: the most significant revenue stream for BTP is the licensing category. In this sector customers are charged for frequency usage and all other regulatory oversight charges related to the assignment and usage of spectrum. Spectrum assignment is done by the Minister of TEATT through licenses or concessions. The continued regulatory rigor over spectrum usage have encouraged operators to be more efficient with their spectrum assignment and usage over 2017, and that includes even ineffective operators for whom licenses have been revoked. Licensing revenue decreased year-on-year (Y/Y) by ANG 0.468M for the following operators; Radcomm added 1 new circuit in Q4:2017 of the amount ANG 138,827 | TELEM Group decreased 2 circuits of the amount ANG 399,984 | Cable TV license renewal for 10 years was billed in 2016, whereas no recurring bill was required during 2017, so this resulted in a Y/Y decrease of ANG 80,840 | Global Comtrade transmission revoked by the amount ANG 9,000 | and Mach Tech transmission revoked by the amount ANG 7,000.

Concession revenue: experienced a negative Y/Y change of ANG 0.35M due to revoked concessions of Global Comtrade during 2017.

All other revenue categories remained on par with prior year 2016, except certification that experienced a minimal decrease.

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17. Personnel

	<u>2017</u>	<u>2016</u>
Gross salaries and wages	1,285,323	1,376,473
Social premiums	73,842	77,379
Pension premiums	190,167	170,231
Other personnel expense	37,652	82,673
	<u>1,586,984</u>	<u>1,706,756</u>

Personnel expenses decreased for the year 2017, primarily due to the discontinuation of one key employee for whom rent, telephone and other expenses were partially incurred, plus discontinuation of an administrative clerk. Other changes were due to the 3 parting board members and the acceptance of the 3 new members. For the year ended 2017, a total of fifteen (15) persons were employed by the Bureau, comparative to prior year's fourteen (14) employees.

18. Housing

	<u>2017</u>	<u>2016</u>
Rent	162,000	172,800
Utilities	30,671	31,647
Telephone, data and Internet	39,963	31,229
Janitorial expense	5,656	5,276
Security expense	5,400	12,402
Parking	20,250	27,952
	<u>263,940</u>	<u>281,306</u>

The rent account comprises rent payable to the owner of the 1st floor of the Leah building complex. Other non-recurring rent expense incurred in prior years relates to the discontinued employment contract of the past COO of BTP.

19. Legal and Professional

	<u>2017</u>	<u>2016</u>
Professional fees – legal, financial and other consultancy	492,750	352,351
Management fees	188,582	199,584
	<u>681,332</u>	<u>551,935</u>

Management fees represent payments to an external entity for various consultation services on behalf of BTP (consultancy and legal: see note 24.2(v)). Professional fees represent financial and audit (38%), legal (26%) and technological and other administrative consultancy (36%) services over the year 2017. The highest fees were for the continued audits and other financial services. Second highest fees were incurred for sector and systems development to enable continued regulatory oversight. Third category pertains to ongoing legal proceedings over the affairs of the Bureau.

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20. Insurance Amortization

	<u>2017</u>	<u>2016</u>
Personnel	49,241	54,875
Vehicles	5,156	5,720
Furniture	2,716	2,716
Equipment	6,580	6,577
Building	56,979	59,875
Public liability	467	461
	<u>121,139</u>	<u>130,224</u>

21. General and Administrative

	<u>2017</u>	<u>2016</u>
Numbering plan	162,113	162,112
Membership fees	10,080	39,714
Advertising & promotion	21,012	3,098
Travel and lodging	104,749	198,748
Representation	26,279	57,230
Donations & charitable contribution	37,901	40,802
Postage and courier	12,667	14,831
Automobile expense	18,360	17,700
Repair and maintenance	237,425	235,926
Office supplies	22,687	26,308
Computer & equipment	35,473	39,170
Network support expenses	66,845	85,256
Bank charges	9,244	10,349
foreign exchange variances	2,512	7,374
Penalties and fines	--	9,659
LTE 3A project, ISOC and other	3,193	32,944
	<u>770,540</u>	<u>981,221</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 of the Bureau in efforts to maintain memberships and capabilities of its regulatory activities during 2017. The major component of repairs and maintenance derived from an ongoing maintenance contract for the Leah Complex Building. Numbering plan expenses are further discussed below. Respective of network support, these recurring charges are for support and maintenance services from a specific outsourcer. Foreign exchange losses on ANG to USD translation have decreased due to more optimized channels of payments. Bank transactions have incurred an approximate 1% charge levied by the banks when making payments in USD.

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21. General and Administrative (Continued)

Numbering Plan

Numbering plan was another significant portion of the general and administrative expenses. The Numbering Plan and the associated expenses pertains to the adoption of the North American Numbering Plan (NANP) on Sint Maarten which concerns the assignment of the new country, and dialing code of Sint Maarten. The Government of Sint Maarten opted for admittance to the NANP with the dissolution of the Netherlands Antilles. The inclusion of Country Sint Maarten into the NANP requires compliance 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 for which ongoing charges are necessary.

Travel Expenses

Travel and lodging expenses was another significant account under general and administrative. Like many other international industries and sectors, the telecommunications and post sector hold many conferences and seminars each year at varied locations throughout the world. BTP Sint Maarten has attended several of these conferences and seminars over the fiscal year. The Bureau has also incurred travel and lodging expenses while attending meetings with suppliers, third parties and partners.

Repairs & Maintenance

In 2013 BTP acquired its own building, the Leah Complex Building. In doing so a maintenance contract was approved for the upkeep of the building. Charges under this contract are recorded under this category and form a significant part of the yearly general and administrative expenses.

22. Other Income (Expense)

Interest income represents earnings of 1.0 basis percentage point 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 (see note 11). Loss on assets disposal of ANG 5,176 represents several disposed office items and an exchanged automobile which were decommissioned. Other expense comprises a non-recurring ANG 3,997 for a change in estimate of accruals which were accounted for prospectively.

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22.1 Disaster loss

Passing of Hurricane Irma and Maria: in September 2017, catastrophic category 5 hurricanes Irma and Maria passed over Sint Maarten resulting in severe damages to the island on both an economic and infrastructural level. As a result, the Bureau's operations were negatively impacted, and the event triggered increased exposures on its operations. Other significant effects were as follows;

Impact on Leah Complex Building:

Hurricanes Irma and Maria battered the Leah Complex Building (thereafter referred to as the "Building") causing damage to the property and the future benefits to be enjoyed from continuing use. The total insured sum of the Building was USD 3.5M as indicated on policy number F05413/12. On 8 October 2017, a damage claim report was made for Hurricane Irma and Maria. The report stated that a visual inspection approach was applied throughout the Building on 26 September 2017 whilst utilities on the island were not yet restored; and as such, the functionality of utilities, furniture, security, internet, cable and other equipment infrastructure/systems were not determinable. The assessed damage on the Building was USD 800,099 as determined by those 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 cash flow loss for the Bureau of the amount USD 160,099 due to rejected loss claims. Payment of the amount USD 634,693 (USD 640,000 less re-instatement fee USD 385 less Policy "AR00197/11 and V84010/06 renewal premiums USD 4,921) was received on 9 April 2018 from NAGICO as final settlement for the Building. As such, as at 31 December 2017 an insurance settlement receivable of USD 640,000 or ANG 1,152,000 was recognized.

Impact on Equipment, Vehicles and Furnishings:

On 17 November 2017, a damage claim report was made for Hurricane Irma and Maria losses on equipment, vehicles and furnishings. The assessed damage on all equipment/systems insured under policy # AR00197/11 was USD 78,614. The assessed damage on all furniture and furnishings insured under policy # AR00185/11 was USD 62,962. The assessed damage on all vehicles insured under policy # V84010/06 was USD 10,795. The aggregated sum total of damage claims under the above policies was USD 152,372. 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 74,378 and USD 60,962, respectively for each policy. For policy# V84010/06 the agreed upon settlement was USD 9,109. This means an aggregated under-settlement cash flow loss for the Bureau of the amount USD 7,923 due to rejected loss claims. Payment of the amount USD 74,170 (USD 74,378 less re-instatement fee USD 208) and USD 60,395 (USD 60,962 less re-instatement fee USD 569) were received on 8 December 2017 from NAGICO as the final settlements for policy # AR00197/11 and # AR00185/11, respectively. And, final payment of the amount USD 9,109 was received on 13 November 2017 from NAGICO as final settlement for policy # V84010/06.

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22.1 Disaster loss

In summary, disaster loss sustained over the passing of hurricanes Irma and Maria in September 2017 was determined by examination of actual cash restoration costs as the most reliable measure of fair value instead of damage reports, increased by, any and all approved future billings at the expected amounts under enforceable contractual obligations. Total costs incurred on building restoration was ANG 1,160,971, and costs on common areas (fences, elevator, generator and other common use items) were a combined ANG 193,689. Restoration costs to be incurred for vehicles, furniture and fixtures, office equipment and operating equipment was a combined ANG 274,270. Other minimal costs directly attributed to the disaster loss was ANG 6,300 for the damaged inspection and assessment report completed during Q4 of 2017. Hence, total disaster loss was an aggregate of ANG 1,635,230 that comprises cash outflows in Q4 2017, and provisions for future restoration expenditures paid during 2018 to 2019.

23. Contingent Liabilities

On 6 May 2019, BTP received a listing of pending court cases from the legal counsel of the Ministry of TEATT with correspondence date 29th April 2019. The updated listing of court cases comprised pending legal matters as of 9th November 2018. As of reporting date, an updated listing of legal matters covering the interim period of 10th November 2018 to date was not attainable, and as such our assessment is limited the same. The following are ongoing legal matters as previously reported by legal counsel:

Minister of TEATT 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.

Minister van TEATT 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 ANG 500 per day with a maximum of ANG 50,000.

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23. Contingent Liabilities (continued)

Minister of TEATT 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 TEATT 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 ANG 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 TEATT 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.

Minister van TEATT 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.

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23. Contingent Liabilities (continued)

Minister van TEATT 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 TEATT 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 for assigned frequencies. Telem and Telcell, stated that a number of frequencies are no longer in use by them and that for this reason the related invoices have been incorrectly charged. 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 TEATT was subsequently advised to withdraw the contested decision on the objection, and have a new decision on the objection from Telem and Telcell. On 23 July 2020, a settlement was approved by all parties via a national decree (in dutch: landsbesluit) nr.20/0384.

Minister van TEATT 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. On 23 July 2020, a settlement was approved by all parties via a national decree (in dutch: landsbesluit) nr.20/0384.

Minister van TEATT 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. On 23 July 2020, a settlement was approved by all parties via a national decree (in dutch: landsbesluit) nr.20/0384.

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23. Contingent Liabilities (continued)

Minister van TEATT 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.

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 TEATT regarding WTN: On 12 December 2017, BTP received an instruction from the Minister of TEATT 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 – 2017 were derecognized of the amounts ANG 40,524, ANG 102,150, ANG 102,147, ANG 110,896, ANG 57,598, ANG 7,200 respectively as per 31 December 2017.

For certain pending court cases, provisions for uncollectible receivables have been made under the account "Provisions for doubtful accounts". For all other pending cases that's considered possible or remote, the required provisions will be made upon obtaining sufficient evidence of probability.

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

Extension moratorium Telecom industry: during the financial reporting period, a moratorium was in place with a set expiration date of May 2018 (DIV –TEAT-4928); however, it was extended for another 12 months via ministerial decree (DIV Nr. 15408). As of May 2019, no further extensions were granted, thereby rendering the moratorium expired.

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24. Subsequent Events

24.1: we report the following adjusting events that existed at the statement of financial position date as it pertains to TELEM Group of companies trade receivables.

a) Re: Set-off 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 was, the collectability of outstanding spectrum fees receivable from TELEM of the amount ANG 3,303,420 as the proposed amount to be set-off against Government of Sint Maarten's payables, as at reported date 28 March 2018. TELEM's position was to set-off its spectrum fees payable against its outstanding receivable from Government of the amount ANG 32,643,039. Within the same letter, TELEM informed the Minister of Finance that it will be offsetting future spectrum fees payable against the net balance of ANG 32,643,039 until full settlement is achieved at "NIL".

b) TELEM Group Outstanding Receivables

As of January 2014, TELEM began defaulting on its payments of spectrum fees. The outstanding amount of ANG 3,064,607 as presented in Note 5 represents mainly the period, January 2014 to 31 December 2017.

TELEM disputed over the accuracy and allocation of ANG 1.267M of spectrum fees billed by the Bureau, and as such, refused to pay these outstanding obligations. The basis for dispute was independently investigated, and have since been resolved. Nonetheless, TELEM continued its non-payment campaign that resulted in the Bureau sending its receivables to the collection agency in April 2018. As of 1 July 2020, total receivables due from TELEM Group was ANG 14.278M.

TELEM submitted a letter of request to the Minister of TEATT on 6 July 2018, in which, the proposal was made to set-off its spectrum fees payable to BTP against its receivables due from Government of Sint Maarten.

After much deliberations, this matter was subsequently resolved on 23 July 2020 by way of a national decree (in dutch: landsbesluit) nr.20/0384 for a total approved settlement amount of ANG 10,998,889 (set-off ANG 5.5M of TELEM receivables vs. Government payables, and payment by TELEM of ANG 5.499M). On 27 January 2021, TELEM and BTP further agreed on the payment of ANG 781,845 of the initially disputed ANG 1,267,451 of invoices (UMTS and LTE). The remainder of the disputed balance ANG 485,606 was a written-off expense on the account of BTP. The net outcome of these adjustments was an increase in receivables, net operating result through bad debt recovery and net assets as at 31 December 2017.

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24. Subsequent Events (continued)

24.2: we report the following non-adjusting events occurring after the statement of financial position date but before the financial statements are issued.

a) Coronavirus (covid-19)

Covid-19 triggered a series of unfolding events sequencing as, the discovery of the China-Wuhan outbreak, world pandemic announcement, local containment efforts and government relief packages to individuals and entities alike. These effects of covid-19 events first impacted our shores in Sint Maarten during March 2020. As of reporting date, covid-19 remains an ongoing crisis with significant impacts on global markets-and-their players, supply chains, valuation of assets, consumer spending power-and-sentiments, market rates, interest rates, capital structures, disruptions in production, workforce restrictions/changes, travel restrictions, new norms of communications/meetings, rapid evolution-and-dependence on technologies amongst others. All the above are consequential factors which adversely and/or favorably impacted our jurisdiction and the Bureau, regardless of the severity. These impacts will have future lasting indirect effects on the financial performance, condition and cash flows of the Bureau, and therefore constitute disclosable events. However, from a financial statement risk perspective, covid-19 have not triggered any direct material adverse impact on the Bureau's financial performance, cash flows and condition, from both a quantitative and qualitative aspect.

b) Cancelled and/or discontinued contracts

During the course of the year 2020 several contractual agreements (deemed high risk) inherited by this current administration and are/were subjects of ongoing investigations had been cancelled, modified or discontinued by default. The listing of these contracts are as follows;

i. **ACTIS**

On 16th March 2012, the BTP (the Bureau) and Advanced Communications and Technology Infrastructure Services N.V (thereinafter referred to as ACTIS) entered into a comprehensive 3-years agreement with a renewal option. The agreed contract price was at a fixed annual amount of USD 75,000, increased by 10% expense, and 10% administrative overhead to an aggregate of USD 90,000 and payable in monthly lumpsums of USD 7,500. On 27th January 2021, parties agreed to a contract price and term modification as follows: the current contract shall terminate on 16th March 2022, a 15% price reduction was made effective 1st November 2020 and ending on 16th March 2022, and ultimately, a set future date assessment shall occur on 31st October 2021.

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24. Subsequent Events (continued)

24.2: we report the following non-adjusting events occurring after the statement of financial position date but before the financial statements are issued.

b) Cancelled and/or discontinued contracts (continued)

ii. Curtis T. White Law Offices

Effective 30th September 2011, Sint Maarten became a participant in the North American Numbering Plan (NANP). The participatory consortium included numerous Caribbean countries, Canada, and the U.S.A. The U.S.A asserted initial jurisdiction because the Consortium started with the old Bell system. This jurisdictional administration was expressly subject to directives from regulatory authorities in the member countries. Accordingly, member States retained plenary authority, and in doing so, agree to abide by certain protocols and guidelines. Further to this plenary authority's obligation and commitment, member States were engaged in due diligence, analysis and interface activities to ensure compliance, and simultaneously protect the interests of Government. To represent the Bureau in such matters, Curtis T. White Law Offices, was retained with the primary responsibility of representing the Bureau in all claims, disputes, threatened or actual litigation, or other inquiries that may be lodged against it in the U.S.A and North America. A contract price modification was made on 14th May 2018 for an extended 2-year term at a monthly retainer rate of USD 4,680 plus authorized expenses. This agreement ended on 19th May 2020 by default.

iii. Building maintenance contract

On 5th October 2012, BTP (the Bureau) and Taliesin Construction N.V (the vendor) entered into a comprehensive 10-years agreement ending on December 2022 for the maintenance of the Leah Complex Building at a monthly cost of USD 10,800 and payable each quadrimester at USD 43,200. This created contractual rights and obligations to be satisfied by parties to the contract, but over the years BTP has expressed dissatisfaction with the vendor's performance obligations. As such BTP sent its final "notice of default maintenance agreement Leah building" on 18th June 2020, prior to subsequent mailed termination letter to Taliesin Construction N.V on 6th July 2020. The termination was motivated by infractions in regards to cleaning, elevator repairs and maintenance, and pending hurricane Irma repair services. On 31st July 2020, a lawyer's reaction letter on behalf of Taliesin was received at the BTP with the claim that grounds for early termination are unfounded and misleading, thus hereby refuted. On 13th August 2020, BTP responded to the vendor's legal by noting that the termination was done in compliance with article 1.2 of the maintenance agreement and that no legal nor other factual grounds were presented by the vendor to convince otherwise, and as such the termination remain legally binding. Thereafter, an invoice of the amount USD 43,200 was received on 17th August 2020 for the 2nd quadrimester of 2020. This action by the vendor was met with a protest letter from the Bureau (ref# BTPDIR-180920-055) reiterating its position that the contract was terminated with letter ref# BTPDIR-060720-033.

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24. Subsequent Events (continued)

24.2: we report the following non-adjusting events occurring after the statement of financial position date but before the financial statements are issued.

b) Cancelled and/or discontinued contracts (continued)

iii. **Building maintenance contract (continued)**

On the 23rd September 2020, a counter-protest letter was received from the vendor claiming that BTP is obligated to payout the remaining value under contract for the years 2020 to 2022. In the same letter, the vendor also threatened legal action if its invoice remains unpaid. As of reporting date, five months later, management has assessed the likelihood of any outflow of economic resources as remote, therefore requiring no contingency disclosure at reporting date.

iv. **1st floor lease agreement**

On 20th August 2012, a lease confirmation letter was signed between the predecessor Director of the BTP and the then Minister of TEATT for the leasing of 4 floors of the Leah Building, once purchased by the BTP. The lease rate was a monthly payment per floor of USD 7,500 for an indefinite period, subject to review at each 5-year intervals, and said lease shall commence on 1st January 2013. Within same lease confirmation letter, it was stated that a lease agreement shall be executed at least 60 days prior to commencement date. On 20th December 2012, the predecessor Director of the BTP sent a lease confirmation letter to Taliesin Construction N.V (Lessor 1st floor) whereby conditions for the 1st floor lease was formalized to create a "rental pool" that comprises BTP owned-floors and 1st floor. By the initiative of the current Director of the BTP, a response letter to inquiries on the 1st floor lease continuation was received from the Minister of TEATT on 27th February 2020 with instructions as follows: The ministry of TEATT and the Government of Sint Maarten no longer desire to maintain the 1st floor of the Leah building as part of the rental pool, and as such, instructed BTP to terminate any and all agreements pertaining thereto. Hence, on the 4th March 2020, the current Director of BTP sent a lease termination letter to Taliesin Construction N.V (Lessor) with ref# BTPDIR-040320-016. The letter also stated that rental payments for the months of March and April 2020 will be collected and thereafter cease.

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24. Subsequent Events (continued)

24.2: we report the following non-adjusting events occurring after the statement of financial position date but before the financial statements are issued.

b) Cancelled and/or discontinued contracts (continued)

v. **The Law Firm/ Duncan Brandon & Hoeve**

Duncan Brandon & Hoeve

On 14th September 2011, the BTP (the Bureau) and Duncan Brandon & Hoeve (thereinafter referred to as Consultant) entered into an agreement for a term of 1-year commencing on 1st October 2011 and ending on 30th September 2012. The summary scope of the agreement covered the need to achieve the completion of executed policies and the migration of the Bureau into its new regulatory format and the formalization of the regulatory framework. The agreed contract price was at a fixed monthly lumpsum of USD 19,662.92 for the period 1st October 2011 until 31st December 2011; and thereafter, the fixed monthly consulting fee was stated at USD 20,786.52, plus out-of-pocket expenses, when applicable.

On 14th October 2012, a new contract was approved between parties for the extension of expert services for the transition-and-transfer of the then incoming Director on the 1st of November 2012, as well as procurement of legal support, policy and legislative advice. The contract price comprised USD 12,000 for "transition-and-transfer services" for the period 1st November until 30th April 2013; and thereafter, an USD 8,000 monthly retainer fee (plus out-of-pocket expenses when applicable) for "legal support" for the period 1st May 2013 until 31st October 2017.

The Law Firm

On 10th October 2019, a new contract was approved between parties under the newly rebranded entity, The Law Firm, for all legal advice and representation in all matters, intended, threatened, pending and/or before the courts of Sint Maarten as plaintiff or defendant. Moreover, services extended over the examination of documents, preparation of agreements, undertaking of collections and all other legal services at a monthly retainer fee of USD 2,500. The contract governed a term commencing on 1st November 2019 and ended on 31st October 2020 by default.

c) Governance changes

As of reporting date, the supervisory board (SBOD) of the Bureau remain vacant. The last sitting SBOD occupied a term of 3 years and ended on 31st October 2020. As of reporting date, Government is considering the undertaking of a more transparent vetting process to acquire a pool of competent candidates for the selection of a new SBOD.