



# 2010/11 ANNUAL REPORT



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## VISION

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

## MISSION STATEMENT

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

# CORPORATE PROFILE

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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 February 1, 2000 and became operational in April 2001. As at December 21, 2009, the registered office of the company is located at 13 - 19 Harbour Street, Kingston, Jamaica.

The statutory obligations and the operational principles of the Authority are in accordance with, and fulfil 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, 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 three core sectors: radio communication, standardization and development.

The SMA collects Spectrum licence fees on behalf of the GOJ, which 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 - for radio communication on ships, yachts, boats; and.
- Aeronautical radio systems - for 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)* – which authorizes the holder to carry out the radiotelephone service of any Ship Station;

- *Radio Technician Licence – which has 2 classes.*

Class “A”: A licence issued under Class “A” category authorizes the licensee to install and maintain all radio transmitting apparatus.

Class “B”: A licence issued under 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* – issued to manufacturers of radio communication equipment after the SMA ensures that it conforms to appropriate standards and principles of product safety, and will not interfere with other equipment or networks in Jamaica.

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

- International Telecommunications Satellite Organization (ITSO) - the SMA is a member of the ITSO Advisory Committee representing the Caribbean region since 2001
- Caribbean Telecommunications Union (CTU)
- Inter-American Telecommunications Commission (CITEL)
- International Telecommunications Union (ITU).

# THE BOARD OF DIRECTORS



**Front Row, L-R:** Dr. Clement Jackson, Ms. Novelette Howell, Mrs. Samantha Charles, and Mr. Robert Lawrence – Chairman.

**2<sup>nd</sup> Row, L-R:** Mr. Dainsworth Richards-Managing Director, Dr. Ainsley Deer, and Mr. Winston Dwyer.

**Back Row, L-R:** Mr. Alston Douglas, Ms. Patricia Henry, Mr. Keith Smith, and Mr. Vernon McLeod.

**Missing:** Mr. Rupert Bent and Mr. Trevor Forrest.

# CORPORATE GOVERNANCE

## Overview

The Board of Directors is committed to the achievement of business success and the enhancement of long-term value with the highest standards of integrity and ethics. In that regard, the Board adopted principles aimed at providing an effective corporate governance framework for Spectrum Management Authority, intended to reflect a set of core values that provide the foundation for SMA's governance and management systems, and its interactions with its stakeholders.

## Role of the Board

It is the responsibility of the Board to direct, guide and oversees the conduct of Spectrum Management Authority's business and to ensure that the interests of the shareholders and 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 the SMA is managed with the highest standards of responsibility, ethics and integrity.
- General advice to management - providing general advice and counsel to the Chairman, the CEO and senior management in connection with issues arising during the course of managing the SMA's business.

## Ethics and Value

The Board and management are jointly responsible for managing and operating the SMA'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, judgement, respect, managerial courage and responsibility.

## Board Committees

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

## 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. Evaluating information the Board receives from the 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 telecommunications 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 modification to the organization's structure, impacting the approved staff complement and reporting relationships

#### **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; and,
  - 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 (FAA 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 Department.

## Membership in Board Committees

<b>STRATEGIC PLANNING</b> <ul style="list-style-type: none"> <li>- Robert Lawrence, Chair</li> <li>- Patricia Henry</li> <li>- Novelette Howell</li> </ul>	<b>HUMAN RESOURCES</b> <ul style="list-style-type: none"> <li>- Dr. Ainsley Deer, Chair</li> <li>- Patricia Henry</li> <li>- Novelette Howell</li> </ul>	<b>TECHNICAL OPERATIONS</b> <ul style="list-style-type: none"> <li>- Alston Douglas, Chair</li> <li>- Winston Dwyer</li> <li>- Rupert Bent</li> </ul>
<b>INDUSTRY AFFAIRS</b> <ul style="list-style-type: none"> <li>- Keith Smith, Chair</li> <li>- Novelette Howell</li> <li>- Trevor Forrest</li> </ul>	<b>AUDIT</b> <ul style="list-style-type: none"> <li>- Winston Dwyer, Chair</li> <li>- Patricia Henry</li> <li>- Samantha Charles</li> </ul>	<b>FINANCE</b> <ul style="list-style-type: none"> <li>- Vernon McLeod, Chair</li> <li>- Novelette Howell</li> </ul>

## Attendance at Board and Committee Meetings

For the 2010/11 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 below.

	BOARD	AUDIT	FINANCE	STRATEGIC PLANNING	INDUSTRY AFFAIRS	TECHNICAL OPERATIONS	HUMAN RESOURCES
	14 MEETINGS	11 MEETINGS	10 MEETINGS	7 MEETINGS	8 MEETINGS	4 MEETINGS	9 MEETINGS
Rupert Bent <sup>1</sup>	6	-	-	-	-	2	-
Samantha Charles <sup>2</sup>	9	4	-	-	-	-	-
Ainsley Deer	10	-	-	-	-	-	9
Alston Douglas	14	-	-	-	-	4	-
Winston Dwyer	13	10	-	-	-	2	-
Trevor Forrest <sup>3</sup>	5	-	-	-	5	-	-
Patricia Henry	14	9	-	7	-	-	8
Novelette Howell	14	-	10	7	8	-	9
Clement Jackson <sup>4</sup>	8	-	-	4	-	-	-
Robert Lawrence	14	8	-	7	-	-	-
Vernon McLeod	13	-	10	-	-	-	-
Dainsworth Richards <sup>5</sup>	3	-	-	1	1	-	-
Keith Smith	9	-	-	-	8	-	-

<sup>1</sup> Rupert Bent joined the Board of Directors in July 2010

<sup>2</sup> Samantha Charles joined the Board of Directors in July 2010

<sup>3</sup> Trevor Forrest joined the Board of Directors in July 2010

<sup>4</sup> Clement Jackson joined the Board of Directors in July 2010

<sup>5</sup> Dainsworth Richards joined the Authority in January 2011

# THE BOARD OF DIRECTORS' REPORT

The Spectrum Management Authority (SMA), during the 2010/11 fiscal year (FY) continued to focus on maximising the value of the spectrum to our clients by encouraging as many efficient users as possible within each frequency band, and minimizing the levels of interference. With the growing demand for frequencies and emerging trends in technology, particularly for broadband services and broadcasting, management of the radio frequency spectrum has become more complex; requiring not just efficiencies, but also effective regulation.



Head table at the 14<sup>th</sup> meeting of the ITSO Advisory Committee (IAC), Washington D.C. on March 22-23, 2011. L-R: Ms. Maria Clara Cabrera, Mr. Patrick Masambu, Mr. Jose Toscano-Director General ITSO, Mr. Steven Lett-Chairman IAC.

Bearing that in mind, the SMA continued to focus on the goal of effective regulation for the 2010/11 FY. Planned efforts to support this goal included engaging and facilitating the policy and legislative processes, with a view to strengthening the legislative infrastructure which would aid in making effective regulation possible. To this end, the SMA provided legal, policy and regulatory support to the Information and Telecommunications Division within the Office of the Prime Minister (OPM) and was integrally involved in the work of committees of the Caribbean Telecommunications Union (CTU), and the International Telecommunications Satellite Organization (ITSO).

Another important element in the SMA's 2010/11 operational plan was capital development. In recognition of the added sophistication and complexity of spectrum management, due to the trends in technology, the SMA had planned to expand its monitoring capacity and efficiency during the 2010/11 FY by acquiring and installing additional equipment. However, due to procurement process delays, the SMA is projecting to initiate the project in the 2011/12 FY.



Participants of the IAC 14<sup>th</sup> meeting that included Jamaica's representatives from the SMA – Ms. Ida-Gaye Warburton, Director, Legal Affairs, & Mr. George Malcolm, Manager, Policy & Strategic Planning.

The SMA in carrying out its mandate, was able to overcome what was a generally challenging FY, and continued to facilitate the growth and development of the telecommunications industry. As a result, the SMA issued 79 new licences to spectrum users, including a licence to facilitate the provision of Wireless Subscriber Television Services - the first of its kind in Jamaica.

The SMA's efforts to support the industry were accomplished mainly through our core operational activities:

- Renewal of existing spectrum licences
- Granting of new spectrum licences
- Monitoring users of the spectrum to ensure compliance and minimize illegal use

- Proactive monitoring of the spectrum to identify and eliminate cases of interference reported by spectrum users;
- Resolving complaints of interference

### ***CORPORATE PERFORMANCE***

The SMA performed commendably in terms of our core operational activities for the 2010/11 FY. The SMA was able to perform above the key performance indicators (KPI) that were set to determine the level of efficiency of the SMA in providing customer oriented service. The SMA's service standards were established at the beginning of the FY. All the standards established by the SMA, in relation to the core operational activities, are benchmarked against international best practices.



*L-R: Lloyd Matheson, Technician and Delroy Brown, Manager, Band Planning reviewing our National Spectrum Frequency Allocation Chart.*

### **Licensing**

The processing of new and renewal radio frequency spectrum licences continues to be a critical aspect in managing interference levels, as the demand for the spectrum grows. Working in concert with the Licensing Secretariat, the Band Planning Unit must ensure that any new assignment of frequencies does not result in interference -to existing customers.

### ***New Applications***

During the 2010/11 FY, the SMA approved 83 new applications for licences/certificates, while issuing 79. Licences are only issued upon payment of all required fees. Of the 83 licences approved, 77 or 93% were processed within the established processing standard. Details of processing times per licence type and targets for the FY are listed in Table 1 below.



*Mrs. Norda Reid-Hudson, Administrative Clerk*

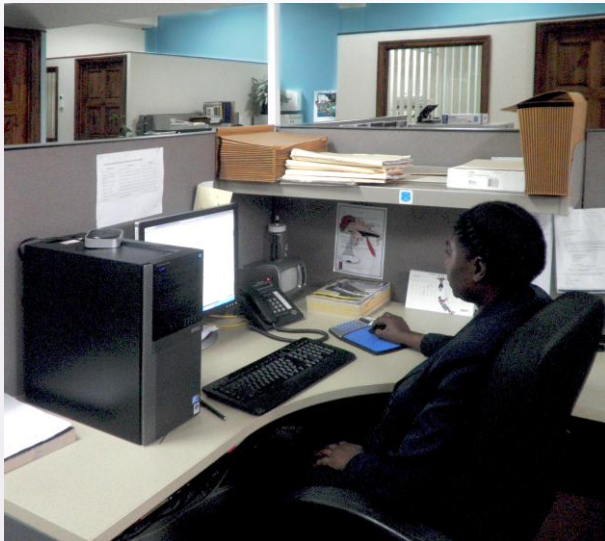
<b>Table 1: New Licence Processing</b>					
<b>Licence Type</b>	<b>Standard</b>	<b>Actual</b>	<b>Target</b>		
	<b>Processing Time (maximum business days)</b>	<b>Actual Average Processing Time</b>	<b>% within processing time</b>	<b>% within processing time</b>	<b>No. of Lic. Processed for the FY</b>
Aeronautical Ground and Mobile	15	12	75%	80%	4
Amateur and Alien Amateur	15	8	100%	80%	15
Citizen Band	15	20	67%	80%	6
Private Radio*	30	16	100%	80%	20
VSAT	30	2	100%	80%	2
Maritime ( <b>None MAJ</b> )	15	9	100%	80%	5
Permanent licence for Maritime	3	3	92%	80%	13
Temporary licence for Maritime	1	1	67%	80%	6
Non-spectrum certification	15	7	100%	80%	8
					<b>79</b>

\* 4 of the Private Radio licences do not have any standard processing time (2 broadcasters & 2 major network) and so were not a part of the average calculated.

### Renewal Licences

For the FY, 403 licences were originally targeted for renewal. However, there were adjustments because 18 licences were reinstated upon the respective clients' requests; while 13 relinquished their licences. The total number of licences available for renewal after the adjustments was therefore 408.

Of that total, 366 were renewed for the FY, which represented a **performance rate of approximately 90%** of the total number available for renewal. That performance rate is above the SMA's **key performance indicator of 85% for renewals**. Note that licences are only renewed after receipt of payment. Of the 366 licences renewed, 347 or approximately 95% were processed within the established processing standard of 5 working days. **The key performance indicator for this activity is 85%.**



*Mrs. Vivienne Irving, Licensing Representative*

### **Monitoring and Inspection**

#### Monitoring

In order to ensure orderly functioning and use of the radio frequency spectrum, the SMA continued to monitor the various frequency bands throughout the FY. Frequency bands are monitored in order to detect and determine the legitimacy of any activity within a band. These efforts are made in order to ensure compliance by licenced users, which will minimize interference; and detect unauthorized users of the spectrum, which also reduces the occurrences of interference. Through these

monitoring activities, the SMA was able to detect 1 incident of non-compliance and 14 incidents of unlicensed activity within some frequency bands during the FY. All of these cases were resolved.

Additionally, in a proactive move and to efficiently manage the spectrum, the SMA in licensing new users of the spectrum utilized our Remote Monitoring and Direction Finding System (RMDFS) to actively monitor the spectrum across much of the island to ensure the assignment of interference-free spectrum.

#### Inspection

The inspection of radio sites and equipment continued to be a feature of the SMA's efforts to ensure spectrum users' compliance with licensing agreements and to resolve interference reports throughout the FY. Random inspections are normally carried out to examine installed radio systems and equipment. Site locations, and equipment operating frequencies, power and modulation levels, etc. are checked to certify compliance with the respective licences. During the FY, no anomalies were detected.

### **Interference Management**

Notwithstanding the efforts of the SMA, users of the radio frequency spectrum at times experience interference affecting their systems. Users may experience interference due to: technical problems with their equipment; or it may emanate from other licenced users who are operating in breach of their licence or with faulty equipment; and in instances whereby unlicensed users are operating in close proximity to licenced users.

The SMA continued its high level of responsiveness to interference reports, in order to expeditiously identify the cause, and effect resolution of all cases, through the use of our RMDFS sites and mobile monitoring vehicles. Reconnaissance and interference investigations were conducted in relation to 20 cases, of which 19 were reported during the FY and 1 was brought forward from the previous FY.

Of the 20 cases investigated, 18 or 90% were resolved or needed no further action on the part of the SMA. This performance is above the SMA's **key performance indicator of 85% for resolving interference reports**. The 2 cases pending at the end of the FY had performance standard time for

resolution which goes beyond the FY, and so will be carried into the 2011/12 FY.

A total of 17 or 94% of the 18 cases resolved, were completed within the established standard which is above the **key performance indicator of 85% for time taken to resolve interferences.**

## Revenue & Expenditure

### Revenue

The SMA continued to operate independently of central government's financial support, maintaining its status as a net contributor to the Consolidated Fund. Based on the **Telecommunications (Spectrum Regulatory Fee) Regulations 2003**, income is generated primarily from Regulatory Fees, which is charged to spectrum licencees. Other methods of income generation include administrative processing fees charged for the review of new applications for spectrum frequencies, the granting of type approval certifications and customs clearances.

For the 2010/11 FY the SMA targeted total revenue of \$213.88M from Regulatory Fees, Processing Fees, and Interest Income. For the 12 months ended 2011 March 31, the SMA's revenue figures amounted to \$269.65M, exceeding the budget target by \$55.77M and the KPI of \$192.49M by \$77.16M. The above target performance was due primarily to new business acquired and efforts to collect on overdue accounts. The revenue performance is detailed in Table 2.

**Table 2:**  
**Revenues - Actual vs. Target and KPI for each Category**

Revenue: 2010/11			
Description	Target (\$M)	KPI (\$M)	Actual (\$M)
Regulatory Fees	203.38	183.04	252.20
Processing Fees	0.90	0.81	3.28
Interest Income	9.60	8.64	11.80
Other Income	-	-	2.37
<b>Total</b>	<b>213.88</b>	<b>192.49</b>	<b>269.65</b>

As the SMA is a self-funded organization, timely collection and prudent treasury management has been a fundamental component of the revenue plan. Total revenue collection for the FY amounted to \$305.48M, which includes payments on receivables

from the previous FY, and prepayments relating to the next FY.

### Expenditure

For the FY, the SMA was within the budgeted target, reporting total expenditure of \$166.64M, in comparison to a budget target of \$209.45M. The majority of the SMA's expenditure categories were within budget, as certain expenditures such as training and development, public relations and leased office & maintenance were not incurred at the levels anticipated.

### **Collection of Spectrum Licence Fees**

For the 2010/11 FY the SMA collected \$116.81M in spectrum licence fees. This exceeded the target of \$72.51M established at the beginning of the FY, based on the number of licences that were to be renewed. These funds are collected on behalf of the Government of Jamaica (GoJ) and are remitted to the Consolidated Fund. The total fees collected include amounts relating to new business and fees outstanding from the previous FY. At the end of the FY the SMA remitted \$99.0M to the Consolidated Fund, in addition to an extraordinary amount of \$40.075M, which is not included above.

### **Training and Development**

As a knowledge-based organization, training and development is critical to the SMA's efficiency and effectiveness. During the FY the SMA was able to provide both local and overseas training and development opportunities to members of staff. The training opportunities supported by the SMA included the following:

- Supervisory Management
- Crystal Reports
- Taxation – Compliance Measures
- ICT Network Cost Modelling
- TCI International 2010 Technical Training Seminar
- Transitioning from Analogue to Digital Broadcasting for countries in the Caribbean
- Jamaican Tax Systems Basis
- The Road to March 15 – Tax Day
- Project Management
- Jamaica Procurement Policies and Procedures
- Corporate Governance for Public Sector Employees
- Understanding Modern Spectrum Management



*ITU's Regional Seminar on the Economic and Financial aspects of Telecommunication. San Salvador, El Salvador*



*Opening of the Seminar in San Salvador, El Salvador*

### **Regional and International Obligations**

The SMA's participation in regional and international Information and Communications Technology organizations is important for both the local and regional ICT industry development. The SMA represents Jamaica, and at times the Caribbean region on committees in these bodies. In particular, the SMA is involved on committees of the Caribbean Telecommunications Union (CTU), the International Telecommunications Union (ITU) and the International Telecommunications Satellite Organization (ITSO).

The SMA represents Jamaica on the ITSO Advisory Committee (IAC), for which Jamaica represents the Caribbean Parties as a member of

Region A. During the FY, the SMA made representation at several interim IAC meetings held for the purpose of providing recommendations in respect of the continuation or termination of the ITSO Agreement. These interim meetings are in preparation for the 35<sup>th</sup> Assembly of Parties Meeting scheduled to be held in July 2012, where a decision is to be made on the ITSO Agreement. The decision has historical importance globally in regard to satellite services.

Other regional and international activities in which the SMA was involved during the FY included:

- The ITU Plenipotentiary Meeting 2010, held in Guadalajara, Mexico from 2010 October 10 to 22.
- The Caribbean Telecommunications' Union 8<sup>th</sup> Ministerial ICT Strategic Meeting in Trinidad & Tobago on February 8 and 9, 2011.
- The ITU's Regional Seminar on the economic and financial aspects of Telecommunications Study Group 3 Regional Group for Latin America and Caribbean (SG3RG-LAC). The seminar was held in San Salvador, El Salvador, on February 15 and 16, 2011.

On May 10, 2010 the SMA attended a meeting at the Hilton Hotel, arranged by the Canadian High Commission in an effort to continue to develop the relationship between Industry Canada (IC), their telecommunication stakeholders in Canada and

Jamaica. The Canadian Research Center (CRC) was represented at the meeting as a Canadian stakeholder, whilst the Broadcasting Commission, at the invitation of the SMA, was the other Jamaican stakeholder present. Matters discussed related to:

- The Development of Broadband Technology
- The transition to digital TV (from analogue)
- The spectrum regulations for wireless telecommunications

During the FY the SMA also provided advice to the Office of Disaster Preparedness and Emergency Management (ODPEM) and the National Environment and Planning Agency (NEPA) in their deliberations on the “Emerging Need for Amendment of the Protocol for Telecommunication Towers in Jamaica.”

### **Organizational Changes**

#### ***Board of Directors***

As a result of a Cabinet decision dated June 28, 2010, 4 additional members were appointed to the Board of Directors (BOD) of the SMA with effective date of July 1, 2010. Welcomed to the BOD were:

- Mrs. Samantha Charles
- Mr. Rupert Bent
- Mr. Trevor Forest
- Mr. Clement Jackson

#### ***Staff***

As at March 31, 2011 there were 31 members of staff, representing 82% of the approved organizational establishment. During the year the SMA welcomed to Team SMA, the following members:

- Dainsworth Richards – Managing Director
  - Keisha Diego-Grey – Legal Officer
  - Louis Phillips – Director, Finance & Administration
  - Sandra Ragnatt – Chief Accountant
  - Ida-Gaye Warburton – Director, Legal Affairs
  - Orville Reid – Information Technology Officer
- Ms. Warburton returned to the SMA after a short separation period during the FY. The SMA also welcomed back Michele Thomas who is on a short-term contract as a consultant.

Separations experienced during the FY included the following: Beverley Austin, Deborah Newland, Stacey Beckford, and Ann-Marie Dunkley. Additionally, short term contracts with the following persons ended during the FY: Winston Martin, Cheryl Cole, and Mahlangu Lawson. The SMA takes this opportunity to thank them all for their contribution and wishes them all success in their future endeavour.

### **Corporate Social Responsibility**

The SMA continued its support as a good corporate citizen during the FY by contributing to various activities that were beneficial to the community and the society at large. Such efforts included contribution to the community Church building fund, responding to requests for medical aid and other community development programmes/efforts.

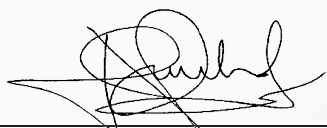
### ***GOING FORWARD***

For FY 2011/12, the SMA will continue our thrust towards our goal of effective regulation, as articulated in our 2011 – 2014 Corporate Strategic and Operational Plan. The monitoring capacity expansion project, outlined in the Corporate Plan, is integral to the SMA achieving this goal. This, along with telecommunications and legislative reforms will be critical to the effectiveness of the SMA going forward. Telecommunications, legislative and policy reforms are expected to enhance the institutional framework required to leverage greater efficiency and effectiveness in the management of the spectrum.

The ICT industry is a key pillar in Jamaica’s growth and development. However, the desired contribution will not be possible without the requisite legislative support and effective regulatory structure being in place to reap the benefits of technological development. In recognition of this fact, the SMA will continue to provide the legal and regulatory support required to help to facilitate the development of the industry. With teamwork and the support of the OPM, the SMA is determined to achieve its strategic objectives and targets for the 2011/12 FY.



The SMA thanks our stakeholders and clients for their support and cooperation throughout the year and looks forward to many more years working together in harmony to the benefit of our country and the people of Jamaica. The Board of Directors takes this opportunity to thank the management and staff for their dedication and continued high quality contribution, without which, the achievements of the SMA during the FY, would not have been possible. The commitment and resilience demonstrated in the midst of the challenges faced during a difficult year, did not go un-noticed. We look forward to working with the team in the 2011/12 FY and trust that it will be even more productive.



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Deborah Newland  
Chairman



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Dainsworth Richards  
Managing Director



# CORPORATE INFORMATION

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## **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

## **COMPANY SECRETARY**

**Ms. Ida-Gaye Warburton**  
Spectrum Management Authority  
13-19 Harbour Street  
Kingston



## BOARD OF DIRECTORS' COMPENSATION

SPECTRUM MANAGEMENT AUTHORITY BOARD OF DIRECTORS' COMPENSATION					
Position of Director	Fees	UpKeep/Travelling or Value of Assigned Motor Vehicle	Honoraria	Compensation including Non-Cash Benefits as applicable	Total
	\$	\$	\$	\$	\$
Chairman - Board of Directors	275,000	128,415			403,415
Chairman HR - Sub Committee	159,500	47,985			207,485
Chairman - Finance - Sub Committee	175,000	35,280			210,280
Chairman - Audit - Sub Committee	189,000	43,610			232,610
Chairman - Technical Operations - Sub Committee	147,500	33,530			181,030
Chairman - Industry Affairs - Sub Committee	112,000	127,244		235,052	474,295
Member ( Finance, Industry Affairs, Strategic Planning, & HR)	235,000	59,430			294,430
Member ( Audit, Strategic Planning, & HR)	196,500	77,770			274,270
Member - (Audit - Sub Committee)	103,000	19,390			122,390
Member - (Technical Operations - Sub - Committee)	59,000	13,440			72,440
Member - (Strategic Planning - Sub Committee)	74,000	4,340			78,340
Member - (Industry Affairs - Sub Committee)	77,000	9,520			86,520
Co- Opted Member ( Finance - Sub Committee)	31,500				31,500
	<b>1,834,000.00</b>	<b>599,953.74</b>		<b>235,051.52</b>	<b>2,669,005.26</b>

NOTE: Included in Travelling allowance of \$599, 953.74 is retroactive payment of \$194,530.00 for seven (7) directors re the period 2009 Jan. 20 - 2010 May.

## SENIOR EXECUTIVES COMPENSATION

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 Benefits	Total
Managing Director - (2011 Jan. - Mar.)	1,407,362	-	24,500	0.00	28,900	40,353	1,501,114
Managing Director - (Actg.) - (2010 April 01, - May 18)	32,269	-	-	-	-	-	32,269
Director - Finance & Admin - (2010 April - July)	1,453,673	-	432,508	950,373	22,100	35,542	2,894,196
Director - Finance & Admin - (2010 Nov. - 2011 Mar.)	1,471,735	-	331,875	-	38,420	-	1,842,030
Director - Spectrum Engineering	4,912,110	251,967	796,500	245,606	263,067	165,230	6,634,479
Director - Spectrum Engineering - (Actg.) - (2010 Aug. 05 - Sept. 03)	124,605	-	31,375	-	-	-	155,980
Director - Human Resources - (2010 April - Nov.)	2,796,297	-	730,125	1,894,123	99,123	70,207	5,589,876
Director - Human Resources - (Actg.) - (2010 May - June)	194,444	-	59,393	-	-	-	253,837
Director - Legal Affairs - (2010 April - Oct.)	2,415,771	200,174	430,367	82,489	291,624	78,979	3,499,403
Director - Legal Affairs - (2011 Jan. - Mar.)	831,202	-	137,799	-	97,870	-	1,066,872
Director - Policy & Strategic - (Actg.) - (2010 April - Oct.)	353,647	-	276,302	-	-	-	629,949
	<b>15,993,115</b>	<b>452,140</b>	<b>3,250,744</b>	<b>3,172,591</b>	<b>841,104</b>	<b>390,310</b>	<b>24,100,005</b>

# **AUDITED FINANCIAL STATEMENTS 2010-2011**

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**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2011**



**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2011**

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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 29, which comprise the statement of financial position as at 31 March 2011 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. 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 2011 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**

22 June 2011





## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2011

	<u>Note</u>	<u>2011</u> \$	<u>2010</u> \$
REVENUE	5	255,477,602	233,484,789
OPERATING EXPENSES		<u>(167,209,976)</u>	<u>(175,033,673)</u>
OPERATING PROFIT	6	88,267,626	58,451,116
Other income		<u>14,173,786</u>	<u>22,212,635</u>
Finance costs	7	<u>102,441,412</u> -	80,663,751 <u>( 658,987)</u>
PROFIT BEFORE TAXATION		102,441,412	80,004,764
Taxation	8	<u>( 42,140,060)</u>	<u>( 24,378,001)</u>
PROFIT FOR THE YEAR		<u>60,301,352</u>	<u>55,626,763</u>
TOTAL COMPREHENSIVE INCOME		<u>60,301,352</u>	<u>55,626,763</u>




## SPECTRUM MANAGEMENT AUTHORITY LIMITED


## STATEMENT OF FINANCIAL POSITION

31 MARCH 2011

	<u>Note</u>	<u>2011</u> \$	<u>2010</u> \$
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	9	164,107,247	168,998,635
Investment in subsidiary	10	9,900	9,900
Taxation recoverable	11	<u>9,761,689</u>	<u>16,529,260</u>
		<u>173,878,836</u>	<u>185,537,795</u>
<b>CURRENT ASSETS:</b>			
Receivables	12	9,268,559	40,887,088
Reverse repurchase agreements	13	223,527,916	139,307,833
Cash and cash equivalents	14	<u>36,068,052</u>	<u>15,866,646</u>
		<u>268,864,527</u>	<u>196,061,567</u>
		<u>442,743,363</u>	<u>381,599,362</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>CAPITAL AND RESERVES:</b>			
Share capital	15	20	20
Capital reserve	16	144,700,366	144,700,366
Retained earnings		<u>182,748,535</u>	<u>122,447,183</u>
		<u>327,448,921</u>	<u>267,147,569</u>
<b>NON-CURRENT LIABILITIES:</b>			
Deferred tax liabilities	17	<u>14,480,726</u>	<u>10,148,677</u>
<b>CURRENT LIABILITIES:</b>			
Payables	18	34,035,026	54,733,440
Deferred income	19	31,838,414	29,036,912
Taxation payable		<u>34,940,276</u>	<u>20,532,764</u>
		<u>100,813,716</u>	<u>104,303,116</u>
		<u>442,743,363</u>	<u>381,599,362</u>

Approved for issue by the Board of Directors on 29 June 2011 and signed on its behalf by:


  
 Deborah Newland - Chairman, Board of Directors


  
 Dainisworth Richards - Managing Director

 S P M  
 MANAGEMENT  
 AUTHORITY

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**YEAR ENDED 31 MARCH 2011**

	Number of <u>Shares</u>	Share <u>Capital</u> ₤	Capital <u>Reserve</u> ₤	Retained <u>Earnings</u> ₤	<u>Total</u> ₤
Balance at 1 April 2009	20	20	144,700,366	66,820,420	211,520,806
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,626,763</u>	<u>55,626,763</u>
Balance at 31 March 2010	20	20	144,700,366	122,447,183	267,147,569
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,301,352</u>	<u>60,301,352</u>
Balance at 31 March 2011	<u>20</u>	<u>20</u>	<u>144,700,366</u>	<u>182,748,535</u>	<u>327,448,921</u>



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED 31 MARCH 2011

	<u>2011</u> \$	<u>2010</u> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit for the year	60,301,352	55,626,763
Adjustments for:		
Deferred tax	4,332,049	( 3,149,476)
Profit on disposal of property, plant and equipment	( 34,200)	( 1,238,154)
Depreciation	<u>17,541,501</u>	<u>16,709,823</u>
Operating cash flows before movements in working capital	82,140,702	67,948,956
Change in operating assets and liabilities:		
Receivables	31,618,529	( 22,222,361)
Taxation recoverable	6,767,571	3,220,306
Deferred income	2,801,502	4,408,531
Payables	( 20,698,414)	(175,297,007)
Taxation payable	<u>14,407,512</u>	<u>1,188,571</u>
Net cash provided by/(used in) operating activities	<u>117,037,402</u>	<u>(120,753,004)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (increase)/decrease in reverse repurchase agreements	( 84,220,083)	124,641,531
Proceeds from sale of property, plant and equipment	34,200	1,238,154
Acquisition of property, plant and equipment	<u>( 12,650,113)</u>	<u>( 85,484,246)</u>
Net cash (used in)/ provided by investing activities	<u>( 96,835,996)</u>	<u>40,395,439</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY:</b>		
Loan repayment	<u>-</u>	<u>( 21,453,696)</u>
Net cash used in financing activity	<u>-</u>	<u>( 21,453,696)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	20,201,406	(101,811,261)
Cash and cash equivalents at beginning of year	<u>15,866,646</u>	<u>117,677,907</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>36,068,052</u>	<u>15,866,646</u>

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2011**

**1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

Spectrum Management Authority Limited is a limited liability company incorporated and domiciled in Jamaica. It is wholly owned by the Government of Jamaica and is an agency within the Information and Telecommunications Department of the Office of the Prime Minister. The registered office of the company is located at 13-19 Harbour Street, Kingston.

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 presented using Jamaica dollars which is considered the currency of the primary economic environment in which the company operates ("the functional currency").

**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 presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

**(a) Basis of preparation -**

These financial statements have been prepared in accordance 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 provisions of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. 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 a 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.

**Standards, interpretations and amendments to published standards effective in the current year**

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 amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of this standard did not have any effect on the company as there were no transactions to which it applied.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

**Standards, interpretations and amendments to published standards effective in the current year (cont'd)**

IAS 7 (Revised), Statement of Cash Flows: Amendments as part of Improvements to IFRS issued in 2009 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The adoption of this standard did not have any effect on the company as there were no transactions to which it applied.

**Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted**

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting period beginning after 1 April 2011 or later periods, but the company has not early adopted them:

IAS 1(Revised) Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2011). The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statements of changes in equity or in the notes to the financial statements. No note will be used for the items of other comprehensive as the information is already included in the statement.

IAS 24 (Revised):Related Party Disclosures Effective January 1,2011. The amendments to the standard simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government-related entities) and clarify the definition of a related party. The standard is not expected to have any significant impact on the company's financial results and will only have an impact on the disclosures in the financial statements.

IFRS 7, 'Financial instruments' (effective for annual periods beginning on or after 1 July 2011). The amendments encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

**Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted (cont'd)**

IFRS 9, Financial instruments Part 1 - Classification and Measurement of financial assets (effective for annual periods beginning on or after 1 January 2013). This was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The company is considering the implications of the standard, the impact it will have and the timing of its adoption by the company.

## (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 recognized in the statement of comprehensive income.



SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) 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 instrument 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services, but also incorporate other types of contractual monetary assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The company's loans and receivables comprise trade receivables, cash and cash equivalents in the statement of financial position.

Available-for-sale

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables. They are classified as reverse repurchase agreements on the statement of financial position. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognized in other comprehensive income and accumulated in the fair value reserve. Exchange differences on amounts denominated in a foreign currency and interest calculated using the effective interest rate method is recognised in net profit or loss.

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. These liabilities are classified as payables.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (c) Financial instruments (cont'd) -

*IFRS 7 fair value measurement hierarchy*

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement (see note 4). The fair value hierarchy has the following levels:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

## (d) 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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(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 asset or the cash-generating unit to which it 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 purpose 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) Reverse repurchase agreements -

Securities purchased under agreements to resell are recorded as collateralised financing transactions and are classified as available-for-sale financial assets. They are originally recorded at cost which is the cash given to originate the transactions and are subsequently measured at amortised cost using the effective interest method.

(i) 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.

(j) Trade and other payables -

Trade payables are stated at cost.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (k) 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 expenses in the period in which they are incurred.

## (l) 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.

## (m) 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 2011**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(n) 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 is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Market risk
- Liquidity risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

*Principal financial instruments*

The principal financial instruments used by the company, from which financial instruments risk arises, are as follows:

- Trade receivables
- Reverse repurchase agreements
- Cash and cash equivalents
- Payables

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 4. FINANCIAL AND CAPITAL RISK MANAGEMENT:

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

A summary of the financial instruments held by category is provided below:

## Financial assets

	Loans and receivables		Available-for-sale	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	\$	\$	\$	\$
Cash and cash equivalents	36,068,052	15,866,646	-	-
Reverse repurchase agreements	-	-	223,527,916	139,307,833
Trade receivables	<u>5,495,361</u>	<u>33,833,390</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>41,563,413</u>	<u>49,700,036</u>	<u>223,527,916</u>	<u>139,307,833</u>

## Financial liabilities

	Financial liabilities at cost	
	<u>2011</u>	<u>2010</u>
	\$	\$
Payables	<u>29,231,581</u>	<u>50,550,490</u>

**General objectives, policies and processes**

The Board has overall responsibility for the determination of the company's risk management objectives and policies, whilst retaining ultimate responsibility for them. It has delegated the authority for designing the operating processes that ensure the Board receives reports from the Managing Director through which it reviews the effectiveness of the processes implemented and the appropriateness of the objectives and policies it establishes.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's regulatory activities. Further details regarding these policies are set out below:

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 4. FINANCIAL AND CAPITAL RISK MANAGEMENT:

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

## (i) 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 spectrum licencees pay spectrum licence fees and regulatory fees for the use of the radio frequency. The company manages its risk by screening its customers, 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.

The maximum exposure to credit risk at the reporting date was:

	<u>2011</u>	<u>2010</u>
	₹	₹
Cash at bank	21,096,645	15,673,426
Reverse repurchase agreements	223,527,916	139,307,833
Receivables	<u>6,558,695</u>	<u>36,805,249</u>
	<u>251,183,256</u>	<u>191,786,508</u>

Further disclosures regarding receivables are provided in note 12.

## (ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the company to cash flow interest risk, whereas fixed interest rate instruments expose the company to fair value interest risk.

The company's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of investments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The company's interest rate risk arises from deposits and short-term instruments (see notes 13 and 14).

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

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

## (iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk arises mainly from changes in interest rate and foreign currency rate and will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk exposures are measured using sensitivity analysis.

## Interest rate sensitivity

The following tables indicate the sensitivity to a reasonably possible change of 200 basis points in interest rates, with all other variables held constant, on the company's statement of comprehensive income and shareholders' equity.

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for 2010.

	Effect on <u>Net Surplus</u> <u>2011</u> \$	Effect on <u>Equity</u> <u>2011</u> \$	Effect on <u>Net Surplus</u> <u>2010</u> \$	Effect on <u>Equity</u> <u>2010</u> \$
Change in basis points:				
-200	(4,470,558)	(4,470,558)	(2,784,640)	(2,784,640)
200	<u>4,470,558</u>	<u>4,470,558</u>	<u>2,784,640</u>	<u>2,784,640</u>

The impact on shareholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on market risk.

## 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 is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the United States dollar. Foreign exchange risk arises from future transactions and recognized assets.



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

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

## (iii) Market risk (cont'd) -

## Currency risk

The company manages its foreign exchange risk by ensuring that the net exposure in foreign assets is kept to an acceptable level.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to foreign currency risk on transactions that it undertakes in foreign currencies that give rise to the net currency gains and losses recognized during the year. Such exposures comprise the assets and liabilities of the company that are not denominated in its functional currency. The company ensures that the risk is kept to an acceptable level by monitoring its value at risk exposure.

The table below summarises the total exposure to foreign currency exchange rate risk:

	<u>2011</u>		<u>2010</u>	
	<u>J\$</u>	<u>US\$</u>	<u>J\$</u>	<u>US\$</u>
Financial Assets				
Cash and cash equivalents	15,178,722	177,471	614,750	6,911
Reverse repurchase agreements	<u>55,319,141</u>	<u>646,822</u>	<u>77,531,368</u>	<u>871,563</u>
	<u>70,497,863</u>	<u>824,293</u>	<u>78,146,118</u>	<u>878,474</u>

The following tables indicate the effect on profit arising from changes in the United States dollar exchange rate. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjust their translation at the year end for a 5% (2010 - 5%) change in foreign currency rates.

	<u>2011</u>	<u>2010</u>
	<u>\$</u>	<u>\$</u>
Effect on profit before tax	<u>3,524,893</u>	<u>3,907,395</u>

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2011**

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

(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 of 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 exists where 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 a 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.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

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

## (b) Fair value -

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of cash and cash equivalents, trade receivables and accounts receivables approximate to their carrying values due to their relatively short term nature.

The fair value of available-for-sale investment and the method of determining fair value is disclosed at note 3(c). The valuation method falls in the level 2 fair value hierarchy.

The following table provides an analysis of financial instruments that are measured in the statement of financial position at fair value at 31 March 2011, grouped into Level 2 based on the degree to which the fair value is observable.

Level 2: Fair value measurements are those derived from valuation techniques based on inputs other than quoted market prices included within level 1, that are observable for the instrument, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	<u>Level 2</u>	<u>2011</u>
	\$	\$
<i>Available-for-sale securities:</i>		
Reverse repurchase agreements	<u>223,527,916</u>	<u>223,527,916</u>

	<u>Level 2</u>	<u>2010</u>
	\$	\$
<i>Available-for-sale securities:</i>		
Reverse repurchase agreements	<u>139,307,833</u>	<u>139,307,833</u>

## 5. REVENUE:

This represents spectrum regulatory fees and processing fees.

## 6. OPERATING PROFIT:

Stated after charging:

	<u>2011</u>	<u>2010</u>
	\$	\$
Auditors' remuneration (inclusive of GCT)	1,057,500	1,201,500
Staff costs (Note 21)	95,653,309	96,578,179
Depreciation	<u>17,541,501</u>	<u>16,709,823</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 7. FINANCE COSTS:

	<u>2011</u>	<u>2010</u>
	\$	\$
Loan interest	<u>-</u>	<u>658,987</u>

## 8. TAXATION:

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

	<u>2011</u>	<u>2010</u>
	\$	\$
Current year income tax at 33 1/3%	37,808,011	27,527,477
Deferred taxation (note 17)	<u>4,332,049</u>	<u>( 3,149,476)</u>
Taxation charge in income statement	<u>42,140,060</u>	<u>24,378,001</u>

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

	<u>2011</u>	<u>2010</u>
	\$	\$
Profit before taxation	<u>102,441,412</u>	<u>80,004,764</u>
Tax calculated at 33 1/3%	34,147,137	26,668,255
Adjusted for the effects of:		
Expenses not deductible for tax purposes	7,954,091	7,190,509
Net effect of other charges and allowances	<u>38,832</u>	<u>( 9,480,763)</u>
Taxation charge in income statement	<u>42,140,060</u>	<u>24,378,001</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 9. PROPERTY, PLANT AND EQUIPMENT:

	Land and Building £	Office Equipment and Software £	Furniture, and Fixtures £	Motor Vehicles £	Other Assets £	Total £
At cost -						
1 April 2010	73,062,087	131,658,027	9,062,075	17,503,155	-	231,285,344
Additions	187,000	11,213,292	1,181,671	-	68,150	12,650,113
Disposals	-	(487,892)	-	-	-	(487,892)
	<u>73,249,087</u>	<u>142,383,427</u>	<u>10,243,746</u>	<u>17,503,155</u>	<u>68,150</u>	<u>243,447,565</u>
Depreciation -						
1 April 2010	-	45,107,179	5,844,349	11,335,181	-	62,286,709
Charge for the year	1,815,087	12,109,717	959,905	2,650,582	6,210	17,541,501
Elimination	-	(487,892)	-	-	-	(487,892)
	<u>1,815,087</u>	<u>56,729,004</u>	<u>6,804,254</u>	<u>13,985,763</u>	<u>6,210</u>	<u>79,340,318</u>
Net Book Value -						
31 March 2011	<u>71,434,000</u>	<u>85,654,423</u>	<u>3,439,492</u>	<u>3,517,392</u>	<u>61,940</u>	<u>164,107,247</u>
31 March 2010	<u>73,062,087</u>	<u>86,550,848</u>	<u>3,217,726</u>	<u>6,167,974</u>	-	<u>168,998,635</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 10. INVESTMENT IN SUBSIDIARY:

Investment in subsidiary represents the cost of shares in Universal Access Fund Company Limited an unquoted company. The investment consists of 9,900 ordinary shares in Universal Access Fund Company Limited or 99% of the authorized share capital.

## 11. TAXATION RECOVERABLE:

Taxation recoverable represent taxes withheld at source on interest received on reverse repurchase agreements and cash and cash equivalents as follows:

<u>Year Withheld</u>	<u>Tax Withheld</u>
2007	2,982,283
2006	2,926,113
2005	6,569,284
2004	1,488,972
2003	234,911
2002	824,021
2001	<u>1,503,676</u>
	16,529,260
Tax refund (January 2008-December 2008)	( <u>6,767,571</u> )
	<u>9,761,689</u>

## 12. RECEIVABLES:

	<u>2011</u>	<u>2010</u>
	<u>₹</u>	<u>₹</u>
Regulatory fees	5,670,049	33,973,062
Less: Bad debt provision	( <u>174,688</u> )	( <u>139,672</u> )
	5,495,361	33,833,390
Prepayments	2,709,864	4,081,839
Other receivables	<u>1,063,334</u>	<u>2,971,859</u>
	<u>9,268,559</u>	<u>40,887,088</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 12. RECEIVABLES (CONT'D):

The aging of trade receivables is as follows:

	<u>2011</u> \$	<u>2010</u> \$
0-30 days	4,695,245	33,815,690
31-60 days	7,750	17,700
61-90 days	20,234	-
90 days and over	<u>946,820</u>	<u>139,672</u>
	<u>5,670,049</u>	<u>33,973,062</u>

Movement in allowance for doubtful debts:

	<u>2011</u> \$	<u>2010</u> \$
Balance at the beginning of year	139,672	1,738,316
Impairment losses recognized on receivables	854,639	139,672
Amounts written off as uncollectible	<u>(819,623)</u>	<u>(1,738,316)</u>
	<u>174,688</u>	<u>139,672</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 statement of financial position date there is no further credit provision required in excess of the allowance for doubtful debts.

## 13. REVERSE REPURCHASE AGREEMENTS:

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

These reverse repurchase agreements include interest receivable of \$642,109 (2010:\$346,611). They have an average maturity period of 31 days (2010 - 38 days).

	<u>2011</u> \$	<u>2010</u> \$
Reverse repurchase agreements - US\$	55,319,141	77,531,368
- J\$	<u>168,208,775</u>	<u>61,776,465</u>
	<u>223,527,916</u>	<u>139,307,833</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 13. REVERSE REPURCHASE AGREEMENTS (CONT'D):

The exchange rate used to translate reverse repurchase agreements denominated in United States Dollars to Jamaica dollars at the year end was 85.52 Jamaica dollars to 1 United States dollar (2010 - 88.95 Jamaica dollars to 1 United States dollar).

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

	<u>2011</u>	<u>2010</u>
	%	%
US\$	2.92	4.40
J\$	<u>6.33</u>	<u>8.10</u>

## 14. CASH AND CASH EQUIVALENTS:

	<u>2011</u>	<u>2010</u>
	\$	\$
Cash in hand	14,971,407	193,220
Bank balances	<u>21,096,645</u>	<u>15,673,426</u>
	<u>36,068,052</u>	<u>15,866,646</u>

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

	<u>2011</u>	<u>2010</u>
	%	%
Cash at bank - US\$	1.00	1.02
- J\$	<u>4.00</u>	<u>4.00</u>

## 15. SHARE CAPITAL:

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>
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Spectrum  
MANAGEMENT  
AUTHORITY



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 16. CAPITAL RESERVE:

	<u>2011</u>	<u>2010</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:

	Balance 01.04.10	Charged/(credit) to Profit and Loss	Balance 31.03.11
	\$	\$	\$
Accelerated tax depreciation	9,827,231	5,416,703	15,243,934
Other	<u>321,446</u>	<u>(1,084,654)</u>	<u>( 763,208)</u>
Net deferred tax liabilities	<u>10,148,677</u>	<u>4,332,049</u>	<u>14,480,726</u>

## 18. PAYABLES:

	<u>2011</u>	<u>2010</u>
	\$	\$
Accountant General:		
Spectrum fees	17,791,010	-
Gotel	-	40,084,883
Accruals	<u>11,440,571</u>	<u>10,465,607</u>
	29,231,581	50,550,490
Customers' deposits	<u>4,803,445</u>	<u>4,182,950</u>
	<u>34,035,026</u>	<u>54,733,440</u>

Customers' deposits represent regulatory fees received in advance.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 19. DEFERRED INCOME:

This represents regulatory fees billed in advance.

## 20. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties:

(a)	Remuneration of key management personnel -	<u>2011</u> ₹	<u>2010</u> ₹
	Salaries and other related costs	<u>24,100,005</u>	<u>29,980,502</u>
(b)	The following amounts represent fees paid to directors -	<u>2011</u> ₹	<u>2010</u> ₹
	Chairman fees and directors' fee	<u>1,848,000</u>	<u>1,760,000</u>
(c)	Loan to key management personnel -	<u>2011</u> ₹	<u>2010</u> ₹
	Director - Spectrum Engineering	<u>619,077</u>	<u>1,114,339</u>
(d)	Related company balances and transactions:		
(i)	Included in other receivables is an amount receivable from Universal Access Fund Company Limited.	<u>2011</u> ₹	<u>2010</u> ₹
	Due from related company	<u>17,056</u>	<u>-</u>
(ii)	Management fee income -	<u>2011</u> ₹	<u>2010</u> ₹
	Universal Access Fund Company Limited	<u>-</u>	<u>3,327,426</u>

Management fee income represents amount received for administrative support services rendered.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 21. STAFF COSTS:

	<u>2011</u>	<u>2010</u>
	\$	\$
Salaries and wages	78,059,139	78,018,270
Statutory contribution	4,912,090	4,409,402
Pension	2,112,270	2,223,976
Group life and health insurance	3,135,142	2,751,115
Contract/temporary workers	4,296,493	3,710,673
Staff training, welfare and uniform	<u>3,138,175</u>	<u>5,464,743</u>
	<u>95,653,309</u>	<u>96,578,179</u>

The number of persons employed by the company at the end of the year was 33 (2010 - 30).

## 22. LITIGATION AND CONTINGENT LIABILITIES:

Included in reverse repurchase agreements (note 13) is an amount of \$36.75m received from Claro Jamaica Limited for regulatory fees re transfer of licence from Index Communication Network Limited in December 2010. Index Communication Network Limited has subsequently filed a lawsuit in the Supreme Court against Spectrum Management Authority and Claro as a result of the transfer of the licence. Our attorneys are not in a position at this time to speculate on the ultimate outcome of the case.



**INDEPENDENT AUDITORS' REPORT**

To the Directors of  
Spectrum Management Authority Limited

The supplementary information presented on pages 31 and 32 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 2011.

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

22 June 2011



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## DETAILED STATEMENT OF INCOME

YEAR ENDED 31 MARCH 2011

	<u>2011</u> \$	<u>2010</u> \$
REVENUE:		
Administrative and processing fees	3,273,570	3,130,234
Regulatory fees	<u>252,204,032</u>	<u>230,354,555</u>
	255,477,602	233,484,789
OTHER INCOME:		
Interest income	11,804,963	18,600,951
Other income	<u>2,368,823</u>	<u>3,611,684</u>
	<u>269,651,388</u>	<u>255,697,424</u>
LESS - EXPENSES		
Administrative (Page 32)	167,209,976	175,033,673
Financial (Page 32)	<u>-</u>	<u>658,987</u>
	<u>167,209,976</u>	<u>175,692,660</u>
PROFIT BEFORE TAXATION	<u>102,441,412</u>	<u>80,004,764</u>



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## SCHEDULE OF EXPENSES

YEAR ENDED 31 MARCH 2011

	<u>2011</u> ₹	<u>2010</u> ₹
ADMINISTRATIVE:		
Salaries and other related costs	90,402,864	88,889,460
Pension costs	2,112,270	2,223,976
Staff training and welfare	3,138,175	5,464,743
Chairman and directors' fees	1,848,000	1,760,000
Directors' expenses	-	10,754
Board/Committee meeting	1,951,252	1,447,912
Travel and subsistence - overseas and local meetings	1,924,836	2,251,260
ICT promotion	2,461,534	836,231
Professional fees	2,558,897	5,043,847
Audit fees - current year	1,057,500	1,045,750
- prior year under-provision	-	155,750
Subsistence and accommodation	214,984	162,865
Stationery and office supplies, postage, courier	1,529,956	1,455,012
Data processing	1,669,083	1,238,545
Security	1,596,384	568,427
General office expenses	1,903,741	1,356,550
Public relations and education	275,693	1,225,151
Lease	2,056,699	11,647,505
Repairs and maintenance - ASMS/RMDF	8,744,693	6,588,113
- equipment	1,270,416	578,229
- building	1,698,268	14,901,041
- furniture and fixtures	226,143	351,605
Entertainment	-	11,450
Advertisement	1,709,208	592,518
Telephone	2,665,991	3,335,125
Electricity	7,932,126	2,500,977
Subscriptions and donations	548,539	884,817
Insurance	2,412,781	1,829,815
Motor vehicle	1,725,705	2,129,690
Bank charges	279,370	303,116
Property tax	48,375	-
Profit on disposal of property, plant and equipment	( 34,200)	(1,238,154)
Exchange loss/(gain)	2,884,553	(1,367,902)
Provision for bad debts	854,639	139,672
Depreciation	<u>17,541,501</u>	<u>16,709,823</u>
	<u>167,209,976</u>	<u>175,033,673</u>
FINANCIAL:		
Loan interest	<u>-</u>	<u>658,987</u>



**Spectrum Management Authority  
Annual Report 2010/2011**

**ERRATA**

1. Page number 18, "BOARD OF DIRECTORS' COMPENSATION" should read as set out below.

SPECTRUM MANAGEMENT AUTHORITY					
BOARD OF 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	275,000	128,415			403,415
Chairman HR - Sub Committee	159,500	47,985			207,485
Chairman - Finance - Sub Committee	175,000	35,280			210,280
Chairman - Audit - Sub Committee	189,000	43,610			232,610
Chairman - Technical Operations - Sub Committee	147,500	33,530			181,030
Chairman - Industry Affairs - Sub Committee	112,000	127,244		235,052	474,295
Member ( Finance, Industry Affairs, Strategic Planning, & HR)	235,000	59,430			294,430
Member ( Audit, Strategic Planning, & HR)	196,500	77,770			274,270
Member - (Audit - Sub Committee)	103,000	19,390			122,390
Member - (Technical Operations - Sub - Committee)	59,000	13,440			72,440
Member - (Strategic Planning - Sub Committee)	74,000	4,340			78,340
Member - (Industry Affairs - Sub Committee)	77,000	9,520			86,520
Co-Opted Member ( Industry Affairs - Sub Committee)	14,000				14,000
Co- Opted Member ( Finance - Sub Committee)	31,500				31,500
	<b>1,848,000.00</b>	<b>599,953.74</b>		<b>235,051.52</b>	<b>2,683,005.26</b>

NOTE: Included in Travelling allowance of \$599, 953.74 is **retroactive payment** of \$194,530.00 for seven (7) directors re the period 2009 Jan. 20 - 2010 May.

