

ANNUAL REPORT



2006 / 2007

inside cover

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FINANCIAL STATEMENTS

MISSION STATEMENT

To ensure the efficient management of Jamaica's radio frequency spectrum in keeping with international best practices and in the interest of social, economic and technological development.

Corporate Profile

The **Spectrum Management Authority** (“SMA” or “the Authority”) is the regulatory body responsible for managing the Radio Frequency Spectrum (a range of frequencies used for wireless communication) in Jamaica, on behalf of the Government and people of Jamaica.

Consistent with its Mission Statement, SMA’s management of the spectrum entails the following:

- Managing access to the radio frequency spectrum through band planning, frequency assignment and licensing;
- Monitoring compliance with licensing agreements to protect all legal spectrum users;
- Identifying, investigating and facilitating the resolution of cases of interference;
- Identifying and eliminating illegal use of the spectrum;
- Fulfilling Jamaica’s international obligations with respect to spectrum management; in addition to being the advisory body to the Minister with portfolio responsibility for telecommunications, currently the *Minister of Industry, Technology, Energy and Commerce* on spectrum policy and related legal matters.

Spectrum Management Authority was incorporated in Jamaica under the Company’s Act as a limited liability company on 1st February 2000 and became operational in April 2001. Effective 2006 January 1, the registered office of the company was relocated to 53 Knutsford Boulevard, Kingston 5, Jamaica.

The Authority was established against the background of Jamaica’s international commitments to the World Trade Organization’s (WTO) telecommunication agreement, and the policy objectives enunciated by the Government of Jamaica (GOJ) with respect to the liberalization of the telecommunication sector.

The Authority is financed through a cost-recovery mechanism, by charging licensed spectrum users regulatory fees. The mechanism was developed in consultation with spectrum users and was formalized as The Telecommunications (Spectrum Regulatory Fees) Regulations 2003, Jamaica Gazette Supplement Number 33, in April 2003.

In carrying out its mandate the Authority, is guided by its principal legislative framework which is the Telecommunications Act, 2000 whilst being cognizant of the relevant sections of the Radio and Telegraph Control Act, 1973. Internationally, SMA is guided according to the rules and regulations of the International Telecommunications Union (ITU). ITU is the leading [United Nations](#) agency for information and communication technologies. As the global focal point for governments and the private sector, ITU’s role in helping the world communicate spans 3 core sectors: [radiocommunication](#), [standardization](#) and [development](#)

The Authority is responsible for collecting spectrum license fees on behalf of the GOJ; these fees are paid into the Consolidated Fund. The categories of radio systems that are licensed to use the spectrum are:

- Terrestrial (land-based) radio systems - including fixed services (such as networks providing data transfer services) and mobile services (such as cellular services as well as 2-way radios);
- Satellite systems - for large earth stations and VSATs (very small aperture terminals);
- Maritime radio systems - this facilitates radio communication for ships, yachts, boats;
- Aeronautical radio systems - facilitates communication by aeroplanes and air-traffic controllers.

The following certifications are also provided:

- *Certificate of Competence in Radio Telephony/Global Maritime Distress and Safety System (GMDSS)* is a certificate authorizing the holder to carry out the radiotelephone service of any Ship Station;
- *Radio Technician Licence* comprises 2 classes: Class “A” and Class “B” Licences. A licence issued under Class “A” category authorizes the Licensee to install and maintain radio transmitting apparatus; and, the Class “B” category authorizes the Licensee to install and maintain radio transmitting apparatus with a radio frequency power not exceeding 1,000 watts ;
- *Type Approval Certificate* is a certificate issued to manufacturers of radio communication equipment after the Authority ensures that it conforms to appropriate standards and principles of product safety and will not interfere with other equipment or networks.

In securing Jamaica’s position in the region and internationally, SMA represents the country at events and on committees within the following international bodies:

- International Telecommunications Satellite Organization (ITSO), the Authority is a member of the ITSO Advisory Committee representing the Caribbean region since 2001;
- Caribbean Telecommunications Union (CTU), Chairman of Spectrum Management Working Group;
- International Telecommunications Union (ITU); and,
- Inter-American Telecommunications Commission (CITEL), Vice Chairman of PCC11 Committee on Radio communications including broadcasting.

THE BOARD OF DIRECTORS



Back (L-R): Dr. Donald Walwyn, Mr. Hugh Graham, Mr. Gladstone Wilson, and Mr. Ernest W. Smith (Managing Director)
Middle (L-R): Ms. Stacy Chung, Mrs. Sheree Martin, Mrs. Audrey Basanta-Henry, Ms. Grace Silvera, and Ms. Raquel Wright
Front (L-R): Deborah A. Newland (Company Secretary), Mr. Cordel Green, Dr. Leary Myers (Acting Chairman), and Dr. Jean Dixon

Profile of Our Board of Directors

Dr. Leary Myers is the Chief Executive Officer of the National Environmental and Planning Agency. He was appointed to the Board of Directors of the Spectrum Management Authority in February 2003. Dr. Myers was then appointed as acting Chairman of the Board for the Authority in April 2006. Dr. Myers' professional involvement includes membership in the Institute of Electrical and Electronics Engineers. He is a member of the committee of the Mona Institute.

Mrs. Sheree Martin has served as a Director on the Board of Spectrum Management Authority since February 2003. She is the Assistant General Manager, Group Corporate Communications at the National Commercial Bank (NCB). Mrs. Martin has brought her management expertise and extensive experience in all areas of commercial banking and credit to the Board.

Mr. Hugh Graham has been the Managing Director of Paramount Trading since 1990 and was appointed to the Board of Directors of the Spectrum Management Authority in February 2003. He is also Chairman of the Ewarton High School Board of Directors and serves on a number of other Boards. Mr. Graham has a wide experience in the areas of Sales and Human Resource.

Dr. Jean Dixon is the Permanent Secretary in the Ministry of Industry, Technology, Energy and Commerce (formerly Ministry of Commerce Science and Technology). Dr. Dixon was named to the Board of Directors in February 2003. She has worked for nine years with the Government of Jamaica in various positions. Prior to her appointment as Permanent Secretary, Dr. Dixon was the Executive Director of the Scientific Research Council.

Mr. Cordel Green is an Attorney-at-law, a former Assistant Attorney-General and a former broadcaster. He currently serves as the Executive Director of the Broadcasting Commission. Mr. Green has served on the Board of Directors of the Spectrum Management Authority since February 2003.

Mrs. Audrey Basanta-Henry, J.P., was named to the Board of Directors of the Spectrum Management Authority in April 2005. She is the Vice President Human Resource & Corporate Services at Guardian Life Limited. Prior to this she held various senior management positions within the banking sector.

Mr. Ernest W. Smith was appointed as Managing Director of Spectrum Management Authority in April 2001. As an Electrical Engineer, Project Manager and Corporate Executive Mr. Smith has over 20 years experience operating in a technical environment. He is a registered professional Engineer and a member of the Jamaica Institution of Engineers. Mr. Smith is a fellow of TEMIC.

Mr. Gladstone Wilson was appointed to the Board of Directors of the Spectrum Management Authority in February 2003. Mr. Wilson is a Barrister/Attorney-at-Law. However, his substantive career spans several areas of broadcasting, which include appointments as Acting Chairman for the Public Broadcasting Corporation of Jamaica and General Manager for the National Radio & Television network.

Ms. Grace Silvera is currently the Global Marketing Director for Red Stripe and a Lecturer in Marketing on the Diageo/Red Stripe international circuit. Ms. Silvera was appointed to the Board of Directors of the Spectrum Management Authority in April 2005. She has had quite a long list of accomplishments including the 2002 winner of the prestigious national Peer Award in the field of Public Relations.

Dr. Donald Walwyn was appointed to the Board of Directors of the Spectrum Management Authority in April 2005. He is a retired University Lecturer. Dr. Walwyn was formerly employed as the Head of the Department of Physics and Senior Lecturer at the University of the West Indies, (UWI) Mona campus, where he taught signal processing and communications. Prior to his tenure at UWI, Dr. Walwyn served as Senior Vice President, Network Systems at Cable and Wireless Jamaica Ltd.

Ms. Raquel Wright is the Logistics Manager at Guardsman Communications Group. Ms. Wright was named to the Board of Directors of the Spectrum Management Authority in April 2005. Professionally, Ms. Wright has varying management experiences. Prior to her employment with Guardsman Communications, she served as Administrative and Reservations Manager at My Tropic Escape.

Ms. Stacey Chung is one of the Authority's longest serving Directors. Ms. Chung was appointed to the Board of Directors in 2001 and was instrumental in guiding the Authority through its formative years. She is currently the Managing Director of Coffield Limited. Ms. Chung's professional experience is in the area of distribution and sales.

Report of the Board of Directors

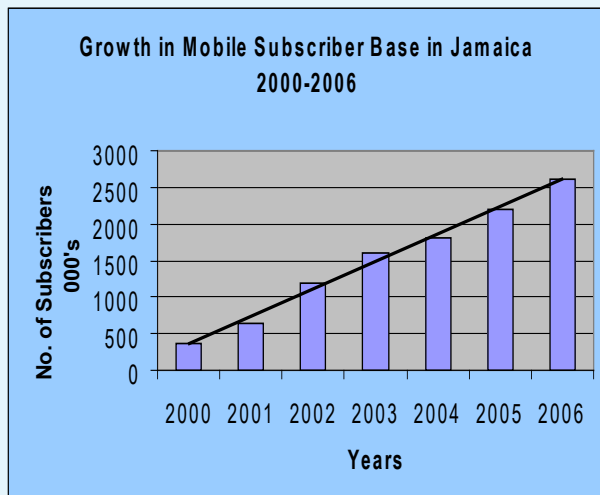
The 2006/2007 fiscal year (FY) marks the sixth year of operation of the Spectrum Management Authority. The Board of Directors is extremely pleased with the progress of the Authority towards achieving its goal of becoming a World Class organization.

The Authority was established against the background of Jamaica's international commitments to the World Trade Organization's (WTO) telecommunication agreement, and the policy objectives enunciated by the Government of Jamaica (GOJ) with respect to the liberalization of the telecommunication sector.

Some of the SMA's achievements since inception include:

Facilitation of the growth of mobile communication and new wireless broadband services through an efficient and transparent licensing process. Approximately 731 new licences and certifications have been processed and approved during the period.

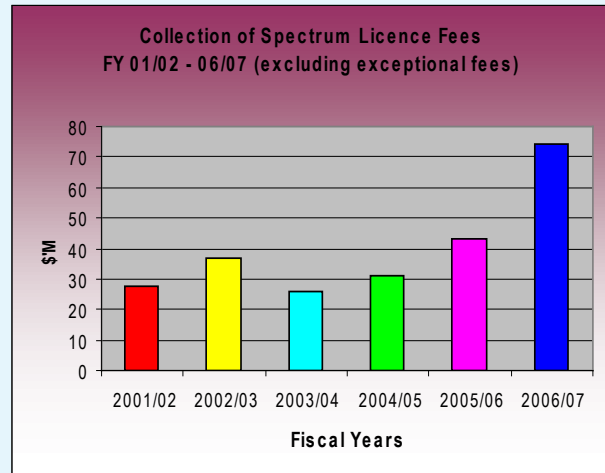
The exponential growth in mobile subscriber base is shown in the diagram below.



Source: ITU Database, 2007

Since commencement of operations in 2001 to March 2007, the Authority has collected approximately JA\$735 million in total for spectrum licence fees. This does not include the US\$92.5M or JA\$4.01 billion which was collected for spectrum fees for the auction of the two mobile licences prior to 2001. This brings the total collected for spectrum fees on behalf of

the Government of Jamaica from 2000 to March 2007 to JA\$4.74 billion. Of this amount JA\$4.50 billion relates to exceptional fees collected from AT&T Wireless, Mossel Jamaica Ltd and Oceanic Digital Jamaica Ltd.



Over the same period (2000 to March 2007), JA\$4.60 billion was remitted to the Consolidated Fund. This included JA\$4.42 billion relating to exceptional fees collected.

Since 2003, the SMA's annual budget has been funded through Regulatory Fees from spectrum users, thus making the Authority a net contributor to the revenues of the Government.

We have earned the respect of our clients and our peers, whilst we continue to play a lead role both for the country and the Caribbean in the activities of a number of international organizations including, the International Telecommunications Union (ITU), Inter-American Telecommunication Commission (CITEL), International Telecommunications Satellite Organization (ITSO) and Caribbean Telecommunications Union (CTU).

Today, six years on, we stand on the verge of a new frontier with respect to spectrum management practices and policies as we seek to ensure that Jamaica's management of the spectrum can facilitate the new and exciting technologies such as WiMax, WiFi, and 3G. The SMA continues to do an excellent job as overseers of the spectrum on behalf of the people of Jamaica.

The implementation of our capital improvement project which included the establishment of two (2) new operating systems: ASMS; and RMDFS, represented a major achievement for the Authority. As a result the Authority is now poised to deliver enhanced services to our clients. The systems became officially operational on March 1, 2007, representing months of dedication and hard work on the part of all the employees and invaluable support from the Board of Directors.

Having implemented the automated systems, the Authority will be working to maximize the benefits of these systems.

The SMA, representing Jamaica, continued its active participation in the activities of regional and international organizations on telecommunication issues. Notably, Minister, the Hon. Phillip Paulwell was elected President of the Caribbean Telecommunications Union (CTU) at the Ninth General Conference of Ministers held on 2006 October 6.

The SMA was involved in the work of the CTU, in particular with the Regional Spectrum Management Reform Project, where we are represented both at the level of the Steering Committee and the Task Force. Our Managing Director is the Chairman of the Steering Committee and our Director, Policy & Strategic Planning is Jamaica's representative to the Task Force.

Corporate Performance Overview

With regards to its overall performance the Authority also met or surpassed its core operational targets during the year as it soared to higher levels of operational efficiencies. The following is a summary of the results for the period.

- For the year under review, the Authority handled 188 applications for new licences and certifications, including 56 that were brought forward from the previous FY. Of this amount 132 new licences were issued. Additionally 323 out of a renewable total of 342 existing spectrum licences were renewed during the period. A performance rate of 94% was achieved. Note that licences are only renewed upon the payment of the relevant fees.
- Throughout the year the Authority responded expeditiously to identify the cause, and to resolve all cases of interference, through the use of its RMDFS and mobile monitoring vehicles. Approximately eighty-two percent (82%) of the cases reported were fully resolved or required no further action on the part of the Authority.

- The Authority continued to monitor users of the spectrum to ensure compliance and minimize interference during the year. By virtue of the collaborative efforts of our Enforcement Department and the Postmaster General, we were able to identify and either seize or detain more than twenty (20) radio-communication devices.
- Training and development continues to be an integral part of the Authority's plan in achieving its strategic objectives. During the FY some 21 training opportunities including local and international courses were supported by the SMA in order to further develop our cadre of highly skilled professionals.
- For the FY, the Authority projected total revenue of \$114.0M from Regulatory Fees, Processing Fees, Interest Income and Other Income. At the end of March 2007, the Authority had booked revenues of \$138.47M. The excess over budget is due largely in part to an extra-ordinary revenue amount of approximately \$25M related to additional mobile spectrum licensed to an existing operator.
- As at March 31, 2007, there were 31 members of staff, 3 more than the 28 reported for the period ending March 31, 2006. The amount reported for the period under review represents 90 percent of the approved organizational requirement.

SMA Corporate Scholarship

On 2006 November 15, the inaugural Spectrum Management Authority Scholarship was presented to Mr. Mahlangu Lawson, in a ceremony at the SMA's corporate office. Mr. Lawson is a second year student at the University of Technology, pursuing a degree in Electronics and Communications. The aim of the Scholarship Programme is to provide financial assistance to deserving students who excel in academic performance, and demonstrate the potential for making a significant contribution to the local telecommunications industry.



From L – R, Mr. Ernest W. Smith-Managing Director, Dr. Leary Myers-Chairman of SMA Board of Directors, Mr. Mahlangu Lawson, UTECH student - recipient of the scholarship for 2006, and Ms. Dottie Higgins, Scholarship Co-ordinator at the University of Technology.

With the level of success achieved over the past six years and more so in the year under review, the Authority has consistently demonstrated its capacity to provide quality service to its clients whilst ensuring its financial viability.

For the 2007/08 FY, the Authority has developed a comprehensive Corporate and Operational Plan which outlines the activities, measures and targets for the year. It will once again require the dedication and resolve of the entire SMA team in order to achieve these targets. Then too, the highest level of professionalism will be required if we are to attain our goal of becoming a World Class organization.

At the beginning of the year, our Chairman, Mr. Colin Campbell resigned effective 2006 April 3 to take up duties as a Minister of Government and Dr. Leary Myers was appointed by the Minister as Acting Chairman. We acknowledge the sterling services of the out-going Chairman, Mr. Colin Campbell, who has served the Authority with distinction from February 2003 to March

2006. We wish him all the best in his endeavors.

In closing, on behalf of the Board we take this opportunity to thank all members of staff for their invaluable contribution to the Authority during the year.

Dr. Leary Myers
Chairman

Ernest W. Smith
Managing Director

Corporate Performance Report

In addition to performing our core functions, a major focus for the period 2006/07 was the acquisition and implementation of the Automated Spectrum Management Systems (ASMS) and the Remote Monitoring and Direction Finding Systems (RMDFS) under the Capital Acquisition Project. The major activities and accomplishments were as follows:

- Factory Acceptance Testing and initial Training was completed in June 2006
- Installation of systems and organizational training was completed in October 2006
- After Site Acceptance Testing; the systems were provisionally accepted in January 2007.
- The Systems were fully implemented and in use by the Authority as at March 1, 2007.

These systems will enable the Authority to automate its day-to-day spectrum management activities, while enhancing efficiency and accuracy in core areas. These include frequency band planning and assignment of frequency; interference resolution, identification of illegal use, issuing of licences along with billing and collection of fees.

Revenues

The Authority's revenue plan is based on a cost recovery strategy; for 2006/07, the Authority projected total revenues of \$114.00M from its various revenue streams shown in Table 1.0. The revenue targeted was \$21.45M or 23.18% more than the previous year's target of \$92.55M. The Authority's deliberate strategy was to generate increased revenue by growing its customer base as well as from additional spectrum to existing users.

For the year ending March 31, 2007, total revenues booked amounted to \$138.47M. This amount includes an extraordinary revenue amount of approximately \$25M related to additional mobile spectrum licensed to an existing operator.

The actual vs. targets for each category of revenue earned are as follows in **Table 1.0**:

Table 1.0

SMA Revenue: 2006/07		
<i>Description</i>	<i>Target (\$M)</i>	<i>Actual (\$M)</i>
Regulatory Fees	102.25	121.49
Processing Fees	0.75	0.80
Interest Income	6.50	12.37
Other Income	4.50	3.81
Total	114.00	138.47

Collection of Spectrum Licence Fees

The Authority collected \$205.23M in spectrum licence fees. These fees are collected on behalf of the GoJ and are remitted to the Government's Consolidated Fund.

The total fees collected include \$130.99M collected in relation to the additional mobile spectrum granted to Mossel Jamaica Ltd. (Digicel). Taking account of this extra-ordinary revenue, the Authority has collected \$74.24M, exceeding the targeted collections to March 2007 of \$48.3M.

Licensing

New Licences - For 2006/07 a total of one hundred and eighty-eight (188) applications for new licences and certifications were handled, including fifty-six (56) that were brought forward from the previous year. One hundred and twenty-nine (129) new licences/certifications were processed and approved and a total of one hundred and thirty-two (132) issued including those that were carried forward from the previous year. Note that licences are only issued upon the receipt of payment.

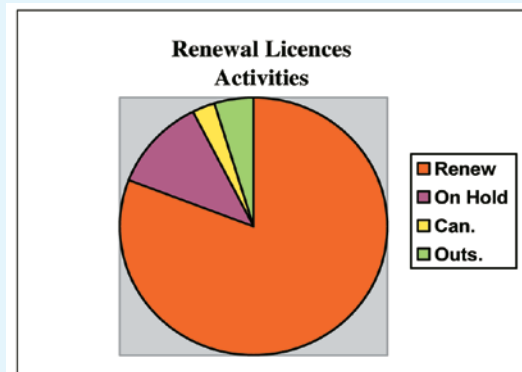
Approximately 65 percent of the licences/certifications were processed within the established processing time target for the various licence categories.

Thirty-one (31) applications for Type Approval Certifications for equipment manufacturers/dealers desirous of importing wireless equipment into the island for resale were processed and issued during the FY.

Below is a summary of **new licensing** activities as at March 31, 2007.

Total Applications Received	132
Applications Brought Forward from FY 05/06	56
Total Applications Handled	188
New Licences/Certifications Approved	129
New Licences Issued	132

Renewals - With respect to renewal licences, for the period ending March 31, 2007 there were 399 licences scheduled for renewal, of which 46 were placed on hold, mostly for the non-payment of outstanding fees. An additional 11 licences were relinquished by the holders. Of the total amount that were renewable, that is 342 (399 less cancellations and those on hold), the Authority renewed 323 or 94 percent as at March 31, 2007. Note that licences are renewed only after the receipt of payment of the relevant fees. *The graph below illustrates activities for renewal licences for the period.*



Monitoring and Interference Management

The Authority received 18 cases of interference reports during the 2006/07 FY. As at the end of March 2007, 14 of the 18 cases reported were resolved or needed no further action on the part of the Authority. The Authority achieved a 82 percent (14 of 17) performance rate for cases resolved as one of the unresolved case was received late March and the performance standard of 90 days goes beyond year end of 2007 March 31, therefore it was excluded.

Staffing

As at March 31, 2007, there were 31 members of staff, representing 90 percent of the approved organizational requirements. During the year we welcomed on board the following team members:

Deborah Newland: Director, Legal Affairs

George Malcolm: Manager, Policy & Strategic Planning

Delmaree Christian: Chief Accountant

Ida-Gaye Warburton: Legal Officer

We also said goodbye to **Barrington Mills**, Director, Finance & Administration. We wish him all the best in his future endeavors. **Dawn Hamilton**, formerly Chief Accountant was promoted to the post of Director, Finance and Administration.

Training and Development

The Authority facilitated the following training opportunities for the staff:

- Strategic Planning for Telecommunications, IT and Broadcasting Executives.
- ISO 9001 Requirements, Documentation and Internal Audit
- Fraud Detection and Protection
- Microsoft Excel - Core Specialist
- Office Attendants' Training
- National Spectrum Management
- Disaster Preparedness and Recovery - Utilizing Information and Communications Technology
- Regulatory and Privatization Issues in Telecommunications
- Basic First Aid
- Corporate Wellness Programme
- Retirement and Pension Planning.
- Using ICT for Effective Disaster Management
- 3G Wireless Technologies
- Change Management
- Strategic Performance Management
- Records Management
- Strategic Environmental Assessment Policy

Policy

During the year, the Authority made policy recommendations and contributions in a number of areas. These were in relation to:

- The Licensing of the 3.5GHz band for wireless broadband. A pricing structure for licences in this band was developed as well as a Request for Proposals (RFP) to facilitate licensing of the Band. Two companies have since been granted licenses to provide wireless broadband services in this band.
- Pricing mechanism and recommendation for the use of multiple VSAT systems.
- Recommendations with respect to the licensing of Low Power FM stations in Jamaica.
- The SMA contributed to the various studies by MITEC and the Cabinet Office on the issue of the proposed Single Regulator. The Authority was also a part of the ICT Technical Working Group, appointed by the Information sub-Committee of Cabinet to deliberate and advise on the matter.
- The revised Telecommunication Policy.

Local and International Obligations

The SMA continued its active participation in a number of regional and international organizations. These included:

- ✦ Caribbean Telecommunications Union- Spectrum Management Reform Project.
- ✦ International Telecommunications Union (Support to the Ministry at the ITU Plenipotentiary Meeting). International Telecommunication Satellite Organization - The SMA represents Jamaica and the Caribbean as a member of the ITSO Advisory Committee.
- ✦ Inter-American Telecommunications Commission (CITEL)

Locally, the Authority sponsored and/or participated in the following:

- World Telecommunications Day Event hosted in Jamaica by the Caribbean Telecommunications Union.
- Scientific Research Council
- Jamaica Customs Day



First Meeting of the Regional Spectrum Management Steering Committee, February 2007, Trinidad and Tobago

From L-R Chelston Bourne- Barbados, E.W. Smith- Jamaica (Chairman), Sylvester Cadette, Dominica (Vice Chairman), Moses Escobar- Cuba, Greta-Joy Medina, CTU Secretariat, Bernadette Lewis- CTU Secretary General, Wilfredo Lopez- Cuba, Selby Wilson - CTU Secretariat

Corporate Information

Registered Office:

VMBS Building
53 Knutsford Boulevard
Kingston 5
Telephone: 929-8550 / 8520
Fax: 960-8981

Auditors:

BDO Jamaica
28 Beechwood Avenue
Kingston 5
Telephone: 926-1616-7
Fax: 926-7580

Bankers:

First Global Bank
New Kingston Branch
28 Barbados Avenue
Kingston 5

Corporate Secretary:

Ms. Deborah Newland
Spectrum Management Authority
VMBS Building
53 Knutsford Boulevard
Kingston 5

National Commercial Bank Jamaica Limited
1 - 7 Knutsford Boulevard
Kingston 5

Committees of the Board

Members of the Board	Technical Operations and Projects	Finance and Audit	Human Resources and Information	Industry Affairs
Dr. Leary Myers	•	•		•
Dr. Donald Walwyn	•			Chairman
Dr. Jean Dixon	•			•
Gladstone Wilson	Chairman	•		•
Cordel Green	•			•
Raquel Wright	•		•	
Sheree Martin		Chairman	•	
Stacey Chung		•	•	
Hugh Graham		•	•	
Grace Silvera	•		•	•
Audrey Basanta-Henry		•	Chairman	
Ernest W. Smith	•	•	•	•

CHAIRMAN'S FAREWELL



From L-R: Colin Campbell (Outgoing Chairman), Sheree Martin (Board Director), and Ernest W. Smith (Managing Director). – 2006 July



Colin Campbell's response speech. -2006 July

2006 Christmas Treat at Glenhope Children's Home



SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2007

SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2007

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BDO Jamaica
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

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To the Members of
Spectrum Management Authority Limited

We have audited the financial statements of Spectrum Management Authority Limited set out on pages 2 to 22, which comprise the balance sheet as at 31 March 2007 and the statement of income changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require 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 auditors' judgement, 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 auditors consider internal controls relevant to the company'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 company's internal controls. 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.

In our opinion, proper accounting records have been kept and the financial statements which are in agreement therewith give a true and fair view of the company's financial position as at 31 March 2007 and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.


Chartered Accountants

17 January 2008

SPECTRUM MANAGEMENT AUTHORITY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2007

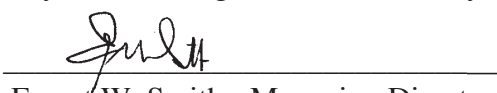
	<u>Note</u>	<u>2007</u> \$	<u>2006</u> \$
INCOME	4	122,288,328	78,365,921
OPERATING EXPENSES		<u>(110,638,130)</u>	<u>(87,718,698)</u>
OPERATING PROFIT/(LOSS)	5	11,650,198	(9,352,777)
Other income		<u>16,185,429</u>	<u>14,310,248</u>
Finance costs	6	27,835,627 <u>(2,551,335)</u>	4,957,471 <u>(3,527,394)</u>
PROFIT BEFORE TAXATION		25,284,292	1,430,077
Taxation	9	<u>(13,398,253)</u>	<u>(330,049)</u>
PROFIT FOR THE YEAR		<u>11,886,039</u>	<u>1,100,208</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED
BALANCE SHEET
31 MARCH 2007

	<u>Note</u>	<u>2007</u> \$	<u>2006</u> \$
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	115,047,511	14,624,026
Investment in subsidiary	11	9,900	-
Deferred tax asset	12	<u>-</u>	<u>12,543,268</u>
		<u>115,057,411</u>	<u>27,167,294</u>
CURRENT ASSETS:			
Receivables	13	4,997,080	21,132,222
Taxation recoverable		16,529,572	13,547,289
Due from subsidiary		29,591	23,659
Resale agreement		20,758,327	-
Cash and bank balances	14	<u>74,635,688</u>	<u>124,635,062</u>
		<u>116,950,258</u>	<u>159,338,232</u>
		<u>232,007,669</u>	<u>186,505,526</u>
<u>EQUITY AND LIABILITIES</u>			
CAPITAL AND RESERVES:			
Share capital	15	20	20
Capital reserve	16	144,700,366	144,700,366
Accumulated deficit		(23,599,168)	(35,485,207)
		<u>121,101,218</u>	<u>109,215,179</u>
NON-CURRENT LIABILITIES:			
Long term loan	17	29,161,924	38,882,565
Deferred tax liabilities	12	<u>854,985</u>	<u>-</u>
		<u>30,016,909</u>	<u>38,882,565</u>
CURRENT LIABILITIES:			
Payables	18	40,825,304	12,648,410
Deferred income	19	20,622,956	16,038,731
Current portion of long term loan	17	<u>19,441,282</u>	<u>9,720,641</u>
		<u>80,889,542</u>	<u>38,407,782</u>
		<u>232,007,669</u>	<u>186,505,526</u>

Approved for issue by the Board of Directors on 17 January 2008 and signed on its behalf by:


 Marcia Forbes - Chairperson


 Ernest W. Smith - Managing Director

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2007

	<u>Share Capital</u> \$	<u>Capital Reserve</u> \$	<u>Accumulated Deficit</u> \$	<u>Total</u> \$
Balances at 31 March 2005	20	144,700,366	(36,585,235)	108,115,151
Profit for the year	-	-	<u>1,100,028</u>	<u>1,100,028</u>
Balances at 31 March 2006	20	144,700,366	(35,485,207)	109,215,179
Profit for the year	-	-	<u>11,886,039</u>	<u>11,886,039</u>
Balances at 31 March 2007	<u>20</u>	<u>144,700,366</u>	<u>(23,599,168)</u>	<u>121,101,218</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
CASH RESOURCES WERE PROVIDED BY/(USED IN):		
OPERATING ACTIVITIES -		
Profit for the year	11,886,039	1,100,028
Adjustments to reconcile net profit to cash provided by operating activities -		
Deferred taxation	13,398,253	330,049
Loss on disposal of fixed assets	-	576,652
Depreciation	<u>7,534,575</u>	<u>5,410,371</u>
	32,818,867	7,417,100
Changes in operating assets/(liabilities) –		
Receivables	16,135,142	(13,702,990)
Taxation recoverable	(2,982,283)	(2,926,111)
Related company	(5,932)	(23,659)
Deferred income	4,584,225	10,764,867
Payables	<u>28,176,894</u>	<u>890,062</u>
Net cash provided by operating activities	<u>78,726,913</u>	<u>2,419,269</u>
INVESTING ACTIVITIES -		
Resale agreements	(20,758,327)	-
Investment in subsidiary	(9,000)	-
Proceeds from sale of fixed assets	57,718	276,833
Acquisition of fixed assets	<u>(108,015,778)</u>	<u>(5,053,404)</u>
Net cash used in investing activities	<u>(128,726,287)</u>	<u>(4,776,571)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(49,999,374)	(2,357,302)
Cash and cash equivalents at beginning of year	<u>124,635,062</u>	<u>126,992,364</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>74,635,688</u>	<u>124,635,062</u>
Represented by:		
Cash and bank balances	<u>74,635,688</u>	<u>124,635,062</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2007

1. STATUS AND PRINCIPAL ACTIVITY:

The company was incorporated under the Companies Act of Jamaica on 1 February 2000. It was established by the Minister of Commerce, Science and Technology under section 21 of the Telecommunication Act 2000, as part of the government's reform of the telecommunication sector. The company was established to ensure the efficient management of Jamaica's electromagnetic spectrum in the interest of national, technological, economic and social development. The registered office of the company is 2nd Floor, VMBS Building, 53 Knutsford Boulevard, Kingston 5, Jamaica.

2. REPORTING CURRENCY:

These financial statements are expressed in Jamaican dollars.

3. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of preparation -

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

During the year, the following new standards and interpretations became effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 4	Determining Whether the Arrangement Contains a Lease
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 8	Scope of IFRS 2
IAS 19	
(Amendments)	Actuarial Gains and Losses, group plans and disclosures
IAS 39	
(Amendments)	The Fair Value Option, Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions and Financial Guarantee Contracts.

SPECTRUM MANAGEMENT AUTHORITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

The adoption of these standards did not result in any change in accounting policies and did not have any effect on the company's and operating results or financial position.

The following new standards, amendments to standards and interpretations which have been issued are not yet effective for the year ended 30 March 2007, and have not been applied in preparing these financial statements.

- IFRS 7 Financial instruments: Disclosure and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures require disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1 which become mandatory for the corporation's 2008 financial statements will require additional disclosures with respect to financial instruments and share capital.
- IFRS 8 Operating Segments requires disclosures based on the components of the company that management monitors in making decisions about operating matters as well as qualitative disclosures on segments. The standard which will become applicable for the company's 2010 financial statements and will not have any material impact on the financial statements
- IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment, in an equity instrument or a financial asset carried at cost. IFRIC 10 will not have any material impact on the financial statements and will become mandatory for the company's 2008 financial statements.
- IFRIC 11 - IFRS 2 Group and Treasury Share Transactions addresses the classification of share-based payment transaction (as equity or cash-settled), in the financial statement of the entity whose employees are entitled to the share-based payment, where equity instruments of the parent or another group member are transferred in settlement of the obligation. IFRIC 11 will become mandatory for the company's 2008 financial statements and is not expected to have any material impact on the financial statements.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

- IFRIC 12 Service Concession Arrangements addresses the accounting requirements for public-to-private service concession arrangements in private sector entities. IFRIC 12 is not considered relevant to the company and is not expected to have any impact on the financial statements.
- IAS 23 Borrowing Costs removes the option of immediately recognizing all borrowing costs as an expense, and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. IAS 23 will become mandatory for the company's 2010 financial statements and is not expected to have any impact on the financial statements.
- IFRIC 13 Customer Loyalty Programmes requires the recognition of award credits as a separately identifiable component of a sales transaction and consequently defer the recognition of revenue for the awards. IFRIC 13 is applicable for the company's 2009 financial statements and is not expected to have any material impact.
- IFRIC 14 – IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction addresses the availability of refund or surplus or a reduction in future contributions when a minimum funding requirement (MFR) exists. The interpretation is applicable for the company's 2009 financial statements. The impact, if any, of IFRIC 14 on the company's financial statements have not yet been assessed.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) Plant and equipment -

All plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is provided on fixed assets, at rates calculated to write off the cost of the assets on the straight-line basis over the period of their expected useful lives. Annual rates are as follows:-

Leasehold improvements	10%
Office machines and equipment	20%
Furniture and fixtures	10%
Computers and software	33 1/3%
Motor vehicles	20%

(c) Trade receivables -

Trade receivables are carried at original invoice amounts less provision made for doubtful receivables and impairment of these receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified. A provision for doubtful debt is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

In instances where it is determined that there will be significant delays in settlement of the recoverable amounts and the effect is material, an impairment general provision is also made, being the difference between the carrying amount and the recoverable amounts being the present value of expected cash flows discounted at the company's overdraft interest rate.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(d) Revenue recognition -

Spectrum regulatory fees and processing fees are recognized on delivery of invoices. Interest income is recognised as it accrues unless collectibility is in doubt.

(e) Impairment -

The carrying amounts of the company's tangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

(f) Deferred income taxes -

Deferred income tax is provided in full, using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The currently enacted tax rate is used to determine deferred tax.

(g) Foreign currency translation -

Balances in foreign currencies other than the Jamaican dollar are translated at the rate of exchange ruling at balance sheet date. Transactions during the year are converted at the exchange rates prevailing at the dates of the transactions. Gains or losses on translation are dealt with in the profit and loss account.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(h) Pension costs -

Pension scheme costs included in the company's profit and loss account represent contributions to the scheme (which is administered by a separate trustee). Contribution to the scheme, made on the basis provided for in the rules are accrued and charged off when due.

(i) Financial instruments -

A financial instrument is any contract that give rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, short-term deposits, resale agreements and accounts receivable financial liabilities include payable and long-term liabilities.

Non-derivative financial instruments comprise receivables, cash and cash equivalents, short-term deposits, subsidiary balances, payables and long-term liabilities.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments including cash and cash equivalents, short-term deposits, resale agreements, receivables payables and long-term liabilities are measured at amortised cost using the effective interest method, less any impairment losses in respect of financial assets.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

4. INCOME:

Income represents spectrum regulatory fees and processing fees.

5. OPERATING PROFIT:

Stated after charging the following -

	<u>2007</u>	<u>2006</u>
	\$	\$
Auditors' remuneration	550,000	547,550
Depreciation	<u>7,534,575</u>	<u>5,410,371</u>

6. FINANCE COSTS:

	<u>2007</u>	<u>2006</u>
	\$	\$
Loan interest	<u>2,551,335</u>	<u>3,527,394</u>

7. STAFF COSTS:

At balance sheet date, staff costs amounted to \$69,291,189 (2006-\$53,873,519) while the number of employees at year end was twenty-eight (28) as in the prior year.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

8. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties:

(a) The remuneration of key management personnel during the year was as follows:-

	<u>2007</u>	<u>2006</u>
	\$	\$
Salary - Managing Director (25% gratuity included)	5,828,898	4,592,451
Salary - Director of Finance and Administration	2,246,721	2,383,333
Salary - Director Legal Affairs	3,085,500	2,159,442
Salary - Director Human Resources	2,800,122	2,373,800
Salary - Director Policy and Strategic Planning	2,990,518	2,539,046
Salary - Director Spectrum Engineering	<u>4,133,622</u>	<u>3,499,625</u>
	<u>21,085,381</u>	<u>17,547,697</u>

The salary of \$2,246,721 paid to the Director of Finance and Administration for 2007 is for a period of 10 months.

(b) The following amount is in respect of fees paid to directors:

	<u>2007</u>	<u>2006</u>
	\$	\$
Directors' fees	<u>701,000</u>	<u>842,500</u>

(c) Loan to subsidiary:

Universal Access Fund Company Ltd.

	<u>2007</u>	<u>2006</u>
	\$	\$
Loan granted during the year	-	5,244,825
Repayment	<u>-</u>	<u>(5,244,825)</u>
At end of year	<u>-</u>	<u>-</u>

(a) Management fees from subsidiary:

	<u>2007</u>	<u>2006</u>
	\$	\$
Universal Access Fund Company Limited	<u>3,287,749</u>	<u>2,883,505</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

9. TAXATION:

- (i) Taxation is based on the operating results for the year, as adjusted for taxation purposes and is made up as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Deferred taxation	<u>13,398,253</u>	<u>330,049</u>

- (ii) The tax on profit differs from the theoretical amount that would arise using the basic rate as follows:

	<u>2007</u>	<u>2006</u>
	\$	\$
Profit before taxation	<u>25,284,292</u>	<u>1,430,077</u>
Tax calculated at 33 1/3%	8,428,089	476,692
Expenses not deductible for tax purposes Including depreciation and other capital adjustments	(4,585,924)	1,323,152
Interest payable	850,444	1,175,798
Interest receivable	(157,985)	112,054
Unrealized foreign exchange gain	(773,487)	(1,832,206)
Utilisation of tax loss from previous years	(3,522,761)	(1,255,490)
Prior year Adjustment	(238,376)	-
Deferred taxation	<u>(13,398,253)</u>	<u>330,049</u>
	<u>(13,398,253)</u>	<u>330,049</u>

- (iii) Subject to agreement with the Commissioner of Taxpayer Audit and Assessment, tax losses of \$23,065,887 are available for set-off against future taxable profits.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

10. PLANT AND EQUIPMENT:

	<u>Leasehold Improvements</u>	<u>Office Machines, Equipment & Computer & Software</u>	<u>Furniture and Fixtures</u>	<u>Motor Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$
At cost -					
1 April 2006	1,026,255	15,115,703	6,654,793	10,120,838	32,917,589
Additions	452,781	99,862,790	595,365	7,104,842	108,015,778
Disposals	(-)	(-)	(-)	(1,731,526)	(1,731,526)
	<u>1,479,036</u>	<u>114,978,493</u>	<u>7,250,158</u>	<u>15,494,154</u>	<u>139,201,841</u>
Depreciation -					
1 April 2006	10,033	10,182,375	2,811,881	5,289,274	18,293,563
Charge for the year	111,912	4,419,221	706,254	2,297,188	7,534,575
Eliminated on disposal	(-)	(-)	(-)	(1,673,808)	(1,673,808)
	<u>121,945</u>	<u>14,601,596</u>	<u>3,518,135</u>	<u>5,912,654</u>	<u>24,154,330</u>
Net Book Value -					
31 March 2007	<u>1,357,091</u>	<u>100,376,897</u>	<u>3,732,023</u>	<u>9,581,500</u>	<u>115,047,511</u>
31 March 2006	<u>1,016,222</u>	<u>4,933,328</u>	<u>3,842,912</u>	<u>4,831,564</u>	<u>14,624,026</u>

11. INVESTMENTS:

Investments represents the cost of shares in an unquoted subsidiary company.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

12. DEFERRED TAX (ASSETS)/LIABILITIES:

Deferred tax assets and liabilities are calculated on all temporary differences under the liability method using a principal tax rate of 33 1/3 %.

The movement on the deferred income tax account is as follows:

	Balance 31.03.06 \$	Credit to Profit and Loss \$	Balance 31.03.07 \$
Accelerated tax depreciation	274,867	(5,705,412)	(5,430,545)
Tax losses carried forward	11,211,390	(3,522,761)	7,688,629
Others	<u>1,057,011</u>	(<u>4,170,080</u>)	(<u>3,113,069</u>)
Net deferred tax asset	<u>12,543,268</u>	(<u>13,398,253</u>)	(<u>854,985</u>)

13. RECEIVABLES:

	<u>2007</u> \$	<u>2006</u> \$
Regulatory fees	1,264,817	9,010,370
Prepayments	2,105,294	10,609,725
Other receivables	<u>1,626,969</u>	<u>1,512,127</u>
	<u>4,997,080</u>	<u>21,132,222</u>

Regulatory fees are stated net of bad debt provision of \$9,121,743 (2006: \$8,484,669).

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

14. CASH AND BANK BALANCES:

	<u>2007</u>	<u>2006</u>
	\$	\$
Cash and bank balances - Spectrum fees	17,753,151	2,279,808
Cash and bank balances - SMA	<u>56,882,537</u>	<u>122,355,254</u>
	<u>74,635,688</u>	<u>124,635,062</u>

15. SHARE CAPITAL:

	<u>2007</u>	<u>2006</u>
	\$	\$
Authorised - 100 ordinary shares of no par value	<u>1,000</u>	<u>1,000</u>
Issued and fully paid - 2 ordinary shares of no par value	<u>20</u>	<u>20</u>

Under the Companies Act 2004 (the "Act"), which became effective on 1 February 2005, all shares in issue are deemed to be shares without a par (or nominal) value, unless the company, by ordinary resolution, elects to retain its shares with a par value.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

16. CAPITAL RESERVE:

	<u>2007</u>	<u>2006</u>
	\$	\$
(1) Government of Jamaica	79,999,980	79,999,980
(2) Government of Jamaica	<u>64,700,386</u>	<u>64,700,386</u>
	<u>144,700,366</u>	<u>144,700,366</u>

(1) This represents funds advanced to Spectrum Management Authority Limited through Cable & Wireless Jamaica Limited in lieu of licence and spectrum fees as per heads of agreement between the Government of Jamaica and Cable & Wireless Jamaica Limited in 1999, Clause 7.4.4 and 7.5. These funds were used to finance the start up operations of the company.

(2) This represents fund received from the Government of Jamaica to finance the company's capital program which forms a part of the first phase of the company's two year business plan which commenced in the financial year 2004/2005.

17. LONG TERM LOAN:

	<u>2007</u>	<u>2006</u>
	\$	\$
Government of Jamaica - Ministry of Finance	48,603,206	48,603,206
Less: Current portion	(<u>19,441,282</u>)	(<u>9,720,641</u>)
	<u>29,161,924</u>	<u>38,882,565</u>

This represents amounts advanced by the government to finance the company's operating activities from 1 April 2002 - 30 March 2003. The loan will be repaid in 10 equal semi-annual installments at a fixed interest rate of 5% per annum.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

18. PAYABLES:

	<u>2007</u>	<u>2006</u>
	\$	\$
Spectrum fees	17,753,151	2,279,808
Accruals	<u>23,072,153</u>	<u>10,368,602</u>
	<u>40,825,304</u>	<u>12,648,410</u>

19. DEFERRED INCOME:

This represents regulatory fees billed in advance.

20. FINANCIAL INSTRUMENTS:

(a) Fair value of financial instruments -

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalent, short-term deposits, resale agreements receivables, payables, and subsidiary company balance approximates to their carrying values due to their relatively short-term nature.

The fair value of long-term liabilities is assumed to approximate their carrying values as no discount on settlement is anticipated.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

20. FINANCIAL INSTRUMENTS (CONT'D):

(b) Financial instrument risks -

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the company's business. No derivative financial instruments are presently used to manage, mitigate or eliminate financial instrument risks.

(i) Credit risk -

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company generally do not require collateral in respect of financial assets, predominantly, trade receivables. Management has a credit policy in place to minimize exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

At balance sheet date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates:

At 31 March the company had net foreign currency assets/(liabilities) as follows:

	<u>2007</u>	<u>2006</u>
United States \$		
Cash and bank balances	333,060	1,463,456

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

20. FINANCIAL INSTRUMENTS (CONT'D):

(b) Financial instrument risks (cont'd) -

(iii) Market risk -

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company have no exposure to market risk as there are no traded securities.

(iv) Liquidity risk -

Liquidity risk, also referred to as funding risk, is the risk that the corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the industry, the management of the company maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

(v) Cash flow risk -

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manage this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flow relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

20. FINANCIAL INSTRUMENTS (CONT'D):

(b) Financial instrument risks (cont'd) -

(vi) Interest rate risk -

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company materially contracts financial liabilities at fixed interest rates for the duration of the term. When utilized, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At 31 March 2007 the financial liabilities subject to fixed interest rates is long term loan the effective rate is disclosed in note 18.



BDO Jamaica
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

To the Directors of
Spectrum Management Authority Limited

The supplementary information presented on pages 24 and 25 has been taken from the accounting records of the company and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements of the company for the year ended 31 March 2007.

In our opinion, this information, although not necessary for a fair presentation of the company's state of affairs, results of operations, changes in equity or cash flows is fairly presented in all material respects in relation to the financial statements taken as a whole.


Chartered Accountants

17 January 2008

SPECTRUM MANAGEMENT AUTHORITY LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
REVENUE:		
Administrative and processing fees	795,894	883,039
Regulatory Fees	121,492,434	77,482,882
Interest income	12,373,548	11,425,543
Other income	<u>3,811,881</u>	<u>2,884,705</u>
	<u>138,473,757</u>	<u>92,676,169</u>
LESS – EXPENSES		
Administrative (page 25)	110,638,130	87,718,698
Financial (page 25)	<u>2,551,335</u>	<u>3,527,394</u>
	<u>113,189,465</u>	<u>91,246,092</u>
PROFIT BEFORE TAXATION	<u>25,284,292</u>	<u>1,430,077</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

SCHEDULE OF EXPENSES

YEAR ENDED 31 MARCH 2007

	<u>2007</u>	<u>2006</u>
	\$	\$
ADMINISTRATIVE:		
Senior Managers' remuneration	21,085,381	17,547,697
Salaries and other related costs	42,969,240	33,528,355
Pension costs	1,679,976	1,401,750
Staff training and welfare	3,556,592	1,395,717
Chairman fees	144,000	156,000
Directors' fees	557,000	686,500
Directors' expenses	32,946	65,517
Board/Committee meeting	1,243,124	584,408
Travel and subsistence - overseas and local meetings	2,870,638	4,725,027
ICT promotion	4,727,279	5,408,856
Professional fees	4,674,833	3,547,417
Audit fees	550,000	547,550
Entertainment	8,237	-
Subsistence and accommodation	174,388	151,001
Stationery and office supplies, postage, courier	1,307,644	1,216,637
Data processing	577,840	443,266
Security	54,603	263,025
General	863,331	689,352
Public relations and education	422,485	218,131
Lease	4,459,182	3,393,683
Repairs and maintenance of equipment	233,898	105,015
Repairs and maintenance of office building	6,759,330	4,269,145
Enforcement cost	168,902	64,130
Advertisement	817,906	627,137
Telephone	1,528,160	1,509,587
Subscriptions and donations	616,839	643,434
Insurance	879,037	485,021
Motor vehicle	1,748,252	1,886,104
Bank charges	75,901	30,238
Loss/(gain) on disposal of fixed assets	-	576,652
Exchange gain	(2,320,464)	(6,209,142)
Provision for bad debt	637,075	2,351,117
Depreciation	<u>7,534,575</u>	<u>5,410,371</u>
	<u>110,638,130</u>	<u>87,718,698</u>
FINANCIAL:		
Loan interest	<u>2,551,335</u>	<u>3,527,394</u>

Notes

Notes

