

Annual Report 2011/12

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MISSION STATEMENT

TO ENSURE THE EFFICIENT MANAGEMENT
OF JAMAICA'S RADIO FREQUENCY SPECTRUM
IN KEEPING WITH INTERNATIONAL BEST PRACTICES
AND IN THE INTEREST OF SOCIAL, ECONOMIC
AND TECHNOLOGICAL DEVELOPMENT.



Corporate Profile

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

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

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

Spectrum Management Authority was in accordance with the Companies Act incorporated as a limited liability company on 1st February 2000 and became operational in April 2001. The registered office of the company is 13 - 19 Harbour Street, Kingston, Jamaica.

The statutory obligations and the operational principles of the Authority are in accordance with, and 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 telecommunications sector.

The Authority is financed through a cost-recovery mechanism, whereby licensed spectrum users are required to pay Regulatory fees. The fee mechanism was developed in consultation with spectrum users and is constituted in **The Telecommunications (Spectrum Regulatory Fees) Regulations 2003, Jamaica Gazette Supplement Number 33, in April 2003.**

As aforesated in carrying out its mandate, the Authority operates within the legislative framework as established by the **Telecommunications Act, 2000** and the **Radio and Telegraph Control Act, 1973**. Internationally, SMA is also guided by the rules and regulations of the International Telecommunications Union (ITU). ITU is the leading United Nations agency for information and communication technologies. As the global focal point for governments and the private sector, ITU's role in helping the world communicate spans 3 core sectors: radiocommunication, standardization and development.

Corporate Profile

The SMA collects Spectrum licence fees on behalf of the GOJ, which is remitted to the Consolidated Fund.

There are various categories of radio systems that are licensed by the Authority: namely,

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

The Authority also acts in a certifying capacity in respect of the following licences:

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

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

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

Board of Directors



Mr. Andrew Geohagen



Ms. Shynelle Anderson



Mr. Pierre Shirley



Ms. Daniella Hickling



Mr. Desmond Palmer



Mr. Mario Mitchell



Ms. Latoya Thomas



Mr. Christopher Honeywell
Chairman



Mrs. Sophia Frazer - Binns



Mr. Henry Batson
Managing Director (Acting)



Ms. Marlene DeMercado

Missing
Mr. Denzil Williams
Ms. Olivia Leigh Campbell

Board of Directors' Report

The use of wireless technology continued to evolve both internationally and locally during the 2011/12 fiscal year (FY). *“From GPS (Global Positioning System) to broadcasting, Wi-Fi to radar, mobile broadband to weather satellites — the uses of the radio spectrum are as broad as the imagination, and demand for wireless bandwidth is growing as fast as the technology that uses it.”*¹ With the growing demand, the value of the radio frequency spectrum is even more apparent. As a result, in order to better serve such a dynamic communication sector, the Spectrum Management Authority's (SMA) strategic goal for the 2011/12 – 2013/14 FYs was, to manage the spectrum more effectively.



Smart phone exhibit: GSM Association stand at WRC-12 – Use of the device increases demand for spectrum.

Effectiveness speaks to doing the right things; at the right time; in the right way; for the right reason. Therefore an effective regulator is the vehicle to ensure credible market entry, compliance with and enforcement of existing regulations, the availability of “clean” spectrum and ensures that consumer and other stakeholder interests are protected in a fair and balanced manner. In a broad sense, as per the ICT Regulation Toolkit, *“an effective regulator is structurally and financially independent, but the real effectiveness of the regulator lie in how it achieves successful functionality, ideally in an independent and autonomous manner”*.²

¹ The Radio Spectrum Institute – Expert spectrum management training for today's wireless landscape
²http://www.ictregulationtoolkit.org/en/Section.2093.html#_ftnref1

During the 2011/12 FY, the SMA was able to advance closer to this goal, through the resilience and dedication of the management and staff; the leadership and support of the members of the Board of Directors and our parent Ministries, (Office of the Prime Minister (OPM) – April to December 2011, and the Ministry of Science, Technology, Energy and Mining (MSTEM) – January to March 2012).

Several key performance indicators (KPI), relating to the core operating activities, were established at the beginning of the FY to determine the level of efficiency of the SMA. These operational activities were all benchmarked with international best practice standards and were either met or exceeded. This achievement will foster further growth and development of a healthy telecommunications industry in Jamaica.

Of significance during the FY, were the efforts by the Ministry, to enact amendments to the Telecommunications Act, 2000, (on which the SMA provided support), which was well in progress at the end of the FY. The proposed amendments seek to improve regulatory effectiveness in the sector and enhance the institutional framework required to leverage greater efficiency and effectiveness in the management of the spectrum.



Site visit being conducted at the remote monitoring site at Planters Hall, St. Catherine.

The FY was however, not without its challenges. The SMA was again unable to increase monitoring capacity as planned, as the budget was not

Board of Directors' Report

approved by the Ministry of Finance, due to fiscal constraints imposed by the International Monetary Fund (IMF) agreement. There were similar constraints with regards to the recruitment of staff to fill vacant positions. It is against this background that we are proud to present the performance of the SMA for the 2011/12 FY.

Corporate Performance

Overall, the SMA's performance for the 2011/12 FY was characterized by customer oriented service; which engenders continued confidence in the regulator and is able to generate new and renewed investment interest in the industry, to the benefit of the Government and the people of Jamaica.

Licensing

New Application: 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.

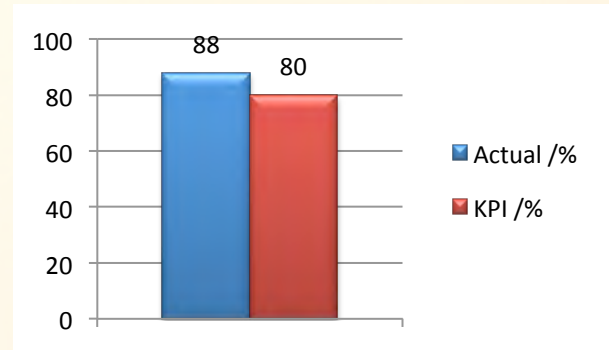


Members of the SMA team at the Oceana monitoring site

For the 12 months ending 2012 March 31, a total of 77 new applications were received, which was below the average of approximately 100 received in recent years. A total of 75 new applications were granted, and issued for the FY. Of the 75 licences granted, 2 were modified and 1 was a major network application for which there was no established standard. The SMA's performance was therefore measured against the 72 licences granted

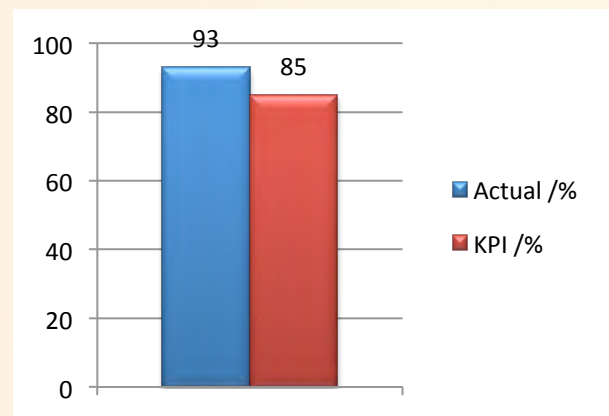
that had an established standard. The result was 63 of the 72, or approx 88%, were processed within their respective established standard processing time, **which was above the KPI of 80%**. *Figure 1* which follows, illustrates the actual performance rate versus the KPI in relation to the time taken to process new applications for licences.

Figure 1: Processing Time Performance



Renewals: The renewal of 370 licences for the FY represented a performance rate of 93%. The FY's target was 395 licences; however, 36 licences were reinstated upon the respective clients' requests; while 31 relinquished their licences; which had a plus 5 net effect on the target of 395 bringing it to 400. The performance rate of 93% is above the SMA's **key performance indicator of 85% for renewals**. *Figure 2* below shows the actual performance rate (percent) versus KPI for the number of licences renewed.

Figure 2: Actual performance rate versus the KPI



Note that licences are only renewed after receipt of payment.

Board of Directors' Report

Of the 370 licences renewed, 355 or approximately 96% were processed within the established processing standard. **The key performance indicator for this activity is 90%.**



Monitoring Coverage Area

Monitoring and Inspection

Spectrum monitoring and inspection is a key function of the SMA in managing the radio frequency spectrum. Monitoring and inspection activities are needed to ensure that users are compliant with their licence conditions and technical standards. As new players enter the market, along-side existing operators the risk of interference increases. Through careful planning and execution, the SMA must meet the needs of the growing demand for interference-free frequency assignment.

During the FY under review, the SMA through these monitoring and inspection activities was able to detect 12 incidents of unlicensed activity within some frequency bands. As at 2012 March 31, 4 cases were pending, all the others were resolved.

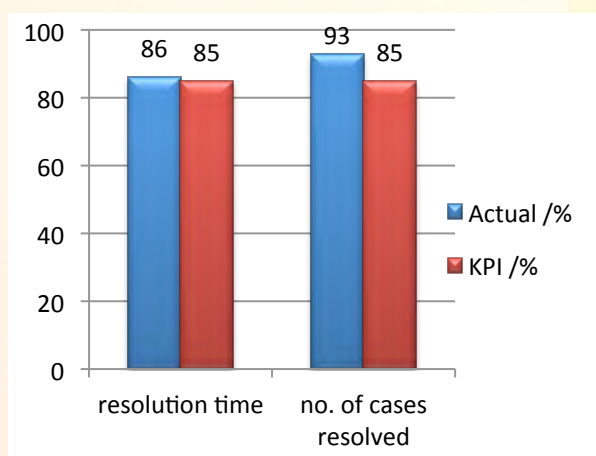
Interference Management

Interference is the term applied to unwanted emissions generated from, both intentional and unintentional, users of the spectrum. Interference causes problems and results in partial degradation or complete loss of information, ultimately impairing radiocommunications services. With this in mind, during the FY, the SMA continued to provide high levels of responsiveness to our clients in order to effect resolution of all reported cases of interference in a timely manner.

As at 2012 March 31, the SMA investigated 15 cases of interference for the FY. Of the 15 cases investigated, 2 were brought forward from the previous FY. For the FY, 14 of the 15 or 93% of the cases investigated were resolved. The 1 case pending was reported on 2012 March 26 and so was carried forward into the 2012/13 FY. The case had a resolution time of 75 days. However, the performance rate of approximately 93% was above the Authority's **key performance indicator of 85%** established for measuring the number of interference cases resolved during the FY.

Of the 14 cases resolved 12 were within the established time for resolution, which resulted in a performance rating of 86%; this performance was above the **key performance indicator of 85%**, established for measuring the time taken to resolve interferences. *Figure 3* below depicts both interference performances.

Figure 3: Actual vs.KPI for Interferences



Income & Expenditure

By astutely managing the cash inflows and outflows, the SMA was successful in ensuring that operational activities continued smoothly throughout the FY. The earning and collection of income is a critical element in the continued operation of the SMA, since the organization is not funded from the Consolidated Fund but is rather a net contributor. The SMA therefore strove to generate increased revenue by growing its customer base as well as licensing of additional spectrum to existing users.

Board of Directors' Report

Income: For the FY ending 2012 March 31, total income booked amounted to \$296.12M. The actual vs. targeted and KPI for each category earned are as follows in *Table 1.0*:

Table 1.0

Description	Target (\$'M)	KPI (\$'M)	Actual (\$'M)
Regulatory Fees	245.96	233.66	274.87
Processing Fees	3.00	2.85	3.38
Interest Income	7.42	7.05	16.56
Other Income	-		1.31
Total Income	256.38	243.56	296.12

Expenditure: The SMA completed the FY with actual expenditure of \$174.18M. This was well within the budgeted expenditure target of \$249.41M. The vast majority of the SMA's expenditure was within budget, or did not materialize, mainly as a result of not receiving the requisite approvals due to *inter alia*; constraints imposed by the IMF agreement.

Collection of Spectrum Licence Fees

Spectrum licence fees are collected on behalf of the Government of Jamaica (GoJ) and remitted to the Consolidated Fund. Based on the number of active licensees at the time of casting the budget, the SMA established a collection target of \$80.63M. As at 2012 March 31, the SMA collected \$81.94M; and, remitted \$87.70M, which included amounts brought forward from the previous FY.

Training and Development

The SMA facilitated the following training opportunities for the staff during the FY:

- *ACCA Seminar on Financial Investigation Skills for Accountants*
- *Qualifying Examination for the Wireless Communications Engineering Technologies (WCET) Certification Program (IEEE Course).*
- *Institute of Internal Auditors (IIA) Seminar on "Advanced Operational Auditing"*
- *IMT (3G/4G) Mobile Broadband*
- *WiMAX Planning and RF Engineering*
- *Green Paper on Tax Reform for Jamaica*
- *Transforming the Internet: Transitioning to the IPV6 Protocol*
- *Payroll and Taxation*
- *Effective Public Speaking*
- *Latin American Spectrum Conference and Training*
- *Strengthening the Growth and Innovative Capacity of SMEs in the Caribbean*
- *Applied Project Management*
- *Paralegal Studies*
- *Business Communication Suite*
- *Frameworks for Telecommunications and ICT Policy Making*
- *IFRS Update 2011 – KPMG*
- *Supervisory Management Course*
- *Use of Standard bidding Documents for the Procurement of Goods and Selection of Consultants*
- *Cloud Computing*
- *Leadership and Change Management Training*
- *Radio Frequency Spectrum management*
- *Professional Certificate in Regulatory Affairs*

Board of Directors' Report

Regional and International Obligations



WRC-12 Opening Ceremony, Geneva Switzerland. From L-R: Mr. Houlin Zhao, Deputy Secretary-General, ITU; Mr. Francois Rancy, Director of the Radiocommunication Bureau, ITU; Dr. Hamadoun Toure, Secretary-General, ITU; Mr. Tariq Al Awadhi, Chairman of WRC-12; Mr. Fabio Leite, Plenary Secretary of WRC-12; Mr. Malcolm Johnson, Director of Telecommunication Standardization Bureau, ITU; Mr. Brahim Sanou, Director of the Telecommunication Development Bureau, ITU.

During the FY, the SMA continued its participation in different regional and international information and communications technology (ICT) organizations. In particular, the SMA, in addition to members of Jamaica's Permanent Mission in Geneva, represented Jamaica at the World Radiocommunications Conference 2012 (WRC-12), held in Geneva, Switzerland, from 2012 January 23 to February 17. The International Telecommunication Union's (ITU) WRC is held every three or four years, and is mandated to review and revise, the Radio Regulations, the international treaty governing the use of radio-frequency spectrum and satellite orbit resources. The decisions of the conferences are agreed by all ITU Member States and applied and enforced in all 193 countries of the Union. Over 100

Observers from among the ITU's 700 private sector members, along with international organizations also attended WRC-12.

Additionally, the SMA continued to represent Jamaica on the ITSO Advisory Committee (IAC) during the FY. Jamaica represents four (4) Caribbean Parties as a member of Region A, and in fulfilling our obligations the SMA attended the 15th and 16th IAC meetings held in Washington DC, on 2011 November 17-18 and 2012 March 27-28, respectively. The main purpose of the meetings was to consider matters relating to whether to continue or terminate the ITSO Agreement. This decision will be made at the 35th Assembly of Parties Meeting scheduled to be held in July 2012.

The SMA also continued its involvement with the Caribbean Telecommunications Union (CTU), and the Inter-American Telecommunication

Board of Directors' Report

Commission; as well as attending regional seminars.

During the FY, the International Maritime Organization (IMO), the United Nations specialized agency that regulates international shipping, instituted a Voluntary IMO Member State Audit Scheme (VIMSAS) for its members who are parties to the various conventions. Jamaica volunteered to be audited in this scheme and the SMA, (as the agency responsible for certifying marine radio officers and regulating the radio spectrum), and other agencies were included in the audit.



Attendees at the Regional Workshop on the voluntary IMO Member State Audit Scheme for Caribbean Countries, 2011 May 2-6.

The audit of the SMA was conducted on 2011 September 16, and was deemed successful as the findings did not reveal any non-conformity on the part of the SMA.

The SMA also provided support to both the former and current parent Ministries – OPM and MSTEM respectively. In particular, the SMA provided the OPM with extensive technical, legal and regulatory advice after a joint application by Digicel and Claro was submitted to former Prime Minister Golding for approval of a transfer of control of operations. The SMA provided the Minister with advice on how the spectrum should be treated within the context of the proposed

merger in light of proposals made by the companies.

Organizational Change

Board of Directors: During the FY a new administration formed the government and the then Board of Directors (BOD) submitted their resignations, as is customary. The SMA thanks the former BOD for their leadership during their tenure.

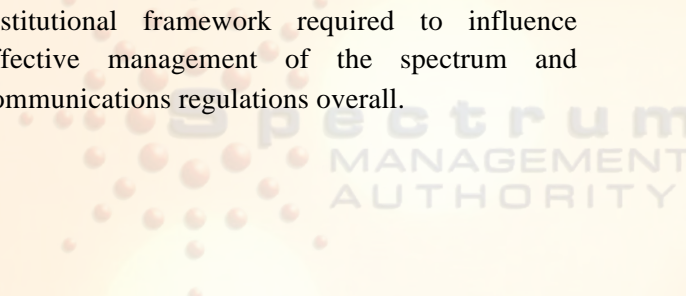
Staff: As at 2012 March 31, there were 30 members of staff, representing 77% of the approved organizational establishment of 39. During the year the SMA welcomed, the following members to the team:

- Patrick Brown – Director, Finance & Administration;
- Kerri Dunn – Manager, Human Resources;
- Philmore Trowers – Telecommunications Engineer; and,
- Mahlangu Lawson - Telecommunications Engineer.

Separations experienced during the year included the following: Dainsworth Richards, Delroy Brown, Tasha Campbell, and Maxine Thompson. The SMA takes this opportunity to thank them all for their contribution and wishes them all success in their future endeavour.

Going Forward

The SMA's medium to long term focus will primarily be on; engaging legislators on efforts that will improve regulatory effectiveness – *inter alia*, the establishment of a Single Information and Communication Technology Regulator, a formal mechanism for the funding of development expenditures; strengthening organizational capacity (human and physical); and the installation of additional monitoring sites. The SMA is looking to the amended Telecommunications Act, 2000, which is expected to enhance the institutional framework required to influence effective management of the spectrum and communications regulations overall.



Board of Directors' Report



Exhibit at GSM Association stand at WRC-12

The planned activities of the Authority for the FY will include *inter-alia*:

- The expansion of the SMA's monitoring capacity;
- Steps towards development of the Single Information and Communication Technology Regulator;
- Pursuing the core functions of, licensing spectrum users, resolution of interference complaints according to established standards, monitoring and inspection to ensure the legitimate and efficient use of the spectrum, and collection of fees as targeted;
- Ensuring good corporate governance and statutory compliance within/by the Authority;
- Fulfillment of Local, Regional and International obligations; and,
- Performance Monitoring in order to achieve established targets.

The Board of Directors again acknowledges the efforts of the management and staff during the year under review, without which, the achievements of the SMA, would not have been possible. We look forward to working with the team in the 2012/13 FY and trust that it will be an even more productive year to the benefit of the Government and the people of Jamaica.

A handwritten signature in black ink, appearing to read "Christopher Honeywell", written over a horizontal line.

Christopher Honeywell
Chairman

A handwritten signature in black ink, appearing to read "Henry Batson", written over a horizontal line.

Henry Batson
Managing Director (Acting)

CORPORATE INFORMATION

REGISTERED OFFICE

13-19 Harbour Street, Kingston

AUDITORS

BDO (Chartered Accountants)
26 Beechwood Avenue, Kingston 5

BANKERS

- **First Global Bank**
28 Barbados Avenue, Kingston 5
- **National Commercial Bank Jamaica Limited**
1-7 Knutsford Boulevard, Kingston 5

CORPORATE SECRETARY

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

BOARD OF DIRECTORS' COMMITTEES

Human Resources

- Marlene DeMercado
(Chairman)
- Andrew Geohagen
- Olivia Leigh Campbell

Finance

- Desmond Palmer
(Chairman)
- Daniella Hickling
- Shynelle Anderson

Technical Operations

- Sophia Frazer- Binns
(Chairman)
- Mario Mitchell
- Latoya Thomas

Audit

- Christopher Honeywell
(Chairman)
- Denzil Williams
- Pierre Shirley

SPECTRUM MANAGEMENT AUTHORITY					
BOARD OF DIRECTORS' COMPENSATION					
Position of Director	Fees	Travelling Allowance or Value of Assigned Motor Vehicle	Honoraria	Compensation including Non-Cash Benefits as applicable	Total
	\$	\$	\$	\$	\$
Chairman - Board of Directors	225,000	19,810			244,810
Chairman - Finance Committee	63,000	10,815			73,815
Chairman - Audit Committee	35,000	11,095			46,095
Chairman - Human Resource Committee	56,000	14,560			70,560
Chairman - Technical Operations and Industry Affairs Committee	56,000	4,568			60,568
Member - Board of Directors	1,117,500	78,008			1,195,508
Member - Finance Committee	77,000	5,775			82,775
Member - Audit Committee	24,500	19,757			44,257
Member - Human Resource Committee	77,000	8,484			85,484
Member - Technical Operations and Industry Affairs Committee	119,000	22,033			141,033
Special - Software Assessment & Interviews conducted for Senior Management Recruits	28,000				28,000
Total	1,878,000	194,905	-	-	2,072,905

SPECTRUM MANAGEMENT AUTHORITY								
SENIOR EXECUTIVES/ KEY MANAGEMENT COMPENSATION								
Position of Senior Executive/ Key Management	Salary	Gratuity or Performance Incentive	Travelling Allowance or Value of Assigned Motor Vehicle	Pension or Other Retirement Benefits	Other Allowances	Total Remuneration	Non-Cash Allowance	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Senior Executive								
Managing Director (Apr2011_Oct2011)	3,702,289	-	-	-	399,766	4,102,055	57,167	4,159,222
Managing Director (Acting) (Nov2011_Mar2012)	2,304,599	-	331,875	-	236,988	2,873,462	-	2,873,462
Director - Spectrum Engineering (Apr2011_Oct2011)	2,951,359	262,798	464,625	-	251,696	3,930,478	-	3,930,478
Director - Finance & Administration (Apr2011,Nov2011_Mar2012)	1,731,682	-	357,997	-	160,908	2,250,587	-	2,250,587
Director - Legal Affairs (Apr2011_Mar2012)	3,429,645	74,395	787,935	-	456,065	4,748,040	-	4,748,040
Sub-total - Senior Executive	14,119,574	337,193	1,942,432	-	1,505,423	17,904,622	57,167	17,961,789
Key Management								
Human Resource Officer (Apr2011_Oct2011)	1,019,407	85,896	175,000	-	446,162	1,726,465	-	1,726,465
Manager - Human Resource (Nov2011_Mar2012)	936,493	-	168,000	-	45,864	1,150,357	-	1,150,357
Manager - Policy & Strategic Planning (Apr2011_Mar2012)	2,825,946	768,384	420,000	-	1,095,364	5,109,694	-	5,109,694
Sub-total - Key Management	4,781,846	854,280	763,000	-	1,587,390	7,986,516	-	7,986,516
Total	18,901,420	1,191,473	2,705,432	-	3,092,813	25,891,138	57,167	25,948,305

NB:

The Director - Spectrum Engineering assumed the responsibility of Acting Managing Director from November 2011 while still carrying his substantive responsibility. The Human Resource Officer carried out additional duties in the Human Resource Division during the period for which no position was yet approved as head of the Human Resource Division.

The position of Manager - Human Resource was approved by MOF in July 2011 further to the elimination of the position of Director - Human Resource which was made redundant in November 2010. The Manager - Human Resource is now responsible for the Human Resource Unit.

The Manager - Policy & Strategic Planning carried out additional duties for the Policy & Strategic Division during the period for which the position of Director - Policy & Strategic Planning was vacant. Remuneration includes retroactive amounts. That position remained vacant as at date of report.

Non-Cash Allowance refers to the taxable benefit for assigned motor vehicle

SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2012

SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2012

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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 27, which comprise the statement of financial position as at 31 March 2012 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 2012 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.

A handwritten signature in black ink, appearing to be 'BDO'.

Chartered Accountants

28 June 2012

SPECTRUM MANAGEMENT AUTHORITY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2012

	<u>Note</u>	<u>2012</u> <u>₹</u>	<u>2011</u> <u>₹</u>
REVENUE	5	278,245,227	255,477,602
OPERATING EXPENSES		(174,179,359)	(167,209,976)
OPERATING PROFIT	6	104,065,868	88,267,626
Other income		<u>17,873,196</u>	<u>14,173,786</u>
PROFIT BEFORE TAXATION		121,939,064	102,441,412
Taxation	7	(<u>44,141,314</u>)	(<u>42,140,060</u>)
PROFIT FOR THE YEAR BEING, TOTAL COMPREHENSIVE INCOME		<u>77,797,750</u>	<u>60,301,352</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2012

	<u>Note</u>	<u>2012</u> £	<u>2011</u> £
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	150,494,939	164,107,247
Investment in subsidiary	9	9,900	9,900
Taxation recoverable	10	<u>-</u>	<u>9,761,689</u>
		<u>150,504,839</u>	<u>173,878,836</u>
CURRENT ASSETS:			
Receivables	11	50,935,620	9,268,559
Reverse repurchase agreements	12	307,276,887	223,527,916
Cash and cash equivalents	13	<u>16,144,432</u>	<u>36,068,052</u>
		<u>374,356,939</u>	<u>268,864,527</u>
		<u>524,861,778</u>	<u>442,743,363</u>
<u>EQUITY AND LIABILITIES</u>			
CAPITAL AND RESERVES:			
Share capital	14	20	20
Contributed Capital	15	144,700,366	144,700,366
Retained earnings		<u>260,546,285</u>	<u>182,748,535</u>
		<u>405,246,671</u>	<u>327,448,921</u>
NON-CURRENT LIABILITIES:			
Deferred tax liabilities	16	<u>8,851,944</u>	<u>14,480,726</u>
CURRENT LIABILITIES:			
Payables	17	36,890,893	34,035,026
Deferred income	18	37,998,098	31,838,414
Taxation payable		<u>35,874,172</u>	<u>34,940,276</u>
		<u>110,763,163</u>	<u>100,813,716</u>
		<u>524,861,778</u>	<u>442,743,363</u>

Approved for issue by the Board of Directors on 28 June 2012 and signed on its behalf by:



 Christopher Honeywell - Chairman, Board of Directors



 Desmond Palmer - Director

SPECTRUM MANAGEMENT AUTHORITY LIMITED
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
YEAR ENDED 31 MARCH 2012

	Number of <u>Shares</u>	Share <u>Capital</u> ₤	Contributed <u>Capital</u> ₤	Retained <u>Earnings</u> ₤	<u>Total</u> ₤
Balance at 31 March 2010	2	20	144,700,366	122,447,183	267,147,569
Total comprehensive income	-	-	-	<u>60,301,352</u>	<u>60,301,352</u>
Balance at 31 March 2011	2	20	144,700,366	182,748,535	327,448,921
Total comprehensive income	-	-	-	<u>77,797,750</u>	<u>77,797,750</u>
Balance at 31 March 2012	<u>2</u>	<u>20</u>	<u>144,700,366</u>	<u>260,546,285</u>	<u>405,246,671</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2012

	<u>2012</u> \$	<u>2011</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	77,797,750	60,301,352
Adjustments for:		
Deferred tax	(5,628,782)	4,332,049
Profit on disposal of property, plant and equipment	(756,556)	(34,200)
Depreciation	<u>18,681,350</u>	<u>17,541,501</u>
Operating cash flows before movements in working capital	90,093,762	82,140,702
Change in operating assets and liabilities:		
Receivables	(41,667,061)	31,618,529
Taxation recoverable	9,761,689	6,767,571
Deferred income	6,159,684	2,801,502
Payables	2,855,867	(20,698,414)
Taxation payable	<u>933,896</u>	<u>14,407,512</u>
Net cash provided by operating activities	<u>68,137,837</u>	<u>117,037,402</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in reverse repurchase agreements	(83,748,971)	(84,220,083)
Proceeds from sale of property, plant and equipment **	756,556	34,200
Acquisition of property, plant and equipment	<u>(5,069,042)</u>	<u>(12,650,113)</u>
Net cash used in investing activities	<u>(88,061,457)</u>	<u>(96,835,996)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(19,923,620)	20,201,406
Cash and cash equivalents at beginning of year	<u>36,068,052</u>	<u>15,866,646</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>16,144,432</u>	<u>36,068,052</u>

** The Company sold a fully depreciated 2001 Isuzu Trooper for \$756,556 in October 2011, original cost of which was \$1,648,313.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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 Communication Technology (ICT) Portfolio of the Ministry of Science, Technology, Energy and Mining. The ICT Portfolio was reassigned from the Office of the Prime Minister effective 6 January 2012. 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 2012****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, certain standards, amendments and interpretations became effective. The following is considered relevant to the company:

IAS 24, Related Party Disclosures (Revised) (effective for annual periods beginning on or after 1 January 2011). The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. For these entities, the disclosure requirements of IAS 24 will not apply. Instead, alternative disclosures have been included, requiring the name of the government and the nature of its relationship with the reporting entity, the nature and amount of individual significant transactions in the year: a qualitative or quantitative indication of the extent of other transactions that are collectively significant.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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)

The adoption of this standard did not have a significant impact on the company's related party disclosures.

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

The following standards have been published and are mandatory for the company's accounting period beginning after 1 April 2012 or later periods, but the company has not early adopted them:

IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial asset; and the contractual cash flow characteristics of the financial asset, initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The company is considering the implications of the standard and the impact on the company financial statements.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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 13, 'Fair value measurement', (effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The company intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

(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.

(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 category 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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Financial instruments (cont'd)-

Loans and receivables (cont'd)

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

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.

(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.

(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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Pension obligations -

Defined contribution plan-

The company participates in a defined contribution plan, the assets of which are held separately from those of the company. Contributions to the scheme, made on the basis provided for in the rules, are charged to the 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 one month duration, net of bank overdraft. As a public body, it is noted that the company's policy does not allow for bank overdraft in keeping with directive from the Ministry of Finance.

(h) Reverse repurchase agreements -

Securities purchased under agreements to resell are recorded as collateralized 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 amortized 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.

(k) Borrowings -

Borrowings are recognized initially when loan proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortized 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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(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.

(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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT:

(a) Financial risk factors -

The company is exposed through its operations to the following financial risks:

- Credit 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

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 2012

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 it provides its services to customers with an acceptable credit history, who will pay the applicable licence fees and regulatory fees for the use of the spectrum. The company therefore manages its risk by continually screening its customers, pursuing its receivables rigorously, and ensuring investments are low-risk and are held with Government of Jamaica (GOJ) approved financial institutions with the holding not exceeding 25% of its portfolio in any one institution. Additionally, during the tenure of the investments, financial institutions are required to transfer the minimum of the nominal value of securities representing the net maturity value of investments to the company's designated account with the Bank of Jamaica (BOJ) operated JamClear-CSD.

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

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash at bank	16,070,432	21,096,645
Reverse repurchase agreements	307,276,887	223,527,916
Receivables	<u>48,740,169</u>	<u>6,558,695</u>
	<u>372,087,488</u>	<u>251,183,256</u>

Further disclosures regarding receivables are provided in note 11.

(ii) 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 return. Market risk exposures are measured using sensitivity analysis.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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

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

(ii) Market risk (cont'd) -

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 short-term repurchase agreement instruments that are backed by GOJ/BOJ securities (see notes 12).

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 2011.

	Effect on <u>Net Surplus</u> <u>2012</u> ₱	Effect on <u>Equity</u> <u>2012</u> ₱	Effect on <u>Net Surplus</u> <u>2011</u> ₱	Effect on <u>Equity</u> <u>2011</u> ₱
Change in basis points:				
-200	(6,145,538)	(6,145,538)	(4,470,558)	(4,470,558)
200	<u>6,145,538</u>	<u>6,145,538</u>	<u>4,470,558</u>	<u>4,470,558</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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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

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

(ii) Market risk (cont'd) -

Currency risk (cont'd)

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.

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>2012</u>		<u>2011</u>	
	<u>J\$</u>	<u>US\$</u>	<u>J\$</u>	<u>US\$</u>
Financial Assets				
Cash and cash equivalents	469,395	5,400	15,178,722	177,471
Reverse repurchase agreements	<u>72,890,041</u>	<u>838,484</u>	<u>55,319,141</u>	<u>646,822</u>
	<u>73,359,436</u>	<u>843,884</u>	<u>70,497,863</u>	<u>824,293</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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

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

(ii) Market risk (cont'd)

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% (2011 - 5%) change in foreign currency rates.

	<u>2012</u>	<u>2011</u>
	<u>\$</u>	<u>\$</u>
Effect on profit before tax	<u>3,667,972</u>	<u>3,524,893</u>

(iii) 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.

(v1) 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.

(v) 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. As a public body, the company manages operational risk with specific reference to guidelines provided in relevant Acts and government circulars, so as to avoid financial loss and damage to its reputation.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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

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

(v) Operational risk (cont'd)

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.

(b) Fair value -

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

The fair value of cash and cash equivalents, receivables, reverse repurchase agreements, and payables approximate to their carrying values due to their relatively short tenure.

5. REVENUE:

This represents spectrum regulatory fees and processing fees.

6. OPERATING PROFIT:

Stated after charging:

	<u>2012</u>	<u>2011</u>
	\$	\$
Auditors' remuneration (inclusive of GCT)	1,178,290	1,057,500
Staff costs (Note 20)	109,865,706	95,653,309
Depreciation	<u>18,681,350</u>	<u>17,541,501</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

7. TAXATION:

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

	<u>2012</u> ₤	<u>2011</u> ₤
Current year income tax at 33 1/3%	45,631,051	37,808,011
Prior years income tax	481,852	-
Withholding tax irrecoverable	3,657,193	-
Deferred taxation (note 16)	(5,628,782)	<u>4,332,049</u>
Taxation charge in income statement	<u>44,141,314</u>	<u>42,140,060</u>

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

	<u>2012</u> ₤	<u>2011</u> ₤
Profit before taxation	<u>121,939,064</u>	<u>102,441,412</u>
Tax calculated at 33 1/3%	40,646,355	34,147,137
Prior years income tax	481,852	-
Withholding tax irrecoverable	3,657,193	-
Adjusted for the effects of:		
Expenses not deductible for tax purposes	8,244,946	7,954,091
Net effect of other charges and allowances	(8,889,032)	<u>38,832</u>
Taxation charge in income statement	<u>44,141,314</u>	<u>42,140,060</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

8. PROPERTY, PLANT AND EQUIPMENT:

	Land and Building	Office Equipment and Software	Furniture, and Fixtures	Motor Vehicles	Other Assets	Total
	₤	₤	₤	₤	₤	₤
At cost -						
31 March 2011	73,249,087	142,383,427	10,243,746	17,503,155	68,150	243,447,565
Additions	479,790	4,082,437	506,815	-	-	5,069,042
Disposals	-	-	-	(1,648,313)	-	(1,648,313)
31 March 2012	<u>73,728,877</u>	<u>146,465,864</u>	<u>10,750,561</u>	<u>15,854,842</u>	<u>68,150</u>	<u>246,868,294</u>
Depreciation -						
31 March 2011	1,815,087	56,729,004	6,804,254	13,985,763	6,210	79,340,318
Charge for the year	1,836,408	14,495,515	641,886	1,700,726	6,815	18,681,350
Elimination	-	-	-	(1,648,313)	-	(1,648,313)
31 March 2012	<u>3,651,495</u>	<u>71,224,519</u>	<u>7,446,140</u>	<u>14,038,176</u>	<u>13,025</u>	<u>96,373,355</u>
Net Book Value -						
31 March 2012	<u>70,077,382</u>	<u>75,241,345</u>	<u>3,304,421</u>	<u>1,816,666</u>	<u>55,125</u>	<u>150,494,939</u>
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>

** The Company sold a fully depreciated 2001 Isuzu Trooper for \$756,556 in October 2011, original cost of which was \$1,648,313.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

9. INVESTMENT IN SUBSIDIARY:

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

Arising from the passage of the Telecommunications (Amendment) Act 2012, the Universal Service Fund has now been established as a statutory body effective June 1, 2012, and will assume operations of the Universal Access Fund Company Limited. Consequently, the operations of the Universal Access Fund Company Limited will be wound up. A decision will be taken at the time of winding up on how to treat with the shareholdings of the company.

10. TAXATION RECOVERABLE:

Taxation recoverable represents taxes withheld at source on interest received on reverse repurchase agreements and cash and cash equivalents. During the year, the total amount for tax recoverable of \$14,129,817 was fully treated as follows:

	<u>Tax Withheld</u> \$
Amount utilized as tax credit for 2012	4,368,128
Amount utilized as tax credit for 2010	6,104,496
Amount not utilized, deemed irrecoverable	<u>3,657,193</u>
	<u>14,129,817</u>

11. RECEIVABLES:

	<u>2012</u> \$	<u>2011</u> \$
Regulatory fees	46,068,146	5,670,049
Less: Bad debt provision	<u>(959,828)</u>	<u>(174,688)</u>
	45,108,318	5,495,361
Prepayments	2,195,451	2,709,864
Other receivables	<u>3,631,851</u>	<u>1,063,334</u>
	<u>50,935,620</u>	<u>9,268,559</u>

Included in the Regulatory fees of \$46,068,146 are amounts due from Digicel of \$28,196,336 and Claro of \$16,899,361, totaling \$45,095,697. The delay in collection occurred during the period of merger between Digicel & Claro but the amounts have since been fully settled by Digicel.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

11. RECEIVABLES (CONT'D):

The aging of trade receivables is as follows:

	<u>2012</u>	<u>2011</u>
	\$	\$
0-30 days	11,958,951	4,695,245
31-60 days	28,962,517	7,750
61-90 days	4,214,812	20,234
90 days and over	<u>931,866</u>	<u>946,820</u>
	<u>46,068,146</u>	<u>5,670,049</u>

Movement in allowance for doubtful debts:

	<u>2012</u>	<u>2011</u>
	\$	\$
Balance at the beginning of year	174,688	139,672
Impairment losses recognized on receivables	785,140	854,639
Amounts written off as uncollectible	<u>-</u>	<u>(819,623)</u>
	<u>959,828</u>	<u>174,688</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.

12. REVERSE REPURCHASE AGREEMENTS:

The company enters into reverse repurchase agreements collateralized by Government of Jamaica and/or Bank of Jamaica Securities.

These reverse repurchase agreements include interest receivable of \$776,352 (2011: \$642,109). They have an average maturity period of 31 days (2011 - 31 days).

	<u>2012</u>	<u>2011</u>
	\$	\$
Reverse repurchase agreements - J\$ equivalent of US\$	72,890,041	55,319,141
- J\$ currency	<u>234,386,846</u>	<u>168,208,775</u>
	<u>307,276,887</u>	<u>223,527,916</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

12. 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 86.93 Jamaica dollars to 1 United States dollar (2011 - 85.52 Jamaica dollars to 1 United States dollar).

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

	<u>2012</u>	<u>2011</u>
	%	%
US\$	3.15	2.92
J\$	<u>5.93</u>	<u>6.33</u>

13. CASH AND CASH EQUIVALENTS:

	<u>2012</u>	<u>2011</u>
	\$	\$
Cash in hand	16,070,432	14,971,407
Bank balances	<u>74,000</u>	<u>21,096,645</u>
	<u>16,144,432</u>	<u>36,068,052</u>

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

	<u>2012</u>	<u>2011</u>
	%	%
Cash at bank - US\$	0.25	1.00
- J\$	<u>0.45</u>	<u>4.00</u>

14. SHARE CAPITAL:

Authorized -
100 ordinary shares of no par value
Stated capital -

Issued and fully paid - 2 ordinary shares of no par value	<u>20</u>	<u>20</u>
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SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

15. CONTRIBUTED CAPITAL:

	<u>2012</u> ₤	<u>2011</u> ₤
(i) Government of Jamaica	79,999,980	79,999,980
(ii) Government of Jamaica	<u>64,700,386</u>	<u>64,700,386</u>
	<u>144,700,366</u>	<u>144,700,366</u>

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

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

16. DEFERRED TAX LIABILITIES:

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

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

	<u>Balance</u> <u>31.03.11</u> ₤	<u>Debited to</u> <u>Profit</u> ₤	<u>Balance</u> <u>31.03.12</u> ₤
Accelerated tax depreciation	15,243,934	(1,829,122)	13,414,812
Other	(763,208)	(3,799,660)	(4,562,868)
Net deferred tax liabilities	<u>14,480,726</u>	<u>(5,628,782)</u>	<u>8,851,944</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

17. PAYABLES:

	<u>2012</u>	<u>2011</u>
	\$	\$
Accountant General:		
Spectrum fees	12,033,101	17,791,010
Accruals	<u>20,167,050</u>	<u>11,440,571</u>
	32,200,151	29,231,581
Customers' deposits	<u>4,690,742</u>	<u>4,803,445</u>
	<u>36,890,893</u>	<u>34,035,026</u>

Customers' deposits represent regulatory fees received in the month(s) prior to the start of the respective validity periods of licences.

18. DEFERRED INCOME:

This is the unearned portion of regulatory fees that were billed during the financial year and is represented by the entire, or the proportionate number of months, of the validity period of the applicable licences which falls outside the financial year.

19. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties:

(a) Remuneration of key management personnel -

	<u>2012</u>	<u>2011</u>
	\$	\$
Salaries and other related costs	<u>25,891,138</u>	<u>24,100,005</u>

(b) The following amounts represent fees paid to directors -

	<u>2012</u>	<u>2011</u>
	\$	\$
Directors' Fee - Board Chairman	225,000	187,500
Directors' Fee - Committee Chairmen	210,000	343,000
Directors' Fee - Board members	1,117,500	900,000
Directors' Fee - Committee members	<u>325,500</u>	<u>417,500</u>
	<u>1,878,000</u>	<u>1,848,000</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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

(c)	Loan to key management personnel -		
		<u>2012</u>	<u>2011</u>
		\$	\$
	Director - Spectrum Engineering	<u>123,816</u>	<u>619,077</u>
(d)	Related party balances:		
(i)	Included in other receivables is an amount receivable from Universal Access Fund Company Limited.		
		<u>2012</u>	<u>2011</u>
		\$	\$
	Due from/(to) related company	<u>122,908</u>	<u>(17,056)</u>
(ii)	Included in payables is an amount of \$12,033,101 (2011-\$17,791,010) payable to the Accountant General.		

20. STAFF COSTS:

		<u>2012</u>	<u>2011</u>
		\$	\$
	Salaries and wages	89,946,963	78,059,139
	Statutory contribution	5,255,694	4,912,090
	Group life and health insurance	3,721,925	3,135,142
	Contract/temporary workers	<u>5,107,037</u>	<u>4,296,493</u>
		104,031,619	90,402,864
	Pension	1,847,243	2,112,270
	Staff training, welfare and uniform	<u>3,986,844</u>	<u>3,138,175</u>
		<u>109,865,706</u>	<u>95,653,309</u>

The number of persons employed by the company at the end of the year was 34 (2011 - 33).

21. LITIGATION AND CONTINGENT LIABILITIES:

Included in reverse repurchase agreements (note 12) is an amount of \$36.75m received from Oceanic Digital Jamaica Limited (trading as Claro) for regulatory fees in relation to the licence transferred from Index Communication Network Limited (trading as GOTEL) to Claro in December 2010. Index Communication Network Limited subsequently filed a lawsuit in the Supreme Court against five (5) Defendants including the Spectrum Management Authority and Claro as a result of the transfer of the licence. Index discontinued the action against all the Defendants as at June 14, 2012. The matter is therefore closed.



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INDEPENDENT AUDITORS' REPORT

To the Directors of
Spectrum Management Authority Limited

The supplementary information presented on pages 29 and 30 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 2012.

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.

A handwritten signature in black ink, appearing to be 'BDO'.

Chartered Accountants

28 June 2012

SPECTRUM MANAGEMENT AUTHORITY LIMITED

DETAILED STATEMENT OF INCOME

YEAR ENDED 31 MARCH 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
REVENUE:		
Administrative and processing fees	3,375,427	3,273,570
Regulatory fees	<u>274,869,800</u>	<u>252,204,032</u>
	278,245,227	255,477,602
OTHER INCOME:		
Interest income	16,560,449	11,804,963
Other income	<u>1,312,747</u>	<u>2,368,823</u>
	296,118,423	269,651,388
LESS - EXPENSES		
Administrative (Page 30)	<u>174,179,359</u>	<u>167,209,976</u>
PROFIT BEFORE TAXATION	<u>121,939,064</u>	<u>102,441,412</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

SCHEDULE OF EXPENSES

YEAR ENDED 31 MARCH 2012

	<u>2012</u>	<u>2011</u>
	₹	₹
ADMINISTRATIVE:		
Salaries and other related costs	104,031,619	90,402,864
Pension costs	1,847,243	2,112,270
Staff training and welfare	3,986,844	3,138,175
Chairman and directors' fees	1,878,000	1,848,000
Board/Committee meeting	787,873	1,951,252
Travel and subsistence - overseas and local meetings	1,446,313	1,924,836
ICT promotion	812,200	2,461,534
Professional fees	3,624,430	2,558,897
Audit fees - current year	1,142,100	1,057,500
- prior year under-provision	36,190	-
Subsistence and accommodation	220,317	214,984
Stationery and office supplies, postage, courier	879,227	1,189,136
Data processing	831,937	1,669,083
Security	1,683,691	1,596,384
General office expenses	2,037,085	2,244,561
Public relations and education	485,402	275,693
Lease	2,357,172	2,056,699
Repairs and maintenance - ASMS/RMDF	6,380,968	8,744,693
- equipment	1,354,213	1,270,416
- building	2,392,905	1,698,268
- furniture and fixtures	402,478	226,143
Advertisement	767,863	1,709,208
Telephone	2,703,897	2,665,991
Electricity	7,754,806	7,582,253
Water	229,126	349,873
Subscriptions and donations	595,999	548,539
Insurance	2,745,181	2,412,781
Motor vehicle	3,023,863	1,725,705
Bank charges	215,730	279,370
Property tax	48,212	48,375
Profit on disposal of property, plant and equipment	(756,556)	(34,200)
Exchange (gain)/loss	(1,233,459)	2,884,553
Provision for bad debts	785,140	854,639
Depreciation	<u>18,681,350</u>	<u>17,541,501</u>
	<u>174,179,359</u>	<u>167,209,976</u>



Spectrum Management Authority

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