



ANNUAL REPORT 2009 / 2010

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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.

Vision Statement

To create the environment for the radio frequency spectrum to become the preferred medium of communication.

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 Information 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 2009 December 21, the registered office of the company is 13 - 19 Harbour Street, Kingston, 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 aforesated 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.

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

There are various categories of radio 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 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)
- Inter-American Telecommunications Commission (CITEL) - PCC11 Committee on Radio communications including broadcasting; and
- International Telecommunications Union (ITU).

Overview

The Board of Directors is committed to the achievement of efficient and effective implementation of the statutory mandate of the SMA and the enhancement of long-term value with the highest standards of integrity and ethics. In that regard, the Board has adopted these principles to provide an effective corporate governance framework for Spectrum Management Authority, intending to reflect a set of core values that provide the foundation for Spectrum Management Authority's governance and management systems and its interactions with others.

Role of the Board

It is the responsibility of the Board to direct, guide and oversee the conduct of Spectrum Management Authority's business and to ensure that the interests of the stakeholders are being served. In carrying out that responsibility, the Board considers its primary functions to include the following:

- **Management planning and oversight** - evaluating and compensating the Chief Executive Officer (CEO) and planning for CEO succession; providing counsel and oversight in the selection, evaluation and compensation of, and succession planning for, other members of senior management; and approving the appointment and compensation of executive officers.
- **Strategic and operational planning** - Reviewing, understanding and approving long-term strategic plans and annual operating plans, and monitoring the implementation and execution of those plans.
- **Major corporate actions** - Reviewing, understanding and approving significant financial and business transactions and other major corporate actions.
- **Financial reporting** - Reviewing, understanding and approving financial statements and reports, and overseeing the establishment and maintenance of controls, processes and procedures to ensure accuracy, integrity and clarity in financial and other disclosures.

- **Governance, compliance and risk management** - Establishing and maintaining governance and compliance processes and procedures to ensure that Spectrum Management Authority is managed with the highest standards of responsibility, ethics and integrity.
- **General advice to management** - Providing general advice and counsel to the CEO and senior management in connection with issues arising during the course of managing Spectrum Management Authority's business.

Ethics and Value

The Board and management are jointly responsible for managing and operating Spectrum Management Authority's business with the highest standards of responsibility, ethics and integrity. In that regard, the Board expects each director, as well as each member of senior management, to lead by example in a culture that emphasizes trust, integrity, honesty, judgment, respect, managerial courage and responsibility.

Board Committees

The Board has established six (6) Committees, namely: Strategic Planning; Industry Affairs; Human Resources; Technical Operations; Audit; and, Finance, as a strategy in providing the required oversight that will facilitate an efficient operation.

Strategic Planning

The Strategic Planning Committee serves as a catalyst for the evaluation, monitoring and implementation of the Company's business strategies by:

1. Supporting the Company's executive management (the "Management") in developing strategic initiatives including long term planning and budgeting;
2. Providing management with guidance and oversight on strategic plan development and execution;
3. Monitoring relevant strategic developments in the industry that may have significant impact upon the Company's business;

4. Increasing Board focus on issues and recommendations related to the company's strategic planning process and the execution of such planning;
5. Evaluate information the Board receives from management to assist in making informed decisions regarding the Company's strategic direction;
6. Monitoring Company progress and reporting to the Board on its activities, recommendations, and conclusions; and
7. Assessing and recommending corporate strategies and issues related to risk management.

Industry Affairs

The primary objectives of the Industry Affairs Committee are:

1. To promote policy and legislation that will insure the benefit of the Authority and by extension the National Interest.
2. To examine and promote matters which will lead to the well being of the Sector.
3. To recommend the removal and or reduction of any negative aspects now existing or as may occur in the future.
4. To be proactive regarding developments in the Sector at the Local, Regional and International level.
5. To assist in ensuring that the Authority has, and maintains those elements which will provide and enhance its institutional capacity thereby achieving and maintaining world class status.

Human Resources

The committee is required to review submissions related to the following areas of the Authority's operations.

1. **Employment of Staff**
Recommendations for selection, hiring and termination of staff at the level of Director and Managing Director.
2. **Employee Welfare and Benefit**
Recommendations that will fundamentally change the existing employee welfare and benefit scheme.
3. **Staff Performance**
Recommendations related to a change in the administration of the performance incentive scheme as well as the instruments used to measure staff performance
4. **Training and Development of Staff**

Recommendations regarding modifications to the existing Training and Development Policy and Procedures, the SMA's Training and Development Strategic Plan and its annual Training Plan.

5. **Organizational changes**

Recommendations that will result in the modification to the organization's structure, that is, impacting the approved staff complement and reporting relationship

6. **Succession Planning**

Recommendations for the establishment of a Succession Plan for key positions within the Authority.

7. **Human Resources Policies and Procedures**

Recommendations for the establishment and subsequent review of appropriate Human Resources Policies and Procedures

8. **Compensation of Staff**

Recommendations related to fundamental changes in the approved salary structure for the organization or elements of its compensation package.

9. Any other relevant issue of importance deemed appropriate for this sub-committee.

Technical Operations

The committee will review and where applicable, approve submissions related to the following:

1. Spectrum Engineering issues related to:
 - Frequency Band Planning
 - Frequency Assignment
 - Frequency Authorization for Testing purposes
 - Inspection of Telecom facilities
 - Spectrum Monitoring
 - Interference Management
 - Automated Systems – RMDFS and ASMS
 - Developments related to new and emerging wireless technologies
2. Legal issues related to:
 - Enforcement Actions
 - Recommendation for licenses
 - Legal action taken against the Authority
 - Telecommunications Legislations and Regulations
 - Recommendation for legal action to be taken by the Authority

3. Policy and Strategic Planning Issues related to:

- Spectrum Pricing
- Methods of awarding spectrum
- Establishing Spectrum License Fees
- License Application process
- Telecommunications Policy – National Telecommunications Regulator

4. Any other matter related to the technical operations of the Authority referred to the committee by the Board and Managing Director.

Audit

The Committee is responsible for reviewing and ratifying submissions from the Internal Auditor and where necessary make recommendations relating to the following:

1. The extent of compliance with relevant applicable laws, and regulations and agreement terms.
2. The integrity of financial statements and other disclosure relating to financial performance.
3. The efficiency of internal and external audit plans and the effectiveness of their performance.
4. The adequacy, effectiveness and efficiency of internal controls operating within the company.
5. The adequacy, and integrity of the general procedures controls surrounding the information technology systems
6. The general efficiency and effectiveness of operations.

Finance

The Finance Committee shall be responsible for reviewing with Company management, and shall have the power and authority to recommend to the Board of Directors, any and all strategies, plans, policies and actions related to corporate finance, including the following:

1. Capital structure plans and strategies and specific equity or debt financings;
2. Capital expenditure plans and strategies and specific capital projects;

3. Strategic and financial investment plans and strategies and specific investments;

4. Mergers, acquisitions and divestitures;

5. Cash management plans and strategies and all activities relating to cash accounts and cash investments portfolio, including the establishment and maintenance of bank, investment and brokerage accounts; and Plans and strategies for managing foreign currency exchange exposure and other exposures to economic risks and with full adherence to the Financial administration and Audit Act.

6. Review and assess the effectiveness of systems for internal financial control and financial reporting, as also those relating to the Procurement Regulations stipulated by the Contractor General.

7. Review all internal Audit reports as well as external reports from the Auditor General's Office.

Attendance at Board and Committee Meetings

For the 2009/10 fiscal year the Authority scheduled eleven (11) meetings of the Board of Directors. In addition there were three (3) special meetings during the FY. Details of the attendance of Directors at meetings of the Board and its Committees for the FY are outlined in the table that follows.

	BOARD	AUDIT	FINANCE	STRATEGIC PLANNING	INDUSTRY AFFAIRS	TECHNICAL OPERATIONS	HUMAN RESOURCES
	14 MEETINGS	9 MEETINGS	14 MEETINGS	9 MEETINGS	9 MEETINGS	5 MEETINGS	10 MEETINGS
Danville Davidson ⁱ	11	-	10	8	8	5	-
Ainsley Deer	13	-	-	-	-	-	10
Alston Douglas	14	-	-	-	-	4	-
Winston Dwyer	9	9	-	-	-	2	-
Patricia Henry	12	8	-	9	-	-	8
Novelette Howell	14	-	14	8	9	-	10
Robert Lawrence ⁱⁱ	14	7	8	9	-	-	-
Vernon McLeod	8	-	13	-	-	-	-
Keith Smith	11	-	-	-	9	-	-
George Thomas ⁱⁱⁱ	1	-	-	-	-	-	-

ⁱ Danville Davidson resigned February 2010

ⁱⁱ Robert Lawrence stepped down from Finance Committee January 2010, in keeping with best practices, whereby Audit and Finance Committees should not share the same members.

ⁱⁱⁱ George Thomas resigned February 2010

BOARD OF DIRECTORS



Alston Douglas



Novelette Howell



Vernon McLeod



Patricia Henry



Robert Lawrence
Chairman



Winston Dwyer



Keith Smith



Deborah Newland
Acting M.D.



Dr. Ainsley Deer

The 2009/10 fiscal year (FY) was another challenging year for the Spectrum Management Authority (“**the Authority**”, or “**the SMA**”). The resilience of the Authority was again tested and proven as the Authority was able to complete the FY with impressive performances, as it relates to the core operational activities.

In the midst of a period of global uncertainty the Authority continued to effectively carry out its mandate. The issuing of the 2.5GHz frequency band licence in 2009 June; as well as work that was in-progress for the issue of additional microwave links for clients, has advanced the Authority closer to actualizing its vision, as these efforts will facilitate the introduction of new wireless broadband technologies.

During the FY however, a major focus of the Board of Directors (BOD) and the Management was on the acquisition of 13 - 23 Harbour Street and occupying 13 - 19 Harbour Street, Kingston.



13 – 19 Harbour Street, home of the SMA.

The relocation effort was a challenge for all involved. The installation of infrastructure and the relocation of equipment in particular, were very challenging for the team. It took the resolve of the BOD, the management and staff in addition to the support of the Office of the Prime Minister – the Parent Ministry, to complete the project.

The efforts to acquire the property the Authority now occupies, was in recognition of the government’s mandate to develop downtown Kingston, in addition to being spurred by a substantial increase in rental rates charged by the SMA’s previous landlord in New Kingston. The initial effort started in July 2009 and was completed in February 2010.

Despite the protracted process due to challenges encountered, the Authority now possesses a home, an important milestone which speaks volumes for the progress of the organization in its ninth year of operation. As a result, the Authority is now better able to suitably house its staff and assets.

The start of this important chapter for the SMA was celebrated with an Opening Ceremony on 2010 February 18. The building was officially opened by the Honourable Prime Minister, Bruce Golding, with a wide cross-section of stakeholders to include, the Clergy, and Members of Parliament, Representatives from the cellular companies and well wishers, being in attendance at the ceremony.



Message by Prime Minister the Honourable, Bruce Golding.

The ceremony was well received by the attendees, who expressed their appreciation and support of the Authority’s move to its new location



The cutting of the ribbon by Prime Minister the Honourable, Bruce Golding, while being assisted by Deborah Newland Managing Director (Actg.) and Robert Lawrence, Chairman.

CORPORATE PERFORMANCE

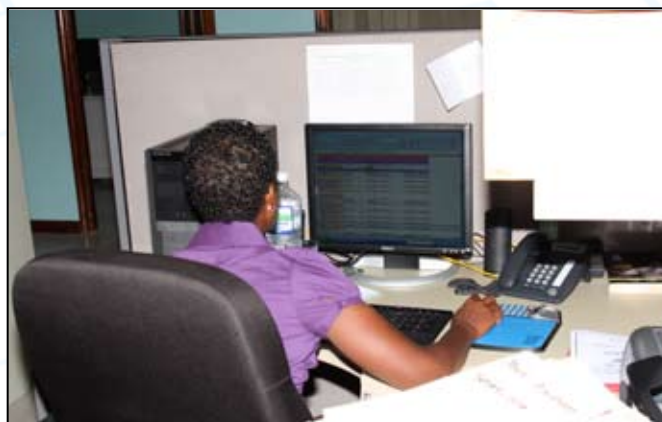
Licensing

The processing of new and renewal licences in providing access to use the radio frequency spectrum, continues to facilitate the implementation of the Government of Jamaica's (GoJ) policy with regards to Universal Access/Service for the people of Jamaica.

New Applications

For the FY the Authority handled 137 new applications for licences/certificates. A total of 98 new licences were granted whilst 99 were issued. Of the 98 licences granted, 90 or 92% have been processed within the established processing standard. Details of processing times as per licence type and target for the FY are as follows in the table below.

Of the total licences that were renewable, that is 375, (425 less cancellations and those on hold) the Authority renewed all or 100%. The current performance rate is above the Authority's key performance indicator of 85% for renewals.



Afiba Huie – Licensing Representative

Licence Type	Standard Processing Time (maximum business days)	Actual Average Processing Time	Actual % within processing time	Target % within processing time	No. of Lic. Processed for the FY
Aeronautical Ground and Mobile	15	17	75%	95%	4
Amateur and Alien Amateur	15	6	100%	95%	25
Citizen Band	15	14	75%	90%	8
Private Radio*	30	14	100%	85%	23
VSAT	30	19	100%	90%	3
Maritime (None MAJ)	15	12	100%	90%	2
Permanent licence for Maritime	3	4	89%	85%	19
Temporary licence for Maritime	1	1	86%	70%	7
Non-spectrum certification	15	6	100%	90%	7
					98

Renewal Licences

For the 2009/10 FY, 415 licences were originally targeted for renewal and an additional 2 to be rationalized; during the FY 28 licences were reinstated upon the respective clients' request whilst 20 relinquished their licences. As at the end of the FY, 50 licences were placed on hold, mostly for the non-payment of outstanding fees.

Note that licences are only renewed after receipt of payment. Of the 375 licences renewed, 369 or approximately 98% have been processed within the established processing standard. The key performance indicator for this activity is eighty-five (85) percent.

Monitoring and Inspection

Monitoring

During the FY, the Authority continued to monitor the users of the radio frequency spectrum to ensure compliance and to minimize interference. In a proactive move and to efficiently manage the spectrum, the Authority also seeks to assign interference-free spectrum by utilizing the RMDFS to actively monitor the spectrum across the island.



The monitoring team in action.

Inspection

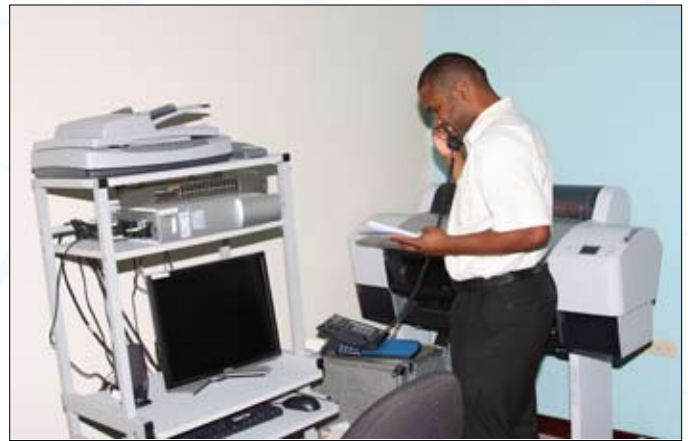
The Authority conducts random inspection of radio sites to ensure compliance with licensing agreements and to resolve interference reports. Throughout the FY the Authority examined the installation of radio systems and equipment at different sites to determine their level of compliance. The frequency, power, and modulation levels were checked and verified against the records of the Authority to identify any breach. During the FY, one anomaly was detected, but was swiftly resolved.

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 18 reports of interference, of which 3 were brought forward from the previous FY. A total of 17 or 100 percent of the cases investigated that are required to be resolved during the FY were resolved or needed no further action on the part of the Authority. This performance is above the Authority's **key performance indicator of 85% for resolving interference reports**. The unresolved case was reported on 2010 January 20, and has a performance resolution time of 90 working days and consequently goes beyond 2010 March 31.

16 or 94% of cases were resolved within the established standard which is above the **key performance indicator of 85% for time taken to resolve interferences**.



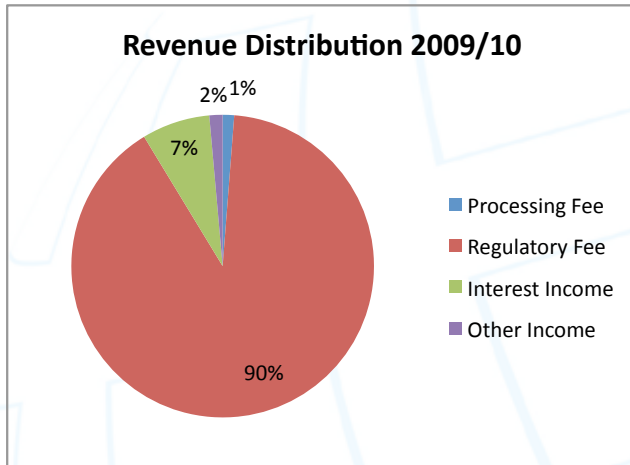
Telecommunication Engineer, Peter Scott at work.

Revenue

The Authority's revenue plan is based on a cost recovery strategy. Income is generated primarily from Regulatory Fees, which is charged to the users of the spectrum, and an administrative processing fee. This processing fee is 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 2009/10 FY the Authority targeted total revenue of \$238.29M from Regulatory Fees, Processing Fees, Interest Income and Other Income. For the 12 months ended 2010 March 31, the Authority's revenue figures amounted to \$255.69M, exceeding the budget target by \$17.30M and the KPI of \$214.46M by \$41.23M.

The chart below shows the distribution of revenue for the FY.



A fundamental component of the Authority's revenue plan has always been the prudent management of its financial resources, that is, timely collection and treasury management.

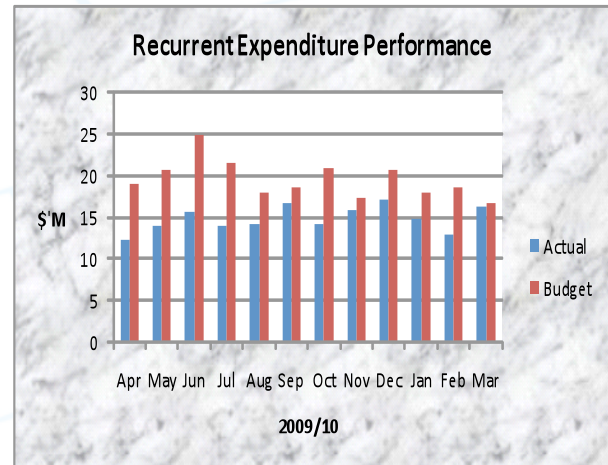
During the 2009/10 FY, collection amounted to \$234.14M, which includes amount relating to the previous FY, as well as the 2010/11 financial year.

At the beginning of the FY based on a decision made by the BOD, deliberate efforts were also made to further ensure that the Authority's financial resources were not unduly exposed.

Results of Operations

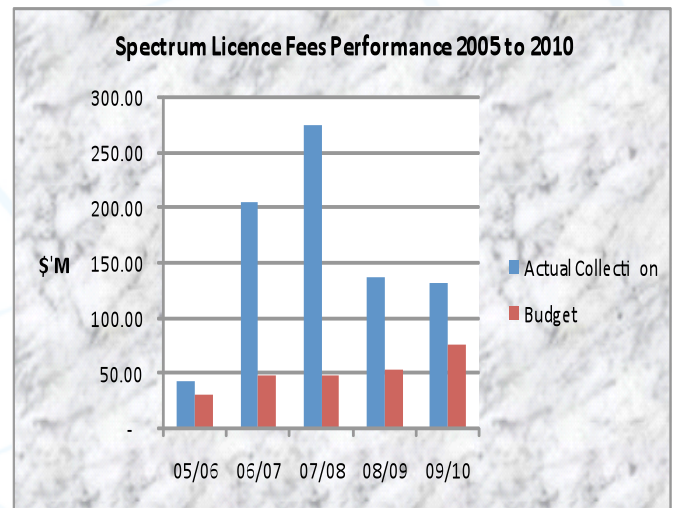
The Authority continued to apply prudent management strategies during the period under review. During the FY, based on the global financial uncertainty and directives by the GoJ, the BOD took the decision to curtail some budgeted expenditures. The Authority was successful in reducing actual expenditure for the FY, while not significantly impacting the operations negatively. As a result the Authority reported a surplus for the 2009/10 FY. This however means that for the 2010/11 FY, the Authority will be seeking to "make up ground", specifically in areas such as training and development, which was impacted by the strategies applied.

The chart below illustrates the Actual vs. Budgeted Expenses monthly.



Collection of Spectrum Licence Fees

Spectrum Licence Fees are collected on behalf of the GoJ and are remitted to the Consolidated Fund. The Authority established a collection target for spectrum licence fees at \$76.28M, 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 \$131.41M in spectrum licence fees which is \$55.13M above budget. This positive variance is consistent with the SMA's performance over the years and is as a result of the increase in demand for the spectrum. The chart below shows the SMA's performance over the last five FYs.



Regular operations resulted in a total of \$157.05M being remitted to the Consolidated Fund, for the FY.

Training and Development

Whilst Training and Development remains a key strategy in acquiring the necessary technical expertise for the Authority, it was one of the areas, as mentioned earlier, that was impacted by the decision to reduce expenditures. Notwithstanding, the Authority was able to provide some meaningful training and development opportunities to members of staff through seminars and workshops both locally and overseas.

Of note is the final training opportunity supported for the FY, whereby the Authority hosted a five-day training programme entitled **“Telecommunications Management in the New Environment”** organized jointly by the International Telecommunications Union (ITU) and the Telecommunications Executive Management Institute of Canada (TEMIC). The session was designed for executives and senior managers from Ministries, Regulators and the telecommunications industry in the Caribbean region, and was held at the Jamaica Pegasus Hotel from 2010 March 22-26.



Members of the TEMIC family at the Pegasus Hotel.

Attendees were from Antigua and Barbuda, Belize, Commonwealth of Dominica, St. Lucia, Trinidad & Tobago and Jamaica. Representatives from Jamaica were from the Broadcasting Commission, the Office of Utilities Regulation (OUR), the Office of the Prime Minister (OPM), Cable & Wireless (LIME), Oceanic Digital (Claro) and the SMA.

Other training opportunities supported by the SMA, for various levels of staff, included:

- *Legal and Regulatory Framework;*
- *Taxation – the 2009/10 National Budget;*

- *Central Information Technology Office's 6th Annual Regional Summit;*
- *Strategic Telecoms Pricing Masterclass;*
- *Regulatory Oversight of Commercial Activities;*
- *New Technology of Mobile Communications and its Application;*
- *WiMAX and the Wireless Broadband Revolution: the Technical, Business and Spectrum Policy Ramifications in the Global Marketplace;*
- *Taxation Seminar;*
- *Framework for Telecommunications and ICT Policy Making;*
- *7th Caribbean Internet Forum;*
- *Executive Negotiation Skills;*
- *Finance for Non-Financial Managers;*
- *Microsoft Publisher;*
- *Contemporary Telecommunications Network & Technologies Facilities Management; and,*
- *International Financial Reporting Standards in a Changing World.*



Cocktail hosted by the Canadian Embassy for the TEMIC family.

Regional and International Obligations

The SMA continues to provide support to the Department of Information and Telecommunications within the Office of the Prime Minister as well as being integrally involved on committees of the Caribbean Telecommunications Union (CTU), and the International Telecommunications Satellite Organization (ITSO).

Specific meetings the Authority participated in during the FY included:

- The Inter-American Telecommunication Commission's (CITEL), Spectrum 20/20 Seminar on 2009 June 1 and the Meeting of Permanent Consultative Committee II: Radiocommunication, including Broadcasting on 2009 June 2 to 5.
- The International Telecommunication Satellite Organization (ITSO), 33rd extra-ordinary meeting in Rome, Italy on 2009 July 8 and 9.
- The 12th meeting of the International Telecommunication Satellite Organization (ITSO) Advisory Committee (IAC – 12), on 2010 March 25 – 26. The meeting was convened in Washington DC. SMA is Jamaica's official representative on this committee.

A delegation comprised of the Chairman of the Board, the Managing Director, the Director Spectrum Engineering and the Director Legal Affairs, was also hosted by Industry Canada, in Ottawa, Canada through 2009 June 8 to 10. Industry Canada shared their experience with the delegation as it relates to spectrum management, policy framework, the latest development in spectrum monitoring as well as their experiences with monitoring network and platform, monitoring practices, software tools, and enforcement activities with the support of the monitoring network.

During the FY the Authority also participated in discussions with respect to the Draft Telecommunications Policy 2009, and provided comments for the Working Paper on the implementation of the Declaration of Salvador to the OPM. This was to be presented at the Summit of Latin America and the Caribbean on Integration and Development.

Organizational Changes

As a result of Cabinet changes that came into effect on 2009 April 6, oversight responsibility for the SMA is now with the Department of Information and Telecommunications within the Office of the Prime Minister. The subjects of Information and Telecommunications which, hitherto, were part of the former Ministries of Information, Culture, Youth and Sports and Mining and Telecommunications, respectively, have been transferred to the Office of the Prime Minister and are directly overseen by the Hon. Daryl Vaz.

Internally the Authority welcomed on board the following staff members during the FY:

- Erica Deslandes – Accountant;
- Maxine Thompson – Internal Auditor;
- Tasha Campbell – Senior Accounting Clerk;
- Charmaine Grant – Administrative Assistant, Legal Affairs Division; and,
- Pamela McFarlane – Administrative Assistant, Finance & Administration Division.

Corporate Social Responsibility

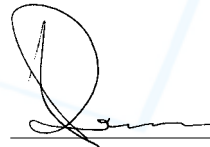
The SMA has always sought to be a good corporate citizen, and is committed to making a positive impact, and to help where possible, to advance social and economic well-being of Jamaicans. Accordingly, during the FY the SMA contributed to various such efforts, to include School Feeding Programmes, Treats, responding to request for medical aid and other community development programmes/efforts.

In addition, the Management and staff of the SMA contributed to the fund organized by the Office of Disaster Preparedness for the victims of the devastating earthquake in Haiti.

Going Forward

For FY 2010/11, the Authority has developed an Operational Plan that is part of a comprehensive Corporate Strategic Plan, which outlines the activities, measures, targets and KPI for the year. Inclusive of this plan is an expansion of the SMA's monitoring capacity, by the addition of a fixed site covering Montego Bay and its environs, this being the next major population area of the island that is not currently covered by the existing system. This, along with a restructuring exercise will help to advance the strategic goal of the SMA, which is, to regulate effectively. The planned activities of the Authority for the FY will be challenging, however with the support of the Office of the Prime Minister, the leadership of the BOD, the dedication and professionalism of the management and staff, and the team work of all, these activities will be achieved.

To our stakeholders and clients, the Authority thanks you for your support and cooperation throughout the year and looks forward to continued collaboration in seeking to effectively manage the radio frequency spectrum and provide customer oriented service. The Board of Directors take this opportunity to thank the management and staff for their dedication and the resilience demonstrated during the FY and looks forward to working with the team in the 2010/11 FY.



Robert Lawrence
Chairman

CORPORATE INFORMATION

REGISTERED OFFICE:

13 - 19 Harbour Street
Kingston

AUDITORS:

BDO Marwilmac Partners
28 Beechwood Avenue
Kingston 5

BANKERS:

First Global Bank
28 Barbados Avenue
Kingston 5

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

CORPORATE SECRETARY:

Ms. Deborah Newland
Spectrum Management
Authority
13 - 19 Harbour Street
Kingston

BOARD OF DIRECTORS' COMMITTEES

Strategic Planning:

Robert Lawrence, Chairman
Patricia Henry
Novelette Howell

Human Resources:

Dr. Ainsley Deer, Chairman
Patricia Henry
Novelette Howell

Technical Operations:

Alston Douglas, Chairman
Winston Dwyer

Audit:

Winston Dwyer, Chairman
Patricia Henry

Industry Affairs:

Keith Smith, Chairman
Novelette Howell

Finance:

Vernon McLeod, Chairman
Novelette Howell

SPECTRUM MANAGEMENT AUTHORITY					
DIRECTORS COMPENSATION					
Position of Director	Fees	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle	Honoraria	All Other Compensation including Non-Cash Benefits as applicable	Total
	\$	\$	\$	\$	\$
Chairman - Board of Directors	313,500.00				313,500.00
Chairman - HR - Sub Committee	211,500.00				211,500.00
Chairman - Finance - Sub Committee	144,000.00				144,000.00
Chairman - Audit - Sub Committee	166,500.00				166,500.00
Chairman - Technical Operations - Sub Committee	196,000.00				196,000.00
Chairman - Industry Affairs - Sub Committee	156,500.00	135,626.11			292,126.11
Member (Finance, HR, Industry Affairs and Strategic Planning - Sub Committees)	312,500.00				312,500.00
Member (Audit & Strategic Planning - Sub Committees)	231,000.00				231,000.00
Member	7,500.00	11,587.26			19,087.26
Co - Opted Member (Industry Affairs - Sub Committee)	10,500.00				10,500.00
Co-opted Member (Finance - Sub Committee)	10,500.00				10,500.00

SPECTRUM MANAGEMENT AUTHORITY							
SENIOR EXECUTIVE COMPENSATION							
Position of Senior Executive	Salary	Gratuity or Performance Incentive	Travelling Allowance or Value of Assigned Motor Vehicle	Pension or Other Retirement Benefits	Other Allowances	Non - Cash Allowances	Total
	\$	\$	\$	\$	\$	\$	
Managing Director	4,781,023.20	*			118,420.00	103,571.43	5,003,014.63
Director - Finance & Administration	3,546,882.30		176,608.25	796,500.00	174,320.00		4,694,310.55
Director - Legal Affairs	4,120,539.52	*	195,119.93	796,500.00	497,765.40		5,609,924.85
Director - Human Resources	3,488,436.80		172,300.70	796,500.00	174,320.00		4,631,557.50
Director - Policy & Strategic Planning (Actg.)	2,886,918.96	*	768,384.00	420,000.00	174,320.00		4,249,622.96
Director - Spectrum Engineering	4,937,651.19		245,605.50	259,076.61	269,738.00	80,000.00	5,792,071.30

*- Figure includes Retro Salary.

THE OPENING CEREMONY



THE OPENING CEREMONY

THE INTERNET FORUM AND COCKTAIL FOR TEMIC PARTICIPANTS



THE INTERNET FORUM

TEMIC COCKTAIL



Notes

Handwriting practice lines consisting of horizontal dotted lines and light blue rectangular outlines.



**Spectrum Management Authority
Limited Financial Statements
31 March 2010**

SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2010

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Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jamaica

Page 1

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 23, which comprise the statement of financial position as at 31 March 2010 and the statements of comprehensive 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 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 2010 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

28 July 2010

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2010

	<u>Note</u>	<u>2010</u> \$	<u>2009</u> \$
REVENUE	5	233,484,789	179,147,826
OPERATING EXPENSES		(175,033,673)	(138,681,343)
OPERATING PROFIT	6	58,451,116	40,466,483
Other income		<u>22,212,635</u>	<u>25,925,689</u>
Finance costs	7	80,663,751 (<u>658,987</u>)	66,392,172 (<u>2,317,658</u>)
PROFIT BEFORE TAXATION		80,004,764	64,074,514
Taxation	8	(<u>24,378,001</u>)	(<u>14,864,603</u>)
PROFIT FOR THE YEAR		<u>55,626,763</u>	<u>49,209,911</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF FINANCIAL POSITION


31 MARCH 2010

	<u>Note</u>	<u>2010</u> £	<u>2009</u> £
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	168,998,635	100,224,212
Investment in subsidiary	10	9,900	9,900
Taxation recoverable	11	<u>16,529,260</u>	<u>19,749,566</u>
		<u>185,537,795</u>	<u>119,983,678</u>
CURRENT ASSETS:			
Receivables	12	40,887,088	18,664,727
Investments	13	139,307,833	263,949,364
Cash and cash equivalents	14	<u>15,866,646</u>	<u>117,677,907</u>
		<u>196,061,567</u>	<u>400,291,998</u>
		<u>381,599,362</u>	<u>520,275,676</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>122,447,183</u>	<u>66,820,420</u>
		<u>267,147,569</u>	<u>211,520,806</u>
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	17	<u>10,148,677</u>	<u>13,298,153</u>
CURRENT LIABILITIES:			
Payables	18	54,733,440	230,030,447
Deferred income	19	29,036,912	24,628,381
Taxation payable		20,532,764	19,344,193
Current portion of long term loan	20	<u>-</u>	<u>21,453,696</u>
		<u>104,303,116</u>	<u>295,456,717</u>
		<u>381,599,362</u>	<u>520,275,676</u>

Approved for issue by the Board of Directors on 28 July 2010 and signed on its behalf by:



 Robert Lawrence - Chairman, Board of Directors



 Vernon McLeod, Chairman, Finance Committee

SPECTRUM MANAGEMENT AUTHORITY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
YEAR ENDED 31 MARCH 2010

	Number of <u>Shares</u>	Share Capital \$	Capital Reserve \$	Retained Earnings \$	Total \$
Balance at 1 April 2008	20	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	20	20	144,700,366	66,820,420	211,520,806
Profit for the year	-	-	-	<u>55,626,763</u>	<u>55,626,763</u>
Balance at 31 March 2010	<u>20</u>	<u>20</u>	<u>144,700,366</u>	<u>122,447,183</u>	<u>267,147,569</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2010

	<u>2010</u> \$	<u>2009</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	55,626,763	49,209,911
Adjustments for:		
Deferred tax	(3,149,476)	118,698
Profit on disposal of fixed assets	(1,238,154)	
Depreciation	<u>16,709,823</u>	<u>14,244,988</u>
Operating cash flows before movements in working capital	67,948,956	63,573,597
Change in operating assets and liabilities:		
Receivables	(22,222,361)	1,273,588
Taxation recoverable	3,220,306	(10,053,031)
Deferred income	4,408,531	288,503
Payables	(175,297,007)	53,613,725
Taxation payable	<u>1,188,571</u>	<u>19,344,193</u>
Net cash (used in)/ provided by operating activities	<u>(120,753,004)</u>	<u>128,040,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase/(decrease) in investments	124,641,531	(35,349,034)
Proceeds from sale of fixed assets	1,238,154	-
Acquisition of fixed assets	<u>(85,484,246)</u>	<u>(8,330,494)</u>
Net cash provided by/ (used in) investing activities	<u>40,395,439</u>	<u>(43,679,528)</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Loan repayment	<u>(21,453,696)</u>	<u>(27,149,510)</u>
Net cash used in financing activity	<u>(21,453,696)</u>	<u>(27,149,510)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(101,811,261)	57,211,537
Cash and cash equivalents at beginning of year	<u>117,677,907</u>	<u>60,466,370</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>15,866,646</u>	<u>117,677,907</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

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 located at 13-19 Harbour Street, Kingston.
- (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 their interpretations adopted by the International Accounting Standards Board, 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 statement of financial position date and the total revenue and expenses during the reporting period. 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 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 judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below:

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

(ii) 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.

(iii) Expected useful life and residual value of property, plant and equipment

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the company.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

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, the following standards, amendments and interpretations became effective. Those considered relevant to the company are as follows:

IAS 1 (Revised) Presentation of Financial Statements - The revised standard prohibits the presentation of items of income and expenses in the consolidated statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The balance sheet is now referred to as the 'statement of financial position', the cash flow statement referred to as the 'statement of cash flows', equity holders referred to as 'owners' and minority interest referred to as 'non-controlling interest'. Comparative information has been re-presented so that it also is in conformity with revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on results.

IAS 23 (Revised) Borrowing Costs - It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. This amendment does not have any impact on the current year's financial statements.

IAS 36 (Revised) Impairment of Assets - Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment does not have any impact on the current year's financial statements.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

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 (Amendment)	Presentation of Financial Statements. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.
IFRS 9	Financial Instruments Part 1: Classification and Measurement Replaces parts of IAS 39 relating to the classification and measurement of financial assets (effective for annual accounting periods beginning on or after 1 January 2013).

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.

(b) Foreign currency translation -

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the statement of financial position date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at statement of financial position 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 recognised in the statement of comprehensive income.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Property, Plant and equipment -

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

Depreciation is provided on property, plant and equipment 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%
Building	2.5%

Property, 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 property, 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 through profit and loss 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.

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 recognized 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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

Financial liabilities

The company's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

(e) Impairment -

The carrying amounts of the company's assets are reviewed at each statement of financial position 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 assets or the cash-generating unit to which is belongs exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

(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 statement of comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position 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.

(i) Trade and other payables

Trade payables are stated at amortised cost.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) Borrowings -

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognized in the statement of comprehensive income and over the period of the borrowings. Borrowing costs are recognized as expense in the period in which they are incurred.

(k) 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.

(l) Taxation -

Taxation expense in the statement of comprehensive income account comprises current and deferred tax charges. Current and deferred taxes are recognized as income tax expense or benefit in the statement of comprehensive income 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 2010

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) Leases -

Leases of property where the company has substantially all the risks and rewards of ownership are classified as finance leases. Payment under operating leases are charged as an expense in the statement of comprehensive income 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, liquidity risk, interest rate risk and operational risk. The company's overall risk management policies are established to identify and analyze the risks 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.

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, that is, foreign currency earned is held in the same currency.

The statement of financial position at year end include net foreign currency assets of US\$878,494 (2009-US\$1,036,937)

Sensitivity Analysis:

The effect of a 5% strengthening of the United States dollar against the Jamaica dollar at the reporting date would, all other variables held constant, have resulted in an increase in profit of \$3,907,395 (2009-\$4,560,148). A 5% weakening in the exchange rate would, on the same basis, have decreased profit by \$3,907,295 (2009- \$4,560,148).

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

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

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

(ii) 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's interest rate risk arises from deposits and short term instruments as disclosed in Notes 13.

(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 with the holding not exceeding 25% of its portfolio in any one institution.

Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2010</u>	<u>2009</u>
	\$	\$
Cash and bank	15,866,646	33,585,292
Short term deposit	-	84,092,615
Investments	139,307,733	263,949,364
Receivables	<u>36,805,249</u>	<u>10,927,661</u>
	<u>191,979,628</u>	<u>392,554,932</u>

Further disclosures regarding receivables are provided in note 12.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

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

(iv) 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 monitoring future cash flows and liquidity on a daily basis and maintaining a portfolio on short-term diverse investments that are collateralized by Government of Jamaica securities.

The contractual outflows for accounts payable are represented by the carrying amount and may require settlement within 12 months of the statement of financial position date.

(v) 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.

(vi) 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 risks, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the authorization of transactions:
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory Government and other legal requirements.
- Risk mitigation, including insurance where this is effective.

(b) Fair value estimation

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

5. REVENUE:

This represents spectrum regulatory fees and processing fees.

6. OPERATING PROFIT:

Stated after charging:

	<u>2010</u> ₤	<u>2009</u> ₤
Auditors' remuneration (inclusive of GCT)		
- current year	1,045,750	890,000
- prior year overprovision	155,750	-
Staff costs (Note 21)	92,867,506	91,078,939
Depreciation	<u>16,709,823</u>	<u>14,244,988</u>

7. FINANCE COSTS:

	<u>2010</u> ₤	<u>2009</u> ₤
Loan interest	<u>658,987</u>	<u>2,317,658</u>

8. TAXATION:

Taxation is based on the profit for the year, adjusted for taxation purposes and is made up as follows:

	<u>2010</u> ₤	<u>2009</u> ₤
Current year income tax at 33 1/3%	23,001,816	14,745,905
Deferred taxation (note 17)	(3,149,476)	<u>118,698</u>
Taxation charge in income statement	<u>19,852,340</u>	<u>14,864,603</u>

The tax on profits differs from the theoretical amount that would arise using the basic rates as follows:

	<u>2010</u> ₤	<u>2009</u> ₤
Profit before taxation	<u>66,427,782</u>	<u>64,074,514</u>
Tax calculated at 33 1/3%	22,142,594	21,358,171
Adjusted for the effects of:		
Expenses not deductible for tax purposes	7,190,509	6,618,501
Net effect of other charges and allowances	(9,480,763)	(13,112,069)
Taxation charge in income statement	<u>19,852,340</u>	<u>14,864,603</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

9. PROPERTY, PLANT AND EQUIPMENT:

	<u>Land and Building</u> £	<u>Leasehold Improvements</u> £	<u>Equipment Software</u> £	<u>Furniture Fixtures</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
At cost -						
1 April 2009	-	2,842,753	120,333,277	7,964,666	20,944,155	152,084,851
Additions	73,062,087	-	11,324,750	1,097,409	-	85,484,246
Disposals	<u>-</u>	<u>(2,842,753)</u>	<u>-</u>	<u>-</u>	<u>(3,441,000)</u>	<u>(6,283,753)</u>
	<u>73,062,087</u>	<u>-</u>	<u>131,658,027</u>	<u>9,062,075</u>	<u>17,503,155</u>	<u>231,285,344</u>
Depreciation -						
1 April 2009	-	607,102	34,474,970	5,039,356	11,739,211	51,860,639
Charge for the year	-	2,235,651	10,632,209	804,993	3,036,970	16,709,823
Elimination	<u>-</u>	<u>(2,842,753)</u>	<u>-</u>	<u>-</u>	<u>(3,441,000)</u>	<u>(6,283,753)</u>
	<u>-</u>	<u>-</u>	<u>45,107,179</u>	<u>5,844,349</u>	<u>11,335,181</u>	<u>62,286,709</u>
Net Book Value -						
31 March 2010	<u>73,062,087</u>	<u>-</u>	<u>86,550,848</u>	<u>3,217,726</u>	<u>6,167,974</u>	<u>168,998,635</u>
31 March 2009	<u>-</u>	<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>

Land and building situated at 13-19 and 21-23 Harbour Street was purchased during the year. No depreciation was charged on the building during the year as property was acquired in February 2010.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

10. INVESTMENT IN SUBSIDIARY:

Investment in subsidiary represents the cost of shares in Universal Access Fund Company Limited an unquoted company.

11. TAXATION RECOVERABLE:

Taxation recoverable represent taxes withheld at source on interest received on investments.

12. RECEIVABLES:

	<u>2010</u> ₤	<u>2009</u> ₤
Regulatory fees	33,973,062	11,870,275
Less: Bad debt provision	(139,672)	(1,738,316)
	<u>33,833,390</u>	<u>10,131,959</u>
Prepayments	4,081,839	7,737,066
Other receivables	<u>2,971,859</u>	<u>795,702</u>
	<u>40,887,088</u>	<u>18,664,727</u>

The aging of trade receivables is as follows:

	<u>2010</u> ₤	<u>2009</u> ₤
0-30 days	33,815,690	482,714
31-60 days	17,700	5,403,829
61-90 days	-	2,981,591
90 days and over	<u>139,672</u>	<u>3,002,141</u>
	<u>33,973,062</u>	<u>11,870,275</u>

Movement in allowance for doubtful debts:

	<u>2010</u> ₤	<u>2009</u> ₤
Balance at the beginning of year	1,738,316	-
Impairment losses recognized on receivables	139,672	1,738,316
Amounts written off as uncollectible	(1,738,316)	-
	<u>139,672</u>	<u>1,738,316</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

12. RECEIVABLES (CONT'D):

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 statement of financial position date there is no further credit provision required in excess of the allowance for doubtful debts.

13. INVESTMENTS:

The company enters into repurchase agreements collateralized by Government of Jamaica Securities.

The repurchase agreements include interest receivables for \$346,611 (2009:\$832,673).

14. CASH AND CASH EQUIVALENTS:

	<u>2010</u> ₤	<u>2009</u> ₤
Cash in hand	193,220	4,499,400
Bank balances	15,673,426	29,085,892
Deposit and short term instruments	<u>-</u>	<u>84,092,615</u>
	<u>15,866,646</u>	<u>117,677,907</u>

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

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

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

	<u>2010</u> \$'000	<u>2009</u> \$'000
Cash at bank - US\$	1.02%	1.02%
- J\$	4.00%	5.62%
Deposit and short term instruments - US\$	-	7.43%
- J\$	<u>-</u>	<u>19.50%</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

15. SHARE CAPITAL:

	<u>2010</u>	<u>2009</u>
	<u>₹</u>	<u>₹</u>
Authorized - 1,000 ordinary shares of no par value	<u>1,000</u>	<u>1,000</u>
Stated capital -		
Issued and fully paid - 20 ordinary shares of no par value	<u>20</u>	<u>20</u>

16. CAPITAL RESERVE:

	<u>2010</u>	<u>2009</u>
	<u>₹</u>	<u>₹</u>
Government of Jamaica	<u>144,700,366</u>	<u>144,700,366</u>

This represents start up capital advanced by the Government of Jamaica.

17. 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:

	<u>Balance</u> <u>01.04.09</u>	<u>Charged/(credit) to</u> <u>Profit and Loss</u>	<u>Balance</u> <u>31.03.10</u>
	<u>₹</u>	<u>₹</u>	<u>₹</u>
Accelerated tax depreciation	(9,038,501)	(788,730)	(9,827,231)
Other	(<u>4,259,652</u>)	<u>3,938,206</u>	(<u>321,446</u>)
Net deferred tax liability	(<u>13,298,153</u>)	<u>3,149,476</u>	(<u>10,148,677</u>)

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

18. PAYABLES:

	<u>2010</u> \$	<u>2009</u> \$
Spectrum fees	-	25,486,630
Accruals - Accountant General	40,084,883	199,039,514
- Other	<u>14,648,557</u>	<u>5,504,303</u>
	<u>54,733,440</u>	<u>230,030,447</u>

19. DEFERRED INCOME:

This represents regulatory fees billed in advance.

20. CURRENT PORTION OF LONG TERM LOAN:

	<u>2010</u> \$	<u>2009</u> \$
Government of Jamaica - Ministry of Finance	<u>-</u>	<u>21,453,696</u>

This represented amounts advanced by the government to finance the company's operating activities from 1 April 2002 - 30 March 2003, at a fixed interest rate of 5% per annum. The loan was repaid during the reporting period.

21. STAFF COSTS:

	<u>2010</u> \$	<u>2009</u> \$
Salaries and wages	78,018,270	78,035,291
Statutory contribution	4,409,402	4,038,540
Pension	2,223,976	2,180,290
Other	<u>8,215,858</u>	<u>6,824,818</u>
	<u>92,867,506</u>	<u>91,078,939</u>

The number of persons employed by the company at the end of the year was 30 (2009 - 27).

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2010

22. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties:

(a) Remuneration of key management personnel:

	<u>2010</u> \$	<u>2009</u> \$
Salary - Managing Director	4,781,023	2,345,798
Salary - Acting Managing Director	-	3,083,478
Salary - Director of Finance and Administration	3,723,491	4,428,791
Salary - Director Legal Affairs	4,674,985	4,402,701
Salary - Director Human Resources	3,660,737	3,550,024
Salary - Director Policy and Strategic Planning	-	1,781,530
Salary - Acting Director Policy and Strategic Planning	3,655,303	1,008,560
Salary - Director Spectrum Engineering	<u>5,278,675</u>	<u>5,224,654</u>
	<u>25,774,214</u>	<u>25,825,536</u>

(b) The following amounts represents fees paid to directors:

	<u>2010</u> \$	<u>2009</u> \$
Chairmen fees	639,000	347,196
Directors' fee	<u>1,121,000</u>	<u>652,822</u>

	<u>2010</u> \$	<u>2009</u> \$
(c) Management fee income:		
Universal Access Fund Company Limited	<u>3,327,426</u>	<u>3,124,800</u>

	<u>2010</u> \$	<u>2009</u> \$
(d) Loan to key management personnel:		
Director - Spectrum Engineering	<u>1,114,339</u>	<u>-</u>



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Chartered Accountants
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P.O. Box 351
Kingston 5, Jamaica

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INDEPENDENT AUDITORS' REPORT

To the Directors of
Spectrum Management Authority Limited

The supplementary information presented on pages 25 and 26 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 2010.

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

28 July 2010

SPECTRUM MANAGEMENT AUTHORITY LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2010

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
REVENUE:		
Administrative and processing fees	3,130,234	2,023,638
Regulatory fees	<u>230,354,555</u>	<u>177,124,188</u>
	233,484,789	179,147,826
OTHER INCOME:		
Interest income	18,600,951	21,980,324
Other income	<u>3,611,684</u>	<u>3,945,365</u>
	<u>255,697,424</u>	<u>205,073,515</u>
LESS - EXPENSES		
Administrative (Page 26)	175,033,673	138,681,343
Financial (Page 26)	<u>658,987</u>	<u>2,317,658</u>
	<u>175,692,660</u>	<u>140,999,001</u>
PROFIT BEFORE TAXATION	<u>80,004,764</u>	<u>64,074,514</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

SCHEDULE OF EXPENSES

YEAR ENDED 31 MARCH 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
ADMINISTRATIVE:		
Senior Managers' remuneration	22,118,911	23,816,976
Salaries and other related costs	63,059,876	60,643,678
Pension costs	2,223,976	2,180,290
Staff training and welfare	5,464,743	4,437,995
Chairmen fees	639,000	347,196
Directors' fees	1,121,000	652,822
Directors' expenses	10,754	47,078
Board/Committee meeting	1,447,912	1,095,430
Travel and subsistence - overseas and local meetings	2,251,260	3,022,981
ICT promotion	836,231	2,107,224
Professional fees	8,754,520	5,127,975
Audit fees - current year	1,045,750	890,000
- prior year underprovision	155,750	-
Subsistence and accommodation	162,865	102,212
Stationery and office supplies, postage, courier	1,455,012	1,420,648
Data processing	1,238,545	583,601
Security	568,427	250,552
General office expenses	1,356,550	909,935
Public relations and education	1,225,151	791,557
Lease	11,647,505	6,971,382
Repairs and maintenance - ASMS/RMDF	6,588,113	6,421,383
- equipment	578,229	531,159
- building	14,901,041	9,406,054
- furniture and fixtures	351,605	137,739
Entertainment	11,450	-
Advertisement	592,518	1,892,197
Telephone	3,335,125	2,076,706
Electricity	2,500,977	-
Subscriptions and donations	884,817	278,538
Insurance	1,829,815	2,024,424
Motor vehicle	2,129,690	2,015,668
Bank charges	303,116	235,737
Profit on disposal of fixed assets	(1,238,154)	-
Exchange gain	(1,367,902)	(17,721,099)
Provision for bad debts	139,672	1,738,317
Depreciation	<u>16,709,823</u>	<u>14,244,988</u>
	<u>175,033,673</u>	<u>138,681,343</u>
FINANCIAL:		
Loan interest	<u>658,987</u>	<u>2,317,658</u>

SPECTRUM MANAGEMENT AUTHORITY
ANNUAL REPORT 2009/2010

ERRATA

Page 23, Section 22 (a) “Related Party Transactions and Balances” should read as follows:

22. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties:

(a) Remuneration of key management personnel:

	<u>2010</u>	<u>2009</u>
	\$	\$
Salary - Managing Director	4,781,023	2,345,798
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Salary - Director Spectrum Engineering	<u>5,278,675</u>	<u>5,224,654</u>
	<u>25,738,334</u>	<u>25,825,536</u>