St. Maarten Medical Center

2011 Annual Report

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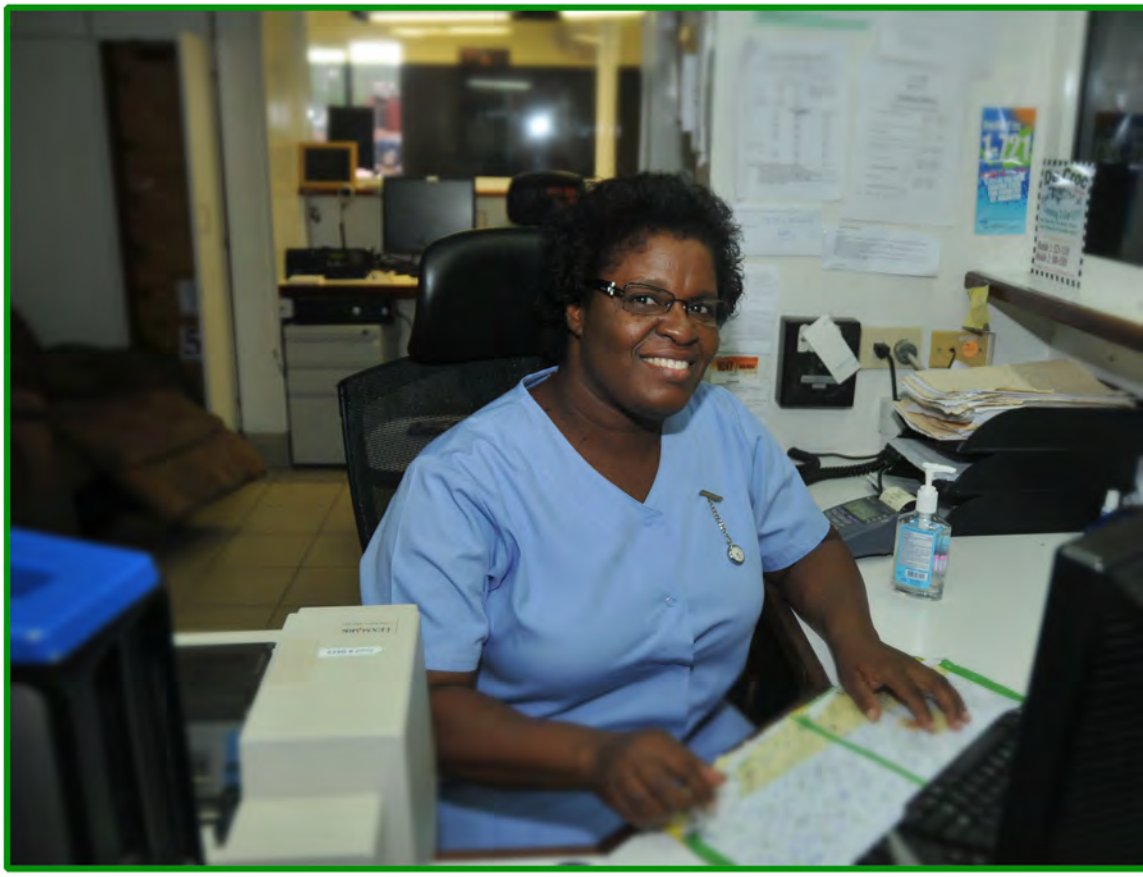
General Information



20 Years Caring for You

1. Supervisory Council and Board of Directors

Current Supervisory Council of the Sint Maarten Medical Center Foundation:

Dr. Isaac (Izzy) Gerstenbluth	*Interim Chairman*
Mr. Robert-Jan James	*Interim Vice-Chairman*
Mr. Sixto I. Peters	*Treasurer*
Mr. Edward R. Benjamin	*Member*

The Supervisory Council has 1 vacancy.

Current Board of Directors of the Sint Maarten Medical Center Foundation:

Dr. George A.M. Scot	*President of the Board*

2. Adoption 2011 financial statements

The Board of Directors of the Sint Maarten Medical Center Foundation has adopted 2011 financial statements in the Board meeting dated November 23, 2011.

The Supervisory Council of the Sint Maarten Medical Center Foundation has adopted 2011 financial statements in the Supervisory Council meeting dated November 24, 2011.

REPORT OF THE SUPERVISORY COUNCIL

3. Report of the Supervisory Council

The Supervisory Council (SC) of the Sint Maarten Medical Center Foundation (SMMC) was faced with many challenges this year.

The SC dealt with the ongoing issue of securing financing for the expansion plan of the St. Maarten Medical Center that totals Ang. 30 million. The SC is of the opinion that the expansion of the SMMC is vital for providing adequate quality health care for the Island and the neighboring islands of Saba and St. Eustatius. The SMMC will then be able to also expand its services thereby limiting off-Island referrals, which is burdening Government (SZV) and other health insurance entities. A key bottleneck is the desire of the prospective financiers of having a guarantee from Government in place, which Government were and still is reluctant to provide. A key development is the desire of the BES-islands to use the SMMC services for the patients of Saba and St. Eustatius and therefore wish to see the SMMC expand its services.

The SC was also faced with the challenge of selecting qualified council members to replace members that wished to resign because of personal and other urgent reasons. The SC requested that certain members extend their membership to give the SC the opportunity to seek adequate replacement that meet the profile stipulated according to the Articles of Incorporation as well as meet the criteria of having no conflict of interest with regards to being a member of the SC of the Medical Center. The SC considers its task very seriously and is very critical about the selection of candidates to be proposed to Government (Minister). The Supervisory Council was finally able to appoint a medical expert to its council as per March 22, 2011 by the name of Isaac (Izzy) Gerstenbluth. This is in accordance with article 9 sub 1a and 7 of the articles of incorporation of the SMMC.

On December 31st, 2011, the Supervisory Council consisted of the following members:

- Clarence Richardson, Chairman
- Meredith Boekhoudt, Secretary
- Sixto Peters, Treasurer
- Izzy Gerstenbluth, Member

The SC was informed that the president of the board of directors was invited to travel to Miami to meet with doctors who are interested in providing medical tourism on St.Maarten together with the SMMC.
The SC is of the opinion that it is very essential, in order to safeguard affordable and adequate health care for the community, this development should closely involve SMMC. In case of emergencies and/or complications the services of the SMMC will always be necessary. In addition there are the problems of siphoning away already difficult to recruit trained personnel and cherry picking (offering partly the same services as the SMMC, but only those that are short stay, high turnover and lucrative), and ultimately thus affecting the SMMC financially. Such a development will endanger the viability of the Medical Center and therefore require close scrutiny in order to avoid endangering the general health care delivery to all people residing in St. Maarten as a whole.

The SC placed much emphasis in completing the CLA with the Union and the employees of the SMMC. The SC delegated its member with the expertise in Human Resources and Industrial relations to assist management to ensure successful completion of this task. The targeted date for the signing of the CLA was set for June 7th, 2011, which is the anniversary of the SMMC. The CLA was then actually signed on July 8th, 2011 The entire SMMC negotiation team should be commended for this accomplishment.
In its quest to function ethically, professionally and responsibly, the SC unanimously approved the behavioral policy code document; " In het belang van de patient" , prepared by its policy expert advisor. This policy document includes rules and regulations that the SC must abide by for optimal functioning.
Based on this policy document the SC can devise a self-evaluation document whereby it can assess its own functioning.

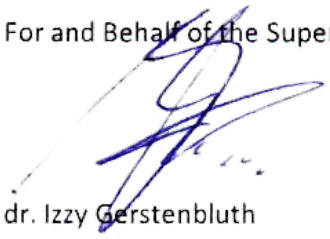
The SC has handled in its meetings among others during the year of 2011:

- The Expansion plan financing for the SMMC
- The Budget of 2011
- The SC behavioral code policy ; “Gedragscode & In Het Belang van de Patient”
- The CLA
- The Evaluation of the Managing Director
- Recruitment of new SC members
- The “Aftreedschema” (resignation schedule)
- Approval of the 2010 year report
- The Cooperation between VU/AMC and SMMC

The Supervisory Council of the SMMC is pleased to present the audited Consolidated Financial Statements as prepared by the management of the SMMC for the year ending 2011.The external auditor PricewaterhouseCoopers has again rendered an unqualified opinion with regards to these statements.

On November 24, 2012 the Supervisory Council approved the Consolidated Financial Statements for 2011 of the SMMC.

For and Behalf of the Supervisory Council of the SMMC,



dr. Izzy Gerstenbluth
Interim Chairman

REPORT OF THE BOARD OF DIRECTORS

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4.1 Introduction

The Sint Maarten Medical Center Foundation(SMMC) was established in 1991 on Sint Maarten, Netherlands Antilles. In compliance with Article 7 paragraph 1 b of its Statute, it is the responsibility of the Board of Directors to finalize an annual report on the affairs of the foundation and adopt the financial statements within the statutory period after the end of the year.

The Sint Maarten Medical Center Foundation is a private not-for-profit organization and is the only hospital on the Dutch side of the island. The French side of Sint Maarten also has one hospital, le Centre Hospitalier de Saint-Martin, which is a government owned hospital.

The SMMC is a general hospital servicing primarily the population of Sint Maarten, Saba and Sint Eustatius. Tourists and patients of surrounding islands are also served. Our mission is raising the bar in regional healthcare, becoming a leading medical institution in the Eastern Caribbean Region and, on the long term, becoming a teaching or (part of) an academic medical institute.

2011 marked 20 years of existence for SMMC. A fact that was proudly celebrated during a formal gala dinner on our official anniversary date, June 7th. The health care landscape has changed tremendously over the 20 years. From servicing a population of some 23,000 an a limited amount of visitors back then, to caring for a community estimated at 60,000 persons and more than 1,7 million visitors today.

It is no surprise that in 2011 SMMC maintained its focus, just as in the previous year, on securing financing for the so much needed expansion of the facility. The expansion is crucial in order to increase our services with more specialties and more specialists and to improve the quality of care. The expansion will enable SMMC to hire more and adequate staff, sustain the present staff and implement much needed innovative measures for patient-care and service, improve safety and increase satisfaction of both patients and staff. With the expansion in place we will have a solid foundation to work together with organizations on medical tourism initiatives or to be able to compete with possible new medical tourism centers.
The realization of the hospital expansion is therefore vital in the development towards our mission.

SMMC continued working on consolidating and improving the quality and safety systems in the hospital. During the year the quality system has been evaluated, strengthened and improved.

2011 was also a year in which SMMC was confronted major internal and external challenges.

Externally, the negotiations for obtaining financing for the expansion have stalled again as a result of lack of guarantee from the government. The financial institutions are requesting a form of guarantee from the Government that SMMC will remain the only hospital on Sint Maarten. The current government is not willing to give a written guarantee to that effect. However the government wanted to express their commitment to the expansion of the SMMC by having the APS (General Pension Fund) and the SZV (Social healthcare fund) participate in the financing. Based on this, the decision was made to start the process for a bond purchase agreement for the needed 30 million guilders. This process started in September by contracting Blue Liaison from Curacao as the arranger. In 2011 we finalized a Confidential Information Memorandum, an audited financial model that calculates the financial projection in the coming 15 years and a draft Bond Purchase Agreement. SMMC started the actual engagement with potential financers in March 2012. Currently the negotiations regarding the financing conditions are still ongoing to secure the full required 30 million guilders. Simultaneously work is being carried out on fine tuning and constantly improving the drawings and plans of the expansion, evaluating different possibilities for purchasing of additional (medical) equipment including service contracts and other related preparation works.

In 2011 an agreement was reached regarding payments of the SVB budgets over 2008 and 2009 and the payments were received, as well as the payments for 2010 budget.

With the new self-governing status of St. Maarten on 10-10-10, perceptions were created that a new tariff system, a new financing system and a new one-payer system would be in place by that date. In 2011 these systems were still not introduced. The uncertainty regarding the effects on SMMC of these systems once implemented is still a major concern.

With the Netherlands Antilles dissolved it was expected that the central hospital status of the St. Elisabeth Hospital (SEHOS) and the peripheral status of the SMMC would be adequately addressed. However, to date the SMMC is still essentially not recognized as a central hospital for Sint Maarten. As a result the costs related to expanded specialist services will not be covered by the newly established SZV.

Although our influence in the developments of aforementioned challenges is marginal we remained in discussion with Government in 2011 to underline the importance of aforementioned factors for SMMC and by extension to the health care on St. Maarten.

Despite these serious challenges and threats, our ambitions for 2011 remained the same; that the SMMC should provide all basic medical specialties to fulfill the medical needs of the local population and those visiting our island. For this it is necessary to provide an acceptable spectrum of good services in acute & urgent care and in the basic medical specialties.

A separate cooperation agreement for health services between Bonaire, Saba, St Eustatius (BES) and Sint Maarten was signed by Fundashion Mariadal, the Saba Health Care Foundation, the St. Eustatius Health Care Foundation and the SMMC, on September 30, 2011, with the objective to work together in order to provide an acceptable spectrum of good services in acute and urgent care and in the basic medical specialties.

SMMC has set the goal to become the hospital where people want to go to as patients, as visitors and as staff. To be able to guarantee the continuity of hospital care and in order to deliver quality care, while remaining financially strong, the SMMC within 2 years has to:

- Expand its physical infrastructure;
- Upgrade its Hospital Information System (H.I.S.);
- Upgrade and train its staff;
- Streamline the organization and logistics.

4.2. Responsible care

Our patients and our staff are central in our quality care policy, whereby their Satisfaction, Safety and Health are the pillars to build on. Quality care, as defined in the Federal ordinance on Health Care Institutions[1], is responsible care, if it is provided based on:

- Expertise (according to standards and defined in the job descriptions);
- Efficiency (best use of resources);
- Effectiveness (the outcome);
- Patient centered (always there for the patient);
- Focused on the real needs of the patient (what is best for the patient).

Responsible care also entails monitoring, managing and improving the quality of care. In order to monitor the quality care given, relevant data is collected on a structural basis. The data is collected through committees and the Hospital Information System and is then evaluated and used to improve and guarantee quality care in the hospital.

In 2011 we had to deal with some challenges and our immediate objective was to guarantee continuity of responsible care through:

- Strengthening and improving our quality systems;
- Improving social and psychological services for patients;
- Minimizing the consequences of shortages of nursing staff by introducing innovative approaches and a new CLA per June 2011 with specific arrangements to address this;
- Guaranteeing the continuity of obstetric/gynecological care by hiring 2 gynecologists;.
- Starting with the buildup of Cardiology as a new specialty.

Our quality care policy is to create a constant high level of service delivery. The SMMC aims to have a sustainable quality system in place in which all care processes and procedures are described, approved and constantly evaluated and updated

4.2.1. Quality of care

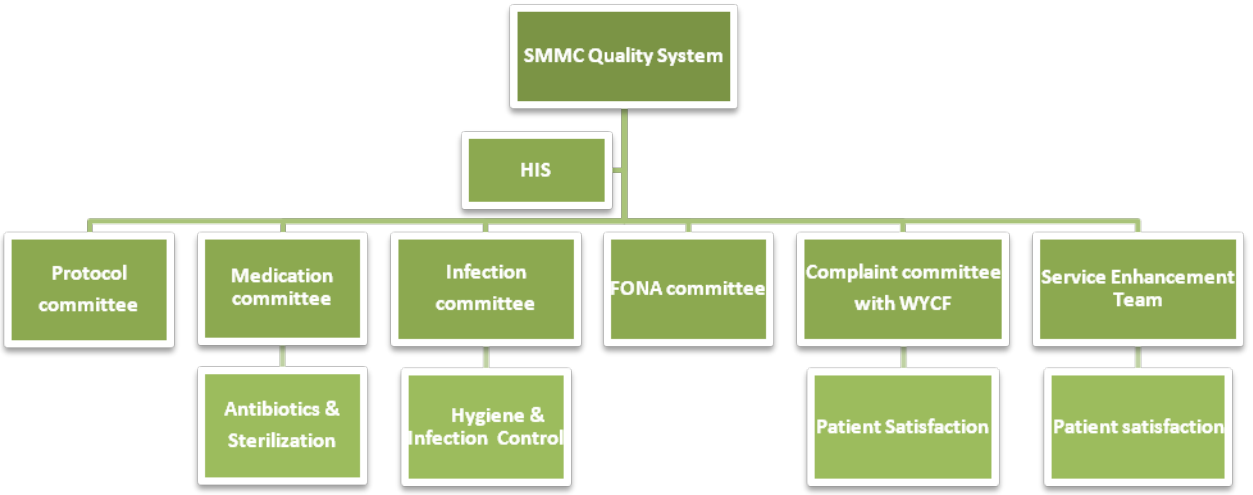
In 2011 the preventive and corrective activities of the Quality Care Department increased and improved although the development of this department stagnated after October 2011 when the quality care manager/hygienist upon reaching pensionable age, scaled down her activities and assumed the position of solely hygienist. Up to this moment we were not able to contract a quality care manager. Capable candidates made the condition that without the security of starting the expansion they were not willing to come. Even so we worked on substantially improving the safety and quality on all departments.

4.2.1.1. Hospital wide Quality system

The central task of the Quality Care System is to develop and maintain the Quality and Safety standards. By installing, supporting and monitoring the necessary committees, implementing and executing their advices and plans, the safety and quality objectives can be fulfilled.

[1] Landsverordening zorginstellingen PB 2007-19

In 2010 the structure of the Quality System has been adapted and expanded as predicted in the following charts:



Protocol Committee

The protocol committee is established to ensure that the protocols in use at the various departments of SMMC are up to date. In 2010 a total of 13 protocols were reviewed and revised. While in 2011 a total of 14 protocols were reviewed and approved. This included: 2 for the Policlinic (Outpatient), 2 for the Education department, 1 for the OR and 6 for hygiene and infection prevention.

The Medication Committee

The Medication Committee was established on July 13, 2009 to monitor the correct supply and distribution of medication. During 2011 the antibiotic policy for SMMC was finalized and placed on the intranet and the updating of guidelines for oral and injectable medication on Pediatrics was started. The list of disinfectants used in the hospital was reviewed and the disinfectant protocol was adjusted with the WIP (Workgroup Infection Prevention from the Netherlands) protocol.

The Infection Committee

The Infection Committee was established on July 13, 2009 with the objective to take steps to register, trace and combat infections and to advise the departments and management. The Hygienist continued in 2011 with the quality program, digital archiving and providing user guidelines of all documents pertaining to Infection Control in an orderly manner. A quality program handbook containing clear guidelines for documentation pertaining to Infection Control is also in preparation. In 2011, 10 meetings were held and Infection Prevention Protocols have been reviewed and approved in the following areas: Cistern chlorination, medical waste management, Standard Precautions, Cleaning and Disinfection, tuberculosis prevention and the placing of full bottles on water coolers.

The incident registration of post operative wound infections with PREZIES started in January 2010. PREZIES is a system to prevent hospital infection by surveillance. Currently the following operations are registered: total knee, total hip, appendectomy, cesarean section and hysterectomy. Preoperative hair removal, antibiotic prophylaxis and under cooling of patient are also registered.

There are no definitive results yet since the registration has not been completed for conclusions. However preliminary feedback for 2010 was received for general surgery and gynecology.
Along with the infection registration with PREZIES, the safety program VMS (a system for the management of safety) has also been implemented.
The Tuberculin vaccination and test program for new staff started in March 2010 and is continuing. The Pediatric Ward started this year with the inventory of the MMR vaccine status. The flu vaccination was

offered to staff and 22% of the staff took the vaccination. Tuberculin testing of staff possibly at risk for tuberculosis started in December 2011 and would be finalized in the beginning of 2012.

In 2011 standard operational audit checklists based on (international) guidelines i.e. WIP (Workgroup Infection Prevention) guidelines for audits were made for the following departments; endoscopy, kitchen, dialysis, central sterilization and emergency room (ER). The audits were performed in the kitchen, dialysis department and the ER. Hand hygiene remains an issue that needs continuous attention.

For microbiology, control cultures were taken from the ice machine, no micro-organisms were isolated from the machine. Microbiological testing is also done on the water in the holding tank monthly. The SLS is doing endotoxin testing on the water used for Dialysis on a weekly basis and cultures are taken on a monthly basis.
Also structural measures were developed and implemented to clean and disinfect the (sigmoid) scope. Scopes are tested 4 times a year. Cultures were taken in March, June, September and December. There were no micro-organisms isolated.

The final follow up on the actions for improving based on the draft-Inspection report 2008 were done by Hygienist. The hygienist met with the Public Health inspector from Holland and the trainees from St. Maarten and Curacao in November. They were informed of the protocols, the year report, the infection registration and MRSA screening among other things.

Specified Communicable Infectious Diseases were reported weekly to the Inspectorate of Public Health. These diseases were: Tuberculosis, Dengue, Malaria, Varicella, Hepatitis B and HIV / AIDS.

The FONA (Fault Or Near Accident) Committee

To prevent or minimize the occurrence of faults or near accidents in care giving, the FONA Committee was appointed in May 2008. In 2011 there were a total of 24 reports (compared to 32 in 2010) of which 18 accidents and 6 incidents. As far as possible immediate corrective action per report was taken by the departments or management. The continues focus is to strive towards creating an atmosphere among the staff and specialists that they have to and that they can report all cases, because it is and it will improve the quality of care that we want to give and it is not about who to blame.

The Complaint Committee

The Complaint Committee was installed March 5, 2009 and is serving both the SMMC and the White Yellow cross foundation. The Committee provides a formal structure for patients to address their complaints and as such enhances SMMC's service. The chair person of the committee Ms. P. Pantophlet made her position available as of March 2011. Replacing her is Mr. M. Larmonie, who joined the committee in May 2011.

The Complaint Committee received 12 complaints in 2011 compared to 16 in 2010. 50% of the complaints were related to the miscommunication, unprofessional approach, dissatisfaction regarding received service. The committee advises that more emphasis need to be placed on customer service. Staff should be stimulated to be more proactive in resolving any miscommunication directly with the patient or visitor. Staff should also pay more attention to ensure that the patient fully understands the treatment plan, the administrative and /or medical procedures at the hospital.
The committee noticed that by having all patient rooms air-conditioned in 2011, the complaints have diminished in this area.
The Committee will continue to strive by all means, to enhance the service by improving the communications between plaintiffs, staff and doctors and providing recommendations to the management.

Service Enhancement Team

The goal of the Service Enhancement Team is to contribute to the quality of care of the St. Maarten Medical Center. Their objective is to collect, review and analyze the information of the enhancement questionnaires in order to give feedback to the department managers and supervisors. Based on the collected information the management and the departments can take further action for quality improvement.

The Service Enhancement Team conducted a patient satisfaction survey under the patients admitted to the Ob/Gyn, Med/Surg, Day Care and Pediatric Ward. In general the patients indicated to be very satisfied with the care and attention provided by the nurses and the accommodations. Dissatisfaction was still expressed on the presence of mosquitoes. Also the need for more privacy was mentioned often. Suggestions were made to place curtains by the windows. Other suggestions made: stay over and/or refreshment facilities for parents staying with their child, more child friendly cable channels, simplify the admissions procedure and ensure that all staff members by admissions are fully aware of the procedure. Another reoccurring suggestion regarded the provisions of better meals and more service minded behavior from the kitchen staff.

As noted above, in 2011 all patient rooms were fitted out with air-conditioning (closed doors resulting in less mosquitoes) and flat screens. This was noticed and appreciated considering the increased comments on the improved accommodations.

4.2.1.2. General quality improvements

To improve the water pressure and the flow and prevent stagnation in the water system the reducer was replaced. GEBE is responsible for the replacing of the reducer; SMMC is responsible for monitoring and measuring the flow of the water.

The Maintenance department checks the quality of the water monthly when it's switched over to the cistern. All results are digitally recorded and are placed on the intranet for the committee to review. The expiration date of the chlorine in the water system protocol was discussed.

A new hand free device for faucets was placed on the wards and the ER. On the ER department the device was used successfully immediately, on the wards however the new concept was not fully understood by the visitors and required the provision of more information on usage.
Several issues concerning endoscopy were addressed during 2011. The infection committee advised to introduce a logbook for scopes to document the type of scope and number, the date and the patient's name to identify the scope used by the patient. The cleaning of endoscopes is now done in the endoscopy department. The new disinfection machine is placed in the Central Sterilization Area. The new machine works faster. All scopes are disinfected there. The committee advised to schedule the endoscopy program in such a way that scopes can be cleaned and disinfected in an orderly manner and the staff has been trained again.

The Cardiology department was set up and became operational in March. Under the arrangement the cardiologists, on a rotational schedule, visits SMMC every other two weeks. Investments were made in cardio ultrasound equipment and in September the department was strengthen with a cardio-ultrasound technician.

The mosquitoes issue on the wards was discussed and devices were placed in the standing water on the premises to alleviate this situation and (all patients' rooms were provided with air-conditioning.

The new Reverse Osmosis System for Dialysis Department was installed in June 2011 and the new

medical waste protocol was approved in June.

The "Patient Centered Nursing System" was introduced in 2010. Patient Centered Nursing System is the Method of Nursing at SMMC. Patients are cared for by a team per shift.
Because of sufficient personnel, this system is feasible. The system is working as long as there is no staff shortage. One nurse will do all nursing activities by his/her patient; from bathing to medication etc. When and if there is not sufficient personnel, the ward will go back to "functional nursing" where the focus is task geared. One nurse will do the medication for the whole ward, while the other will do the wound care etc.

The "Patient Surveillance Rounds" System has been introduced in 2011. This system is still in place and a protocol is available, however the documentation needs improvement. The "family's feedback conference" is a vital system especially during visiting hours when the nurse can obtain more info from the families of the patient.

A Nursing Rapid Response system is also in place. Through this system the ICU-nurse is alerted timely and responds to more subtle signs of patient deterioration. The idea is to reduce the number of in-hospital heart attacks, pulmonary arrest, cardiac arrests and other life-threatening events. Unstable patients are transferred to the ICU on time. Nurses on Med/Surg department are more comfortable knowing there is a back up when dealing with high care patient's on the ward.

4.2.1.3. Knowledge Management

The Hygienist gave 13 presentations pertaining to Hygiene and Infection Prevention protocols to the staff of the SMMC on the following topics: Tuberculosis, Cleaning & Disinfecting, Standard Precautions, Education Module Infection Control for new staff, and Hand Hygiene. A presentation was given to the new kitchen staff on Hygiene and Infection Prevention.

The RN (Registered Nurse) students received lessons on the following topics: MRSA, Hand washing, Asepsis and Isolations for which they were given an assignment.

In 2011 the knowledge of nursing staff on standard precautions and cleaning and disinfecting protocols was tested. The average grade for knowledge of the standard precaution test was a 6.9.

An RN is being trained on the job since September 5, 2011 by the hygienist in order to take over the task as hygienist, as the current hygienist Mrs. Gloria Bell will be going on retirement. This Registered Nurse will also follow the hygiene and infection prevention course in 2012.

The Accelerated Registered Nursing Course under the auspices of IFE Curacao started in March 2011. The 15 LPN's from SMMC, 2 from the ambulance 4 from White Yellow Cross (WYC) and 2 from St. Eustatius are still enrolled. This course will end in May 2013.

The Critical Care Course enrolled 8 nurses from ICU and ER. The Course started in April 2011 and will end in December 2012.

A three-day ACLS course was organized. In November 2011 a group of medical professors returned to St. Maarten to provide SMMC's critical care nurses and ER doctors with the certification and recertification ACLS course. 19 nurses from the ICU/ER/Anesthesia, 2 ER doctors from the SMMC and 4 nurses from the ambulance department completed the course and obtained their 2 year's valid ACLS card.

A 1-day symposium on new techniques, and hypothermia in CPR , by ZOLL Medical Incorporation USA was organized.

A refresher Advanced Cardiology Course was given to certified critical care nurses from SMMC by the Manager Patient Care.

An advanced Neonatal care 5-day Course was organized. This course was given to the nurses on the pediatric and OB/Gyn ward by a Neonatal Intensive Care nurse from Holland. Nurses completed the courses with an exam.

SMMC housed 15 interns in 2011. They varied from Nursing and Medical residents to secondary schools students.

Community Services: A repeat every year, are the lectures held in the secondary schools on sexuality/peer pressure/ career guidance. SMMC has recorded a video on CPR. This video is the first of a series of info-educational videos that will be released in 2012 to the public.

4.2.1.4. Social Work

The social work unit was established in January 2009. The primary purpose of the unit is to provide guidance and support for patients and their relatives, as well as employees, who encounter psychosocial, emotional and/or material problems. Data has been collected from January 2009 up till June 2010. In 2011 one social worker left SMMC and beginning 2012 the second one left. 1 new social worker has been recruited and started working in December 2011. There are no data available for 2011.

During an 18 month period, January 2009 up till June 2010, the social workers identified 129 types of problems which have been classified in broad categories. The most prevalent problems were social issues, psychological problems, financial problems and physical problems. These 4 problem areas account for 83% of all the problems dealt with by the Social Work Unit.

The social issues category includes 30% of all the problems for which help is sought. The most prevalent social problems were related to the discharging of a patient (10%), cases of abuse (6%) and homelessness (5%).
The psycho-social issues category has a 20% share of all the problems addressed. The most common problems in the category include feeling stressed/depressed (12%), psychological effects of HIV/AIDS (3%) and alcoholism (2%).

The financial issue category is the 3rd problem area (19% of all the problems) and includes issues around health insurance (17%) and personal financial problems (2%).

4.2.2. Continuity of care

To meet the changing care demand of our growing population and tourists and to improve the quality of care, the hospital building has to be expanded and has to respond to medical innovations. Up to this present moment SMMC has maximized its efficiency in resource use to the fullest. Without adapted tariffs and the needed expansion of the hospital we can only maintain, not guaranteeing the continuity of care in the medical specialties that are already available.

The hospital was built 20 years ago to serve a small population (24.000). Since then the population has more than doubled (currently approx. 54.000). For over a decade it has been concluded that the present hospital building is too small for the population to serve. It is too small to provide working space for more specialists and specialties and to provide modern critical care in the Emergency Department, the Operation Rooms and the Intensive Care Unit. It is impossible to solve these serious problems by face-lifting, renovating and reallocating the different departments and working areas in the existing hospital building.

Anticipating the implementation of the expansion plan the SMMC had started recruiting different specialists and (nursing) staff for different specialties we believe are essential. By commencing the recruitment process at this stage we wanted to match the availability of the staff with the completion of the expansion. In 2011 management has been working on an agreement with the VU/AMC hospitals from Holland to have specialists come to SMMC on a rotational basis, because these 2 hospitals are also assisting ad supporting the medical specialists care for the BES-islands. Because they understand that SMMC is the first choice and nearest hospital for the inhabitants of Saba and Statia, it is a logical choice to strengthen the SMMC than to make all kind of arrangements with Guadeloupe or Martinique and even hospitals in Colombia for basic hospital care. We expect that this agreement through the BES islands will be in place in 2012.

In table 1 an overview is given of the current status of the specialists availability in the SMMC in relation to the desired level. The intention is to increase the amount of specialists from 20 to 30, a 50% increase, as soon as possible. With the increase it is imperative that there is enough space and supporting staff, additional equipment, available operating time and available beds.

Table 1: Continuity of specialist care on Sint Maarten 2011

Medical specialists	Government policy 2008	Available in SMMC 2011			Needed in SMMC			
		Private	In service	Total	Permanent	Rotation	Total	Difference
Intensivist	**0.0**	0.0	0.0	0.0	0.0	0.5	**0.5**	**-0.5**
Urologist	**0.7**	0.0	0.0	0.0	1.0	0.0	**1.0**	**-1.0**
Orthopedic surgeons	**1.2**	0.3	0.0	0.3	1.0	0.5	**1.5**	**-1.2**
Cardiologist	**1.3**	0.0	0.5	0.5	1.0	0.5	**1.5**	**-1.0**
Neurologist	**1.4**	0.0	0.0	0.0	1.0	0.0	**1.0**	**-1.0**
Radiologist	**1.5**	1.0	0.0	1.0	2.0	0.0	**2.0**	**-1.0**
Midwives *	**1.7**	1.0	2.0	3.0	3.0	0.0	**3.0**	**0.0**
Ophtomologist	**2.3**	2.0	0.0	2.0	2.0	0.0	**2.0**	**0.0**
Pediatrics	**2.8**	1.0	0.0	1.0	2.0	0.5	**2.5**	**-1.5**
General Surgeons	**3.0**	0.0	2.0	2.0	2.0	0.5	**2.5**	**-0.5**
Internal Medicine	**3.0**	2.0	0.0	2.0	2.0	0.5	**2.5**	**-0.5**
Nephrologists	**0.0**	0.0	0.0	0.0	1.0	0.0	**1.0**	**-1.0**
Gynecologists	**3.4**	1.0	2.0	3.0	3.0	0.2	**3.2**	**-0.2**
Anesthesiologists	**4.0**	0.0	2.0	2.0	2.0	0.0	**2.0**	**0.0**
ENT	**1.0**	0.6	0.0	0.6	1.0	0.0	**1.0**	**-0.4**
Dermatologist	**0.6**	0.4	0.0	0.4	0.8	0.0	**0.8**	**-0.4**
Psychiatrists	**2.5**	2.0	0.0	2.0	2.0	0.0	**2.0**	**0.0**
Total	**30.4**	**11.3**	**8.5**	**19.8**	**26.8**	**3.2**	**30**	**-10.2**

A separate cooperation agreement for health services between Bonaire, Saba, St Eustatius (BES) and Sint Maarten was signed by Fundashion Mariadal, the Saba Health Care Foundation, the St. Eustatius Health Care Foundationand the SMMC, on September 30 2011.

The objectives are that we strive to work together:

1. to strengthen the quality of patient care and to optimize the support and control,
2. to offer human resources to each other and to facilitate each other,
3. to advance and improve the competence of our specialists, nursing staff and supporting staff and
4. to exchange information in relation to improvements in care delivery, patient and staff safety, good governance and the execution of the law on Healthcare institutions.

We signed this agreement for 3 years and will work together in the following areas

- exchange of staff;
- also to guarantee the continuity of care during sickness and vacations;
- ensure that enough specialists will be available through a separate agreement;
- streamline and combine the purchase and service of medical equipment;
- work towards 1 administrative system;
- use the FWG structure for HR;
- facility management;
- digital infrastructure;
- legal matters.

A second serious challenge is the fact that our negotiations with the SZV and the Sint Maarten Government did not result in the adaptations of the tariff structures that are still in force after 10-10-10. These tariffs are based on the premise that the SMMC is a satellite of the central (Netherlands Antilles) hospital, the SEHOS in Curacao. In general the tariffs for the same treatments at the SEHOS are twice those for the SMMC. That law also stipulates that certain treatments are only performed at the SEHOS so there are no tariffs for the SMMC for these treatments. This system implicates that if new treatments for example cardiology, urology and neurology are introduced, the SZV will not pay for these treatments.

In November 2011 we received an Ministerial Degree that we can use the SEHOS tariffs for these procedures. Although this addresses the issue of having a tariff for a new service it does not alleviate the necessity for a new tariff structure. The current tariff structure is outdated and provides no financial incentive to introduce new medical specialties, nor new medical treatments on the island only a service incentive. But it will be difficult to attract new specialists with these tariffs. We therefore expect the current more expensive situation, whereby patients are flown off-island for treatment, to continue

Finally we are still confronted with a shortage of personnel. Key development in filling the gaps on the wards were the recruitment of License Practical Nurses (LPN's) and Nursing Assistants (NA's) in the position of Call Ups and the introduction of the Patient Centered Nursing via Unit Geared Approach which ensured that all tasks were carried out for the patient by several nurses.

With the new CLA becoming effective in June 2011 we have made provisions to be able to compensate current and incoming staff for departments that have staffing problems. We have noticed that with the current staff there is now more understanding and less dissatisfaction on the moments of understaffing. Of course this is not the solution, but still a very important aspect.

4.2.3. Sustainability of care

The TRAG Performance Intelligence Group (TRAGPI), an independent consultancy group prepares annually cost-price analyses for the SMMC since 2004. A feasibility study was done with regard to the provision of additional medical specialties. Based on this we made a financial model. This financial model reflects the financial possibilities to expand in specialists and specialties and forms the basis of the request for a financing of our expansion plans of 30 million guilders.

The financial model is based upon the Tragpi costing information over the years 2009 and 2010 and the preliminary results SMMC 2011. Based on these figures estimation has been made about production and cost behavior. The forecast of the number of activities for the next 10 years has been made at the level of the activity types. For the forecast of the number of activities, a profile per specialism per patient type (clinical, outpatient) has been calculated based on the 2009 and 2010 data. The expected growth in patients is set to be 4%, a conservative estimation of the Sint Maarten demographic growth. For the specialties not yet available at SMMC a realistic estimation has been obtained from Dutch statistics. The patient characteristics of the population of Amsterdam Zuid-Oost have been used. This community is comparable to Sint Maarten on age, gender, ethnicity and socio-economic status. The profile (activities per patient) for these specialties is based upon the patient group benchmark of Tragpi, containing information on data of about 2 million Dutch hospitalization cases in general, peripheral hospitals.

In the financial model we have made certain assumptions. We only did not make a provision or calculation for a tariff increase. We want to use the tariff increase discussion to be related to the desired and/or needed level of the quality of care. This should be addressed adequately during 2012. Without a strong local hospital medical tourisms as envisioned by the government will not be feasible.

4.3. Support Services and Resources

In line with our organizational objectives, in 2011 the following developments took place with regard to our supporting services and resources:

4.3.1. Finance

The year 2011 was closed with a positive result. A sound financial position that improved in recent years through increased production, improved administration and the increased SVB-budget forms the basis of the realization of the objectives of the SMMC. Investing in growth, our staff and medical equipment and improving the acute care is made possible and will continue. Because of staffing issues there was a standstill in 2011 in improving the quality of the administration. An interim financial manager was hired in September and had to spend much time towards the possible financing of the expansion. Because it was on a part time bases and could not be changed in a permanent position the contract was discontinued and as of the end of December the position became vacant again.

For the Finance department to improve, an update of the current automated system or a new system is required in the near future and the manager position needs to be filled.

4.3.2 Human Resources

In continuance of the SMMC objective to shift the focus from being finance driven to being quality driven a number of HR objectives have been carried out in 2011 to further imbed that principle in the organization.

After a period of 10 years a new Collective Labor Agreement (CLA) was signed. SMMC and the WIHCUA (Windward Islands Health Care Union Association) agreed to a package that significantly benefits the labor conditions of the employees and also fits the guiding principles of SMMC. Principles such as continued education, performance based remuneration structure, remaining competitive on the job market, observing the financial framework of SMMC.

The agreed upon CLA is not just a document for covering the labor conditions within the SMMC, it also provides a structure where parties can work together via the establishment of committees to give special attention to common objectives and goals. The new CLA went into effect June 1, 2011 and has duration of 3 years. Soon after signage parties prioritized the action points stemming from the CLA. In 2011 the following instruments where introduced: Understaffing allowance, Scarcity allowance, Dental and vision allowance.

SMMC and the WIHCUA reached agreement under the new CLA to implement an additional secondary benefit. Employees receive assistance in the costs pertaining to dental and vision care for themselves and their dependents up to a yearly amount of Naf 750.00. It concerns vision and dental care services that are not covered under the medical insurance. This secondary benefit went into effect retroactively as per January 1st, 2009. 51 employees made use of this benefit in 2011.

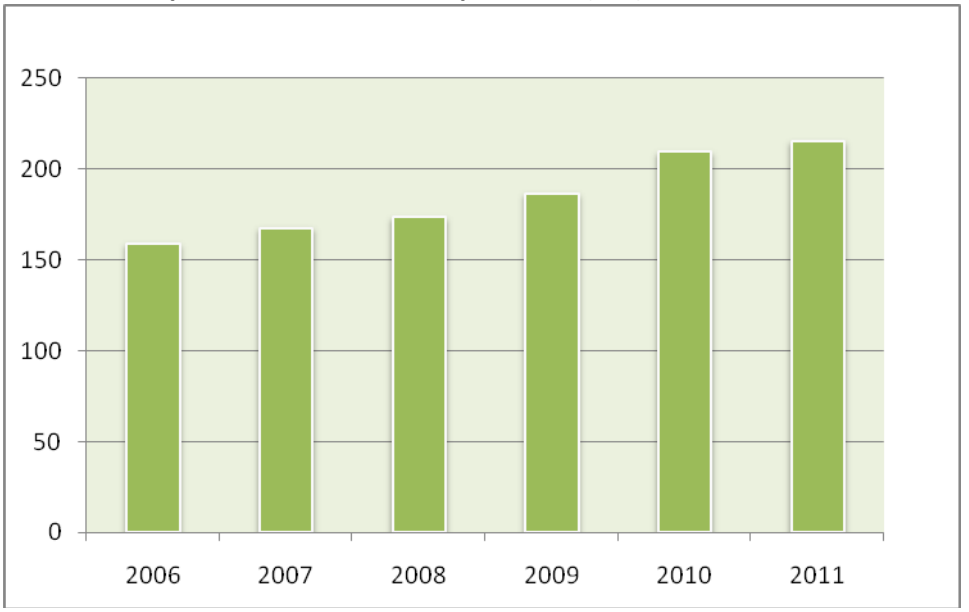
An agreement was reached with a group of cardiologists affiliated with the Bronovo Hospital in the Netherlands to provide Cardiology services at SMMC.

In February 2 gynecologists started service with long term contracts minimizing the need to have arrangements with rotational gynecologists.

From March to September 2011 a Human Resources consultant was attracted to help establish a strategic human resources plan that can support the overall strategic development direction of SMMC. Interviews were held with supervisors, managers, specialists and other key personnel within SMMC to get input from a cross section of the organization in other to reach to a plan that is supported by the organization. The plan has not been finalized, however certain recommendations have been initiated such as introducing a HR information system. SMMC has chosen to implement the program Profit from AFAS.

In 2011 an average of 215.7 full time equivalent positions were filled within SMMC. This is an increase of 2.9% compared to 209.6 positions in 2010. During 2011, 43 persons started at SMMC and 30 persons left. A short exit interview has been done with the departing employees. However this provides insufficient information regarding the true reasons for leaving the organization. In 2011 18 specialists offered their services in SMMC. This includes the 4 rotating cardiologists and the 3 midwives.

Chart 2: Total personnel in full time equivalents (FTE) 2006-2011



4.3.3 Facility

The complete construction plans and drawings for phase 1 of the expansion were further adjusted and improved. Phase 1 entails the construction of the Critical Care comprising of a Medium Care Unit (MCU) with 22 beds and an Intensive Care Unit (ICU) with 6 beds, a new Emergency Room Department, consisting of 3 "crash rooms" with a separate Ambulance receiving port, a triage room, 3 observation rooms and a new Operating Theatre, consisting of 4 operating rooms. This includes the connections to existing buildings, paved roads and a new entrance from the small roundabout for the ambulances to the ER, a new parking lot for SMMC staff, technical rooms and technical installations.

It was expected that the construction would start in 2011. However we are still negotiating, despite the fact that the SMMC itself has a solid financial position to pay back the loan. Without the expansion of the building we cannot expand our services, nor recruit, nor retain qualified staff and therefore we are unable to improve our quality of hospital care and services. Medical tourism as envisioned by our authorities will also not be feasible. Efforts to acquire the funding needed for the expansion of SMMC were therefore continued in 2011 through a bond issuing and should be finalized in 2012.

4.3.4. Information Technology

HIS

The new Hospital Information System (HIS) is developed by SMMC in collaboration with DX-storm from Canada. All care processes that we want to have included in the HIS were described, with an interface to a separate system for the financial administration. The system needs to be tested before it can become operational in 2011 or beginning of 2012. It has been reviewed by 2 independent IT consultant firms, 1 from Holland and 1 from Aruba, and the conclusion was that it is not ready and it will take more time and resources to make it operational. It is only a responsible decision to take the next step if the system will be used by other stakeholders like the Government and the SZV.

In connection with this, it is the objective to have a Health Network on Sint Maarten, whereby all healthcare providers, insurance companies and Government can be connected. This will improve the administrative efficiency and effectiveness, therefore lower the administrative costs and enable healthcare providers to concentrate on their core-business: providing care. Patients are better served and informed without double consultations and testing, while the accuracy of the administration will improve and abuse will be minimized. All required health data can and will be collected to form the basis for policies, especially towards preventive measures. With one streamlined island wide Health Network System, supported by Government, the quality of care can be measured, agreed upon and controlled in the best possible way and can become a showcase for other countries and/or communities.

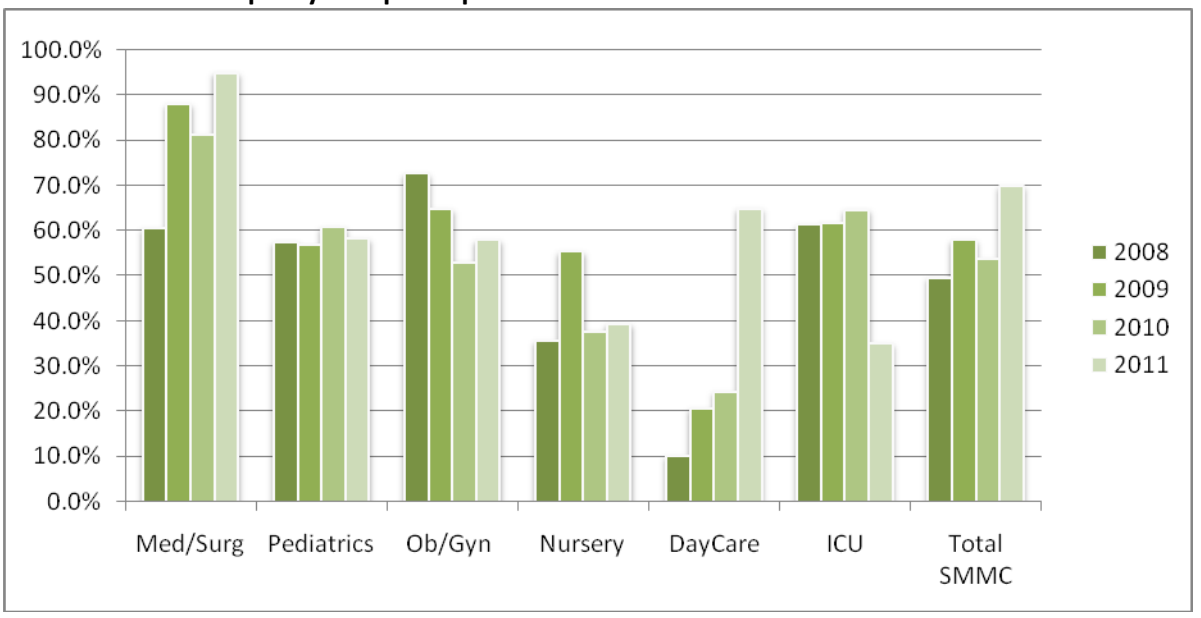
Up to this moment the Government as well as the SZV are working on setting up their own systems and SMMC has waited with taken a decision. In 2012 the choice will be made to continue with this project or look for a new existing system to implement.

4.4. Productivity

Increased productivity is needed in order provide the necessary basic hospital care the SMMC would like to offer and to get sufficient financial support to be able to provide that care at a certain quality level. The productivity trend of recent years continued in most areas in 2011.

The productivity in 2011 compared with 2010 manifested in the increase in the following areas:
blood usage (+31%), chemotherapy (28,6%) diagnostics (17%), use of day care (+15,5%), ICU (+13,9%), dialysis (+8%) operations performed (4,4%), radiology (+5,8%). The productivity decreased in the following areas: Endoscopy (-11,2%), total admissions (-3,4%) and use of ER (-1,1%).

Chart 3: SMMC Occupancy rate per department 2008-2011

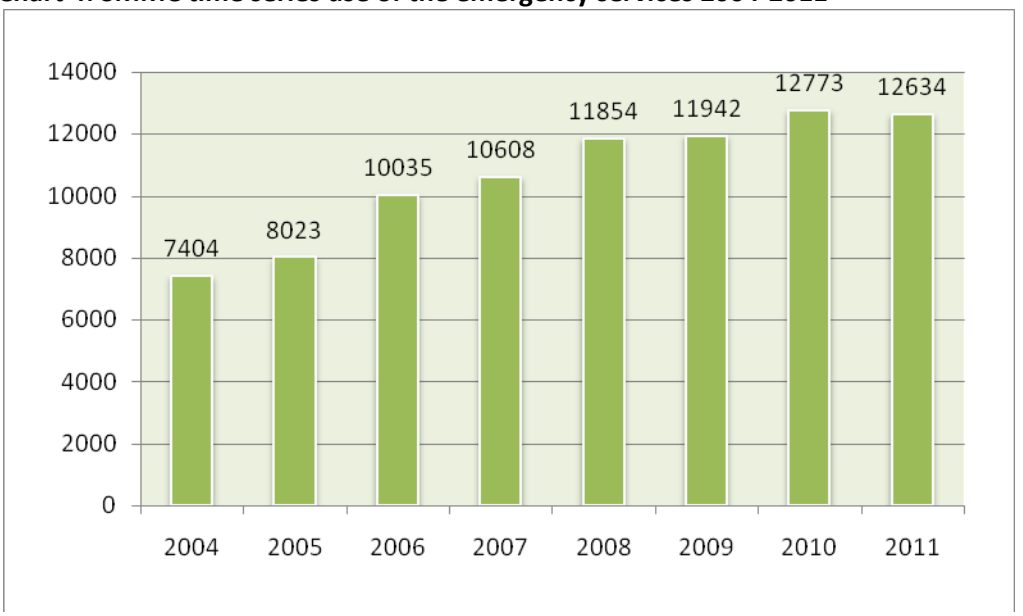


4.4.1. Emergency Room

The acute care, or critical care, is delivered primarily by the Emergency Room staff, the Intensive Care Unit staff and the Operating Room staff. With all efforts to improve this service, our vision that the SMMC needs a new infrastructure for these critical functions was again underlined. Starting 2009 the supervision of the Emergency Room (ER) has been subdivided in medical and nursing supervision. The medical supervision is done by the general surgeon on staff, while the nursing supervision rests with the nursing supervisor. The supervisors meet on a regular basis, the department manager is present at the meetings if necessary. An improvement plan was approved by management and implemented in 2010. The total number of Emergency Room visits has remained more or less the same with a 1% decrease from 2010 with 12773 visits to 12634 visits in 2011. On daily basis some 35 patients visit our Emergency. The rising emergency room population in the last 5 years has brought all sorts of tensions to the ER staff, especially with regard to the crime and crime related cases.

SMMC has taken the necessary measures to ensure protection and safety to its staff, by reinforcing the ER doors and installing drop down shutters to all entrances to the ER, in the event of a sudden violent outburst.

Chart 4: SMMC time series use of the emergency services 2004-2011



The treatments in the Emergency Room are grouped in 6 categories: from group 0 requiring minimal treatment to group 5 requiring intense treatment. Patients in group 0 (with a tariff of Naf 0,00) receive an evaluation and can go to the family physician for further treatment. Patients in group 5 are the most critical injured or ill Emergency Room patients who will end up in the Intensive care. Visitors who fall in Group 0 and Group 1 are the patients that normally would not visit an Emergency Room of a hospital, but would go to the family physician on-call. The SMMC is offering this on-call service in an agreement with the family physicians on Sint Maarten. The visits in group 0, 469 (4%) and group 1, 4539 (36%) were in total 5008 (40% of all ER visits).

Table 5: ER visits overview per treatment group in 2011

Treatment group	visits	Percentage of total visits
Group 0 non SVB	*284*	*2.20%*
Group 0 SVB	*185*	*1.50%*
Group 0 total	469	3.7%
Group 1 non-SVB	*2,167*	*17.10%*
Group 1 SVB	*2,372*	*18.80%*
Group 1 total	4539	35.9%
Group 2	4,418	35.00%
Group 3	2,420	19.10%
Group 4	781	6.20%
Group 5	12	0.10%
Total	**12,639**	

4.4.2. ICU

In 2011 there were 246 admissions to the ICU compared to 216 admissions in 2010. Total admissions to the ICU increased by 13.9%.

Patient days at ICU increased from 709 in 2010 to 718 this year (+1.3%) and the occupancy rate increased from 64.6% to 65.6%. On the other hand average length of stay decreased from 3.28 days in 2010 to 2.9 this year (-11%)

Table 6: SMMC ICU information 2010-2011

ICU information	2010	2011	Change
Admissions	216	246	13.9%
Patient days	709	718	1.3%
Occupancy	64.6	65.6	1.5%
ALOS (Avg. length of stay)	3.28	2.92	-11.0%

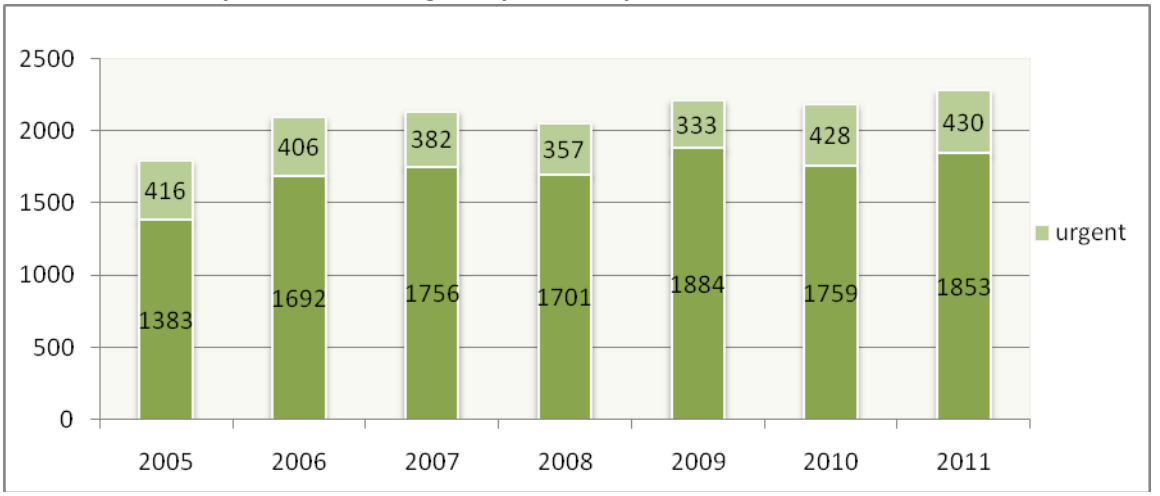
4.4.3. Operations performed

In 2011, SMMC performed 2,283 operations, compared to 2,187 in 2010. Of these operations 430 (=19%) were urgent compared to 2010 were 428 (=20%) were urgent. 241 (=10%) operations were performed without the patient having an insurance (in 2010; 202=9 % uninsured of the total). Reliable data on the type of operations performed (planned and urgent) are available since 2005.

We monitor the time of arrival of the patient in the OT (Operating Theatre) and departure from the OT / recovery room. We also register the starting time of the anesthesia and starting time and duration of surgery.

For 2012 we will also include a complexity category of the operation, the amount of complications during operations and if it is a reoperation (an operation to correct a condition not corrected by a previous operation or to correct the complications of a previous operation)

Chart 7: Planned operations and urgent operations performed 2005-2011

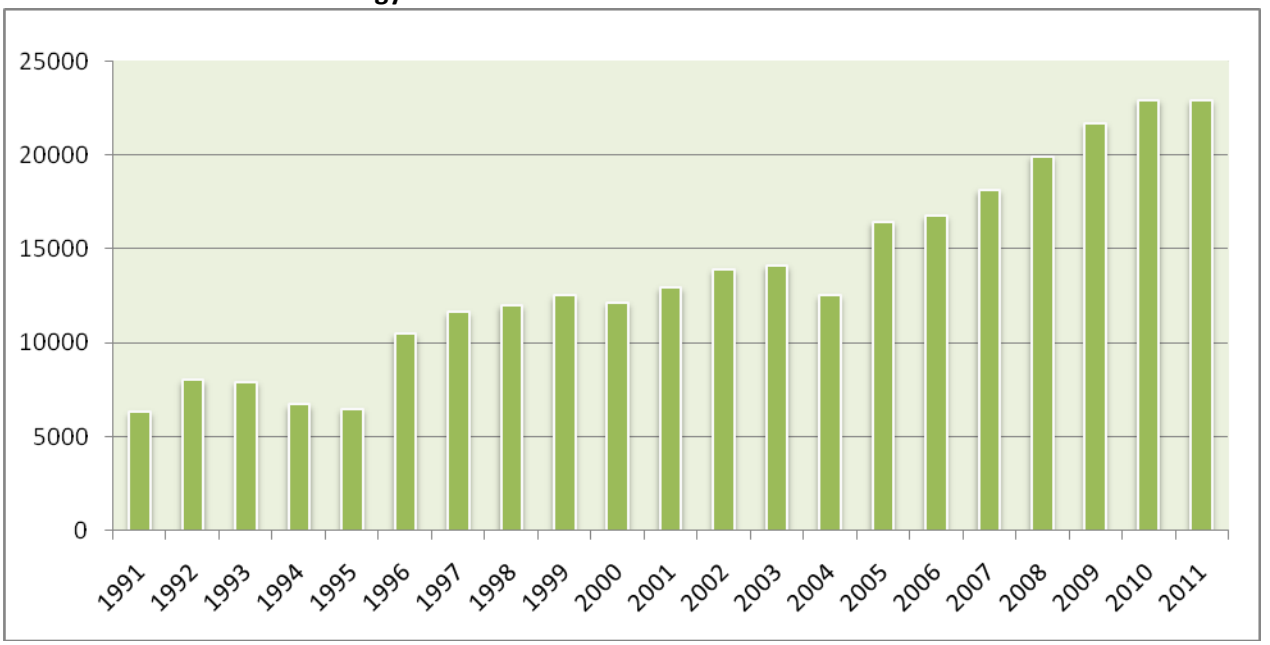


4.4.4. Radiology Department

The total Radiology department production in 2011 has decreased slightly from 22905 procedures in 2010 to 22878 in 2011. The PACS system started failing in the latter part of 2011, resulting in delays of photo processing, sometimes delays longer than 8 hours at time. These breakdowns and restoring of the system has been hampering the continuity of customer care and service excellence at the Department.

Every effort is being put in diagnosing the problem and finding the best solution to remedy the problem. The CT-scan broke down on 2 occasions, whereby 4 patients had to be transported to the French side for CT-scans. In 2010 the CT-Scan broke down 4 times. The Radiology Department is at its peak in the morning hours, whereby staff (4fte) often times cannot give their clients that social/emotional attention. Some clients feel rushed in and out of treatment rooms, while others complain of the long wait. The SMMC has plans is to hire one extra FTE, which will help solve the above concerns, and reduce the enormous overtime hours put in by the (4fte) staff and facilitate them with more recovery time after standby shifts.

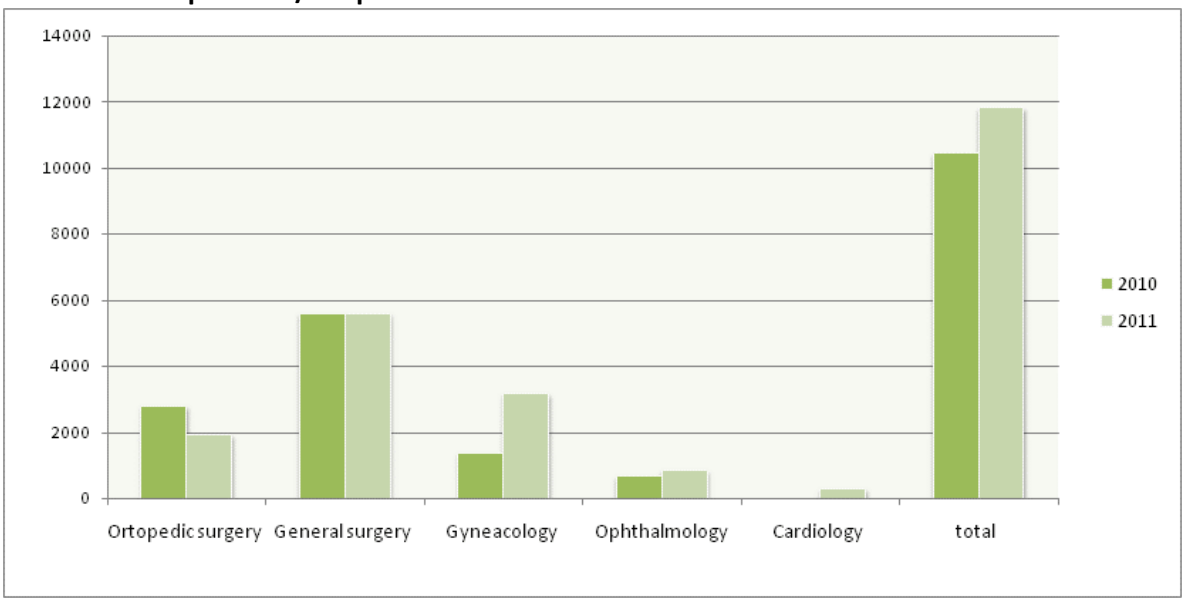
Chart 8: Overview total radiology studies 1991-2011



4.4.5. Outpatient Consultations

Registration of outpatient visits has so far been restricted to the data, needed for financial purposes. This means that a large number of patients, who visit outpatient services at Internal Medicine, Pediatrics, Ophthalmology (non-SVB patients), Dermatology and Obstetrics/Gynecology, are not registered via this system. Due to the limitations of the available data this does not give a reliable picture of the real total workload of the policlinic, but gives some indication to the relative changes in patient flows. During 2011 data has been collected for 10 specialists and for the first time also for cardiology from April to December 2011. A total of 10,428 policlinic consultations have been registered in 2010 compared to 11808 for 2011. Orthopedic production has decreased considerably since the Orthopedic Surgeon has reduced his availability with over 30% per month

Chart 9: SMMC policlinic/ outpatient consultations 2010-2011



4.4.6. Blood Bank

SMMC's blood stock is entirely dependent on supplies from the Red Cross blood bank on Curacao. Initiatives to re-institute donor drives and blood collections on St. Maarten have not yet proven fruitful. Since the new country status of St. Maarten the question arises how practical, necessary and/or desirable it is to be dependent on the Curacao population and or Blood Bank. If and when SMMC runs out of blood, and the flight has already left Curacao, SMMC will have to wait until the other day to obtain blood from Curacao. There was one occasion in 2011 that the department ran out of blood; SMMC had to make use of the French side for the provision of blood.

There is ample storage (cooling and freezing) for blood products stored at the ER. Supervision is done by the Director of the Red Cross blood bank who makes regular visits to St. Maarten to meet with the hospital staff involved in the supply of the blood. Monthly reports are sent to the Red Cross Blood Bank. Emergency measures such as importing blood from the French side, alternative treatments and administering non Rh compatible blood, are always sanctioned by the Director of the Blood Bank. Total blood transfusions has increased to 884 units in 201 from 644 units in 2010.

Table 10: Overview blood transfusions

Year	2008	2009	2010	2011
Blood transfusions	667	599	644	884

4.4.7. Dialysis

In 2011 the dialysis department provided service to 42 clients, of which 28 Male and 14 Female. The department has performed 5,090 hemodialysis treatments in 2011 compared to 4,714 in 201, an increase of 8 %. Average dialysis per month has increased from 391 in 2010 to 422 this year. On a daily basis 17 patients are treated. Statistical analysis shows that there is very little monthly variation which is supported by the fact that most patients are residents from Sint Maarten, Sint Eustatius and Saba.

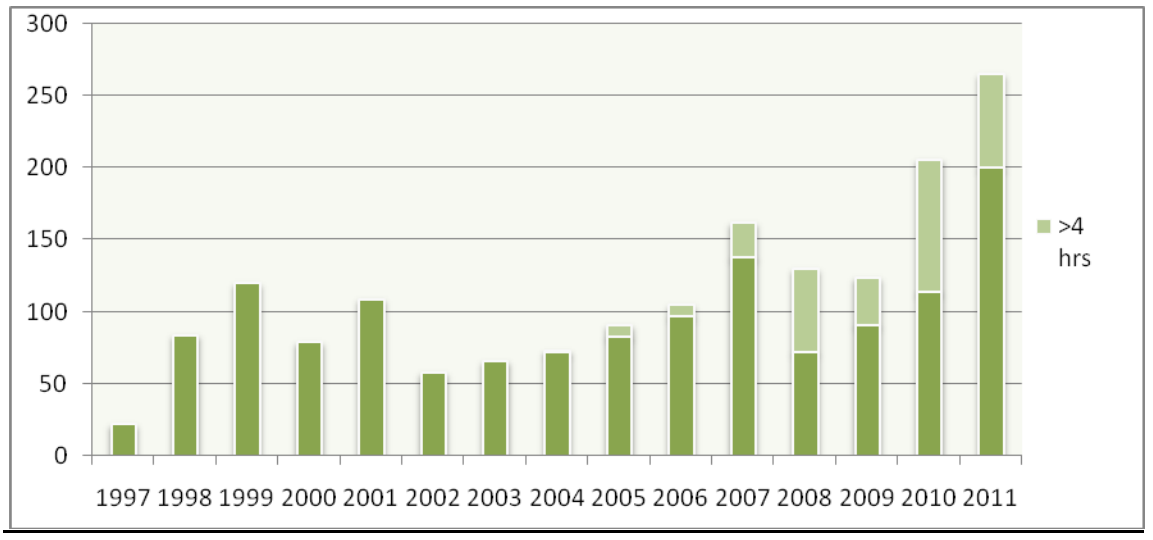
Currently the department is operational from 7.30 AM to 8:00 PM during weekdays and from 7.30 AM to 3:00 PM on Saturdays. In case of additional patients the working hours will have to be extended to the entire Saturday afternoon and possibly to a third shift during weekdays. The department caters to a modest number of tourists per year.

In 2011 the 10 Gambro dialysis machines have given clear signals that they have reached their potential life span. Extensive research with regard to the purchasing of new dialysis machines is done in order to replace the machines in 2012.

4.4.8. Chemotherapy

The amount of chemotherapy treatments in 2011 has doubled since 2009. There was a 23% increase in treatments from 2010 (206) to 2011 (265). Chemotherapy is done on the Friday's (dayshift) in the Daycare unit. Seeing the increase in the patient's population, the one day in the Daycare is no longer sufficient and not working to the nurses' satisfaction. Possibilities to remedy this situation are: extending the hours on Friday (evening shift), or even creating a location whereby chemo can be given on any day throughout the week. A dedicated area for Chemo treatments would be desirable, but is not possible in the present building.

Chart 11: total chemotherapy treatments 1997-2011



4.4.9. Diagnostics

Total Diagnostic productions for 2011 has increased with 32% , from 1428 diagnostic exams in 2010 to the 1885 diagnostic exams in 2011. This increase is based not only on the implementation of echocardiography services in the Department, but also with regard to the increase of tests in all the different sections: ECG-Stress ECG-Holter-ABM-Spirometry.

The implementation of echocardiograpy has not only increased the outpatient services/productions, but has also benefited the quality of care to the patients in the SMMC. Patients no longer have to be transported by ambulance to the French Side for echocardiograms. We are fortunate to have a echografist who can independently execute the tests even in the absence of the cardiologist. Noticeable is that there are more stress ECG's / Holters done than years before. The arrangement of the rotating cardiologists has contributed to this increase in stress ECG/ Holters.

4.4.10. Maintenance

In 2011 various projects have been prepared or executed, all with involvement from the Maintenance Department. Our C-works maintenance program is updated, whereby old assets and PM work orders are removed and new assets are entered. We also started with our new logbook system, which has to be created for each medical equipment or system.

The department has completed 460 preventative work orders compared 540 in 2010 (decrease due to rescheduling). Corrective work orders have increased to 1.710 in 2011 compared to 1.100 in 2010.

The department installed a new Reverse Osmoses system at Dialysis, a new Echo Cardio-graphy system at Outpatient, new water pumps to our drinking water cistern and receive two new Baby terms and one Travel incubator for our Pediatrics / OBGYN ward.

Renovation work took place at the Diagnostics and Cardiology offices at Outpatient, Nurse Apartments and the Wards. All patient rooms are painted, patient room doors opening to the corridor are outfitted with windows, new flat screen TV's and air-conditioners are installed in all rooms. Preparations are made for the renovation of the compressor room, a Support Services Building and first sketches are made for the renovation of the Outpatient ward.

The Support Services Manager left October 1st and during the year some staff changes took place.

4.5. Summary and conclusions

During 2012 the SMMC has been confronted with major internal and external challenges. We have dealt with staff shortages, discontinuity in Gynecology and General Surgery. An important weak point is that we still have not been able to secure the guarantee of continuity of specialists for the SMMC. The cooperation with the BES islands is very important if we want to achieve this goal with the certainty to have qualified specialists on board. Also the new CLA gives us more tools to address the fragile medical staffing market. An HR strategic plan will also gives us more guidance towards the issues to solve.

A pre-requisite for expanding our services is the building expansion. After the negotiations with 4 commercial banks have stalled, since each of them required in the end a commitment or guarantee from the Government, the SMMC is now in the process to have the financing organized through a bond issue for the amount of 30 million Ang. We are confident that this will succeed with the support of the government for the only hospital on Sint Maarten.

Other external challenges we are still confronted with are the uncertainties about new tariffs and the new financing system.

In 2011 again we maintained a healthy financial position, which allowed us to improve the quality and safety of our services within our physical limitations. Overall conclusion is that we maximized our means and resources within in our current framework. This underlined, that for us to grow, it is essential that we execute the expansion of our facility. The expansion will allow us to continue developing responsible care.

Without the expansion of the building the SMMC cannot grow. Without growth patients will look for treatment alternatives and staff will look for alternative job opportunities. Without expansion medical tourism as envisioned by Government will also not be feasible.

This is the opposite of what we as SMMC envision. For 2012 the SMMC will continue to do its utmost to realize a financial agreement for the much desired expansion plans. In good cooperation with the government of the now country Sint Maarten, since 10-10-10, who has the final responsibility for available, affordable and accessible health care in general and hospital care in particular, the SMMC is confident that this will be accomplished in 2012 if all stakeholders handle this as a priority issue.

Adopting the annual statement 2011

The Board of Directors has adopted the Consolidated Financial Statements 2011, including this annual report on November 23, 2012.

Drs. G.A.M. Scot
President Board of Directors of the SMMC

Chapter 2
2011 Consolidated Financial Statements

20 Years Caring for You

Consolidated balance sheet as at 31 December 2011

Assets		2011		2010 as restated	
		ANG	ANG	ANG	ANG
Fixed assets					
Tangible fixed assets	1		31,265,200		31,873,961
Current assets					
Inventory	2		1,815,613		1,349,122
Receivables					
Accounts receivable	3	6,982,161		8,250,865	
Other receivables	4	404,842		199,201	
			7,387,003		8,450,066
Cash and banks	5		5,498,070		2,485,222
			45,965,886		44,158,371

Foundation capital equity and liabilities		2011		2010 as restated	
		ANG	ANG	ANG	ANG
Group equity	6		34,719,484		32,735,660
Equalization reserve donations	7		2,628,701		3,314,654
Provisions					
Cessantia provision	8	2,959,679		2,912,407	
Deferred profit tax	9	1,685		3,153	
			2,961,364		2,915,560
Current liabilities					
Accounts payable	10	1,732,887		1,417,928	
Taxes and social security contributions	11	1,899,281		2,405,123	
Accrued expenses and other liabilities	12	2,024,169		1,369,446	
			5,656,337		5,192,497
			45,965,886		44,158,371

Consolidated profit and loss account for the year 31 December 2011

		2011		2010 as restated	
		ANG	ANG	ANG	ANG
Medical related income	13	34,846,252		33,882,507	
Cost of sales	14	3,622,464		3,594,559	
Gross operating result		31,223,788		30,287,948	
Other income	15	2,319,453		1,041,531	
Gross margin on turnover			33,543,241		31,329,479
Salaries and wages	16	17,498,668		16,313,018	
Depreciation	17	2,120,092		2,003,566	
Operating expenses	18	11,629,379		11,259,879	
Total operating expenses			31,248,139		29,576,463
Operating result			2,295,102		1,753,016
Financial income and expenses	19		-188,980		-176,163
Result before profit tax			2,106,122		1,576,853
Profit tax	20		-122,299		-132,622
Result after taxation			1,983,823		1,444,231

Consolidated cash flow statement

The movements of funds can be specified as follows:

	2011		2010 as restated	
	ANG	ANG	ANG	ANG
Cash flow from operating activities				
Operating result		2,295,102		1,753,016
Changes for:				
Depreciation	2,806,044		2,604,494	
Movements in provisions	45,804		282,661	
		2,851,848		2,887,155
Movement in working capital:				
Inventory	-466,491		-68,265	
Receivables (net of provision)	1,063,063		-1,391,965	
Current liabilities	463,840		-858,317	
		1,060,412		-2,318,547
Cash flow from operating activities		6,207,362		2,321,624
Result of financial income and expenses	-188,980		-176,163	
Result of profit tax	-122,299		-132,622	
		-311,279		-308,785
Total cash provided by operating activities		5,896,083		2,012,839
Cash flow from investing activities				
Investments tangible fixed assets	-2,197,282		-4,271,588	
Total cash used in investing activities		-2,197,282		-4,271,588
Cash flow from financing activities				
Movements in equalization reserve donations	-685,953		1,518,453	
Total cash (used in) / provided by financing activities		-685,953		1,518,453
Increase / (decrease) in cash funds		3,012,848		-740,296
The movement of cash and banks is as follows:				
Balance as at 1 January		2,485,222		3,225,518
Movement for the year		3,012,848		-740,296
Balance as at 31 December		5,498,070		2,485,222

Consolidation principles

General

Activities

Sint Maarten Medical Center Foundation (hereinafter 'SMMC') was incorporated on March 26, 1990. SMMC operates a general hospital located at Welgelegen Road #30, Unit #1, Cay Hill, St. Maarten.

SMMC is a non-profit organization with the goal to manage and operate a financially viable hospital on St. Maarten in the broadest sense.

Subsidiary

St. Maarten Medical Center Pharmacy N.V. was incorporated on September 27, 1991 in St. Maarten. The company's main objective is to operate a hospital and public pharmacy on the Dutch side of St. Maarten. The company commenced its operations in the course of March 1991. It is wholly owned by Sint Maarten Medical Center Foundation.

Consolidation

SMMC owns 100% of the shares of St. Maarten Medical Center Pharmacy N.V. and therefore the balance sheet, profit and loss account and statement of cash flows have been consolidated. Intercompany transactions and balances between these companies are eliminated.

Use of estimates

In preparing the consolidated financial statements, the Board of Directors of SMMC, in accordance with accounting principles generally accepted in the Netherlands, have to make certain estimates and assumptions that contribute to the amounts recorded in the consolidated financial statements. Actual results can deviate from these estimates.

Comparative figures

Comparative figures have been restated to reflect the effect of the recalculation of the provision for doubtful accounts receivable based on the policy adopted by management, which remained unchanged compared to prior year. Minor reclassifications have been made in last year's financial statements to improve the insight in the financial information.

The impact of the restatement is as follows:

(in Netherlands Antilles guilders)	
Foundation capital and reserves as of January 1, 2010, before restatement	31,291,429
Net results 2010, before restatement	2,823,836
Correction of dotation provision for doubtful accounts	-1,379,605
Foundation capital and reserves as of December 31, 2010, after restatement	32,735,660

Accounting policies for the balance sheet

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands, excluding specific guidelines for care institutions. The consolidated financial statements are denominated in Netherlands Antillean Guilders (ANG).

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been converted to ANG at the rates of exchange prevailing at balance sheet date. Revenue and expense transactions have been converted at the rates prevailing on the date of the transaction. Any gain or loss on foreign currency translation is credited or charged to the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation. Depreciation is computed based on the estimated useful lives of the assets using the straight-line method. 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 income for the period. The cost of maintenance and repairs is charged to expenses as incurred; significant renewals and improvements are capitalized. Information Technology and Hospital Information Systems are further abbreviated in these financial statements as IT and HIS.

Inventory

Inventory is stated at weighted average cost, taking into account a provision for obsolete inventory for SMMC.

Receivables

Accounts receivable are stated at cost and include a provision for potentially uncollectible balances. The provision for uncollectible accounts is computed as a percentage of accounts receivable taking the aging, risk profile of the debtors, and the actual collection of the receivables into account.

Equalization reserve donations

SMMC has formed an equalization reserve for donated equipment and certain designated monetary donations. These monetary donations received will remain reserved until the equipment has been purchased and received. The amounts are amortized in line with the straight-line depreciation of the related assets.

Current liabilities

The accrual method of accounting is used in recording liabilities with respect to accounts payables. Current year's costs or purchases for which invoices were received in the subsequent year are booked to Accrued Expenses.

Other assets and liabilities are stated at cost, which approximate their fair values, unless otherwise stated.

Accounting policies for the profit and loss account

Result

Revenues and expenses are recorded in the period to which they relate.

Other income

Monetary donations not earmarked for the purchase of equipment are recognized as revenue upon receipt.

Profit tax

SMMC is a non-profit foundation (Art. 2 of the Articles of Incorporation). Furthermore SMMC is serving the general social interest of St. Maarten and the other Windward Islands and therefore no profit tax is due (Article 1 Sub 1b Profit Tax Ordinance).

St. Maarten Medical Center Pharmacy N.V. is subject to profit tax at a standard rate of 34.5%.

For tax purposes, when investing in fixed assets for more than ANG 5,000 in a year, the company is allowed an investment premium in the year of making the investment and in the succeeding year. The rate of the investment premium is 12% on buildings (including improvement on existing buildings) and 8% on other fixed assets. When investing in fixed assets, the company is allowed accelerated depreciation of one third of the investment in the year of making the investment or in one of the succeeding years.

Principles of the cash flow statement

The cash flow statement has been prepared using the indirect method.

Notes to the consolidated balance sheet

1 Tangible fixed assets

Movements in tangible fixed assets are broken down as follows:

	Building and building improvements	Medical equipment and installations	Furniture, fixtures and office equipment	Other	IT and HIS	Total
	ANG	ANG	ANG	ANG	ANG	ANG
Balance as at 1 January 2011						
Cost	46,246,451	10,713,304	792,162	163,884	4,141,325	62,057,126
Accumulated depreciation	-22,024,760	-4,928,379	-365,123	-100,995	-2,763,908	-30,183,165
Book value	24,221,691	5,784,925	427,039	62,889	1,377,417	31,873,961
Changes in book value:						
Additions	868,539	1,062,239	83,262	9,918	173,325	2,197,283
Depreciation	-1,315,523	-1,313,155	-65,966	-19,734	-91,666	-2,806,044
Balance	-446,984	-250,916	17,296	-9,816	81,659	-608,761
Balance as at 31 December 2011						
Cost	47,114,990	11,775,543	875,424	173,802	4,314,650	64,254,409
Accumulated depreciation	-23,340,283	-6,241,534	-431,089	-120,729	-2,855,574	-32,989,209
Book value	23,774,707	5,534,009	444,335	53,073	1,459,076	31,265,200
Depreciation rates	3 1/3%- 10%	33 1/3%	25%	20%	0% - 20%	

Current assets

2 Inventory

	2011 ANG	2010 ANG
Inventory	1,861,286	1,387,736
Provision for obsolete inventory	-45,673	-38,614
	1,815,613	1,349,122

3 Accounts receivable

	2011 ANG	2010 ANG as restated
Accounts receivable	12,822,659	12,641,280
Bad debt receivable	620,959	745,273
SVB - claims on loss of wages	559,099	242,584
	14,002,717	13,629,137
Allowance for doubtful accounts	-7,020,556	-5,378,272
	6,982,161	8,250,865

As per December 31, 2011, SMMC has an amount of ANG 1,689,313 receivable from SVB with reference to the settlement of the 2011 budget (as per December 31, 2010: ANG 3,199,588 for 2009 and 2010 budget).

The movement in the allowance for doubtful accounts is as follows:

	2011 ANG as restated	2010 ANG
Balance as at 1 January	5,378,272	8,374,117
Dotation charged to the result	500,515	1,659,946
	5,878,787	10,034,063
Recovery / write off of doubtful accounts receivable	1,141,769	-4,655,791
Balance as at 31 December	7,020,556	5,378,272

The 2010 allowance for doubtful debts has been restated, refer to note 'general'.

4 Other receivables

	2011 ANG	2010 ANG
Non-trade receivables	238,399	47,825
Prepayments	72,160	57,887
Security deposits	57,492	57,492
Prepaid rent	16,287	15,559
Prepaid pension premium	7,260	6,480
Prepaid insurance	6,727	9,087
Employee advances	6,018	4,602
Other prepaid expenses	499	269
	404,842	199,201

5 Cash and banks

	2011 ANG	2010 ANG
The Windward Islands Bank Ltd. - operating accounts	4,884,868	1,759,035
The Windward Islands Bank Ltd. - moratorium account	318,307	318,307
The Windward Islands Bank Ltd. - education department	18,142	48,290
The Windward Islands Bank Ltd. - donation accounts	36,923	30,799
RBTT Bank N.V. - operating account	230,658	321,900
Cash	9,172	6,891
	5,498,070	2,485,222

The Windward Islands Bank Ltd. - moratorium account is related to government subsidy and is restricted for the payment of vendors who have a moratorium agreement with SMMC for liabilities outstanding previous to Sept. 10, 2003. SMMC has received one month subsidy amounting to ANG 170,000 in excess which is recorded as Subsidy payable under accounts payable (see also note 11). The Windward Islands Bank Ltd. - donation accounts are established for the receipt of monetary donations.

6 Foundation capital and reserves

Refer to the 2011 Company Financial Statements.

7 Equalization reserve donations

	2011 ANG	2010 ANG
Balance as at 1 January	3,314,654	1,796,201
Donated tangible fixed assets	-	2,119,381
	3,314,654	3,915,582
Amortization equalization reserve donations (note 17)	-685,953	-600,928
Balance as at 31 December	2,628,701	3,314,654

8 Cessantia provision

	2011 ANG	2010 ANG
Balance as at 1 January	2,912,407	2,628,293
Cessantia paid	-445,123	-40,981
	2,467,284	2,587,312
Dotation to the cessantia provision	492,395	325,095
Balance as at 31 December	2,959,679	2,912,407

In accordance with stipulations in the Collective Labour Agreement, SMMC provides for the lump sum severance payment due to employees upon termination of the labour contract in certain circumstances. When calculating the provision, assumptions are made by management about the employee turnover rates. Additionally, the rules issued by the St. Maarten Inspectorate of Taxes have been applied, such as the incorporating of a 5% discount rate factor, assumption on employee turnover rate and salary increase of 3%.

9 Deferred profit tax

A provision for deferred profit tax has been formed for the difference between fiscal and commercial valuation of the tangible fixed assets totaling to ANG 3,153 (34.5% of ANG 9,141).

The movement schedule for the provision for deferred profit tax is as follows:

	2011 ANG	2010 ANG
Balance as at 1 January	3,153	4,606
Release	-1,468	-1,453
Balance as at 31 December	1,685	3,153

10 Trade creditors

	2011 ANG	2010 ANG
Accounts payable	1,562,887	1,247,928
Subsidy payable	170,000	170,000
	1,732,887	1,417,928

11 Taxes and social security contributions

	2011 ANG	2010 ANG
AOV/AWW and AVBZ premium payable previous years	1,221,827	1,833,495
Wage tax	311,276	242,847
Social security contributions	242,411	194,515
Profit tax	123,767	134,075
Turnover tax	-	191
	1,899,281	2,405,123

AOV/AWW and AVBZ premium payable previous years relate to premiums withheld, but not paid over the period from 1998-2003. A payment arrangement is in place with the SVB.

12 Accrued expenses and other liabilities

	2011 ANG	2010 ANG
Accrued expenses	792,119	369,374
Accrued vacation days	537,557	437,278
Cost of living allowance (COLA) payable 2011	189,902	-
Cessantia payable - current	166,311	-
Due to specialists	164,581	334,430
Cost of living allowance (COLA) payable previous years	93,047	138,400
Net salaries payable	49,237	34,583
Other liabilities	31,415	55,381
	2,024,169	1,369,446

Cost of living allowance (COLA) payable 2011 is in accordance with the CLA based on 50% of the official price indexation of the Central Bureau of Statistics for the year 2011 (50% of 4.6%) The COLA payable previous years has been accrued for, but not been paid out so far.

Contingencies

Ennia

SMMC offers a collective pension arrangement for its staff via ENNIA. For current staff premiums have been paid in full and coverage is guaranteed by ENNIA. However, due to lack of administration in the early 90's it cannot be verified if all former staff of SMMC is included and covered under the ENNIA pension plan. ENNIA and SMMC are discussing to what extent ENNIA will indemnify SMMC for any future claims of former employees.

A previous employee claimed successfully pension payment from SMMC, however, the court ruled that ENNIA is eligible to settle this claim on SMMC's behalf, therewith mitigating any financial impact for SMMC.

Information technology

On July 6, 2007, SMMC entered into an agreement with Medical Diagnostic Exchange Corp. (MDX) for the implementation of the following: electronic patient registration network, digitization of the Radiology Department, implementation of Picture Archiving Communication System (PACS), Hospital Information System (HIS) and Telemedicine. Said project includes professional fees, acquisition of hardware/software infrastructure for the implementation of the MDX Health NET Framework. Set-up of the project commenced in 2007. The project is still to be finalized and implemented.

Currently the project is evaluated by an independent Information Technology specialist, which should lead to a revised implementation plan in the course of 2012.

Notes to the consolidated profit and loss account

13 Medical related income

	2011 ANG	2010 ANG
Surgical/Med-Surg Ward	6,307,641	5,767,105
Sales pharmacy	3,367,157	3,115,152
Hemodialysis	4,679,068	4,611,915
Radiology	4,503,663	4,329,427
Operating room	4,212,399	4,633,851
Obstetrics and Gynaecology	3,438,155	3,624,414
Emergency room	2,342,281	2,454,156
Outpatient	2,028,701	1,560,831
Pediatric ward	1,693,132	1,690,153
Intensive Care Unit (ICU)	1,328,901	1,337,895
Diagnostics	763,668	598,034
Day Care Ward	181,486	159,574
	34,846,252	33,882,507

14 Cost of sales

	2011 ANG	2010 ANG
Purchases	3,616,545	3,583,303
Discount	3,512	9,133
Turnover tax	2,407	2,123
	3,622,464	3,594,559

15 Other income

	2011 ANG	2010 ANG
SVB result	1,668,241	374,817
Rental income	210,179	215,281
Donations received	72,000	15,390
Education department income	51,954	138,205
Other	317,079	297,838
	2,319,453	1,041,531

As per December 31, 2011, SMMC has an amount of ANG 1,689,313 receivable from SVB with reference to the settlement of the 2011 budget (as per December 31, 2010: ANG 3,199,588 for 2009 and 2010 budget).

SVB result is the difference between the SVB budget and the income from charges and treatments for SVB clients against the applicable SMMC tariffs. The SVB result 2011 is again positive.

Rental income consists mainly of lease income for office space from external medical specialists and rent received from the laboratory (St. Maarten Laboratory Services).

Donations consist of monetary donations received and spent during the year.

Other income consists of among other administration fees for self responsible patients and external medical specialists, collection fees and food coupons.

16 Salaries and wages

	2011 ANG	2010 ANG
Salaries and wages	15,026,356	14,148,263
Social security contributions	2,472,312	2,164,755
	17,498,668	16,313,018

Salaries and wages

	2011 ANG	2010 ANG
Gross salaries	11,623,401	11,225,192
Vacation pay	919,360	730,093
Overtime	831,179	898,483
Irregular hours and shift allowances	433,858	387,819
Management fee	287,131	403,593
Incentives	274,603	105,142
Cost of living allowance	189,902	-
Bonuses	144,685	132,475
Other	322,237	265,466
	15,026,356	14,148,263

	2011	2010
Remuneration of Supervisory Council and Board of Directors	440,131	510,842

Average number of employees

	2011	2010
SMMC: Full Time Equivalents (FTEs)	210	212
St. Maarten Medical Center Pharmacy N.V.	5	5
Total number of employees	215	217

Social security contributions

	2011 ANG	2010 ANG
Social security contributions	1,528,994	1,394,618
Pension contributions	450,923	445,042
Dotation cessantia provision	492,395	325,095
	2,472,312	2,164,755

Pension contribution is the employer's share of 6% from the total of 9% premium for a defined contribution pension plan.

17 Depreciation

	2011 ANG	2010 ANG
Amortization equalization reserve donations	-685,952	-600,928
Depreciation	2,806,044	2,604,494
	2,120,092	2,003,566

18 Operating expenses

	2011 ANG	2010 ANG as restated
Other personnel expenses	1,134,331	885,472
Housing expenses	2,934,204	2,464,776
Dotation in provision for doubtful accounts and obsolete inventory	507,574	1,676,678
General expenses	1,908,332	1,667,330
Medical related expenses	5,144,938	4,565,623
	11,629,379	11,259,879

Other personnel expenses

	2011 ANG	2010 ANG
Allowances	578,071	324,705
Medical insurance	243,389	299,630
Training	158,474	170,692
Jubilee	94,120	25,322
Staff rent	59,280	58,596
Other	997	6,527
	1,134,331	885,472

Housing expenses

	2011 ANG	2010 ANG
Electricity	1,045,479	789,788
Maintenance	591,091	427,054
Cleaning and janitorial expenses	504,197	506,062
Water	347,634	272,358
Insurance	223,213	253,071
Security	199,111	190,399
Rent	7,730	6,797
Other	15,749	19,247
	2,934,204	2,464,776

Dotation in provision for doubtful accounts and obsolete inventory

	2011 ANG	2010 ANG
Dotation provision for doubtful accounts	500,515	1,659,946
Dotation provision for obsolete inventory	7,059	16,732
	507,574	1,676,678

General expenses

	2011 ANG	2010 ANG
Professional fees	849,238	513,347
Telephone, fax and internet	313,651	238,675
Office supplies	132,607	119,632
Computer and software	77,075	154,078
Stationary and printing	72,641	90,187
Support and management fee	62,800	61,800
Licenses	32,681	62,392
Education	20,501	69,071
Insurance premium	17,437	12,211
Other	329,701	345,937
	1,908,332	1,667,330

Medical related expenses

	2011 ANG	2010 ANG
Medical supplies	2,485,806	2,634,978
Professional fees	1,604,013	1,133,217
Laundry	432,417	375,903
Kitchen	162,826	120,440
Medication supplies	11,316	-
Other	448,560	301,085
	5,144,938	4,565,623

19 Financial income and expenses

	2011 ANG	2010 ANG
Interest and bank service charges	155,871	140,577
Exchange rate differences	33,109	35,586
	188,980	176,163

20 Profit tax

	2011 ANG	2010 ANG
Profit tax	123,767	134,075
Deferred profit tax (release)	-1,468	-1,453
	122,299	132,622

A release of deferred profit tax has been booked for the difference between fiscal and commercial depreciation totaling to ANG 1,468 (34,5% of ANG 4,257).

Chapter 3
2011 Financial Statements SMMC

20 Years Caring for You

Balance sheet as at 31 December 2011

Assets		2011		2010 as restated	
		ANG	ANG	ANG	ANG
Fixed assets					
Tangible fixed assets	1		31,237,822		31,842,613
Financial fixed assets					
Participations in group companies	2		1,115,174		1,132,759
Current assets					
Inventory	3		989,799		733,672
Receivables					
Accounts receivable	4	6,279,580		7,585,098	
Due from affiliated parties	5	483,851		293,807	
Other receivables	6	415,690		161,293	
			7,179,121		8,040,198
Cash and banks	7		4,769,129		1,774,852
			45,291,045		43,524,094

Foundation capital, reserves and liabilities		2011		2010 as restated	
		ANG	ANG	ANG	ANG
Foundation capital & reserves	8				
Foundation capital		46,269		46,269	
Donated capital		28,591,289		28,591,289	
Accumulated results		4,098,102		2,653,871	
Result for the year		1,983,822		1,444,231	
			34,719,482		32,735,660
Equalization reserve donations	9		2,628,701		3,314,654
Provisions					
Cessantia provision	10		2,959,679		2,912,407
Current liabilities					
Accounts payable	11	1,181,975		962,082	
Taxes and social security contributions	12	1,760,331		2,261,473	
Accrued expenses and other liabilities	13	2,040,877		1,337,818	
			4,983,183		4,561,373
			45,291,045		43,524,094

Profit and loss account for the year ended 31 December 2011

		2011		2010 as restated	
		ANG	ANG	ANG	ANG
Medical related income	14	31,479,095		30,767,355	
Other income	15	2,670,695		1,374,896	
Total revenue			34,149,790		32,142,251
Salaries and wages	16	17,137,770		15,974,665	
Depreciation and amortization	17	2,105,924		1,990,936	
Operating expenses	18	12,983,503		12,861,365	
Total operating expenses			32,227,197		30,826,966
Operating result			1,922,593		1,315,285
Financial income and expenses			-171,186		-127,165
Result before profit tax			1,751,407		1,188,120
Net result from St. Maarten Medical Center Pharmacy N.V.			232,415		256,111
Net result			1,983,822		1,444,231

Notes to the accounts

General

Please refer to the notes to the 2011 Consolidated Financial Statements.

Comparative figures

The comparative figures have been restated to adjust the incorrect calculation of the dotation provision for doubtful accounts as per December 31, 2010. Minor reclassifications have been made in last year's financial statements to improve the insight in the financial information.

The impact of the restatement is as follows:

(in Netherlands Antilles guilders)	
Accumulated results as of January 1, 2010	2,653,871
Net results 2010, before restatement	2,823,836
Correction of dotation provision for doubtful accounts	-1,379,605
Accumulated results as of December 31, 2010, after restatement	4,098,102

Accounting policies for the balance sheet

Summary of significant accounting policies

Please refer to the notes to the 2011 Consolidated Financial Statements.

Accounting policies for the balance sheet

Summary of significant accounting policies

Please refer to the notes to the 2011 Consolidated Financial Statements.

Notes to the balance sheet

1 Tangible fixed assets

Changes in tangible fixed assets can be specified as follows:

	Building and building improvements	Medical equipment and installations	Furniture, fixtures and office equipment	Others	IT and HIS	Total
	ANG	ANG	ANG	ANG	ANG	ANG
Balance as at 1 January 2011						
Cost	46,226,171	10,684,445	555,709	163,884	4,141,325	61,771,534
Accumulated depreciation	-22,021,056	-4,903,007	-139,955	-100,995	-2,763,908	-29,928,921
Book value	24,205,115	5,781,438	415,754	62,889	1,377,417	31,842,613
Changes in book value:						
Additions	868,539	1,056,399	78,904	9,918	173,325	2,187,085
Depreciation	-1,313,495	-1,308,272	-58,709	-19,734	-91,666	-2,791,876
Balance	-444,956	-251,873	20,195	-9,816	81,659	-604,791
Balance as at 31 December 2011						
Cost	47,094,710	11,740,844	634,613	173,802	4,314,650	63,958,619
Accumulated depreciation	-23,334,551	-6,211,279	-198,664	-120,729	-2,855,574	-32,720,797
Book value	23,760,159	5,529,565	435,949	53,073	1,459,076	31,237,822
Depreciation rates	3 1/3% - 10%	33 1/3%	25%	20%	0% - 20%	

2 Participations in group companies

	St. Maarten Medical Center Pharmacy N.V.
	ANG
Balance as at 1 January 2011	1,132,759
Net result from St. Maarten Medical Center Pharmacy N.V.	232,415
Interim dividend paid	-250,000
Balance as at 31 December 2011	1,115,174

Current assets

3 Inventory

	2011	2010
	ANG	ANG
Inventory	1,035,472	772,286
Provision for obsolete inventory	-45,673	-38,614
	989,799	733,672

4 Accounts receivable

The movements can be specified as follows:

	2011	2010
	ANG	ANG as restated
Accounts receivable	11,984,037	11,926,491
Bad debt receivable	620,959	745,273
SVB - claims on loss of wages	559,099	242,584
	13,164,095	12,914,348
Allowance for doubtful accounts	-6,884,515	-5,329,250
	6,279,580	7,585,098

As per December 31, 2011, SMMC has an amount of ANG 1,689,313 receivable from SVB with reference to the settlement of the 2011 budget (as per December 31, 2010: ANG 3,199,588 for 2009 and 2010 budget).

The movements in the allowance for doubtful accounts is as follows:

	2011 ANG	2010 ANG as restated
Balance as at 1 January	5,329,250	8,261,285
Dotation charged to the result	412,021	1,723,641
	5,741,271	9,984,926
Recovery / write off of doubtful accounts receivable	1,143,244	-4,655,676
Balance as at 31 December	6,884,515	5,329,250

The 2010 allowance for doubtful debts has been restated, refer to note 'general'.

5 Due from affiliated parties

Due from affiliated parties consists of the balance due from St. Maarten Medical Center Pharmacy N.V. The balance includes among others rental income for the lease of premises (ANG 10,000 per month), concession fee (11% of gross margin) and reimbursement of actual expenses (i.e. utilities, supplies and administration) less used medication and medical supplies billed to SMMC, including a volume discount of 20%. No interest has been charged and no securities have been given.

6 Other receivables

	2011 ANG	2010 ANG
Non-trade receivables	238,399	47,825
Prepayments	72,160	57,887
Security deposit	55,581	55,581
Other	49,550	-
	415,690	161,293

7 Cash and banks

	2011 ANG	2010 ANG
The Windward Islands Bank Ltd. - operating accounts	4,165,099	1,055,556
The Windward Islands Bank Ltd. - moratorium account	318,307	318,307
The Windward Islands Bank Ltd. - education department	18,142	48,290
The Windward Islands Bank Ltd. - donation accounts	36,923	30,799
RBTT Bank N.V. - operating account	230,658	321,900
	4,769,129	1,774,852

The Windward Islands Bank Ltd. - moratorium account is related to government subsidy and is restricted for the payment of vendors who have a moratorium agreement with SMMC for liabilities outstanding previous to Sept. 10, 2003. SMMC has received one month subsidy amounting to ANG 170,000 in excess which is recorded as Subsidy payable under accounts payable (see also note 11).
The Windward Islands Bank Ltd. - donation accounts are established for the receipt of monetary donations.

8 Foundation capital and reserves

	Foundation capital	Donated capital	Accumulated results (including result for the year)	Total
	ANG	ANG	ANG	ANG
Balance as at 1 January 2011 as restated	46,269	28,591,289	4,098,102	32,735,660
Result for the year	-	-	1,983,822	1,983,822
Balance as at 31 December 2011	46,269	28,591,289	6,081,924	34,719,482

9 Equalization reserve donations

	2011	2010
	ANG	ANG
Balance as at 1 January	3,314,654	1,796,201
Donated tangible fixed assets	-	2,119,381
	3,314,654	3,915,582
Amortization equalization reserve donations (note 17)	-685,953	-600,928
Balance as at 31 December	2,628,701	3,314,654

10 Cessantia provision

	2011	2010
	ANG	ANG
Balance as at 1 January	2,912,407	2,628,293
Cessantia paid	-445,123	-40,981
	2,467,284	2,587,312
Dotation to the cessantia provision	492,395	325,095
Balance as at 31 December	2,959,679	2,912,407

In accordance with stipulations in the Collective Labour Agreement, SMMC provides for the lump sum severance payment due to employees upon termination of the labour contract in certain circumstances. When calculating the provision, assumptions are made by management about the employee turnover rates. Additionally, the rules issued by the St. Maarten Inspectorate of Taxes have been applied, such as the incorporating of a 5% discount rate factor, assumption on employee turnover rate and salary increase of 3%.

11 Accounts payable

	2011	2010
	ANG	ANG
Accounts payable	1,011,975	792,082
Subsidy payable	170,000	170,000
	1,181,975	962,082

12 Taxes and social security contributions

	2011	2010
	ANG	ANG
Wage tax payable	302,987	237,987
AOV/AWW and AVBZ premium payable	235,517	189,991
AOV/AWW and AVBZ premium payable previous years	1,221,827	1,833,495
	1,760,331	2,261,473

AOV/AWW and AVBZ premium payable previous years relate to premiums withheld, but not paid over the period from 1998-2003. A payment arrangement is in place with the SVB.

13 Accrued expenses and other liabilities

	2011	2010
	ANG	ANG
Accrued expenses	792,119	369,374
Accrued vacation days	537,557	437,278
Cost of living allowance (COLA) payable 2011	189,902	-
Cessantia payable - current	166,311	-
Due to specialists	164,581	334,430
Cost of living allowance (COLA) payable previous years	93,047	138,400
Net salaries payable	49,237	34,583
Credit card payable	29,070	-
Due to Ennia	17,216	17,217
Other liabilities	1,837	6,536
	2,040,877	1,337,818

Cost of living allowance (COLA) payable 2011 is in accordance with the CLA based on 50% of the official price indexation of the Central Bureau of Statistics for the year 2011 (50% of 4.6%) The COLA payable previous years has been accrued for, but not been paid out so far.

Contingencies

Refer to the notes to the 2011 Consolidated Financial Statements.

Notes to the profit and loss account

14 Medical related income

	2011 ANG	2010 ANG
Surgical/Med-Surg Ward	6,307,641	5,767,105
Hemodialysis	4,679,068	4,611,915
Radiology	4,503,663	4,329,427
Operating room	4,212,399	4,633,851
Obstetrics and Gynaecology	3,438,155	3,624,414
Emergency room	2,342,281	2,454,156
Outpatient	2,028,701	1,560,831
Pediatric ward	1,693,132	1,690,153
Intensive Care Unit (ICU)	1,328,901	1,337,895
Diagnostics	763,668	598,034
Day Care Ward	181,486	159,574
	31,479,095	30,767,355

15 Other income

	2011 ANG	2010 ANG
SVB result	1,668,241	374,817
Rental income	330,179	335,281
Concession income St. Maarten Medical Center Pharmacy N.V.	201,360	187,588
Donations received	72,000	15,390
Education department income	51,954	138,205
Other	346,961	323,615
	2,670,695	1,374,896

As per December 31, 2011, SMMC has an amount of ANG 1,689,313 receivable from SVB with reference to the settlement of the 2011 budget (as per December 31, 2010: ANG 3,199,588 for 2009 and 2010 budget).

SVB result is the difference between the SVB budget and the income from charges and treatments for SVB clients against the applicable SMMC tariffs. The SVB result 2011 is again positive.

Rental income consists mainly of lease income for office space from external medical specialists and rent received from the laboratory (St. Maarten Laboratory Services).

Donations consist of monetary donations received and spent during the year.

Other income consists of among other administration fees for self responsible patients and external medical specialists, collection fees and food coupons.

16 Salaries and wages

	2011 ANG	2010 ANG
Salaries and wages	14,708,533	13,847,874
Social security contributions	1,498,499	1,369,230
Pension contributions	930,738	757,561
	17,137,770	15,974,665

Salaries and wages

	2011 ANG	2010 ANG
Gross salaries	11,369,051	10,995,319
Vacation pay	895,394	711,526
Overtime	807,224	875,084
Irregular hours and shift allowances	433,858	387,819
Management fee	287,131	403,593
Incentive	274,603	105,142
Cost of living allowance	189,902	-
Christmas bonus	129,133	103,925
Other	322,237	265,466
	14,708,533	13,847,874

On July 8, 2011 Dr. Scot, on behalf of the SMMC, and representatives of the Board of the Windward Islands Health Care Union Association signed a Collective Labor Agreement covering the period from June 1, 2011 up to and including May 31, 2014.

	2011	2010
Remuneration of Supervisory Council and Board of Directors	440,131	510,842

Average number of employees

	2011	2010
Full Time Equivalents (FTE's)	210	212

Pension contributions

	2011 ANG	2010 ANG
Pension contributions	438,343	432,466
Dotation cessantia provision	492,395	325,095
	930,738	757,561

Pension contribution is the employer's share of 6% from the total of 9% premium for a defined contribution pension plan.

17 Depreciation and amortization

	2011 ANG	2010 ANG
Amortization equalization reserve donations	-685,952	-600,928
Depreciation	2,791,876	2,591,864
	2,105,924	1,990,936

18 Operating expenses

	2011 ANG	2010 ANG as restated
Other personnel expenses	1,063,630	808,082
Housing expenses	2,923,329	2,455,880
Dotation provision for obsolete inventory and doubtful accounts	419,080	1,740,373
General and administrative expenses	1,768,583	1,552,608
Medical related expenses	6,808,881	6,304,422
	12,983,503	12,861,365

Other personnel expenses

	2011 ANG	2010 ANG
Allowances	578,071	324,705
Medical insurance	232,965	287,363
Training	158,474	170,692
Jubilee	94,120	25,322
	1,063,630	808,082

Housing expenses

	2011 ANG	2010 ANG
Electricity	1,045,479	789,788
Maintenance	591,091	427,054
Cleaning and janitorial expenses	504,197	506,062
Water	347,634	272,358
Insurance	223,213	253,071
Security	199,111	190,399
Rent	689	-
Other	11,915	17,148
	2,923,329	2,455,880

Dotation provision for obsolete inventory and doubtful accounts

	2011 ANG	2010 ANG as restated
Dotation provision for doubtful accounts	412,021	1,723,641
Dotation provision for obsolete inventory	7,059	16,732
	419,080	1,740,373

General and administrative expenses

	2011 ANG	2010 ANG
Professional fees	835,149	503,535
Telephone, fax and internet	298,347	228,361
Office supplies	130,515	116,701
Computer and software	67,884	147,399
Stationary and printing	65,364	81,167
Licenses	30,298	60,597
Education	20,501	69,071
Other	320,525	345,777
	1,768,583	1,552,608

Medical related expenses

	2011 ANG	2010 ANG
Medical supplies	2,640,337	2,468,224
Professional fees	1,604,013	1,133,217
Medication supplies	1,520,728	1,905,553
Laundry	432,417	375,903
Kitchen	162,826	120,440
Other	448,560	301,085
	6,808,881	6,304,422

Chapter 4
Other Information

20 Years Caring for You

Other information

Subsequent events

Expansion

During 2012 negotiations with financial institutions and the Government of St. Maarten are still ongoing for the realization of the expansion project of the SMMC. Upon financial closing, which is expected prior to August 2012, construction and installation contracts will be signed and construction will commence. The total project cost is estimated at approximately ANG 30 million.

Distribution of profits

The net result for the year will be added to the Accumulated Results of Sint Maarten Medical Center Foundation.

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Independent Auditor's Report

The Supervisory Council of the
Sint Maarten Medical Center Foundation
Welgelegen Rd. # 30
St. Maarten

Report on the financial statements

We have audited the accompanying financial statements 2011 of Sint Maarten Medical Center Foundation, St. Maarten, which comprise the consolidated financial statements and the company financial statements. The consolidated and company balance sheet as at December 31, 2011, the consolidated and company profit & loss account and consolidated and company cash flow statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with Book 2 of the Civil Code applicable for St. Maarten. Management has elected to prepare the financial statements in accordance with accounting principles generally accepted in the Netherlands, except for the application of the industry specific accounting guidelines for care institutions ("Regeling verslaggeving WTZi"). Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Sint Maarten Medical Center Foundation, St. Maarten, as at December 31, 2011 and its financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in the Netherlands, except for the application of the industry specific accounting guidelines for care institutions ("Regeling verslaggeving WTZi").

St. Maarten, December 11, 2012
PricewaterhouseCoopers St. Maarten

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