

Annual Report 2008 / 09

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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.

COPORATE PROFILE

The **Spectrum Management Authority** (“SMA” or “the Authority”) is mandated by virtue of the Telecommunications Act 2000 as the regulatory body charged with the management of the Radio Frequency Spectrum in Jamaica, on behalf of the Government and people of Jamaica.

Consistent with its Mission Statement detailed herein, 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
- Fulfilling its statutory obligation as the advisory body to the Minister with portfolio responsibility for telecommunications, currently the Minister of Mining and Telecommunications on spectrum policy and related legal matters.

Spectrum Management Authority was in accordance with the Companies Act incorporated as a limited liability company on 1st February 2000 and became operational in April 2001. As at 2006 January 1, the registered office of the company is 53 Knutsford Boulevard, Kingston 5, Jamaica.

The statutory obligations and the operational principles of the Authority are in accordance with, and fulfill 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, whereby licensed spectrum users are required to pay Regulatory fees. The fee mechanism was developed in consultation with spectrum users and is constituted in **The Telecommunications (Spectrum Regulatory Fees) Regulations 2003, Jamaica Gazette Supplement Number 33, in April 2003.**

As aforesaid in carrying out its mandate the Authority, operates within the legislative framework as established by the Telecommunications Act, 2000 and the Radio and Telegraph Control Act, 1973. Internationally, SMA is also guided by 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.

COPORATE PROFILE

The Spectrum licence fees collected by the SMA on behalf of the GOJ are remitted to the Consolidated Fund.

There are various categories of radios systems that are licensed by the Authority:

- 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 Authority also acts in a certifying capacity in respect of the following licenses: Certificate of Competence in Radio Telephony/Global Maritime Distress and Safety System (GMDSS) – This certification authorizes the holder to carry out the radiotelephone service of any Ship Station;

- Radio Technician Licence – There are 2 classes for this category of licence: 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 – This certification is issued 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.

The SMA represents Jamaica in several telecommunications related international fora and participates on a committee level on selected bodies as indicated:

- 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) - the Managing Director is the current Chairman of Spectrum Management Working Group;
- Inter-American Telecommunications Commission (CITEL) - PCC11 Committee on Radio communications including broadcasting; and
- International Telecommunications Union (ITU).

BOARD OF DIRECTORS



From left to right are: Danville Davidson (Acting Managing Director); Patricia Henry; Keith Smith; Alston Douglas; Deborah Newland (Company Secretary); Ainsley Deer; Novelette Howell; Vernon McLeod; Winston Dwyer; Robert Lawrence (Chairman). **Missing:** George Thomas

BOARD OF DIRECTORS' REPORT

The 2008/09 fiscal year (FY) was deemed a success by the Spectrum Management Authority (“the Authority”, or “SMA”). The Authority continued to effectively carry out its mandate in facilitating the introduction of new wireless broadband technologies, issuing new and renewing existing licences, successfully financing its operating expenses successfully, resolving complaints of interference while continuing to meet its established core performance indicators.

The FY was however not without its challenges, but the dedicated SMA team, with hard work and a strong focus, was able to overcome these challenges successfully.

The Authority, like many companies on the world stage experienced the effects of the global economic crisis during this period. The impact of this was evident with the 2.5GHz Auction which did not reap anticipated profit as several parties that expressed interest initially, did not participate at the time of the Auction.

Despite this and other challenges the SMA was still able to experience growth and exceeded its targets related to issuance of new and renewed licences. This expression of interest in the RF spectrum augurs well for the prospects of the Authority.

Against this background, the achievements of the Authority during the 2008/09 fiscal year are presented.

Achievements

Licensing

The Authority processes new licences and renews existing licences in providing access to use the radio frequency spectrum.

Processing of New Applications

For the FY a total of 180 licences were processed by the Authority, including 27 that were brought forward from

the previous FY. Of the 180 licences processed 5 were cancelled, 10 were pending approval, 6 were on hold and a further 23 were reviewed/processed for cancellation. For the FY, 146 applications (180 less cancellations 5, on hold 6, up for cancellation 23) were available for processing of which 136 were granted. The performance exceeded the Key Performance Indicator (KPI) of 104, set at the beginning of the year. 138 were issued, which included amounts granted in the previous FY.

Seventy-four percent (74%) of the applications granted were within the respective performance standard processing times. Whilst the performance rate is below the KPI of 80%, the Authority’s performance has improved over the previous FY where the performance rate was at 66% and this after “raising the bar” by reducing the processing time for temporary maritime licences from 2 days to 1.

Summary of activities:

| | |
|----------------------------------|------------|
| Total Applications Received | 153 |
| Applications Brought Forward | 27 |
| TOTAL HANDLED | 180 |
| Licences/Certifications Approved | 136 |
| Licences/Certifications Issued | 126 |

Renewal Licences

A total of 423 licences were due for renewal within the FY, however an additional 9 were reinstated on the respective clients’ request. Of this number, 11 licence holders relinquished their licences bringing the real renewal total to 421.

Overall, the Authority was able to renew 375 or approximately 89% of the 421 licences within the FY.

Monitoring and Inspection

Monitoring

The Authority continued to ensure the assignment of interference-free spectrum through active monitoring of the spectrum across the island with the use of the RMDFS, for the FY.

BOARD OF DIRECTORS' REPORT

Monitoring and Inspection cont'd

Inspection

RF Radiation Measurement: The Authority continued the arrangements with the National Environment & Planning Agency (NEPA), which began in December 2007, to conduct RF Radiation Measurement at selected telecommunication transmission sites. For the FY, radiation measurements continued with observers from Cable & Wireless, Ministry of Health, Digicel and MiPhone/Claro. Measurement was conducted at specific sites and the results of the test showed that the maximum radiation levels measured at the cell sites were significantly below the ICNIRP standards for the general public. This standard was adopted by NEPA. The activities up to 2008 June brought to an end the first phase of the project. A RF Radiation survey report was prepared and submitted to NEPA on 2008 June 13.

Interference Management

Users of the radio frequency spectrum at times experience interference on their systems. This may be due to technical problems with the equipment of a spectrum user or may emanate from other users, licensed and unlicensed. The SMA responds expeditiously to identify the cause and resolves all cases of interference, through the use of its RMDFS and mobile monitoring vehicles. The Authority works with the users to ensure that all cases of interference are resolved completely and in a timely manner.

In the area of interference management during the FY, the Authority investigated a total of 15 reports of interference, of which 1 was brought forward from the previous FY. A total of 12 out of 12 or 100 percent of the cases investigated that needed to be resolved during the FY were resolved or needed no further action. There were 3 unresolved cases wherein the performance standard time exceeded 2009 March 31.

Of the 12 cases resolved, 11 or 92% were resolved within the established performance standard. The key performance indicator for resolving interference reports is 80%.

Revenue

The Authority's revenue plan is based on a cost recovery strategy. A mechanism for the charging of Regulatory Fees to the users of the spectrum was established in April 2003 as a source of revenue, to fund the normal operations of the Authority in accordance with the Telecommunications Act 2000. In addition to regulatory fees the Authority's primary income includes an administrative processing fee for the review of new applications for spectrum and the preparation of new licences and the granting of type approval certifications and customs clearances.

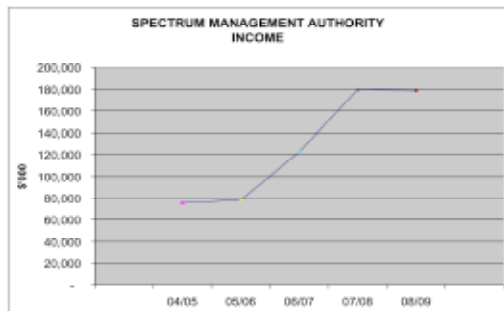
For the 2008/09 FY the Authority targeted total revenue of \$178.12M from Regulatory Fees, Processing Fees, Interest Income and Other Income. For the 12 months ended 2009 March 31, the Authority's revenue figures amounted to \$205.07M, exceeding the target of \$178.12M by \$26.95M or approximately 15%. The positive variance is due primarily to additional spectrum billed to clients, which was not anticipated.

The actual vs. targets for each category is as follows:

| Particulars | Target (\$M) | Actual (\$M) |
|-----------------|---------------|---------------|
| Regulatory Fees | 166.12 | 177.12 |
| Processing Fees | 0.85 | 2.02 |
| Interest Income | 8.00 | 21.98 |
| Other Income | 3.15 | 3.95 |
| Total | 178.12 | 205.07 |

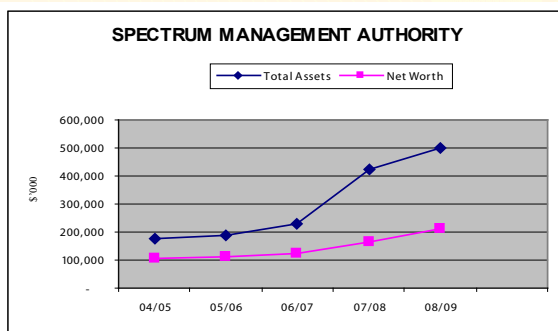
Income from Regulatory and Processing Fees for the FY is reported at \$179.15M, which is \$0.56M below the previous year amount of \$179.71M. During the FY there was a marginal reduction in the rate of growth, which is believed to be a direct impact of the global economic crisis which started in 2008. It is worthy of note that as evidenced in the graph below, for the last five years of operations the Authority has seen an increase in income each year with the increase in demand for the spectrum, with the exception of the period under review (2008/09).

BOARD OF DIRECTORS' REPORT



Managing Operations

The Authority continues to apply prudent management strategies in a dynamic industry which demands efficient spectrum management service. Notwithstanding the daunting economic conditions, the Authority was able to manage its resources, and experienced continued growth in its network. The graph below illustrates the growth in network and total assets for the last five (5) FYs .



Collection of Spectrum Licence Fees

Spectrum Licence Fees are collected on behalf of the Government of Jamaica (GoJ) and are remitted to the Consolidated Fund. The Authority established a collection target for spectrum licence fees at \$53.28M, based on the number of licences to be renewed at the beginning of the FY. As at the end of the FY, the Authority collected \$137.88M in spectrum licence fees. This amount included \$48.80M in relation to additional mobile spectrum licences. Adjusting for the extra-ordinary income, the Authority has collected \$89.08M which is \$35.80M or approximately 67% above the target of \$53.28M which was established at the beginning of the year. A total of \$118.0M was remitted to the Consolidated

Fund, including amounts carried forward from FY 07/08.

Training and Development

As a key strategy in acquiring the necessary technical expertise, the Authority continued to provide training and development opportunities to members of staff through seminars and workshops both locally and overseas. During the FY, some 15 training opportunities were supported by the SMA, for various levels of staff, including:

- Research and Writing Skills.
- IMT (3G/4G) Mobile Broadband and Mobile TV.
- Human Resource Management Association of Jamaica's Conference.
- TCI International Technical Training Seminar.
- The Procurement Law Intensive.
- Spectrum Master Class.
- Frameworks for Telecommunications and ICT Policy Making.
- Writing for the Web.
- Sub-Regional Seminar on LRIT and AIS Issues.
- The Wireless Broadband Revolution: WiFi and WIMAX, the Technical, Business and Spectrum Policy Ramifications in the Global Marketplace
- The RFP Intensive.
- Jamaica Computer Society Conference.
- Comtia A+.
- Legal and Regulatory Frameworks.
- Understanding IFRS in a Changing World.

Regional and International Obligations

The SMA continued its participation in a number of activities during the period and provided support to the Ministry of Mining and Telecommunications (MMT), now the Department of Information and Telecommunication within the Office of the Prime Minister (OPM). The Authority continues to be integrally involved on committees of the Inter-American Telecommunications Commission (CITEL), the Caribbean Telecommunications Union (CTU), and the International Telecommunications Satellite Organization (ITSO).

BOARD OF DIRECTORS' REPORT

Specific meetings the Authority participated in during the FY included:

- The 6th Caribbean Spectrum Management Policy Development Meeting in Dominica from 2008 August 5th to 8th.
- The 9th Meeting of the International Telecommunications Satellite Organization (ITSO) Advisory Committee held in Washington D.C. on 2008 June 26.
- The Caribbean Association of National Telecommunication Organizations (CANTO) 24th Annual Telecommunications Conference and Trade Exhibition from 2008 July 13th to the 16th.
- The Commonwealth ITU group meeting at Malborough House, London on 2008 September 22 - 23.

The Authority also submitted to the International Telecommunication Union (ITU) an updated List of Radio Determination and Special Services for Jamaica. This covered information on the time and frequency of emergency and meteorological data issued by all radio stations in Jamaica. This information is very important for users of the spectrum who may be in distress, e.g. operators of vessels at sea prior to a hurricane.

The Authority also submitted comments on the draft Telecommunication Policy 2009 in respect of spectrum management to the Ministry of Mining and Telecommunication as requested by the Ministry's Principal Director.

Staff Welfare

The Authority again gave special focus to this area during the year. A wellness workshop was held in 2008 November 27. Tests were conducted for the attendees' benefit for various illnesses including hypertension and diabetes. Booths were set up by various providers of products which support healthy lifestyles. The theme for the day was "Bring Diabetes to Light".

Staff Luncheon: The Authority had a special luncheon for members of staff as a "Christmas treat" at the City View

Restaurant in Smokeyvale, St. Andrew on 2008 December 17 in collaboration with the Universal Access Fund. The event was widely supported by members of staff who were treated with great food and entertainment for the afternoon. Special invited guests were the Honourable Derrick Smith, Minister of Mining and Telecommunications, Mrs. Marcia Forbes, Permanent Secretary of the Ministry of Mining and Telecommunications, and Mr. Cecil McCain Director, Post and Telecommunications.

Organizational Changes

In November 2008 a new Board of Directors was appointed consequent upon changes in ministerial portfolio responsibilities within Cabinet. The Authority uses this opportunity to thank the outgoing Directors as listed: Mrs. Marcia Forbes; Dr. Jean Dixon; Glenford Watson; Denise Henry James; Col. Trevor MacMillan; and Mr. Peter Champagne.

Corporate Social Responsibility

Christmas Treat

The SMA is committed to making a positive impact on Jamaica and to help, where possible, to advance social and economic well-being. Accordingly, the SMA's management and staff sponsored a Christmas Treat for the residents of the Glenhope Nursery on 2008 December 22. The children were feted with lunch, entertainment, gifts, and also donations of shoes for each child.

The SMA has always sought to be a good corporate citizen, and it is against this background that the Christmas Treat was provided for the Glenhope Nursery.

Going Forward

During 2009/2010 FY, the Authority will be relocating its office to 19 Harbour Street, Kingston. In what is proposed to be a more spacious and user friendly office facility, we will endeavour to provide the necessary equipment to expand the capacity of the Authority. In addition we will embark on a comprehensive Organizational Review exercise in order to ensure that we create the appropriate framework for the long term sustainability of the organization.

BOARD OF DIRECTORS' REPORT

The Authority has developed a comprehensive Operational Plan and Budget which outlines the activities, measures and targets for the year. Very challenging but realistic targets have been established for the 2009/10 FY which will again require the continued dedication, cooperation and support of all stakeholders if the Authority is to be as successful as it was in the 2008/09 FY.

The Board of Directors take this opportunity to thank every member of staff for their hard work, dedication and demonstrated resilience during the FY and looks forward to the 2009/10 FY, working as a team, dedicated to surpassing the results we have obtained together during the 2008/09 FY.



Robert Lawrence
Chairman

2009 July 20
Date

CORPORATE INFORMATION

Registered Office:

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

Corporate Secretary:

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

Bankers:

First Global Bank
New Kingston Branch
28 Barbados Avenue
Kingston 5

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

Auditors:

BDO Marwilmac Partners
28 Beechwood Avenue
Kingston 5
Telephone: 926-1616-7
Facsimile: 926-7580

Subcommittees of the Board

Human Resources:

Ainsley Deer (Chairman)
Patricia Henry
Novelette Howell

Finance:

Vernon McLeod (Chairman)
Robert Lawrence
Danville Davidson
Novelette Howell

Technical Operations and Projects:

Danville Davidson (Chairman)
Alston Douglas

Industry Affairs:

Keith Smith (Chairman)
Danville Davidson

Strategic Planning:

Robert Lawrence (Chairman)
Danville Davidson
Novelette Howell

Audit:

Winston Dwyer (Chairman)
Robert Lawrence
Patricia Henry

A PICTORIAL YEAR IN REVIEW



Christmas Treat at Glenhope Children's Home



Launch of the Wellness Programme – 2008 November



A PICTORIAL YEAR IN REVIEW





SPECTRUM MANAGMENT AUTHORITY LIMITED
FINANCIAL STATEMENTS
31 MARCH 2009

SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2009

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INDEPENDENT AUDITORS' REPORT

To the Members of
Spectrum Management Authority Limited

Report on the Financial Statements

We have audited the financial statements of Spectrum Management Authority Limited set out on pages 3 to 26, which comprise the balance sheet as at 31 March 2009 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's Responsibility for the Financial Statements

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.

Auditors' Responsibility

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.

INDEPENDENT AUDITORS' REPORT (CONT'D):

To the Members of
Spectrum Management Authority Limited

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 March 2009, 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.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, and the financial statements are in agreement therewith, and give the information required by the Act, in the manner so required.



Chartered Accountants

20 July 2009

SPECTRUM MANAGEMENT AUTHORITY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2009

| | <u>Note</u> | <u>2009</u> \$ | <u>2008</u> \$ |
|------------------------|-------------|------------------------------------|------------------------------------|
| INCOME | 6 | 179,147,826 | 179,709,096 |
| OPERATING EXPENSES | | (<u>138,681,343</u>) | (<u>129,419,500</u>) |
| OPERATING PROFIT | 7 | 40,466,483 | 50,289,596 |
| Other income | | <u>25,925,689</u> | <u>15,734,400</u> |
| Finance costs | 8 | 66,392,172 (<u>2,317,658</u>) | 66,023,996 (<u>2,436,818</u>) |
| PROFIT BEFORE TAXATION | | 64,074,514 | 63,587,178 |
| Taxation | 9 | (<u>14,864,603</u>) | (<u>22,377,501</u>) |
| PROFIT FOR THE YEAR | | <u>49,209,911</u> | <u>41,209,677</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

BALANCE SHEET

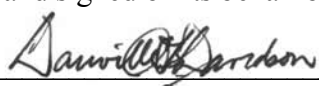
31 MARCH 2009

| | <u>Note</u> | <u>2009</u> \$ | <u>2008</u> \$ |
|--------------------------------------|-------------|--------------------|--------------------|
| <u>ASSETS</u> | | | |
| NON-CURRENT ASSETS: | | | |
| Plant and equipment | 10 | 100,224,212 | 106,138,706 |
| Investment in subsidiary | 11 | <u>9,900</u> | <u>9,900</u> |
| | | <u>100,234,112</u> | <u>106,148,606</u> |
| CURRENT ASSETS: | | | |
| Receivables | 12 | 18,664,727 | 19,938,315 |
| Taxation recoverable | | 19,749,566 | 9,696,535 |
| Investments | 13 | 263,949,364 | 228,600,330 |
| Cash and cash equivalents | 14 | <u>117,677,907</u> | <u>60,466,370</u> |
| | | <u>420,041,564</u> | <u>318,701,550</u> |
| | | <u>520,275,676</u> | <u>424,850,156</u> |
| <u>EQUITY AND LIABILITIES</u> | | | |
| CAPITAL AND RESERVES: | | | |
| Share capital | 15 | 20 | 20 |
| Capital reserve | 16 | 144,700,366 | 144,700,366 |
| Retained earnings | | <u>66,820,420</u> | <u>17,610,509</u> |
| | | <u>211,520,806</u> | <u>162,310,895</u> |
| NON-CURRENT LIABILITIES: | | | |
| Long term loan | 17 | - | 9,720,641 |
| Deferred tax liabilities | 18 | <u>13,298,153</u> | <u>13,179,455</u> |
| | | <u>13,298,153</u> | <u>22,900,096</u> |
| CURRENT LIABILITIES: | | | |
| Payables | 19 | 230,030,447 | 176,416,722 |
| Deferred income | 20 | 24,628,381 | 24,339,878 |
| Taxation payable | | 19,344,193 | - |
| Current portion of long term loan | 17 | <u>21,453,696</u> | <u>38,882,565</u> |
| | | <u>295,456,717</u> | <u>239,639,165</u> |
| | | <u>520,275,676</u> | <u>424,850,156</u> |

Approved for issue by the Board of Directors on 20 July 2009 and signed on its behalf by:



 Robert Lawrence - Chairman



 Danville Davidson - Managing Director

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2009

| | <u>Share Capital</u> \$ | <u>Capital Reserve</u> \$ | <u>Retained Earnings</u> \$ | <u>Total</u> \$ |
|--------------------------|--------------------------------|----------------------------------|------------------------------------|--------------------|
| Balance at 1 April 2007 | 20 | 144,700,366 | (23,599,168) | 121,101,218 |
| Profit for the year | - | - | <u>41,209,677</u> | <u>41,209,677</u> |
| Balance at 31 March 2008 | 20 | 144,700,366 | 17,610,509 | 162,310,895 |
| Profit for the year | - | - | <u>49,209,911</u> | <u>49,209,911</u> |
| Balance at 31 March 2009 | <u>20</u> | <u>144,700,366</u> | <u>66,820,420</u> | <u>211,520,806</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2009

| | <u>2009</u> \$ | <u>2008</u> \$ |
|--|----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net profit for the year | 49,209,911 | 41,209,677 |
| Adjustments for: | | |
| Deferred tax assets | 118,698 | 12,324,470 |
| Profit on disposal of fixed assets | - | (7,599) |
| Depreciation | <u>14,244,988</u> | <u>13,474,618</u> |
| Operating cash flows before movements in working capital | 63,573,597 | 67,001,166 |
| Changes in operating assets and liabilities: | | |
| Receivables | 1,273,588 | (15,771,551) |
| Taxation | 9,291,162 | 6,833,037 |
| Related company | - | 29,591 |
| Deferred income | 288,503 | 3,716,922 |
| Payables | <u>53,613,725</u> | <u>135,591,418</u> |
| Net cash provided by operating activities | <u>128,040,575</u> | <u>197,400,583</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net decrease in investments | (35,349,034) | (162,201,368) |
| Proceeds from sale of fixed assets | - | 108,274 |
| Acquisition of fixed assets | (8,330,494) | (4,878,948) |
| Refund from fixed assets purchased | <u>-</u> | <u>212,460</u> |
| Net cash used in investing activities | <u>(43,679,528)</u> | <u>(166,759,582)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Loan repayments | <u>(27,149,510)</u> | <u>-</u> |
| Net cash used in financing activities | <u>(27,149,510)</u> | <u>-</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 57,211,537 | 30,641,001 |
| Cash and cash equivalents at beginning of year | <u>60,466,370</u> | <u>29,825,369</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>117,677,907</u> | <u>60,466,370</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Spectrum Management Authority Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 2nd Floor, VMBS Building, 53 Knutsford Boulevard, Kingston 5.
- (b) The principal activity of the company is the efficient management of Jamaica's electromagnetic spectrum in the interest of national, technological, economic and social development.

2. REPORTING CURRENCY:

These financial statements are expressed in Jamaican dollars unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years.

- (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. They are also prepared in accordance with provision of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the date of the balance sheet and the revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgement in complexity or areas where assumptions or estimates are significant to the financial statements are described in note 5.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

Standards, Interpretations and amendments to published standards effective in the reporting period

During the reporting period, there were no new accounting pronouncements relevant to the company's financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the company are as follows:

| | |
|------------------|---|
| IAS 1 (Revised) | Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income (effective for annual periods beginning on or after 1 January 2009) |
| IAS 36 (Revised) | Impairment of Assets (effective for annual periods beginning on or after 1 January 2009) |
| IAS 39 (Revised) | Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2009) |
| IFRS 7 (Revised) | Financial Instruments: Disclosures - Amendments enhancing disclosures about fair value and liquidity risk (effective for annual periods beginning on or after 1 January 2009) |

The directors anticipate that the adoption of interpretations and amendments to existing standards, which are relevant in future periods is unlikely to have any material impact on the financial statements.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

The company has concluded that the following interpretations and amendments to existing standards, which are published but not yet effective, are not relevant to its operations and will therefore have no impact on the financial statements when they become effective.

| | |
|--------------------|--|
| IAS 16 (Amendment) | Property, plant and equipment (and consequential amendment to IAS 7, Statement of Cash Flows) |
| IAS 20 (Amendment) | Accounting for Government Grants and disclosure of Government Assistance |
| IAS 27 (Revised) | Consolidated and Separate Financial Statements |
| IAS 28 (Amendment) | Investments in Associates (and consequential amendments to IAS 32, Financial Instruments: Presentation and IFRS 7, Financial Instruments: Disclosures) |
| IAS 29 (Amendment) | Financial Reporting in Hyperinflationary Economies |
| IAS 31 (Amendment) | Interests in Joint Ventures (and consequential amendments to IAS 32 and IFRS 3) |
| IAS 32 (Amendment) | Financial Instruments |
| IAS 38 (Amendment) | Intangible Assets |
| IAS 40 (Amendment) | Investment Property (and consequential amendments to IAS 16) . |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

| | |
|--------------------|--|
| IAS 40 (Amendment) | Agriculture |
| IFRS 1 (Amendment) | First Time Adoption of IFRS - Amendment relating to cost of investment on first time adoption. |
| IFRS 2 (Amendment) | Share-based payment |
| IFRS 3 (Revised) | Business Combination |
| IFRS 8 | Operating Segments |
| IFRIC 13 | Customer Loyalty Programmes |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation |
| IFRIC 17 | Distributions of Non-cash Assets to Owners |
| IFRIC 18 | Transfers of Assets from Customers (Transfers |

(b) Foreign currency translation-

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at balance sheet date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the profit and loss account.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) 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% |

Plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

(d) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity.

Financial assets

The company classifies its financial assets in the following categories: available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(d) Financial instruments (cont'd)-

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Changes in the fair value of financial assets classified as available-for-sale are recognised in equity.

Loans and receivables

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial liabilities

The company's financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method. These liabilities are classified as payables and long term loans and included in current and non-current liabilities on the balance sheet.

(e) Impairment -

The carrying amounts of the company 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. An impairment loss is recognized whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the statement of revenue and expenses.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Pension obligations

Defined contribution plan-

The company participates in a defined contribution plan, the assets of which are held separately from those of the company. Contributions to the scheme, made on the basis provided for in the rules, are charged to the profit and loss account when due.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, in hand, deposits and short term highly liquid investments with original maturities of three months or less, net of bank overdraft.

(h) Trade and other receivables -

Trade receivables are carried at original invoice amounts less provision made for impairment losses. A provision for impairment of trade receivables 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. Other receivables are stated at amortised cost less impairment losses.

(i) Trade and other payables

Trade payables are stated at amortised cost.

(j) Revenue recognition -

Revenue is recognized when it is probable that economic benefits will flow to the company and the revenue can be reliably measured. Income is recognized for services rendered by reference to the stage of completion.

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis unless collectability is doubtful.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) Borrowings-

Borrowings are recognized when it is probable that economic benefits will follow to the company and the revenue can be reliably measured. Income is recognized for services rendered by reference to the stage of completion.

Borrowing costs are recognized as expense in the period in which they are incurred.

(l) Taxation

Taxation expense in the profit and loss account comprises current and deferred tax charges. Current and deferred taxes are recognized as income tax expense or benefit in the profit and loss account except where they relate to items recorded in equity, in which case, they are also charged or credited to equity.

(i) Current income taxes

Current income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred income taxes

Deferred tax liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred income tax assets are recognized for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilized.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) Leases

Leases where significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment under operating leases are charged as an expense in the profit and loss account on the straight line basis over the period of the lease.

4. FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Financial risk factors

The company's activities expose it to a variety of financial risks: market risk, (including currency risk and price risk), credit risk, interest rate risk and operational risk. The company's overall risk management policies are established to identify and analyse the risk faced by the company and to set appropriate risk limits and controls and to monitor risk and adherence to limits. The risk management framework is based on guidelines set by the Board of Directors together with management and seeks to minimize potential adverse effects on the company's financial performance.

(i) Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company manages its exposure by maintaining only short term investments.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

(a) Financial risk factors (cont'd) -

(i) Market risk (cont'd)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company manages its foreign exchange risk by holding foreign currency balances.

The balance sheet at year end include net foreign liabilities US\$1,036,937 (2008-US\$1,092,240)

(ii) Interest risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the company has no significant interest bearing assets or liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from deposits and short term instruments, bank overdraft and long-term borrowings as disclosed in Notes 14 and 17.

(iii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The company manages its credit risk by screening its customers, establishing credit limits and the rigorous follow-up of receivables; and ensuring investments are low-risk or, are held with reputable financial institutions.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk factors (cont'd)

(v) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company manages the risk by keeping committed credit lines available.

(vi) Capital risk

Capital risk is the risk that the company fails to comply with mandated regulatory requirements resulting in breach of those requirements. The company's objectives when managing capital are to comply with capital requirements, safeguard the company's ability to continue as a going concern and to maintain strong capital base to support the development of its business.

(vii) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the company's processes, personnel, technology and external factors, other than financial risk, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

(b) Fair value estimation

The amounts included in the financial statements for investments, cash and cash equivalents, receivables and payables reflect their approximate fair value because of the short term maturity of these instruments.

Long term liabilities reflect the company's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar transactions.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

5. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key Sources of Estimation Uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. **INCOME:**

Income represents spectrum regulatory fees and processing fees.

7. **OPERATING PROFIT:**

Stated after charging the following -

| | <u>2009</u> | <u>2008</u> |
|-------------------------|-------------------|-------------------|
| | \$ | \$ |
| Auditors' remuneration: | 890,000 | 740,000 |
| Staff costs | 91,078,939 | 81,751,426 |
| Depreciation | <u>14,244,988</u> | <u>13,474,618</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

8. FINANCE COSTS:

| | <u>2009</u> | <u>2008</u> |
|---------------|------------------|------------------|
| | <u>\$</u> | <u>\$</u> |
| Loan interest | <u>2,317,658</u> | <u>2,436,818</u> |

9. TAXATION:

- (a) Taxation is based on the profit for the year, adjusted for taxation purposes and comprises: -

| | <u>2009</u> | <u>2008</u> |
|--------------------------------------|-------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Income tax at 33 1/3% | 14,745,904 | 10,053,031 |
| Deferred tax (note 18) | <u>118,699</u> | <u>12,324,470</u> |
| Taxation charge in income statements | <u>14,864,603</u> | <u>22,377,501</u> |

- (b) Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge.

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Profit before taxation | <u>64,074,514</u> | <u>63,587,178</u> |
| Tax calculated at 33 1/3% | 21,358,171 | 21,195,726 |
| Adjusted for the effects of: | | |
| Expenses not deductible for tax purposes | 6,618,501 | 8,451,588 |
| Net effect of other charges and allowances | (13,112,069) | (7,269,813) |
| Taxation charge in income statement | <u>14,864,603</u> | <u>22,377,501</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

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 2008 | 2,842,753 | 117,803,619 | 7,613,830 | 15,494,155 | 143,754,357 |
| Additions | <u>-</u> | <u>2,529,658</u> | <u>350,836</u> | <u>5,450,000</u> | <u>8,330,494</u> |
| | <u>2,842,753</u> | <u>120,333,277</u> | <u>7,964,666</u> | <u>20,944,155</u> | <u>152,084,851</u> |
| Depreciation - | | | | | |
| 1 April 2008 | 323,290 | 24,343,178 | 4,273,159 | 8,676,024 | 37,615,651 |
| Charge for the year | <u>283,812</u> | <u>10,131,792</u> | <u>766,197</u> | <u>3,063,187</u> | <u>14,244,988</u> |
| | <u>607,102</u> | <u>34,474,970</u> | <u>5,039,356</u> | <u>11,739,211</u> | <u>51,860,639</u> |
| Net Book Value - | | | | | |
| 31 March 2009 | <u>2,235,651</u> | <u>85,858,307</u> | <u>2,925,310</u> | <u>9,204,944</u> | <u>100,224,212</u> |
| 31 March 2008 | <u>2,519,463</u> | <u>93,460,441</u> | <u>3,340,671</u> | <u>6,818,131</u> | <u>106,138,706</u> |

11. INVESTMENT IN SUBSIDIARY:

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

12. RECEIVABLES:

| | <u>2009</u> | <u>2008</u> |
|----------------------------|-------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Regulatory fees | 11,870,275 | 16,102,908 |
| Bad and doubtful provision | (1,738,316) | - |
| | 10,131,959 | 16,102,908 |
| Prepayments | 7,737,066 | 2,862,999 |
| Other receivables | <u>795,702</u> | <u>972,408</u> |
| | <u>18,664,727</u> | <u>19,938,315</u> |

The aging of trade receivables is as follows:

| | <u>2009</u> | <u>2008</u> |
|------------------|-------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| 0-30 days | 482,714 | 3,158,317 |
| 31-60 days | 5,403,829 | 9,643,508 |
| 61-90 days | 2,981,591 | - |
| 90 days and over | <u>3,002,141</u> | <u>3,301,083</u> |
| | <u>11,870,275</u> | <u>16,102,908</u> |

Movement in allowance for doubtful debts.

| | <u>2009</u> | <u>2008</u> |
|---|------------------|----------------------|
| | <u>\$</u> | <u>\$</u> |
| Balance at the beginning of the year | - | 9,121,743 |
| Impairment losses recognized on receivables | 1,738,316 | - |
| Amounts written off as uncollectible | <u>-</u> | (<u>9,121,743</u>) |
| Balance at the end of year | <u>1,738,316</u> | <u>-</u> |

In determining the recoverability of a receivable, the company considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The directors believe that at balance sheet date there is no further credit provision required in excess of the allowance for doubtful debts.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

13. INVESTMENTS:

The company enters into repurchase agreements collateralized by Government of Jamaica Securities. These investments include amount for spectrum fees of \$188,546,400 (2008: \$144,803,323).

The repurchase agreement include interest receivables for \$823,673 (2008:\$544,664).

14. CASH AND CASH EQUIVALENTS:

| | <u>2009</u> \$ | <u>2008</u> \$ |
|--|--------------------|-------------------|
| Cash and bank balances - SMA | 33,585,292 | 9,495,677 |
| Deposits and short term instruments -SMA | <u>84,092,615</u> | <u>50,970,693</u> |
| | <u>117,677,907</u> | <u>60,466,370</u> |

(a) These deposits have an average maturity of 38 days (2008 - 51 days).

(b) Deposit and short term instruments are interest bearing.

(c) Interest rate exposure

The weighted average effective interest rates at the year end were as follows:

| | <u>2009</u> \$'000 | <u>2008</u> \$'000 |
|---|-----------------------|-----------------------|
| Cash at bank - US\$ | 1.02% | 3.75% |
| - J\$ | 5.62% | 5.24% |
| Deposit and short term instruments - US\$ | 7.43% | 5.53% |
| - J\$ | <u>19.50%</u> | <u>13.20%</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

15. SHARE CAPITAL:

| | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|
| | <u>\$</u> | <u>\$</u> |
| Authorized - 1,000 ordinary shares of no par value | | |
| Stated capital - | | |
| Issued and fully paid - 20 ordinary shares of no par value | <u>20</u> | <u>20</u> |

16. CAPITAL RESERVE:

| | <u>2009</u> | <u>2008</u> |
|---------------------------|--------------------|--------------------|
| | <u>\$</u> | <u>\$</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 programme which forms a part of the first phase of the company's two year business plan which commenced in the financial year 2004/2005.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

17. LONG TERM LOAN:

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------|-----------------------|
| | <u>\$</u> | <u>\$</u> |
| Government of Jamaica - Ministry of Finance | 21,453,696 | 48,603,206 |
| Less: Current portion | (<u>21,453,696</u>) | (<u>38,882,565</u>) |
| | <u> -</u> | <u>9,720,641</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.

18. DEFERRED TAX LIABILITIES:

Deferred tax 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 01.04.08 | charged to/(credit) Profit and Loss | Balance 31.03.09 |
|------------------------------|-----------------------|--|-----------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Accelerated tax depreciation | (9,138,014) | 99,513 | (9,038,501) |
| Others | (<u>4,041,441</u>) | (<u>218,211</u>) | (<u>4,259,652</u>) |
| Net deferred tax liability | (<u>13,179,455</u>) | (<u>118,698</u>) | (<u>13,298,153</u>) |

19. PAYABLES:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|--------------------|--------------------|
| | <u>\$</u> | <u>\$</u> |
| Spectrum fees | 25,486,630 | 4,468,969 |
| Accruals - Accountant General | 199,039,514 | 158,870,648 |
| - Other | <u>5,504,303</u> | <u>13,077,105</u> |
| | <u>230,030,447</u> | <u>176,416,722</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

20. DEFERRED INCOME:

This represents regulatory fees billed in advance.

21. 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>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Salary - Managing Director (25% gratuity included) | 2,345,798 | 5,873,300 |
| Salary - Acting Managing Director | 3,083,478 | - |
| Salary - Director of Finance and Administration | 3,428,791 | 2,517,428 |
| Salary - Director Legal Affairs | 4,402,701 | 3,485,046 |
| Salary - Director Human Resources | 3,550,024 | 3,022,730 |
| Salary - Director Policy and Strategic Planning | 1,781,530 | 3,512,821 |
| Salary - Director Spectrum Engineering | <u>5,224,654</u> | <u>4,351,317</u> |
| | <u>23,816,976</u> | <u>22,762,642</u> |

The following amount is in respect of fees paid to directors.

| | <u>2009</u> | <u>2008</u> |
|-----------------|----------------|----------------|
| | <u>\$</u> | <u>\$</u> |
| Directors' fees | <u>652,822</u> | <u>868,500</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2009

21. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

(b) Management fee income:

| | <u>2009</u> | <u>2008</u> |
|---------------------------------------|------------------|------------------|
| | <u>\$</u> | <u>\$</u> |
| Universal Access Fund Company Limited | <u>3,124,800</u> | <u>2,735,958</u> |

22. STAFF COSTS:

| | <u>2009</u> | <u>2008</u> |
|------------------------|-------------------|-------------------|
| | <u>\$</u> | <u>\$</u> |
| Wages and salaries | 78,035,291 | 70,364,405 |
| Statutory contribution | 6,425,363 | 5,632,695 |
| Other | <u>6,618,285</u> | <u>5,754,326</u> |
| | <u>91,078,939</u> | <u>81,751,426</u> |

The number of persons employed by the company at the end of the year was 28 (2008 - 31).

INDEPENDENT AUDITORS' REPORT

To the Directors of
Spectrum Management Authority Limited

The supplementary information presented on pages 28 and 29 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 2009.

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

20 July 2009

SPECTRUM MANAGEMENT AUTHORITY LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2009

| | <u>2009</u> | <u>2008</u> |
|------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| REVENUE: | | |
| Administrative and processing fees | 2,023,638 | 1,737,991 |
| Regulatory Fees | 177,124,188 | 177,971,105 |
| Interest income | 21,980,324 | 12,566,974 |
| Other income | <u>3,945,365</u> | <u>3,167,426</u> |
| | <u>205,073,515</u> | <u>195,443,496</u> |
| LESS – EXPENSES | | |
| Administrative (page 29) | 138,681,343 | 129,419,500 |
| Financial (page 29) | <u>2,317,658</u> | <u>2,436,818</u> |
| | <u>140,999,001</u> | <u>131,856,318</u> |
| PROFIT BEFORE TAXATION | <u>64,074,514</u> | <u>63,587,178</u> |

SPECTRUM MANAGEMENT AUTHORITY LIMITED

SCHEDULE OF EXPENSES

YEAR ENDED 31 MARCH 2009

| | <u>2009</u> | <u>2008</u> |
|--|--------------------|--------------------|
| | <u>\$</u> | <u>\$</u> |
| ADMINISTRATIVE: | | |
| Senior Managers' remuneration | 23,816,976 | 22,762,642 |
| Salaries and other related costs | 60,643,678 | 53,234,458 |
| Pension costs | 2,180,290 | 1,937,724 |
| Staff training and welfare | 4,437,995 | 3,816,602 |
| Chairman fees | 347,196 | 283,892 |
| Directors' fees | 652,822 | 868,500 |
| Directors' expenses | 47,078 | 11,893 |
| Board/Committee meeting | 1,095,430 | 300,418 |
| Travel and subsistence - overseas and local meetings | 3,022,981 | 1,442,562 |
| ICT promotion | 2,107,224 | 1,407,388 |
| Professional fees | 5,127,975 | 3,366,990 |
| Audit fees | 890,000 | 740,000 |
| Subsistence and accommodation | 102,212 | 158,006 |
| Stationery and office supplies, postage, courier | 1,420,648 | 1,777,938 |
| Data processing | 583,601 | 571,020 |
| Security | 250,552 | 1,415,037 |
| General | 909,935 | 846,766 |
| Public relations and education | 791,557 | 612,002 |
| Lease | 6,971,382 | 5,557,555 |
| Repairs and maintenance - ASMS/RMDF | 6,421,383 | 1,798,157 |
| - equipment | 531,159 | 305,929 |
| - building | 9,406,054 | 7,481,687 |
| - furniture and fixtures | 137,739 | 13,980 |
| Enforcement cost | - | 24,386 |
| Advertisement | 1,892,197 | 537,706 |
| Telephone | 2,076,706 | 1,414,004 |
| Subscriptions and donations | 278,538 | 633,780 |
| Insurance | 2,024,424 | 1,854,400 |
| Motor vehicle | 2,015,668 | 1,953,227 |
| Bank charges | 235,737 | 119,477 |
| Gain on disposal of fixed assets | - | (7,599) |
| Exchange gain | (17,721,099) | (1,087,563) |
| Provision for bad debt | 1,738,317 | (208,082) |
| Depreciation | <u>14,244,988</u> | <u>13,474,618</u> |
| | <u>138,681,343</u> | <u>129,419,500</u> |
| FINANCIAL: | | |
| Loan interest | <u>2,317,658</u> | <u>2,436,818</u> |

