



**Bureau Telecommunications
and Post St. Maarten**

FINANCIAL STATEMENTS

December 31, 2020

Expressed in Antillean Guilders

FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT

To the minister of Tourism, Economic Affairs,
Traffic and Telecommunication,
Mr. R. Lawrence
Soualiga Road 1
Sint Maarten

Report on the audit of the 2020 financial statements of Bureau Telecommunications and Post Sint Maarten

Our opinion

We were engaged – pursuant to article 19, sub 3 of the "Landsverordening Bureau Telecommunicatie en Post" (AB 2013 GT no 466) – to audit the 2020 financial statements of Bureau Telecommunications and Post Sint Maarten ("the Bureau"), Cannegieter Street 15 - Unit 5.1, Philipsburg, Sint Maarten.

In our opinion, the accompanying financial statements 2020 are prepared, in all material respects, in accordance with the accounting policies selected and disclosed by the entity, as set out in notes (reference hereby made to the contents of page 20 up to and including 25) of the 2020 financial statements of the Bureau.

The financial statements comprise:

1. the statement of financial position as at 31 December 2020;
2. the statement of operations for 2020;
3. the statement of changes in net assets;
4. the statement of cashflows; and
5. the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with the Dutch Standards of Auditing. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities' section of this report.

We are independent of the Bureau in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening Gedrags- en Beroepsregels Accountants (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual report

In addition to the entity's financial statements and our auditor's report thereon, the annual report contains other information. Based on the following procedures performed, we conclude that the other information is consistent with the entity's financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the management report and other information in accordance with the "Landsverordening Bureau Telecommunicatie en Post" (AB 2013 GT no 466).

Emphasis of the basis of accounting and restriction on use and distribution

We draw attention to note 1 and 2 (reference hereby made to the contents of page 21 up to and including 27) to the financial statements, which describes the basis of accounting. The financial statements are intended for the minister of Tourism, Economic Affairs, Traffic and Telecommunication and are prepared to assist the Bureau Telecommunications and Post Sint Maarten to comply with the "Landsverordening Bureau Telecommunicatie en Post" (AB 2013 GT no 466). As a result, the financial statements may not be suitable for another purpose. Therefore, our auditor's report is intended solely for the Bureau Telecommunications and Post Sint Maarten and the minister of Tourism, Economic Affairs, Traffic and Telecommunication and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and the fair presentation of the financial statements in accordance with the accounting principles as set out in the notes and for the preparation of the management board report, both in accordance with the "Landsverordening Bureau Telecommunicatie en Post" (AB 2013 GT no 466). Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Audit Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity 's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and evaluating whether the financial statements represent the underlying transactions and events free from material misstatement.

Going-concern and COVID-19

We draw your attention to the note in paragraph 24.2a “Subsequent events – Coronavirus (Covid-19)” in the financial statements which describes the recent developments and the financial consequences of the coronavirus (“COVID-19”). An impact analysis has been carried out by the management of the Bureau to estimate the possible financial consequences. The analysis carried out and the aforementioned explanatory notes in the financial statements show that, despite the current uncertainties, COVID-19 did not trigger any direct material adverse impact on het Bureau’s financial performance, cash flows and condition. Based on our audit procedures and audit evidence gathered we are of the opinion that, considering the uncertainties at the time of issuance of this auditors’ report, the Bureau adequately discloses the current situation in the notes to the financial statement and rightfully prepares the financial statements on the basis of going concern assumption. Our opinion is not modified in respect of this matter.

Philipsburg, July 29, 2022

On behalf of

Stichting Overheidsaccountantsbureau,

R.E. Faneyte RA CFE CICA
Managing Director

Initials for authentication purposes:



SOAB | We know government.

Director's Report

FOR THE YEAR ENDED 31 DECEMBER 2020

This is the annual report of the Director of the Bureau Telecommunications and Post (thereinafter 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 2020. 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 2020. This report is prepared as at 13th June 2022. All amounts are stated in 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 over the years of information technology and telecommunications on Sint Maarten are indicative of our capabilities as being equipped to serve a much broader market other 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 acknowledges the need to remain up to date with industry standards and innovation to empower 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 post Covid-19

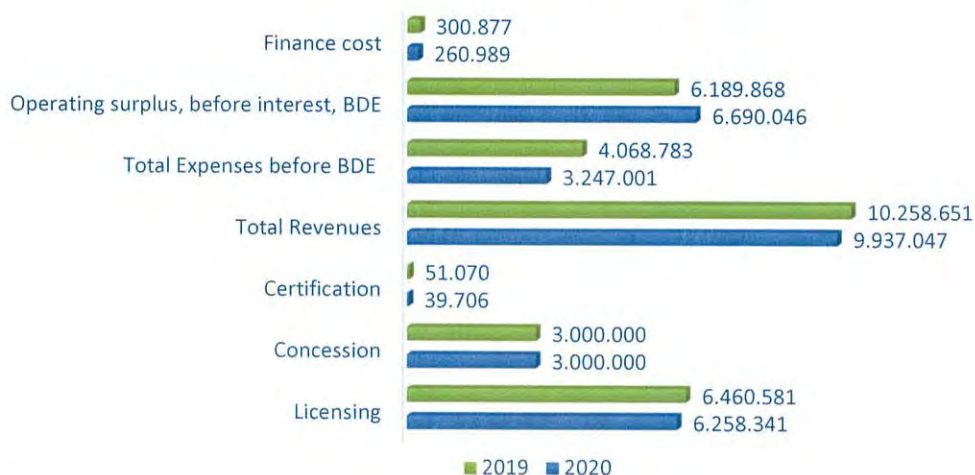
In continuance to the industry's developments, we remain alert of the current economic climate in our Country and the region; that's further exacerbated by the ongoing global covid-19 pandemic and the effects of the Ukraine/Russian conflict. These underlying economic shocks have stricken the successful 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 twenty-two months and we remain mindful of such need on a national level. However, we must not forget nor disregard the fact that, economically, we are operating in a soft market that negatively affects our operations and that of stakeholders. Hence, our drive to ensure proper infrastructure, regulations and networks to strengthen the service capacity of industry operators and consequential economic benefits for all. We aim to eliminate deterrents being faced by us as regulator, operators and our government in establishing a balanced playing field wherein all players can operate at a position of sustainability.

Director's Report

FINANCIAL PERSPECTIVE

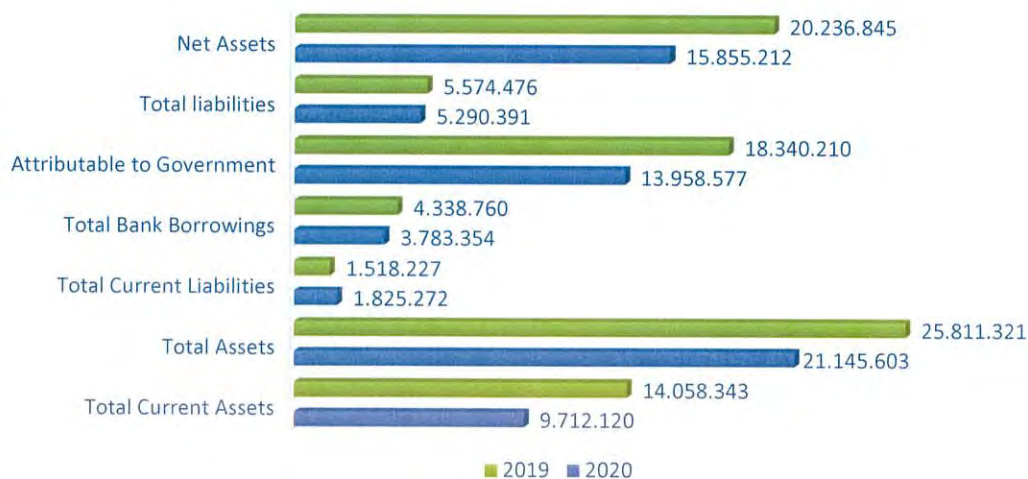
Results of operations and key performance indicators for the year then ended 31 December 2020 and comparative 2019, are as follows (in Antillean Guilders):

FINANCIAL PERFORMANCE



*BDE = bad debt expense

FINANCIAL POSITION



Director's Report

FINANCIAL PERSPECTIVE (CONTINUED)

Trend and Ratio Analysis

Liquidity

- **Current ratio:** was 5.3x and 9.3x for the years ended 2020 and 2019, respectively. The net decrease in liquid assets was substantially due to collections on Telem's AR which were subsequently paid to government, thereby reducing AR and cash simultaneously. On the current obligations side is the addition of a new liability (CTU contributions due) requiring immediate settlement. This scenario indicates BTP liquidity position decreased by -3.94x, however it also means that the entity has settled a significant portion of funds attributable to government and this bodes well for the Bureau's compliance with its governing charter (Lv.BTP). Moreover, a ratio of 1x normally signals liquidity strength so the resulted 5.3x at year-end indicates BTP is able to meet its current obligations as they come due.
- **Accounts receivable turnover (excluding rental and other income):** remained unchanged at 0.5x for both years ended 2020 and 2019. The unchanged collection rate was a direct result of new billings during the year being substantially on par with Telem's significant settlement, i.e., the net change was not impactful. However, noteworthy is the ANG 5.753M decreased of AR at year-end 2020 that's a favorable change. This year-end change had no impact on the AR turnover rate as it's computed on average AR outstanding to ensure the normalization of a reliable measure. Subsequently, AR collections rate have improved superbly as a direct result of Telem's settlement agreements of the years 2021 and 2020 (see FS note 5) which gave rise to significant increased collections on stale-dated receivables. Notably, the quality of aging receivables at year-end 2020 materially improved as Telem's portion decreased to 17% from a high of 46% at year-end 2019. The foregoing had a favorable impact on the subsequent liquidity and going concern of the BTP.
- **Working capital per day:** was ANG 21,608 and ANG 34,356 for the years ended 2020 and 2019, respectively. Therefore, a decreased of ANG 13K as a result of the significant ANG 8.5M settlement to government for the year ended 2020. Regardless, of the negative year-on-year (Y/Y) change, this bodes well for the Bureau's compliance with its governing charter (Lv.BTP). Additionally, BTP's pre-covid annual expenses was roughly ANG 4M, i.e., required before capex is a daily cash of ANG 11K compared to the year-end working capital per day of ANG 22K. The foregoing indicates the BTP is able to meet its current obligations as they come due and maintain the going concern assumption.

Solvency

- **Total debt-to-net assets:** remained unchanged at 0.3x for both years ended 2020 and 2019. Although, debt decreased by ANG 284K, government settlement of ANG 8.5M from net surplus decreased net assets by equal proportions whereby the solvency ratio remained unchanged. Nonetheless, this change is favorable for BTP's solvency and support of the going concern (reduction in debt and obligation to government).

Profitability

- **Licensing % of total revenues:** remained unchanged Y/Y at 63% due to a decrease of -3% with a matching decrease in total revenues. The Bureau continued its effective regulatory oversight over spectrum usage, however returned frequencies lead to an unfavorable change.
- **Concession % of total revenues:** was 30% and 29% due to the above slight decrease in total revenues, however, this income class remained unchanged over the fiscal year 2020.

Director's Report

FINANCIAL PERSPECTIVE (CONTINUED)

Trend and Ratio Analysis

Profitability

- **Operating margin (before other expenses and BDE):** increased Y/Y by 7%, (2020: 67% and 2019: 60%). Significant highlights of operating margin components were as follows;
 - Revenue: decreased by ANG -214K (excluding rental income) due to returned frequencies and revised spectrum fee billing structure as a result of the spectrum fee audit. Net Y/Y changes by category were: Broadcasting increased by ANG 3K, Telecom decreased by ANG -200K, Maritime decreased by ANG -3K, Certifications & Postal decreased by a net ANG -11K.
 - Expenses: decreased by ANG -591K for the following reasons; Legal and professional decreased by -27% or ANG -174K substantially due to three non-recurring projects related to the energy and utility sector for the year ended 2019, less a cancelled legal contract, plus a one-time collection fee of ANG 184K related to Telem's bad debt. Housing decreased by -45% or ANG -118K substantially due to a cancelled lease contract. G&A decreased by -58% or ANG -549K substantially due to a cancelled R&M contract and many cancelled travels due to covid-19.
- **Bad debts:** increased by 18% or ANG 231K substantially due to increased delinquency of WTN that resulted in a Y/Y change of ANG 102K, and others in aggregate of ANG 129K.
- **Return-on-assets (ROA):** was 32% and 24% for the years ended 2020 and 2019, respectively; hence an 8% increase in the Bureau's ability to efficiently generate profits from invested assets. The favorable Y/Y change can be attributed to the significant decrease in operating expenses that resulted in an increased net operating income and ultimately a higher ROA measure.
- **Quality of earnings (QOE):** is an index used to measure whether the net result for the year gives a fair view of cash flows generated from operations. QOE ratio was 70% and 19% for the years ended 2020 and 2019, vastly due to the sharp increase in Telem's AR collections and the pervasive decrease of operating expenses for the year ended 2020. The positive QOE ratio signals operational sustainability, efficiency in generating positive cash flows and continued realization of the going concern assumption.

Director's Report

OPERATIONAL PERSPECTIVE

- **Technical events and other operational activities** – major technical activities carried out during 2020 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 2020. Our technicians continuously perform 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) **One Infrastructure** – 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, and continued to be an advocate for such throughout 2020. 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.

- 3) **Spectrum Quality** – in principle the quality of the spectrum is constant (good/clean), but if the user of the spectrum causes unwanted interference or intrusion, 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 2020, no major spectrum quality issues were recorded.
- 4) **Development of xRM Tool:** the Bureau awarded a contract to IT company Computech for the development of an xRM tool with a tailor-made, fully functioning integrated Document Management System. This asset will be equipped with workflow processing tools and ready-to-use management dashboard. The main objectives of the xRM system are: to improve information access time, improve operational efficiency and productivity, ensure document security, worldwide access to information, reduction in paper footprint, improved information reporting (such as spectrum and license data), and use of digital approvals to enhance document process flows.

Director's Report

OPERATIONAL PERSPECTIVE (CONTINUED)

- 5) **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 2020.

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 has 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.

- 6) **Network Migration:** In 2020 BTP purchased new file servers as the previous servers were at the end of their life and could no longer be supported. The actual migration was executed on July 22nd, 2021. The migration project has enabled the Bureau to operate more efficiently and effectively.
- 7) **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 were still ongoing (18th February 2022), however, presently the effects have simmered down globally. As of report date, the after-effects are still creating issues regionally and internationally with stakeholders placing more reliance on telecommunications and postal services. 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 the regulator.

On the 1st of May 2020, as head of the ESF 2 (Emergency Support Functions), the BTP executed an assessment within the telecommunications 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).

Director's Report

OPERATIONAL PERSPECTIVE (CONTINUED)

- **Corporate Social Responsibility** – amongst others the following were undertaken during the year;
 - 1) **Donations and outreach:** During the year 2020, the Bureau's donation and outreach efforts were restricted by the ongoing covid-19 pandemic, however the following were awarded to;

Carnival Junior Queen Pageant and SXM carnival troupe: pre-covid arrival, Milton Peters College, Battle of the Fittest International, The Lions Sporting Club Foundation- 37th Annual ABCS Sporting Tournament, Island Gems, M & M Playschool and St. Maarten Lions Club to maintain youth, health and cultural activities.
 - 2) **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.
 - 3) **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 the 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 is concern.
 - 4) **Regulations** – with the added utilities mandate, the Bureau has concluded the research phase in 2019 with further concluding activities in 2020, and will continue the studies in this sector to realize an improved regulatory environment in which desired performance can 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 permits of antenna-mast.

Director's Report

OPERATIONAL PERSPECTIVE (CONTINUED)

- **Developments and Projects** - the Bureau is currently occupied with the following ongoing projects;
 - One infrastructure MOU between stakeholders
 - Rate sheet review
 - Development of xRM Tool
 - Execution of energy regulations of the SOW for utilities as mandated
 - Update LTV with internet service billing

KEY SUBSEQUENT EVENTS

- 1) **Cyber Security** – 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. In 2021 BTP contracted Caribbean Cyber Security Center to assist the bureau with the Security Policy Development, to conduct an Enterprise Risk Assessment for BTP and to conduct an Information Security Awareness training for the staff at BTP.
- 2) **Utilization BTP building lease spaces/cancelled contracts** – 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. Additionally, the lease of the first floor was terminated in 2020 under the instruction of the Honorable Minister of TEATT (see FS note nr.18).
- 3) **Governance changes**
On the 26th of August 2021, the Honorable Minister of TEATT, Mr. Roger Lawrence was sworn in as the new Minister with direct control over the BTP as per Lv.BTP, lid.16, accountability and control.

On the 1st of May 2022, a new supervisory board (SBOD) was installed at the Bureau by way of national decrees for each of the three members. This SBOD will serve a term of three (3) consecutive years.

We welcome the new amendments to our governance structure and look-forward to a fruitful and productive working relationship with both bodies.

Directors Report

FORWARD-LOOKING STATEMENTS

- 1) **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 those 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.

- 2) **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, health and cultural activities. Amongst these activities is our annual support to the carnival foundation, art saves lives foundation, Lions Club St. Maarten, Toastmasters SXM, Schools and SXM Doet.
- 3) **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. Moving into the foreseeable future we will continue on this path of Stakeholders development as it directly impacts the level of knowledge and competitiveness of the Country of Sint Maarten in relation to our region and the world.
- 4) **Participation CAP:** Common Alerting Protocol (CAP) training program hosted by the Government of St. Maarten was held to educate all EOC members on the international standard format for emergency alerting and public warning. This system is applicable to all hazards, and we will continue to follow suite with this protocol.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Stated in Antillean Guilders)**

<u>ASSETS</u>	Notes	December 31,	
		2020	2019
NON-CURRENT ASSETS			
Capital assets, net	(3)	6,619,843	6,903,864
Investment Property, net	(3)	4,712,140	4,842,490
Other long-lived assets	(15)	101,500	6,624
Total non-current assets		11,433,483	11,752,978
CURRENT ASSETS			
Prepayments and other current assets	(4)	246,892	67,453
Trade receivables, net	(5&6)	3,232,801	10,536,011
Time deposit held	(7)	452,849	452,396
Cash and cash equivalents	(8)	5,779,578	3,002,483
Total current assets		9,712,120	14,058,343
TOTAL ASSETS		21,145,603	25,811,321
<u>NET ASSETS AND LIABILITIES</u>			
NET ASSETS			
Attributable to government	(9)	13,958,577	18,340,210
Operational reserve fund	(10)	1,080,000	1,080,000
Investment reserve fund	(10)	816,635	816,635
Total net assets		15,855,212	20,236,845
NON-CURRENT LIABILITIES			
Asset restoration obligation – long term	(14)	278,603	278,603
Long-term debt	(11)	3,186,516	3,777,646
Total non-current liabilities		3,465,119	4,056,249
CURRENT LIABILITIES			
Current portion of long-term debt	(11)	596,838	561,114
Asset restoration obligation – short term	(14)	--	--
Payroll liabilities	(12)	233,638	213,062
Trade payables and accruals	(13)	994,796	744,051
Total current liabilities		1,825,272	1,518,227
TOTAL NET ASSETS AND LIABILITIES		21,145,603	25,811,321

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

**STATEMENT OF OPERATIONS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

	Notes	January 1 - December 31, 2020	2019
<u>REVENUES</u>			
Licensing		6,258,341	6,460,581
Concession		3,000,000	3,000,000
Certification		39,706	51,070
Numbering		99,000	99,000
Lease income		540,000	648,000
Net revenues	(16)	<u>9,937,047</u>	<u>10,258,651</u>
<u>OPERATING EXPENSES</u>			
Personnel	(17)	1,645,147	1,674,962
Housing	(18)	145,961	263,674
Legal and Professional	(19)	470,504	644,846
Insurance	(20)	155,605	132,407
General and administrative	(21)	399,884	948,567
Depreciation	(3)	429,900	404,327
Bad debts expense	(6)	1,550,117	1,319,120
Total operating expenses		<u>4,797,118</u>	<u>5,387,903</u>
Operating income		5,139,929	4,870,748
<u>OTHER INCOME (EXPENSE)</u>			
Other income		453	452
Loss on assets disposal		(2,281)	--
Finance cost		(260,989)	(300,877)
Restoration gain		--	90,000
Total other (expense) income	(22)	<u>(262,817)</u>	<u>(210,425)</u>
Net result for the year		<u>4,877,112</u>	<u>4,660,323</u>

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

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

	Attributable to Government	Operational Reserve Fund	Investment Reserve Fund	Net Assets
Balance as at December 31, 2018	9,749,458	1,080,000	816,635	11,646,093
Paid to Government	--	--	--	--
Payments on behalf of Government	(93,800)	--	--	(93,800)
Lease receivable from Government	(648,000)	--	--	(648,000)
Adjustment to prior years' accruals	(71,372)	--	--	(71,372)
Provision for reserve funds	--	--	--	--
Net result for the year	4,660,323	--	--	4,660,323
Balance as at December 31, 2019	18,340,210	1,080,000	816,635	20,236,845
Paid to Government	(8,500,000)	--	--	(8,500,000)
Payments on behalf of Government	(218,745)	--	--	(218,745)
Lease receivable from Government	(540,000)	--	--	(540,000)
Adjustment to prior years' accruals	--	--	--	--
Provision for reserve funds	--	--	--	--
Net result for the year	4,877,112	--	--	4,877,112
Balance as at December 31, 2020	13,958,577	1,080,000	816,635	15,855,212

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

	January 1 - December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net result for the year	4,877,112	4,660,323
Adjustments made to reconcile net result to net cash used in operating activities:		
Depreciation and amortization	429,900	404,327
Bad debt expense	1,550,117	1,319,120
Loss on assets disposal	2,281	--
Changes in net working capital items:		
Decrease (Increase) in trade and other receivables, net	5,753,093	(4,770,916)
(Increase) Decrease in prepayments and other current assets	(179,439)	203,713
(Decrease) in attributable to Government	(9,258,745)	(813,172)
(Decrease) in assets restoration obligation	--	(90,000)
(Increase) in other long-lived assets	(66,497)	--
Increase (Decrease) in payroll liabilities	20,576	(17,742)
Increase in trade payables and accruals	250,745	120,582
Increase (Decrease) in current portion of long-term debt	35,724	(148,184)
Net cash provided by operating activities	3,414,867	868,051
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investments	(452)	(450)
(Investment) Divestment in work-in-progress	(28,379)	59,616
Proceeds from assets disposal	--	--
Acquisition of capital assets	(17,811)	(195,773)
Net cash (used in) investing activities	(46,642)	(136,607)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(591,130)	(555,637)
Net cash (used in) financing activities	(591,130)	(555,637)
Net increase in cash and cash equivalents	2,777,095	175,807
Cash and cash equivalents, beginning of year	3,002,483	2,826,676
Cash and cash equivalents, end of year	5,779,578	3,002,483

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

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.

Control:

As per article 16, accountability and control, of the national ordinance BTP (in Dutch: Landsverordening BTP) states that the Director is accountable to the Minister; therefore, sets out the premise of control over the BTP.

Control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities.

Those Charged with Governance:

The Supervisory Board: as per article 8, Supervisory Board Composition, of the national ordinance BTP (in Dutch: Landsverordening BTP) states, the Supervisory Board (SBOD) shall be composed of at least three and not more than five members, including one Chairman. The members of the SBOD shall be appointed, suspended, and dismissed by act of a national decree (in Dutch: Landsbesluit).

The members shall elect a chairman and deputy chairman from among their members. This choice will be communicated to the Minister. The members of the SBOD shall be appointed for a term of office of three years and a member may be reappointed once for a maximum period of three years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

Those Charged with Governance (continued):

Per Lv.BTP, art.9, the composition of the SBOD must bring together knowledge and experience in the field of telecommunications, postal services, economics, law and accountancy, as well as of Sint Maarten's society. Moreover, per Lv.BTP, art.10, only residents of Sint Maarten who are of unspoken conduct may be appointed as members of the SBOD. Whether a person is of unspoken conduct is assessed on the basis of the judicial information obtained in compliance with the provisions of, or pursuant to, the National Ordinance, containing provisions on judicial documentation and certificates of conduct.

Mandate for the 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.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

Going concern (continued)

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 into 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 Acting/Interim 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.

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.

Foreign currency transactions

a) **Functional currencies**

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 any gains and losses on translation are included in the statement of income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

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 revenues, 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, clients' 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 at banks, cash on hand, overdrafts, on demand deposits and other short-term highly liquid investments. Cash on hand and at 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
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Financial liabilities

Financial liabilities are initially recognized at fair value plus transaction cost when required by the applicable financial reporting framework. 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 when required, 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, except in circumstances when an underlying asset is being developed or constructed.

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 provisions of the contract, 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 reporting 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
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i. Related party transactions

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

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 and/or 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. Capital assets

Capital assets of property and equipment are stated at cost net of accumulated depreciation and impairment loss, if any. The cost of Capital assets includes costs of purchase, development, construction, betterment, and any other directly attributable costs to get the asset in its location and condition for its intended use.

Depreciation is determined on the straight-line basis over 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
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

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 customers.

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

The valuation principles and methods of determining the results of the Bureau are consistent with those used in previous years, with the exception of, changes in certain account balances, transactions, disclosures, and presentations as set out in the relevant sections, where applicable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

3. Capital 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 Dec. 2019						
Cost	7,664,815	633,782	198,399	173,404	1,515,904	10,186,304
Accumulated depreciation	(1,208,065)	(435,287)	(183,244)	(111,014)	(1,344,830)	(3,282,440)
Net book value	6,456,750	198,495	15,155	62,390	171,074	6,903,864
<u>Changes in book value</u>						
Additions	--	17,811	--	--	--	17,811
Disposal	--	(2,281)	--	--	--	(2,281)
Impairment loss	--	--	--	--	--	--
Depreciation	(172,931)	(80,808)	(7,340)	(20,584)	(17,888)	(299,551)
Net change for the period	(172,931)	(65,278)	(7,340)	(20,584)	(17,888)	(284,021)
Balance as at 31 Dec. 2020						
Cost	7,664,815	649,312	198,399	173,404	1,515,904	10,201,834
Accumulated depreciation	(1,380,996)	(516,095)	(190,584)	(131,598)	(1,362,718)	(3,581,991)
Net book value	6,283,819	133,217	7,815	41,806	153,186	6,619,843

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 6.6M or ANG 11.88M. 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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

3. Investment Property, net (continued)

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 leased 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, 2019	
Cost	6,230,692
Accumulated depreciation and impairment	<u>(1,388,202)</u>
Net book value	4,842,490
Changes in book value for the year	
Additions	--
Impairment loss	--
Depreciation	<u>(130,350)</u>
Net change for the year	(130,350)
Balance as at December 31, 2020	
Cost	6,230,692
Accumulated depreciation and impairment	<u>(1,518,552)</u>
Net book value	<u>4,712,140</u>

4. Prepayments and Other Current Assets

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Security deposits	29,189	29,189
Personnel advances	2,349	2,524
Advances to suppliers	194,159	14,662
Loans	10,440	10,440
Provision for doubtful loan	(10,440)	(10,440)
Prepaid insurance	<u>21,195</u>	<u>21,078</u>
	<u>246,892</u>	<u>67,453</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

5. Trade Receivables, net

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Netstar N.V	370,638	328,640
Radcomm Corporation N.V (UTS)	45,507	45,507
Telem Group of Companies	2,793,573	10,063,570
Global Comtrade	2,141,909	2,141,909
3SCS Station	147,900	136,200
Coral Telecom	--	15,999
Corporate Innovations	3,549,999	3,099,999
All Americas cable and radio Curacao	3,500,000	3,150,000
Beach Mart Television N.V	2,699,986	2,249,986
Critical Communication Caribbean (C3)	70,544	73,402
EBS Executive Business Services	30,000	30,000
Wireless Telecom Network (WTN)	263,752	174,144
Others	395,341	252,886
	<u>16,009,149</u>	<u>21,762,242</u>
Less: provision for doubtful accounts	<u>(12,776,348)</u>	<u>(11,226,231)</u>
	<u>3,232,801</u>	<u>10,536,011</u>

Significant matters regarding trade and other receivables are as follows:

- Telem Group of companies: since the passing of hurricane Irma and the publication of the vereffening akkoord, the group has adopted the position of hold-payment on BTP's 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

5. Trade Receivables, net (Continued)

Telem Group of companies: 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.

- Global Comtrade, Corporate Innovations, All Americas cable and radio Curacao and Beach Mart Television N.V: In July of 2017, the judge ruled in favor of BTP against these entities whereby they were instructed to pay all their concession fees. BTP has since proceeded to collect on the outstanding in accordance with its collection policy, but to no avail. On 5th April 2018, Global Comtrade's international concession was revoked retroactive to 2017.

6. Provision for Doubtful Accounts

	Balance 31-Dec-20	Bad debt 2020	Balance 31-Dec-19
WTN	139,338	102,365	36,973
Netstar N.V.	202,645	--	202,645
3SCS	147,900	11,700	136,200
Beach Mart	2,699,986	450,000	2,249,986
Global Comtrade	2,141,909	--	2,141,909
AACR	3,500,000	350,000	3,150,000
Corporate Innovations	3,550,000	450,000	3,100,000
Critical Communications (C3)	56,645	56,645	--
Executive Business Services	30,000	--	30,000
Media One	10,221	(8,190)	18,411
Caribbean Televue Services	23,005	9,000	14,005
Postal Services St. Maarten (PSS)	9,803	--	9,803
Radcomm Corporation	45,507	45,507	--
Wilson Broadcasting Network	4,488	4,488	--
Others	214,901	78,602	136,299
	12,776,348	1,550,117	11,226,231

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

7. Time Deposit Held

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Certificate of deposit - Windward Islands Bank Ltd.	452,744	452,291
Interest income, thereon	105	105
	<u>452,849</u>	<u>452,396</u>

Financing for the short-term investment derived from funds retained at bank that forms part of the required reserved funds in accordance with Lv. BTP art.21, an approved allocation by budget. For the fiscal year 2014, the initial investment was done in a certificate of deposit with the objective of maintaining the principal while earning periodic passive income. This account may experience annual updates as per the reserve budget and does not form part of the daily operational activities of BTP. The principal remains invested for a term of 12 months and enjoys interest at an effective rate of 0.1%.

8. Cash and Cash Equivalents

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Windward Island Bank USD	3,002,518	2,780,721
Windward Island Bank ANG	2,776,516	221,594
Petty Cash	544	168
	<u>5,779,578</u>	<u>3,002,483</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-20</u>	<u>31-Dec-19</u>
Attributable to Government, Opening	18,340,210	14,493,059
Adjustments to prior years' accruals	--	(71,372)
Paid to Government	(8,500,000)	--
Payments on behalf of Government	(218,745)	(93,800)
Lease receivable from Government	(540,000)	(648,000)
Net result for the year	4,877,112	4,660,323
Provision for reserve funds	--	--
	<u>13,958,577</u>	<u>18,340,210</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.

Adjustments for prior years derived from corrections to accruals for which the obligation to settle no longer exist as at reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Stated in Antillean Guilders)**

9. Attributable to Government (continued)

The identified payments made to Government by BTP for the years 2013 – 2022 were as follows:

Year	Amount
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
2020 =	ANG 8,500,000
2021 =	ANG 4,428,008
2022 =	ANG 360,004
Total =	ANG 23,024,911

Amounts omitted from the above schedule represent total settlements of ANG 2.5M for the years 2010 – 2012. Total settlement of ANG 8.5M in the year 2020, when averaged over 2018 – 2020, reflects a payment of ANG 2.833M per year (2018 – 2019 payment on account was NIL).

Other significant matters related to attributable to Government account

9.1 Government transfer receivable

	31-Dec-20	31-Dec-19
Government transfer receivable – boedelscheiding	13,019,323	13,019,323
Allowance for doubtful transfer	(13,019,323)	(13,019,323)
	--	--

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.

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9.1 Government transfer receivable (continued)

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 (vereffenings akkoord) 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).

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 vereffenings 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 (since fair value appraisals were not obtainable nor reasonably measurable) less provisions for impairment and amortization of the underlying assets as at reporting date. 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.

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9.2 Related Parties

As of reporting date a new financial reporting issue existed, wherein the BTP had various contractual arrangements with parties who were allegedly at non-arm's length, so should the ongoing investigation conclude with this being fact, a new FS (financial statements) risk will emerge of whether these transactions have occurred at amounts in excess of fair value (FV), i.e., wrongful/illegal gains or economic benefits enjoyed by related parties.

To date the gathering of evidence on the subject matter remain unattainable, thus our reporting is limited to a disclosure in accordance with applicable policy. To enhance understandability, a related party exists when one party has the ability to exercise control, joint control or significant influence over the other.

Control is the power to govern the financial and operating policies of another entity with expected benefits or the risk of loss from the other's activities. (considered MET, as the Ministry of TEATT has direct control over the BTP and by extension the Council of Ministers and Parliament who delegates their control through the legal appointment of the Director of BTP. Allegedly, the Director of BTP also shares direct equity ownership of a vendor-entity, ACTIS, with a former member of Parliament, thus BTP and ACTIS were allegedly commonly controlled by the same group of individuals) at a point in time.

A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. (considered MET, as the suspended Director of BTP and the former member of Parliament (in question) are/were allegedly business partners before the susceptible RPT of the BTP occurred. Moreover, they are/were allegedly joint shareholders of a vendor-entity (ACTIS). Thus, the foregoing establishes a RPT relationship which may have enjoyed economic benefits from BTP by favorable contractual terms, provision of services or transfers of obligations at amounts more favorable than FV).

Thus, in accordance with the applicable accounting policies, a disclosure is required as related parties have allegedly executed transactions at values different from that which would have been arrived at if they were unrelated. To this effect, we disclose the following susceptible contractual arrangements which may have included wrongful economic gains by the foregoing alleged related parties and their associates;

- Taliesin Construction N.V:
 - ✓ 2012-2020 building maintenance agreement (see FS note 21 "repairs & maintenance"),
 - ✓ 2012-2020 1st floor lease agreement (see FS note 18),
 - ✓ 2017 hurricane damage assessment agreement, and
 - ✓ 2017 building restoration agreement
- ACTIS:
 - ✓ 2012-2022 service contract for the numbering plan of Sint Maarten (see FS note 21, numbering plan)

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9.2 Related Parties (continued)

Hence, in consideration thereof, recognition of any economic loss will occur at some future date when official evidence of the;

1. outcome is probable,
2. amounts are reliably estimable, and
3. official evidence is obtained.

Until this future date, the FS impact is limited to a disclosure in accordance with the applicable accounting policies of the Bureau.

Noteworthy, based on the severity of the misappropriation of economic resources by the alleged related parties through the vendor-entity, ACTIS, in collusion with Taliesin Construction N.V, and the reputational damage suffered therewith; the current management of the BTP has ceased all contractual arrangements and dealings with ACTIS on contract expiration date of 16th March 2022.

10. Operational and Investment Reserve Fund

	<u>31-Dec-20</u>	<u>31-Dec-19</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.

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).

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10. Operational and Investment Reserve Fund (continued)

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 817K was initially allocated for the fiscal year 2016 in accordance with the approved budget. As of reporting date, no further additions were made to the 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-20</u>	<u>31-Dec-19</u>
W.I.B loan facility. b	3,783,354	4,338,760
Total debt	<u>3,783,354</u>	<u>4,338,760</u>
Less:		
W.I.B loan facility. b	(596,838)	(561,114)
Short-term portion	<u>(596,838)</u>	<u>(561,114)</u>
Long-term portion	<u>3,186,516</u>	<u>3,777,646</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 USD 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 USD 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.

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.

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11. Long-Term Debt (continued)

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 by the new agreement, the previously signed agreement of July 25, 2012, was then made void. 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. This credit facility was fully repaid in December 2019.

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.

12. Payroll Liabilities

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
AVBZ	26,428	24,972
AOV/AWW	6,559	5,727
ZV/OV	2,696	1,961
Wage tax	70,617	41,864
Pension liability	17,938	12,555
Pension contributions refundable to employees	109,400	109,400
Net salaries and wages payable	--	16,583
	<u>233,638</u>	<u>213,062</u>

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12. Payroll Liabilities (continued)

The amount of ANG 109,400 “Pension contributions refundable to employees” relates to the employees’ premium contributions which were deducted for the years 2010 to 2013 when those employees were not registered and/or recognized at APS. Hence, these deductions were never paid to APS. Given that fact, and that, these 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 those employees.

13. Trade Payables and Accruals

	<u>31-Dec-20</u>	<u>31-Dec-19</u>
Actis	36,450	13,500
Accountability Center, ACA	101,743	75,383
Curtis White	--	8,424
SOAB	216,804	165,920
Computech	21,600	64,800
UPAEP	101,201	50,148
R-Experts	--	41,106
Other, trade payables	70,533	51,155
Accrued liabilities, UPU	303,813	251,408
Accrued liabilities, CTU	105,386	--
Credit cards	4,185	2,106
Redeemable checks	33,081	20,101
	<u>994,796</u>	<u>744,051</u>

As it relates to the UPU (Universal Postal Union) accrual, 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 billed to Sint Maarten for settlement over the years 2018-to-2022, i.e., provisions were made accordingly.

Respective of CTU (Caribbean Telecommunications Union), on 6th April 2022, a collection letter dated 23rd March 2022 was received at the BTP with a stated USD 74,148 obligation to be settled. As such, a provision was made for the probable obligation that existed at reporting date.

Amounts related to UPAEP comprise of membership contributions payable for the years 2019 – 2020.

Other significant balances related to ACA and SOAB represent cumulative audit fees for the years 2017 to 2019 which were subsequently paid. Other accruals outstanding at report date, relates to audit fees for the year 2020 which were accrued at reporting date.

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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, a provision for future restoration works was recognized as follows.

Description	Amount (ANG)
Furniture, equipment and vehicles	258,611
Building	1,152,000
Generator	69,428
Elevator	58,212
Others	33,485
Total restoration obligation	1,571,736
Less: payments rendered during 4 th quarter 2017	(527,400)
Asset restoration obligation, net (31 Dec. 2017)	1,044,336
Less: payments rendered for the year 2018	(675,733)
Asset restoration obligation, net (31 Dec. 2018)	368,603
Less: payments rendered for the year 2019	(90,000)
Long-term ARO, net	278,603

15. Other long-lived assets

	31-Dec-20	31-Dec-19
Work-in-progress	6,624	6,624
12.5% personnel cut recoverable	66,497	--
Credit card advances	28,379	--
	101,500	6,624

Work-in-progress (WIP) represents ongoing development of an XRM tool with a tailor-made, fully functioning integrated document management system, including a Workflow tool and ready-to-use management dashboards. The objectives of the xRM system are, to reduced costs and quicker access to information, improve efficiency and productivity, enhance document security and ease of information sharing, securely access information from anywhere at any time, reduce the use of paper, automate report generation-certificates-declarations-and-licenses, and digitize management approvals in a secured-and-controlled environment to increase return times.

12.5% personnel cut recoverable: on Wednesday, 3rd of February 2021, Parliament passed the law that formalized a 12.5% reduction in employment benefits for civil servants and those employed at (semi) public sector entities, i.e., BTP included. As such provisions was made accordingly.

Credit card: an amount recoverable of ANG 28K was reclassified from liabilities to *other long-lived assets* recovered in 2022. This condition existed due to advance funding made to cover a scheduled 2020 trip, however subsequently cancelled due to covid-19.

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16. Revenue

	<u>2020</u>	<u>2019</u>
Licensing	6,258,341	6,460,581
Concession	3,000,000	3,000,000
Certification	39,706	51,070
Numbering	99,000	99,000
Lease income	540,000	648,000
	<u>9,937,047</u>	<u>10,258,651</u>

Revenue from contracts (whether implied, written, or oral) with clients are recognizable when the client request or uses telecommunications and postal, goods and services which are under the control of the Bureau. The Bureau has control over the economic benefits of these 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 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 of BTP is this category. In this class of sectors, operators are charged for frequency usage and all other regulatory oversight charges related to the assignment and usage of spectrum. Spectrum assignment is executed by the Minister of TEATT through licenses or concessions. The continued rigorous regulatory oversight over spectrum usage have encouraged operators to be more efficient with their spectrum assignment and usage over the operating year of 2020. The net unfavorable Y/Y (year-on-year) variance of ANG -0.202M for the year by sector were as follows:

	<u>2020</u>	<u>2019</u>
(A) Aviation	33,600	35,214
(B) Broadcasting	176,045	173,347
(T) Telecommunication	5,982,085	6,180,457
(MR) Maritime	44,111	46,063
(C) Certificate	--	500
(P) Postal	22,500	25,000
	<u>6,258,341</u>	<u>6,460,581</u>

Significant variances identified for this class were: Aviation unfavorable variance of ANG 1.6K | Broadcasting favorable variance of ANG 2.7K | ARC- Concession/Telecom unfavorable variance of ANG -2.4K | ARC/spectrum/Telecom favorable variance of ANG 11K | Mobile Radio Communications unfavorable variance of ANG -7K and MRC/Spectrum/Telecom unfavorable variance of ANG -113K.

*Licensing sectors have been consolidated into their main domain classes to enhance understandability by users to the financial statements in a summarized view. The same remain true for prior year figures.

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16. Revenue (continued)

Concession revenue: remained unchanged Y/Y at ANG 3M for the year ended.

Certification revenue: relates to transactions with a wide-range of operators at the point-in-time when their need for new certifications arose. The net unfavorable Y/Y variance of ANG -11.4K for the year by sector were as follows:

	<u>2020</u>	<u>2019</u>
(A) Aviation	9,000	9,798
(B) Broadcasting	1,329	872
(MB) Mobile - radio	90	1,790
(MR) Maritime	7,380	8,681
(E) Examinations	2,197	6,381
(TA) Type Approvals	19,125	19,818
Others	585	3,730
	<u>39,706</u>	<u>51,070</u>

Significant variances identified for this class were: Mobile-telecom unfavorable variance of ANG -1.7K | Maritime unfavorable variance of ANG -1.3K | Examinations unfavorable variance of ANG -4.2K and others in aggregate unfavorable variance of ANG -4.2K.

All other revenue categories remained on par with prior year 2019.

17. Personnel

	<u>2020</u>	<u>2019</u>
Gross salaries and wages	1,426,958	1,303,306
Social premiums	89,762	82,215
Pension premiums	169,675	203,270
Other personnel expenses	23,126	86,171
12.5% personnel cut	(64,374)	--
	<u>1,645,147</u>	<u>1,674,962</u>

Mutations to gross salaries and wages expense for the year ended 2020/2019 were:

- One discontinued admin staff at a favorable variance of ANG 15K.
- Changes to SBOD composition effected a net favorable variance of ANG 22K.
- New hires of legal personnel to a net unfavorable variance of ANG -154K.
- Management and other admin personnel changes to a net unfavorable ANG -6K.

For the year ended 31 December 2020, a total of twelve (12) individuals were employed by the Bureau compared to eleven (11) employees at year-end 2019.

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18. Housing

	<u>2020</u>	<u>2019</u>
Rent	54,000	162,000
Utilities	27,191	31,789
Telephone, data, and Internet	29,244	27,045
Janitorial expense	5,826	3,600
Security expense	5,400	6,840
Parking	24,300	32,400
	<u>145,961</u>	<u>263,674</u>

The rent account comprises solely of a lease contract payable to the owner of the 1st floor of the Leah building complex, however this contract was terminated by letter dated 4th of March 2020.

Background and provisions: 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 were formalized to create a “rental pool” that comprises BTP owned-floors and 1st floor.

A response letter to inquiries of 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 of 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.

19. Legal and Professional

	<u>2020</u>	<u>2019</u>
Audit, financial and other consultancy	388,510	398,359
Legal	49,539	121,288
Management fees	32,455	125,199
	<u>470,504</u>	<u>644,846</u>

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19. Legal and Professional (continued)

a) Significant non-recurring or one-off expenses incurred in this category were:

Financial year 2019:

- ANG 36K: for the purpose of the establishment of a regulatory framework pertaining to the utilities sector as mandated by the Honorable Minister of TEATT on 28th June 2017 and published on 1st September 2017.
- ANG 41K: for the purpose of an evaluation of the moratorium and the impact of a market liberalization on electronic communications.
- ANG 117K: for the purpose of the preparation of a regulatory framework for the utilities sector.

Financial year 2020:

- A collection fee was paid to the collection agency for the successful settlement agreement of Telem's stale-dated AR. Total settlement was ANG 10.999M, but the collection fee was calculated based on an 8.5% threshold of ANG 2.16M to a total payout of ANG 183.6K.

b) Significant contractual amendments for the year 2020 were:

- Curtis T. White Law Offices: effective 30th September 2011, Sint Maarten became a participant in the North American Numbering Plan (NANP). 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.
- 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.

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19. Legal and Professional (continued)

- 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.

20. Insurance Amortization

	2020	2019
Personnel	70,054	55,427
Vehicles	8,621	7,878
Furniture	4,526	2,852
Equipment	7,656	4,657
Building	64,279	61,126
Public liability	469	467
	<u>155,605</u>	<u>132,407</u>

21. General and Administrative

	2020	2019
Numbering plan	157,950	162,000
Membership fees	8,095	34,822
Advertising and promotion	--	1,647
Travel and lodging	22,073	235,630
Representation	3,613	17,240
Donations and charitable contribution	4,410	47,421
Postage and courier	5,134	11,487
Automobile expense	10,047	22,047
Repair and maintenance	82,555	243,939
Office supplies	17,797	23,230
Computer and equipment	34,652	37,160
Network support expenses	27,883	75,518
Bank charges	6,979	9,090
Foreign exchange variances	18,696	19,497
ESF committee	--	7,839
	<u>399,884</u>	<u>948,567</u>

The most significant classes of transactions within general and administrative expense for the year ended 2020 were; numbering plan and repairs & maintenance. The majority of planned travel & lodging for the year 2020 was cancelled due to the emergence of covid-19, and the same remain true for the other expense classes.

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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. These fees were paid to the vendor ACTIS as per contractual arrangement.

Repairs & Maintenance

Repairs and maintenance significantly decreased as a result of the contract being terminated within the 1st quadrimester of 2020.

Background and termination: building maintenance contract

On 5th of 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.

On the 23rd of 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 report date, 13th June 2022, management has assessed the likelihood of any outflow of economic resources as remote, therefore requiring no contingency disclosure at reporting date.

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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). For the year ended 2020, a net loss of ANG 2,281 was recognized on disposed office equipment. Other income comprises finance income gained on the certificate of deposit.

23. Contingent Liabilities

On the 28th of June 2022, BTP received an updated listing of ongoing legal matters and claims from legal counsels, including the Ministry of TEATT. The updated listing of court cases comprised pending/ongoing legal matters from prior periods and covering the period 16th February 2022 to 28th of June 2022. The following are ongoing legal matters of the Bureau as at statement of financial position and reporting date.

Minister of TEATT vs Netstar N.V. LAR236/2017 (Lar SXM2018H00130):

On 14th June 2017 Netstar submitted an appeal against the decision of the Minister of TEATT dated 26th May 2017 in which decision Netstar was informed that in accordance with the advice of BTP-Netstar's current license shall expire on 26th May 2017. By decision of the Court of First Instance of 25th June 2018 the Court declared the appeal of Netstar founded. The Minister of TEATT filed an appeal against the decision of the Court of First Instance and the pleadings in appeal took place on 2nd June 2021, and was further postponed to 2022. During the hearing the Court of Appeal encouraged parties to settle this matter amicably. The discussion and negotiations are ongoing. Although BTP is formally not a party in this case, the latter has advised the Minister of TEATT on this matter and had advanced the attorney fees. The expected costs in this procedure are limited to fees for litigation and costs of BTP /Minister of TEATT related to preparation, advice and litigation in this procedure.

BTP vs Kiwisat:

This litigation was commenced by Kiwi Communication SAS (thereafter referred to as Kiwisat) to establish that the entity can conduct business in Sint Maarten, without falling under the regulatory oversight of the Bureau.

Status of the case and the defense: the defense is that the Bureau has regulatory oversight on all entities active in Sint Maarten and offering telecommunications services. The Appeal was filed by the Bureau as the court of first instance decided that a foreign entity like Kiwisat is permitted under the Concordia Treaty to offer its services here without requiring a permit and not falling under the supervision of the Bureau. Per legal letter dated 8th June 2022, the case is in appeal with an anticipated favorable outcome.

Potential impact of the outcome of the litigation: this case is on the principle of the applicability of the laws of Sint Maarten as it relates to cross border services being placed under the workings of the Concordia treaty. The litigation concerns the authority of the Bureau in such cases. The outcome of the litigation does not financially impact the Bureau. The claim awarded for court costs and attorney's fees in first instance is the sole financial impact of this case.

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23. Contingent Liabilities (continued)

TELEM Group (disputed telephone bills):

The Bureau has a current ongoing dispute with TELEM Group over some telephone bills of prior years to the amount of ANG 11,037. This alleged obligation represents stale-dated BTPNA bills which were recently added to BTPSXM's account without consent to do so. BTPSXM have objected to these bills from the initial notice and TELEM acknowledged the objection by stating the dispute is being handled. The claim is therefore being disclosed until reasonable evidence is received on the probable outcome. Management believes a possible settlement is highly remote especially considering the fact that BTPSXM & BTPNA are two distinct entities under law.

Financial report impact of contingencies:

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

24. Subsequent Events

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

a) Re: Set-off of TELEM's receivables against Country of Sint Maarten's payables

In continuation of Telem's 2020 settlement of the amount ANG 10,998,889 (set-off ANG 5.5M of Telem's receivables vs. Government payables, and payment by Telem of ANG 5.499M).

On the 27th of January 2021, Telem and BTP further agreed on the settlement of ANG 781,845 of the initially disputed ANG 1,267,451 of invoices (UMTS and LTE). The residue of ANG 485,606 was a written-off expense on the account of BTP. The net outcome of these adjustments was an increase in each of receivables, net operating result through bad debt recovery, and net assets. As at 31st August 2021, Telem's stale-dated receivables was NIL (fully settled).

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

a) 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 ended on 16th March 2022.

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24. Subsequent Events (continued)

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

b) Governance changes

On the 26th of August 2021, the Honorable Minister of TEATT, Mr. Roger Lawrence was sworn in as the new Minister with direct control over the BTP as per Lv.BTP, lid.16, accountability and control.

The Supervisory Board: as per article 8, Supervisory Board Composition, of the national ordinance BTP (in Dutch: Landsverordening BTP) states, the Supervisory Board (SBOD) shall be composed of at least three and not more than five members, including one Chairman/woman. The members of the SBOD shall be appointed, suspended, and dismissed by act of a national decree (in Dutch: Landsbesluit).

On the 1st of May 2022, a new supervisory board (SBOD) was installed at the Bureau by way of national decrees for each of the three members. This SBOD will serve a term of three (3) consecutive years.

c) Leah Building – 4th floor lease occupancy

On the 18th of March 2021, Government (through the Ministry of TEATT) invoked its lease right (created by lease confirmation on 13th July 2012) to occupy the 4th-floor of the Leah Building. The honorable Minister Ms. L. de Weever informed the Director of BTP Mr. A.Carty that the Division of Inspection from the Ministry of ECYS (Education, Culture, Youth and Sport) had been awarded the right to use the 4th-floor as their office space. The move was successfully completed on the 15th of April 2021.

d) BTP vs Kiwisat

On the 15th of June 2021, the Court of First Instance ruled in favor of Kiwisat. In summary, the Court ruled that Kiwisat is entitled, in return for payment, to transmit satellite signals relating to foreign TV stations that can be received in the Country of Sint Maarten by means of devices sold by Kiwisat in Saint Martin, but satellite dishes localized in the Country of Sint Maarten. Kiwisat may also sell and deliver TV channels, and TV satellite dishes to persons residing in Saint Martin or residing in the Country of Sint Maarten. The Country of Sint Maarten and BTP are prohibited from making public statements, in word and writing, that conflict with the declaration of right given by the Court or pay a penalty of USD 500 for each violation up to a maximum of USD 100,000 each. The Court also noted that the island of Saint Martin/Sint Maarten is characterized by 'open borders' and 'free trade' between the two jurisdictions under the Concordia Treaty, i.e., telecommunications legislation of the Country of Sint Maarten does not apply to Kiwisat. An appeal was filed, and the outcome is pending.

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24. Subsequent Events (continued)

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

e) Suspension of the BTP Director

On the 17th of August 2021, the honorable Minister of TEATT, Ms. L.de Weever suspended the Director of the BTP (Mr. A. Carty) by way of a national decree (in Dutch: Landsbesluit) signed effective 13th August 2021.

Legal basis: As per article 16, accountability and control, of the national ordinance BTP (in Dutch: Landsverordening BTP) states that the Director is accountable to the Minister; therefore, sets out the premise of control over the BTP and its Director. Article 3 of the national ordinance BTP (in Dutch: Landsverordening BTP) established the legal basis by which the Director of the BTP can be appointed, suspended, or dismissed by the execution of a national decree, and this instrument was exercised by the Honorable Minister on suspension date.

Motivation for suspension: as per Landsbesluit no.021/0333 (dated 13th August 2021) stated,

- integrity is an essential basic condition for trust in and legitimacy of the public administration, and
- the integrity of the Director of the BTP is in question and it is necessary to prevent the trust in and legitimacy of the public administration from being undermined.

f) Suspension of the BTP Director (continued)

Based on the foregoing, amongst others, the Director was suspended for the duration of the criminal investigation and a follow-up decision will be taken after completion of the criminal investigation. Acting Director: per Lv.BTP, art.3, the director shall appoint one of the staff of the Office as his alternate. Such an act requires the approval of the Minister.

If the director and his alternate are both unable to perform their duties simultaneously for more than one week because of their absence or incapacity, the Minister shall, acting in accordance with the support of the Council of Ministers, appoint a person to temporarily assume the duties of the director. In view of the foregoing, the Minister of TEATT appointed the Deputy Director, Mrs. J.Labega-Hoeve to act as Director of the BTP.

g) Suspended Director of the BTP vs Honorable Minister of TEATT/Government

On the 10th of September 2021, the suspended Director of the BTP started legal proceedings against the Honorable Minister/Government by way of an objection filed with the Court of First Instance.

On the 30th of November 2021, an extension of the objection was granted by the Courts at the request of the plaintiff. As of reporting date, no further update of the ongoing case was received. This matter was disclosed as the outcome may result in modification of the financial statements, at some future date, when reasonable evidence is obtained.