



# ANNUAL REPORT 2017-2018



**ANNUAL REPORT**  
**2017-2018**



# 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.



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# CORPORATE INFORMATION

## Registered Office

13-19 Harbour Street  
Kingston

## Auditors

KPMG  
6 Duke Street  
Kingston

## Bankers

- First Global Bank Ltd.  
28 Barbados Avenue, Kingston 5
- National Commercial Bank Ja. Ltd.  
1-7 Knutsford Boulevard  
Kingston 5

## Company Secretary

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

# 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, Energy and Technology**, on spectrum policy and related legal matters.

Spectrum Management Authority was, in accordance with the Companies Act, incorporated as a limited liability company on 2000 February 1 and became operational in 2001 April. As at 2009 December 21, the registered office of the company is 13 – 19 Harbour Street, Kingston, Jamaica.

The statutory obligations and the operational principles of the Authority are in accordance with, and 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 originally established in 2003 and amended in 2017 pursuant to **the Telecommunications (Spectrum Regulatory Fees) (Amendment) Regulations, 2017**, Jamaica Gazette Supplement No. 16. The SMA also collects Spectrum Licence fees, on behalf of the GOJ that are remitted to the Tax Administration Jamaica as of April 2017 following a reclassification of Spectrum Licence fees as tax revenue.

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

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 - these facilitate radio communication for ships, yachts, and boats; and,
- Aeronautical radio systems - which facilitate communication by airplanes 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; and
- *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 at the Committee level on selected bodies as indicated:

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

# MESSAGE FROM THE HONOURABLE MINISTER



The radio frequency spectrum (“spectrum”) is used to support a wide variety of commercial and public sector wireless communications, such as: mobile telephony, radio and television broadcast, broadband links, aeronautical and maritime navigation, and control and communications systems. As it is a limited resource, the spectrum cannot support all of these uses simultaneously to an unlimited extent, and therefore its use must be managed or coordinated to prevent signal interference. Throughout the year, the Spectrum Management Authority has performed creditably in this regard.

- During the 2017/18 fiscal year (FY), the SMA continued to demonstrate its competences in ensuring that the Jamaican wireless communications environment remained organized and open for business.
  - Infrastructural improvements and capacity building are two important accomplishments which the Authority has embarked on over the last FY. These efforts will aid in enhancing its monitoring capabilities and strengthen its technical expertise to manage the spectrum efficiently.
  - The staff has been successful in realizing its various operational targets, meeting and in most cases exceeding its Key Performance Indicators (KPIs) in the areas of: processing times for new licences; licence renewal and also resolution times for interference reports.
- During 2017/2018 the SMA continued to collect Spectrum Licence Fees on behalf of the Government of Jamaica. The financial stability of the SMA remained favourable as income for the agency rose above the 90% KPI. Additionally, actual expenditure incurred by the SMA during the 2017/18 FY has been kept within budget, reflecting the care for financial prudence on the part of the management.
  - The highly trained SMA staff continues to represent Jamaica in regional and international fora such as the Inter-American Telecommunication Commission (CITEL), International Telecommunications Satellite Organization (ITSO), and the Caribbean Telecommunications Union (CTU).

It is anticipated that significant growth opportunities within the telecommunications industry will revolve around Mobile internet, a market which has great local potential. Additionally, the global mobile industry continues to make progress with 5G, demonstrated by the successful trials in various jurisdictions. The SMA will no doubt be positioning itself to ensure that Jamaica’s spectrum needs continue to be satisfied in a timely manner. I look forward to the continued advancement of the industry and wish for the SMA an even more successful fiscal year as it works closely with our regional and international partners to meet our short, medium and long term objectives.

**Hon. Andrew Wheatley, PhD**  
*Minister of Science, Energy and Technology*

# BOARD OF DIRECTORS



**L-R: Mrs. Maria Myers-Hamilton (Managing Director), Mrs. Marsha Haughton, Mr. Robert Richards, Mr. Trevor Forrest (Chairman), Mrs. Kaydian Smith Newton, Mr. Delroy Thompson, Ms. Yolande Ramharrack, and Mr. Rickman Warren.**

**Missing: Dr. Marcia Forbes, Mr. Marlon Morgan, Mr. Bryan Yap Sam, and Mr. Craig Ottey-Brown.**

# BOARD OF DIRECTORS' COMMITTEES

<b>Human Resources:</b> <ul style="list-style-type: none"> <li>Yolande Ramharrack</li> <li>Marlon Morgan</li> <li>Craig Ottey-Brown</li> </ul>	<b>Technical Operations:</b> <ul style="list-style-type: none"> <li>Marcia Forbes</li> <li>Delroy Thompson</li> <li>Rickman Warren</li> <li>Yolande Ramharrack</li> </ul>	<b>Audit:</b> <ul style="list-style-type: none"> <li>Robert Richards</li> <li>Rickman Warren</li> <li>Brian Yap Sam</li> </ul>	<b>Finance:</b> <ul style="list-style-type: none"> <li>Marsha Haughton</li> <li>Kaydian Smith Newton</li> <li>Marlon Morgan</li> </ul>
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## ATTENDANCE RECORD OF BOARD AND COMMITTEE MEETINGS

For the 2017/18 fiscal year, the SMA scheduled twelve (12) meetings of the Board of Directors. Details of the attendance of Directors at meetings of the Board and its Committees for the FY are outlined in the table below:

	BOARD 12 <sup>1</sup> MEETING	ANNUAL GENERAL 1 MEETING	AUDIT 4 <sup>2</sup> MEETING	FINANCE 9 MEETING	HUMAN RESOURCES 2 MEETING	TECHNICAL OPERATIONS 6 <sup>3</sup> MEETING	JOINT FINANCE AND AUDIT 1 MEETING
Marcia Forbes	10	-	-	-	-	6	-
Trevor Forrest	12	1	-	-	-	1 <sup>4</sup>	-
Marsha Haughton	8	-	-	7	-	-	1
Marlon Morgan	12	1	-	9	2	-	1
Craig Ottey-Brown <sup>8</sup>	-	-	-	-	-	-	-
Yolande Ramharrack	9	1	-	-	2	2	-
Robert Richards	9	1	4	-	-	-	1
Kaydian Smith Newton <sup>5</sup>	6	1	-	6	-	-	-
Delroy Thompson	8	1	-	-	-	6	-
Rickman Warren	7	1	4	-	-	5	1
Brian Yap Sam <sup>8</sup>	-	-	-	-	-	-	-
David McBean <sup>6</sup>	5	-	-	2	-	2	1
Rohan Townsend <sup>7</sup>	-	-	2	-	-	-	1

<sup>1</sup> Special Board of Directors meetings held on May 18, 2017 and June 22, 2017.

<sup>2</sup> Special Audit meeting held on October 19, 2017.

<sup>3</sup> Special Technical Operations Committee meeting held on February 22, 2018.

<sup>4</sup> Director Trevor Forrest attended a special meeting of the Technical Operations Committee held on February 22, 2018 in his capacity as Board Chairman.

<sup>5</sup> Director Smith Newton was on Maternity Leave during the period May 2017 – August 2017.

<sup>6</sup> Director David McBean was not compensated as a member of the Board given his substantive post as Managing Director. He resigned from this position on September 30, 2017.

<sup>7</sup> Rohan Townsend is a co-opted member of the Audit Committee and not a member of the Board of Directors.

<sup>8</sup> No apology for absence received

# BOARD OF DIRECTORS' REPORT

The Board of Directors of the Spectrum Management Authority (“the **SMA**” or “the Authority”) is proud of the SMA’s continued contribution to nation building, and is pleased to report on the achievements, which represent real progress against the Strategic Priorities in the 2017/18 fiscal year (FY). The Board, for its part, remained committed to the effective implementation of the SMA’s statutory mandate and as such was integral in providing policy and strategic direction to guide the SMA, and to ensure that it is better positioned to meet the needs of its clients.

As such, during the 2017/18 FY, the SMA continued to provide “clean spectrum” to facilitate wireless connectivity, enabling communication for businesses (providing financial, health, security and educational services, etc) and for social purposes, which is helping to change the lives of Jamaicans in unprecedented ways. The SMA, prior to the start of the fiscal year, recognized that efficient spectrum management in this generation of spectrum management, requires adaptability to an industry that not only grows exponentially but undergoes constant innovations, a view expressed by the International Telecommunications Union (ITU).



The SMA’s Video Wall System – This is a 24/7 remote monitoring system with security features, which was implemented during the fiscal year, as the SMA seeks to adapt to the new paradigm.

# BOARD OF DIRECTORS' REPORT

## **Legislative Changes**

In light of the above, the SMA in collaboration with the Jamaica Amateur Radio Association (JARA) and the Ministry of Science, Energy and Technology, was instrumental in the amendments to the Radio and Telegraph Control (Amateur Radio Service) Regulations, 1974 and the Radio and Telegraph Control (Radio Operators and Technicians) Regulations, 1974. Recognizing that amateur operators are utilizing more sophisticated equipment, the requirement for Amateur Radio Operators and Radio Operators and Technicians to be proficient in the use of Morse Code in order to be licensed was removed from the Regulations. Internationally, the situation is the same, whereby proficiency in the use of Morse Code is no longer mandatory, as more modern and efficient modes of communication are being utilized without causing any harmful interference.



The SMA was also instrumental in the work leading to the gazetting of *The Telecommunications (Spectrum Regulatory Fees) (Amendment) Regulations, 2017* in April. The work leading up to this Regulation was however carried out in the 2016/17 FY.

## **Monitoring Capacity Expansion Project**

With the added sophistication and complexity with spectrum management, the SMA, during the period under review, embarked on a project to further enhance its monitoring capacity, to be better positioned, to manage the spectrum efficiently. The project comprised 2 phases. Phase 1 related to the upgrade of both the St. Ann and St. James Radio Monitoring and Direction Finding System (RMDFS) with additional features. Phase 2 of the project featured the installation of new sites in Portland and Manchester.

During the fiscal year, the SMA was able to complete phase 1 of the project, however, phase 2 was extended into the 2018/19 FY, occasioned by delays experienced in an effort to ensure that the SMA adheres to the Government of Jamaica's procurement guidelines. However, with the upgrade of the (systems) in St. Ann and St. James, both sites are now equipped with dual functionalities:

- Time Difference of Arrival (TDOA); and,
- Angle of Arrival (AOA) capabilities.

With these additional functionalities, the SMA and by extension Jamaica stand to benefit from the extra data to be collected, which will further facilitate increased compliance with existing regulations, licensing terms and conditions, as well as more efficient resolution of interference cases.

# BOARD OF DIRECTORS' REPORT



St. James Site

## CORPORATE PERFORMANCE

In finalising the 2017/18 Corporate Operational Plan, the SMA formulated and quantified the operational and developmental initiatives that are central to the organization achieving its objectives over the fiscal year. Core or principal performance targets and key performance indicators (KPIs) were established along with service level standards that directly impact the quality of service to our clients. Against this background the Board of Directors is delighted to present the performance of the SMA in relation to these established targets and service level agreements.

### **Licensing**

For the 2017/18 FY, the licensing secretariat, again worked closely with the band planning team to process and issue new, renewal and amended licences. This was successfully completed without any harmful interference occurring with existing users of the spectrum, as the SMA continued to facilitate the growth of traditional wireless communication and new wireless broadband services in Jamaica.

# BOARD OF DIRECTORS' REPORT

## **New Licensing**

The 2017/18 FY started with 35 applications brought forward from the 2016/17 FY, which were not yet approved. Additionally, 292 new applications were received resulting in a total of 327. Of the 327 applications handled for the year ending 2018 March, 290 applications were approved whilst 7 were cancelled. This performance is only surpassed by the record high achieved in 2016/17, whereby 340 applications were received and 324 licences approved. It demonstrates the continuous demand for the spectrum as individuals and companies seek to be connected and informed. Licences granted during the fiscal year were to facilitate maritime, aeronautical, amateur and particularly mobile services, among others. Below is the performance for the last 5 fiscal years.



**A SMA Licensing Representative**

## **New Applications Received and/or Granted**

Year	Number of New Applications	
	Received	Granted/Approved
2013/14	167	156
2014/15	246	241
2015/16	280	256
2016/17	340	324
2017/18	292	290
<b>TOTAL</b>	<b>1,325</b>	<b>1,267</b>

**Performance for new Applications for the Last 5 years**

# BOARD OF DIRECTORS' REPORT

Of the 290 licences approved during the FY, 277 or approximately 96%, were processed within their respective established processing times. The KPI was 80%. **Processing times range from 1 business day to 25 business days, depending on the licence to be processed.**

## **Type Approval**

The SMA conducts type approval of wireless radio communication equipment/devices for use in Jamaica to ensure that these equipment/devices meet a minimum set of regulatory, technical and safety standards.

This is done to confirm that when used as prescribed and designated, these devices will not interfere with other equipment or networks in use locally. During the FY 19 applications were brought forward, primarily awaiting additional information, while 256 were received. 247 type approval certifications were granted and five cancelled from the applications received and brought forward. Of the 247 granted, 235 or 95% were processed within the standard processing time of ten business days. The KPI is 80% processed within the standard time.

## **Renewal Licensing**

The FY's target was 408 existing licences, however there were 28 cancellations, and 71 clients requested reinstatement of their licence. This had a plus 43 net effect on the initial target of 408 bringing it to 451. The SMA renewed 405 of the 451 licences for the FY, which represents a performance rate of approximately 90%. This performance is above the KPI of 85%.

**Note that licences are only renewed after receipt of payment.**



**Members of the Monitoring and Inspection team tracking a signal.**

# BOARD OF DIRECTORS' REPORT

As at 2018 March 31, of the 405 licences renewed, 398 or approximately 98% were processed within the standard processing time of 5 days. This performance is above the KPI of 90%.

## Band Planning

Effective band planning is important to ensure that the spectrum – a limited natural resource – is efficiently utilized and made available for those who value it the most. In licensing and authorizing users of the spectrum, the band planning function is a significant part of the process as it seeks to allocate and assign “clean spectrum”. In facilitating the licensing process, the team conducts, inter alia, the following activities:

- Technical analysis - to determine whether the spectrum is available, that is, whether it was ever assigned to anyone;
- Monitoring of the frequency - to ensure that the frequency under review is free and clear, monitoring is conducted by the Band Planning Team;
- Validation of the frequency - the team validates the frequency being requested to ensure the proposed service for use of the band is aligned with the allocation for Jamaica and by extension, aligned to the Radio Regulations governed by the International Telecommunications Union (ITU).



**Innovative means of monitoring to be implemented by the SMA. Above the Band Planning Manager and Telecommunications Engineer, Band Planning, examine the equipment to be implemented.**

# BOARD OF DIRECTORS' REPORT

Throughout the fiscal year, the band planning team was able to successfully facilitate the assignment of 290 new licences with “clean spectrum”, that is, without causing interference to the 405 existing licensees.

## **Monitoring and Interference Management**

### **Monitoring**

In addition to the SMA's proactive approach to the assignment of frequencies, whereby the Band Planning team carries out its technical analysis, validation of frequencies and internal monitoring of frequencies, monitoring exercises are conducted as part of the SMA's strategy to

reduce cases of interference and to reduce or eradicate the level of illegal use of the spectrum. Monitoring exercises are sometimes carried-out prior to the assignment of spectrum, depending on the frequency band to be assigned, to confirm availability and are conducted when auditing the spectrum, to ensure compliance by licensed users, and to identify any illegal use of the spectrum. During the FY, ten audits were conducted across eight parishes. Anomalies were detected in eight channels during 2018 February-March with further analysis and investigations in progress at the end of the fiscal year in order to resolve the discrepancies.



**A SMA Telecommunications Engineer demonstrating to visiting University of the West Indies (UWI) students, the use of the video wall system.**

# BOARD OF DIRECTORS' REPORT

## Interference Management

Being able to access “clean spectrum” is desirable to all users of the spectrum, some more than others, whose mission critical and life saving operations/services relies on continuous wireless connectivity that provides unimpeded communication. As such the SMA makes every effort, (to include proactive measures as outlined by the Band Planning team) to ensure that the spectrum is managed effectively to reduce or avoid cases of harmful interference between users. Notwithstanding the efforts of the SMA, users do experience interference in communicating, which may be primarily due to technical problems with the equipment of the user or may emanate from other users, both licensed and unlicensed.

As at 2018 March 31, the SMA investigated a total of 15 cases of interference reports that were received during the 2017/18 FY. Of the 15 cases investigated, 14 were resolved as at 2018 March 31, and were within their respective resolution times. The case pending at the end of the fiscal year was received on 2018 March 23 and was in process.

## Financial Management

### Income

As a self funding agency, financial prudence and stability is a fundamental strategy utilized by the SMA, in order to ensure effective management of funding and to sustain the operational and developmental activities of the organization. For the fiscal year, the SMA budgeted for total income amounting to \$353.72M. For the period ending 2018 March 31, the SMA booked total income amounting to \$353.44M, which is above the KPI of \$318.34 or 90% of target. The table below compares actual, budgeted, and KPI performance levels.

## Expenditure

Actual expenditure (including depreciation) incurred by the SMA during the 2017/18 FY amounted to approximately \$304.45M for the 12 months ended 2018 March 31, which was well within the budgeted amount of approximately \$353.34M. The reason for the positive variance was primarily due to the SMA not receiving the requisite approvals with respect to certain expenditures, particularly salaries and related expenses. In addition, the SMA always seeks ways to reduce costs, ensuring best value for money, while minimizing and mitigating against any fallout or negative impact this might have on the level and quality of services delivered to our customers.

## Collection of Spectrum Licence Fees

Spectrum Licence fees are collected on behalf of the GOJ and were previously remitted to the Accountant General's Department. However, in a letter dated 2017 April 18, the Ministry of Finance and the Public Service instructed, that based on a change in the Chart of Accounts for the Government, the SMA shall make payments of Spectrum Licence fees collected, to the Tax Administration of Jamaica, instead for payment into the Consolidated Fund.

Actual collection of Spectrum Licence fees for the 12 months ending 2018 March 31, amounted to approximately \$1,885.23M. This is above both the budgeted and KPI amounts of \$1,160.49M and \$928.39M respectively. Remittance amount of \$1,638.44M for the same period also exceeded the budgeted and KPI amounts of \$1,160.49M each. **Please note that Spectrum Licence fees collected on mobile licences are remitted in the month it is collected, whilst all other categories of licence are remitted in the month after they are collected.**

## Comparison of Actual and Budgeted Revenue

	Actual	Budget	KPI	Actual vs KP Variance
	\$M	\$M	\$M	\$M
Processing Fees	12.81	8.89	8.00	4.81
Regulatory Fees	328.31	302.50	272.25	56.06
Interest Income	16.32	11.67	10.50	5.82
Other Income	(4.00)	30.66	27.59	(31.59)
<b>TOTAL</b>	<b>353.44</b>	<b>353.72</b>	<b>318.34</b>	<b>35.10</b>

# BOARD OF DIRECTORS' REPORT

## Legal Policy & Regulatory

During the fiscal year the SMA was involved in, inter alia, the following Legal, Policy and Regulatory activities as part of its responsibility and in support of the Ministry of Science, Energy and Technology (MSET):

### Consultations

The SMA participated in consultation exercises conducted by the Ministry of National Security (MNS) and the Office of Utilities Regulations (OUR) during the 2017/18 FY. The SMA received communications from the Permanent Secretary of the MNS, requesting that the SMA review and provide feedback on the GoJ's Policy on Unmanned Aerial Systems (Drone and Drone Support Systems) intended for use in Jamaica's airspace. The review was completed and feedback dispatched to the MNS. Additionally, the SMA provided comments on the draft Infrastructure Sharing Rules received from the OUR, based on their request.

## REGIONAL AND GLOBAL OBLIGATIONS

The SMA, during the 2017/18 FY continued to participate in regional and global meetings and conferences. In particular, the SMA participated in meetings held by the CTU, CITEL, IAC, as well as the ITU.

### Inter-American Telecommunication Commission (CITEL)

A team from the SMA represented Jamaica at the Inter-American Telecommunication Commission's (CITEL's) 30<sup>th</sup>

Permanent Consultative Committee (PCC II) meeting held in Baranquilla, Colombia between 2017 November 27 and 2017 December 1. The meeting continued its preparation for the World Radiocommunications Conference 2019 (WRC-19) and implementation plans for decisions taken at WRC-15. WRC-19 will look at the allocation of spectrum globally, which includes Jamaica, for different services.

### International Telecommunications Satellite Organization (ITSO)

The SMA represented Jamaica at the 21<sup>st</sup> ITSO Advisory Committee (IAC) meeting on 2018 February 8 & 9 in Washington D.C. The meeting was in preparation for ITSO's 38<sup>th</sup> Assembly of Parties (AP-38) meeting. The SMA is Jamaica's representative at the IAC, and Jamaica represents Barbados, Bahamas, Haiti and Trinidad & Tobago.

### Caribbean Telecommunications Union (CTU)

The SMA participated in the Spectrum Management Task Force Meeting and Workshop held in Trinidad and Tobago, which was hosted by the Caribbean Telecommunications Union (CTU) in collaboration with the International Telecommunications Union (ITU). The sessions were focused on a strategic action plan for spectrum harmonization throughout the Caribbean region, as well as on agenda item 1.13 for the World Radiocommunications Conference 2019. This agenda item relates to candidate bands under consideration for allocation to 5G services.



Participants at the 21<sup>st</sup> IAC meeting, which included the Managing Director, and the Director, Policy & Strategic Planning from the SMA, representing Jamaica.

# BOARD OF DIRECTORS' REPORT

## STAFFING

The SMA completed the fiscal year with a staff complement of 37, which represents approximately 90% of the approved establishment of 41 posts. Significantly, in the course of the fiscal year, the SMA family welcomed on board Mrs. Maria Myers-Hamilton who has assumed leadership of the SMA's operations as the Managing Director. Additionally, the following persons were welcomed on board:

*Kamla Farquharson* - Internal Auditor

*Loveta Gordon* - Accounts Receivables Officer

*Tai-Shan Tracey* - Telecommunications Engineer (Band Planning)

*Phillip Malcolm* - Telecommunications Engineer (Band Planning)

*Tessarine Rhoden* - Legal Officer

There were also 3 separations from the following posts:

- Managing Director
- Manager Band Planning
- Accounts Payables Officer

The SMA utilizes this opportunity to again wish them all the best in their new endeavours and thank all for their contribution to the SMA during their tenure.

## Training and Development

Training and development continued to be a key strategy employed by the SMA, in order to maintain and develop the required knowledge base to effectively carry out its mandate. Both technical and non-technical training opportunities, were accessed by staff through seminars and workshops during the period, to include the following:

- *New Enhancements to AccPac-ASMS Middleware (Phase 1);*
- *International Regulatory Affairs and Reform;*
- *New Enhancements to AccPac-ASMS Middleware (Phase 2);*
- *Regulatory Master Class;*
- *CompTIA Security Analyst Course;*
- *LTE (Long Term Evolution) Training Bootcamp;*
- *USTTI Satellite Communications Primer;*
- *Mobile Interference Hunter Training;*
- *Microwave Antenna System Basics Installation &*

- *Alignment and Microwave Radio System Training;*
- *TCI Technical Training Seminar 2017;*
- *Electronic Government Procurement System Training;*
- *Techniques and Practices of Project Management;*
- *Networking with Windows Server 2016.*

## Corporate Social Responsibility

As part of our corporate social responsibility, during the 2017/18 FY, the SMA continued to address critical challenges associated with insufficient resources, in our community, in an effort to improve the quality of life for Jamaicans. In one such effort during the 2017 Christmas period, the SMA accepted an invitation to treat the children of the Higholborn Street Basic School, an institution that the SMA worked with during the 2016/17 FY. This provided the SMA with an excellent opportunity to spread some Christmas cheer to the children. Gifts, treats, and other surprises were provided for the children, who along with the staff of the SMA had a memorable day.

# BOARD OF DIRECTORS' REPORT



## Staff from the SMA at the treat for the Higholborn Street Basic School

The SMA also contributed to charitable organizations, missions and generally organizations with programs to address needs in the communities they serve. As such special contributions were made to different organizations which included the following:

- a. HOPE Programme (Housing Opportunity Production Employment) – Government Programme
- b. Multicare Foundation
- c. Missionaires of the Poor
- d. Praise Academy of Dance
- e. Parade Gardens Basic School
- f. Foursquare Gospel Church; and
- g. Love & Hope Ministries.

# BOARD OF DIRECTORS' REPORT

## Going Forward

The SMA recognizes that a key factor, in this the fourth (4th) industrial revolution, is the use of the electromagnetic spectrum (the spectrum) to facilitate wireless technology and associated devices and equipment. The increase in demand for the spectrum has resulted in spectrum managers, such as the SMA, seeking to be more efficient in managing the spectrum resource, and being more adaptable to the industry's needs. Consequently, spectrum management policies and the accompanying legislations need to create a regulatory environment with the required level of flexibility, to meet the needs of industry in a timely manner. In this way the country can maximise the economic and social benefits that are derived from a technology-enabled society. As such, for the medium term, the SMA will continue to work closely with our parent Ministry to help to formulate policies and provide advice on legislations.

The medium to long term focus on spectrum management will primarily be on the following:

- Financial prudence and stability;
- Staff Recruitment, Retention and Training;
- Policy and Legislative Improvement in line with Jamaica's Vision 2030 Plan;
- Capital Resource upgrade; and
- Public awareness.

The planned activities of the SMA for the 2018/19 FY will include inter-alia:

- 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 and ensuring compliance with all statutory obligations.

## Budgetary Proposal for Financial Year 2018/19

For the FY 2018/19, the SMA's approved budget is \$636.81M as follows:

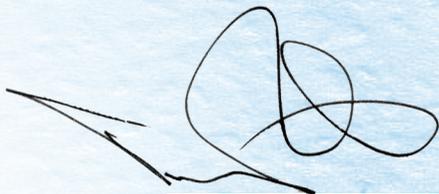
Capital Expenditure	\$226.08M
Operating Expenditure	\$410.73M

## Summary of Budgetary Proposal for Financial Year 2018/19

	Target	Key Performance Indicator (KPI)
Income	\$410.96M	90% of target
Spectrum licence fees Collected	\$1,267.58M	80% of target
Spectrum licence fees Remitted	\$1,267.58M	Remit all fees collected up to Feb. 2019 and mobile fees collected in Mar. 2019
Expenditure	\$410.73M	Within Target
No. of licences to be Renewed	442	85% of target
Number of Interference Cases resolved	All reported cases	90% of target

## Closing Remarks

In closing, we take this opportunity to thank the management and staff for their invaluable contribution during the fiscal year. To our stakeholders, the SMA thanks you all for your support and cooperation throughout the year and looks forward to another successful year of collaboration. Finally, we thank the Minister and his team at the MSET for their support, and we look forward to continue working with the team again in the 2018/19 FY.



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**Mr. Trevor Forrest**  
*Board Chairman*



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**Dr. Maria Myers-Hamilton**  
*Managing Director*

## SPECTRUM MANAGEMENT AUTHORITY

### BOARD OF DIRECTORS' COMPENSATION

Position of Director	Board		Committees		Fees	Travelling Allowance or Value	Total
	Chairman	Member	Chairman	Member			
	\$	\$	\$	\$			
Trevor Forrest - CHAIRMAN	195,000	-	-	4,500	199,500	-	199,500
Yolande Ramharrack		90,000	15,000	9,000	114,000	-	114,000
Marsha Haughton		72,000	52,500	4,500	129,000	-	129,000
Marcia Forbes		90,000	45,000	-	135,000	-	135,000
Rickman Warren		72,000	-	45,000	117,000	-	117,000
Craig Ottey-Brown		-	-	-	-	-	-
Marlon Morgan		117,000	-	54,000	171,000	46,013	217,013
Kaydian Smith-Newton		63,000	15,000	18,000	96,000	-	96,000
Brian Yap-Sam		-	-	-	-	-	-
Delroy Thompson		81,000	-	27,000	108,000	-	108,000
Robert Richards		90,000	37,500	-	127,500	-	127,500
Rohan Townsend			-	13,500	13,500	-	13,500
<b>Total</b>	<b>195,000</b>	<b>675,000</b>	<b>165,000</b>	<b>175,500</b>	<b>1,210,500</b>	<b>46,013</b>	<b>1,256,513</b>

SPECTRUM MANAGEMENT AUTHORITY										
SENIOR EXECUTIVES/KEY MANAGEMENT COMPENSATION										
Position of Senior Executive/ Key Management	Approved Salary	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	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Managing Director	7,363,125	5,207,392	350,000	311,820	-	491,7277	6,360,939	60,000	6,420,939	
Director - Spectrum Engineering	5,911,691	5,911,691	281,509	1,341,624	-	1,086,330	8,621,154	-	8,621,154	
Director - Finance & Administration	4,696,510	4,696,510	1,514,427	1,341,624	-	1,009,207	8,561,768	-	8,561,768	
Director - Legal Affairs	4,696,510	4,068,607	1,374,475	1,151,101	-	898,915	7,477,002	-	7,477,002	
Director - Policy & Strategic Management	4,696,510	4,696,510	1,374,475	1,341,624	-	277,599	7,690,208	-	7,690,208	
Manager - Human Resources, Acting	2,134,776	2,134,776	117,023	696,261	-	710,815	3,658,875	-	3,658,875	
<b>Total</b>	<b>29,499,123</b>	<b>26,715,486</b>	<b>4,995,813</b>	<b>6,184,054</b>	<b>-</b>	<b>4,474,593</b>	<b>42,369,946</b>	<b>60,000</b>	<b>42,429,946</b>	

**NB:**

The former Managing Director demitted office effective 2017 September 30, while the new Managing Director was appointed effective 2018 January 8. The Human Resources Officer was appointed to act in the post of Manager, Human Resources as of August 2016. Non-Cash Allowance refers to the taxable benefit for assigned motor vehicle

The cover features three large, rounded diamond shapes. A maroon diamond is at the top, a dark blue diamond is at the bottom left, and a light blue diamond is at the bottom right. These diamonds are connected by thin grey lines that form a larger diamond shape around the central text.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2018**

SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2018

*I N D E X*

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
SPECTRUM MANAGEMENT AUTHORITY LIMITED

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Spectrum Management Authority Limited ("the company"), set out on pages 4 to 33 which comprise the statement of financial position as at March 31, 2018, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at March 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SPECTRUM MANAGEMENT AUTHORITY LIMITED

**Report on the Audit of the Financial Statements (Continued)**

*Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

*Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 control.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SPECTRUM MANAGEMENT AUTHORITY LIMITED

**Report on the Audit of the Financial Statements (Continued)**

*Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on additional matters as required by 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants  
Kingston, Jamaica

June 27, 2018

SPECTRUM MANAGEMENT AUTHORITY LIMITED  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 YEAR ENDED 31 MARCH 2018

	<u>Note</u>	<u>2018</u> \$	<u>2017*</u> \$
Revenue	5	341,115,083	311,304,996
Operating expenses	6(a)	<u>(304,452,136)</u>	<u>(274,460,651)</u>
Operating profit		36,662,947	36,844,345
Other income	5	<u>12,320,760</u>	<u>23,575,303</u>
Profit, being total comprehensive income for the year	7	<u>48,983,707</u>	<u>60,419,648</u>

\*Restated (see note 20)

The accompanying notes form an integral part of the financial statements.

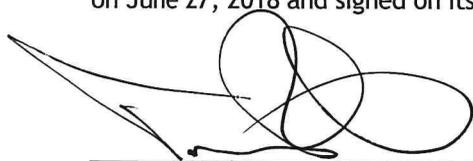
## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF FINANCIAL POSITION

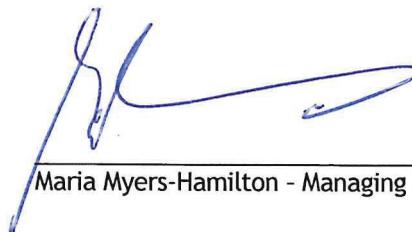
31 MARCH 2018

	<u>Note</u>	<u>2018</u> \$	<u>2017*</u> \$	<u>2016*</u> \$
<b>ASSETS</b>				
<b>Non-current assets:</b>				
Property, plant and equipment	8	483,460,260	398,277,685	392,757,118
Intangible assets	9	<u>12,369,715</u>	<u>10,575,138</u>	<u>11,348,200</u>
<b>Total non-current assets</b>		<u>495,829,975</u>	<u>408,852,823</u>	<u>404,105,318</u>
<b>Current assets:</b>				
Receivables	10	39,004,815	42,222,969	17,000,799
Taxation recoverable	11	10,677,300	6,590,093 *	5,070,536
Resale agreements	12	291,800,645	295,546,072	315,720,277
Cash and cash equivalents	13	<u>305,188,579</u>	<u>50,065,148</u>	<u>11,665,446</u>
<b>Total current assets</b>		<u>646,671,339</u>	<u>394,424,282</u>	<u>349,457,058</u>
<b>Total assets</b>		<u>1,142,501,314</u>	<u>803,277,105</u>	<u>753,562,376</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves:</b>				
Share capital	14	20	20	20
Contributed Capital	15	144,700,366	144,700,366	144,700,366
Retained earnings		<u>575,949,428</u>	<u>526,965,721 *</u>	<u>466,546,073 *</u>
<b>Total capital and reserves</b>		<u>720,649,814</u>	<u>671,666,107</u>	<u>611,246,459</u>
<b>Current liabilities:</b>				
Payables	16	317,390,533	72,734,033	61,362,443
Deferred income	17	104,460,967	58,876,965	60,025,234
Taxation payable		-	- *	<u>20,928,240 *</u>
<b>Total current liabilities</b>		<u>421,851,500</u>	<u>131,610,998</u>	<u>142,315,917</u>
<b>Total equity and liabilities</b>		<u>1,142,501,314</u>	<u>803,277,105</u>	<u>753,562,376</u>

The financial statements on pages 4 to 33 were approved for issue by the Board of Directors on June 27, 2018 and signed on its behalf by:



Trevor Forrest - Chairman



Maria Myers-Hamilton - Managing Director

\*Restated (see note 20)

The accompanying notes form an integral part of the financial statements.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 31 MARCH 2018

	Share Capital \$ (Note 14)	Contributed Capital \$ (Note 15)	Retained Earnings \$	Total \$
Balances at 31 March 2016:				
As previously stated	20	144,700,366	447,480,608	592,180,994
Restatement (note 20)	-	-	19,065,465	19,065,465
Balances at 31 March 2016, as restated	<u>20</u>	<u>144,700,366</u>	<u>466,546,073</u>	<u>611,246,459</u>
Total comprehensive income:				
Profit, being total comprehensive income for the year, as previously stated	-	-	49,043,473	49,043,473
Restatement (note 20)	-	-	11,376,175	11,376,175
Profit, being total comprehensive income for the year, as restated	-	-	<u>60,419,648</u>	<u>60,419,648</u>
Balances at 31 March 2017, as restated	<u>20</u>	<u>144,700,366</u>	<u>526,965,721</u>	<u>671,666,107</u>
Total comprehensive income:				
Profit, being total comprehensive income for the year	-	-	48,983,707	48,983,707
Balances at 31 March 2018	<u>20</u>	<u>144,700,366</u>	<u>575,949,428</u>	<u>720,649,814</u>

The accompanying notes form an integral part of the financial statements.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2018

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit for the year	48,983,707	60,419,648*
Adjustments for:		
Profit on disposal of property, plant and equipment	( 25,000)	( 1,720,000)
Depreciation & amortisation	64,814,268	46,482,707
Provision for bad debt	50,269	-
Interest income	( 16,324,763)	( 15,703,091)
Operating cash flows before movements in working capital	97,498,481	89,479,264
Change in operating assets and liabilities:		
Receivables	3,235,646	( 25,222,170)
Taxation recoverable	( 4,087,207)	( 6,590,093) *
Deferred income	45,584,002	( 1,148,269)
Payables (excluding spectrum licence fees)	( 2,133,711)	5,353,822
	140,097,211	61,872,554
Interest received	16,360,722	15,612,194
Income tax paid	-	( 15,737,705) *
Spectrum licence fees received (Note 16)	1,885,225,420	1,437,916,930
Spectrum licence fees paid (Note 16)	(1,638,435,209)	(1,432,019,161)
Net cash provided by operating activities	<u>403,248,144</u>	<u>67,644,812</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net decrease in resale agreements	3,641,707	20,265,102
Proceeds from sale of property, plant and equipment	25,000	1,720,000
Acquisition of property, plant and equipment (Note 8)	( 143,880,173)	( 48,025,734)
Acquisition of intangible assets (Note 9)	( 7,911,247)	( 3,204,478)
Net cash used in investing activities	<u>( 148,124,713)</u>	<u>( 29,245,110)</u>
Net increase in cash and cash equivalents	255,123,431	38,399,702
Cash and cash equivalents at beginning of year	<u>50,065,148</u>	<u>11,665,446</u>
Cash and cash equivalents at end of year	<u>305,188,579</u>	<u>50,065,148</u>

\*Restated (see note 20)

The accompanying notes form an integral part of the financial statements.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

**1. IDENTIFICATION AND PRINCIPAL ACTIVITIES**

Spectrum Management Authority Limited (the company) 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, Energy and Technology. 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.

The company is exempt from paying income tax under section 12(b) of the Income Tax Act. This was confirmed by letter from Tax Administration Jamaica dated February 15, 2018 (see note 20).

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, as issued by the International Accounting Standards Board (IASB), and comply with provisions of the Jamaican Companies Act.

**New and amended standards that became effective during the year:**

Certain new and amended standards, which were in issue, came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements viz;

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.
- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognized, should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

**New and amended standards that became effective during the year (cont'd):**

- Amendments to IAS 12, *Income Taxes* (cont'd)
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any changes to the presentation and disclosures in the financial statements.

**New and amended standards that are not yet effective:**

At the date of authorisation of the financial statements, certain new and amended standards have been issued but were not yet effective and had not been early-adopted by the company. The company has assessed their relevance with respect to its operations and has concluded as follows:

- The company is required to adopt IFRS 9, *Financial Instruments* from April 1, 2018. The standard replaces IAS 39, *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Based on its preliminary assessment, the company does not believe that the new classification requirements will have a material impact on its accounting for receivables, securities purchased under resale agreements and investments. However, the company is still in the process of its assessment and the final impact has not yet been determined.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investment in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- (i) 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- (ii) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

## (a) Statement of compliance (cont'd)

## New and amended standards that are not yet effective (cont'd):

- The company is required to adopt IFRS 9, *Financial Instruments* (cont'd)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. However, the company is still in the process of determining the likely financial impact on its financial statements.

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The company is in the process of implementing the system and control changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at April 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at that date of initial applications.
  - (i) The determination of the business model within which a financial asset is held.
  - (ii) The designation of certain investments in equity investments not held for trading as at FVOCI.
- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2017, replaces IAS 11-*Construction Contracts*, IAS 18 -*Revenue*, IFRIC 13 -*Customer Loyalty Programmes*, IFRIC 15 -*Agreements for the Construction of Real Estate*, IFRIC 18- *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

**New and amended standards that are not yet effective (cont'd):**

- IFRS 15, *Revenue From Contracts With Customers* (cont'd)

The company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

The company has carried out an initial assessment of the impact of adoption of IFRS 15 on the recognition of revenue from regulatory and processing fees and anticipate that there will be no significant impact on its financial statements. However, the company will continue to assess the impact the standard may have on its 2018 financial statements.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The company is assessing the impact that this amendment will have on its 2019 financial statements.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

**New and amended standards that are not yet effective (cont'd):**

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The company is assessing the impact that this interpretation will have on its 2019 financial statements.

- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

(i) Prepayment features with negative compensation:

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

(ii) Modifications to financial liabilities:

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The company is assessing the impact that this interpretation will have on its 2020 financial statements.

(b) Basis of preparation

The financial statements are prepared under the historical cost basis.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2018**

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

(c) Reporting currency

The financial statements as of and for the year ended 31 March 2018 (reporting date), are presented in Jamaica dollars which is the company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below:

(i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables, 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 payment default. Management applies historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable on individual items.

(ii) 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 reporting date. Useful life of an asset is defined in terms of the asset's expected utility to the company.

(e) Comparative information

When necessary, prior year comparatives have been reclassified to conform to current year's presentation.

**3. SIGNIFICANT ACCOUNTING POLICIES**

(a) Foreign currency translation

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rates ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

## (b) Financial instruments

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

*Financial assets*

The company's financial assets comprise receivables, resale agreements, cash and cash equivalents, and are classified as 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 each 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 recognised at cost plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost, using the effective interest method, less provision for impairment.

*Financial liabilities*

The company's financial liabilities, comprising payables, are measured at cost.

## (c) Property, plant and equipment

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

Depreciation is recognised in profit or loss on the straight-line basis at annual rates to write down the assets to their estimated residual values at the end of their expected useful lives, as follows:

Building	2.5%
Leasehold improvements	10%
Monitoring and office equipment	5% - 20%
Furniture and fixtures	10%
Computers	33 $\frac{1}{3}$ %
Motor vehicles	20%

## (d) Intangible assets

Costs that are directly associated with acquiring identifiable and unique software products that are expected to generate economic benefits exceeding cost, beyond one year, are recognised as intangible assets. These assets are measured at cost, less accumulated amortisation and impairment losses, if any.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

## (d) Intangible assets (cont'd)

Amortisation is recognised in profit or loss on the straight-line basis over the estimated useful lives of the intangible assets, from the date that they are made available for use. The estimated useful life ranges from a minimum of 3 years to a maximum of 10 years.

## (e) Impairment

The carrying amounts of the company's assets are reviewed at each reporting 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 recognised 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 profit or loss.

## (i) Calculation of recoverable amount:

The recoverable amount of the company's investment securities and receivables is calculated as the value of the expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## (ii) Reversal of impairment:

An impairment in respect of a receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

## (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 plan, made on the basis provided for in the rules, are charged to profit or loss when due.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

## (g) Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, deposits and short-term highly liquid investments where original maturities do not exceed three months, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term commitments rather than for investments purposes.

## (h) Resale agreements

Securities purchased under agreements to resell are recorded as collateralized financing transactions and are classified as loans and receivables. They are recorded at cost which is the cash paid over to the financial institutions.

## (i) Trade and other receivables

Trade receivables are carried at original invoice amounts less provision 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 the receivables.

## (j) Trade and other payables

Trade and other payables are measured at cost.

## (k) Borrowings

Borrowings, if any, are recognised initially when loan proceeds are received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in profit or loss over the period of the borrowings. Borrowing costs are recognised as expenses in the period in which they are incurred.

## (l) Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the company and the revenue can be reliably measured. Income is recognised in conformity with the validity period of licences.

Interest income is recognised in profit or loss for all interest-bearing instruments on the accrual basis, unless collectability is doubtful.

## (m) Leases

Leases of property where the company has substantially all the risks and rewards of ownership are classified as finance leases. Payment under operating leases are charged as an expense in profit or loss on the straight-line basis over the period of the lease.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

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

(n) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24, *Related Party Disclosures* as the “reporting entity”, in this case, the company).

- (a) A person or a close member of that person’s family is related to a reporting entity, if that person:
  - i) has control or joint control over the reporting entity;
  - ii) has significant influence over the reporting entity; or
  - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii) Both entities are joint ventures of the same third party.
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
  - vi) The entity is controlled, or jointly controlled by a person identified in (a).
  - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii) The entity or any member of a group of which it is a part provides key management personnel services to the company or to the parent of the company.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

4. FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Overview

The company has exposure to the following risks from its use of financial instruments and its operations:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

Information about the company's exposure to each of these risks, the company's objectives, policies and processes for measuring and managing risk is detailed below.

Risk Management Framework

The Board has overall responsibility for the determination of the company's risk management objectives and policies. Whilst retaining ultimate responsibility, it has delegated the authority for designing the operating processes to, and ensuring that the Board receives reports from, the Managing Director, through whom 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.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The risk arises mainly from its receivables, resale agreements and cash and cash equivalents. 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 has no significant concentration of credit risk attached to receivables as the company has a diverse customer base, with no significant balances arising from any single economic or business sector, or single entity or customer. The company, therefore, manages credit 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.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

## (b) Credit risk (cont'd)

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash and cash equivalents	305,188,579	50,065,148
Resale agreements	291,800,645	295,546,072
Receivables (see Note 10)	<u>32,452,247</u>	<u>37,434,414</u>
	<u>629,441,471</u>	<u>383,045,634</u>

There has been no change to the company's exposure to credit risk or the manner in which it measures and manages this risk during the year.

## (c) 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 exchange rate and may 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 optimising return. Market risk exposures are measured using sensitivity analysis.

(i) *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 resale agreements that are backed by GOJ/BOJ securities (see Note 12).

*Interest rate sensitivity analysis:*

The following tables indicate the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on profit or loss and equity.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2018**

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

(c) Market risk (cont'd)

(i) *Interest rate risk* (cont'd)

The analysis assumes that all other variables, in particular foreign currency rates, remain constant and was performed on the same basis for 2017.

	Effect on profit or loss 2018 J\$	Effect on equity 2018 J\$	Effect on profit or loss 2017 J\$	Effect on equity 2017 J\$
Change in basis points:				
-100 (2017: -100)	(2,918,006)	(2,918,006)	(2,955,461)	(2,955,461)
100 (2017: 100)	<u>2,918,006</u>	<u>2,918,006</u>	<u>2,955,461</u>	<u>2,955,461</u>

(ii) 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 currency risk on transactions that it undertakes in foreign currencies that give rise to the net currency gains and losses recognised 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.

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

	<u>J\$</u>	<u>2018</u> <u>US\$</u>	<u>J\$</u>	<u>2017</u> <u>US\$</u>
Financial Assets				
Cash and cash equivalents	237,043,445	1,901,604	6,589,804	51,576
Resale agreements	<u>76,792,857</u>	<u>616,045</u>	<u>81,097,198</u>	<u>634,730</u>
	<u>313,836,302</u>	<u>2,517,649</u>	<u>87,687,002</u>	<u>686,306</u>

The exchange rate used to translate assets denominated in United States Dollars at the reporting date was 124.65 (2017: 127.77) Jamaica dollars to 1 United States dollar.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

## (c) Market risk (cont'd)

## (ii) Currency risk (cont'd)

*Currency sensitivity analysis:*

The following table indicates the effect on profit or loss arising from changes in the United States dollar exchange rate. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusting for their translations at the reporting date for a change in foreign currency rates.

	<u>2018</u>	<u>2017</u>
	\$	\$
Effect on profit before tax:		
Devaluation - 4% (2017: 6%)	<u>3,559,729</u>	<u>5,261,220</u>
Revaluation - 2% (2017: 1%)	<u>(1,779,864)</u>	<u>( 876,870)</u>

There was no change in the nature of exposure to market risk to which the company is subjected to or its approach to measuring and managing the risk during the year.

## (d) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The company manages the risk by monitoring future cash flows and liquidity on a daily basis and maintaining a portfolio of short-term 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 reporting date.

There was no change in the nature of exposure to liquidity risk to which the company is subjected or its approach to measuring and managing the risk during the year.

## (e) Capital risk

The company is not subject to any externally imposed capital requirements.

The company's objectives, when managing capital, are to 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. The company's capital is defined as share capital, contributed capital and retained earnings. Capital is managed through a formal budgetary process which is closely monitored by management to maintain profitability and control expenditure.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

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

## (f) 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.

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:

- Requirements for appropriate segregation of duties, including the authorisation of transactions:
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with government regulatory and other legal requirements.
- Risk mitigation including insurance.

## (g) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The fair value of a liability reflects its non-performance risk.

**Determination of fair value and fair value hierarchy**

IFRS specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Discounted cash flow technique using a discount rate from observable market data, i.e. average of several brokers/dealers market indicative yields in active markets for identical assets or liabilities.

Level 3 – Valuation techniques using significant unobservable inputs.

The fair values of the financial instruments of the company that include cash and cash equivalents, receivables, resale agreements, and payables, approximate to their carrying values due to their relatively short tenure. As a result, these financial instruments are not grouped under the hierarchy of valuation.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 5. REVENUE AND OTHER INCOME

	<u>2018</u>	<u>2017</u>
	\$	\$
(a) REVENUE:		
Regulatory fees (Note 17)	328,307,531	299,010,029
Processing fees	<u>12,807,552</u>	<u>12,294,967</u>
	<u>341,115,083</u>	<u>311,304,996</u>
(b) OTHER INCOME:		
Interest income	16,324,763	15,703,091
Exchange (loss)/gain	( 4,138,574)	5,023,894
Profit on disposal of property, plant and equipment	25,000	1,720,000
Other	<u>109,571</u>	<u>1,128,318</u>
	<u>12,320,760</u>	<u>23,575,303</u>

## 6. EXPENSES BY NATURE

(a) Administrative expenses	<u>2018</u>	<u>2017</u>
	\$	\$
Salaries and other related costs [Note 6(b)]	157,019,980	148,273,228
Chairman and Director's fees [Note 20(a)]	1,210,500	1,291,500
Board/ Committee meeting	662,616	749,025
Travel and subsistence	2,579,313	3,133,972
Subscription and Donation	2,686,432	4,145,248
Audit fees - current year	1,895,000	1,555,000
Legal and Professional fees	5,500,927	4,505,513
Office expenses	14,080,547	10,842,803
Security	3,727,257	4,024,450
Public relations and education	222,947	5,256,778
Lease and rental	6,451,996	5,667,672
Repairs and maintenance	16,468,337	11,292,664
Advertisement	635,333	1,070,906
Utilities	10,544,808	11,902,399
Insurance	4,390,488	3,391,925
Motor vehicle	2,086,895	2,003,268
Bank Charges	342,785	439,696
Asset & Property Taxes	353,100	326,250
Irrecoverable GCT	8,728,338	7,907,896
Provision for bad debts [Note 10]	50,269	-
Depreciation & Amortization	<u>64,814,268</u>	<u>46,482,707</u>
	<u>304,452,136</u>	<u>274,460,650</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

## 6. EXPENSES BY NATURE (CONT'D)

## (b) Salaries and other related costs

	<u>2018</u>	<u>2017</u>
	\$	\$
Salaries and wages	125,198,582	117,234,176
Statutory contributions	7,911,267	7,339,625
Group life and health insurance	6,644,922	5,347,394
Uniform	1,115,751	1,202,660
Contract/temporary workers	<u>6,482,806</u>	<u>6,457,907</u>
	147,353,328	137,581,762
Pension contributions	1,465,604	1,527,312
Staff training and welfare	7,027,203	8,008,245
Subsistence and accommodation	<u>1,173,845</u>	<u>1,155,909</u>
	<u>157,019,980</u>	<u>148,273,228</u>

The number of persons employed by the company as at the reporting date was 37 (2017: 33).

## 7. PROFIT

Profit is stated after charging:

	<u>2018</u>	<u>2017</u>
	\$	\$
Auditors' remuneration - current year	1,895,000	1,555,000
Staff costs [Note 6(b)]	157,019,980	148,273,228
Depreciation & amortisation [Note 6(a)]	<u>64,814,268</u>	<u>46,482,707</u>

**SPECTRUM MANAGEMENT AUTHORITY LIMITED  
NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2018**

**8 PROPERTY, PLANT AND EQUIPMENT**

	Land and Building \$	Leasehold Improvement \$	Monitoring & Office Equipment \$	Furniture, and Fixtures \$	Motor Vehicles \$	Other Assets \$	Capital Work-in- Progress \$	Total \$
At cost								
31 March 2016	73,777,368	9,985,351	312,835,712	13,038,339	24,577,181	86,791	153,578,168	587,878,910
Additions	22,000	81,442	8,770,629	579,990	119,910	-	38,451,763	48,025,734
Transfer to CWIP intangible	-	-	-	-	-	-	( 159,674)	( 159,674)
CWIP Transfers	-	13,294,676	137,432,847	-	9,623,248	-	(160,350,771)	( 4,570,000)
Disposals	-	-	459,039,188	13,618,329	( 4,570,000)	86,791	31,519,486	631,174,970
31 March 2017	<u>73,799,368</u>	<u>23,361,469</u>	<u>12,296,202</u>	<u>1,341,062</u>	<u>9,717,440</u>	<u>-</u>	<u>120,525,469</u>	<u>143,880,173</u>
Additions	-	-	12,549,789	-	-	-	(12,549,789)	-
CWIP Transfers	-	-	( 1,240,865)	-	-	-	-	( 1,240,865)
Disposals	-	-	482,644,314	14,959,391	39,467,779	86,791	139,495,166	773,814,278
31 March 2018	<u>73,799,368</u>	<u>23,361,469</u>	<u>482,644,314</u>	<u>14,959,391</u>	<u>39,467,779</u>	<u>86,791</u>	<u>139,495,166</u>	<u>773,814,278</u>
Depreciation								
31 March 2016	11,781,898	2,791,144	154,189,698	10,197,567	16,120,567	40,918	-	195,121,792
Charge for the year	1,861,707	1,625,846	34,026,902	610,716	4,213,104	7,218	-	42,345,493
Eliminated on disposal	-	-	-	-	( 4,570,000)	-	-	( 4,570,000)
31 March 2017	<u>13,643,605</u>	<u>4,416,990</u>	<u>188,216,600</u>	<u>10,808,283</u>	<u>15,763,671</u>	<u>48,136</u>	<u>-</u>	<u>232,897,285</u>
Charge for the year	1,917,698	2,280,889	48,535,168	580,105	5,375,059	8,679	-	58,697,598
Eliminated on disposal	-	-	( 1,240,865)	-	-	-	-	( 1,240,865)
31 March 2018	<u>15,561,303</u>	<u>6,697,879</u>	<u>235,510,903</u>	<u>11,388,388</u>	<u>21,138,730</u>	<u>56,815</u>	<u>-</u>	<u>290,354,018</u>
Net book values								
31 March 2018	<u>58,238,065</u>	<u>16,663,590</u>	<u>247,133,411</u>	<u>3,571,003</u>	<u>18,329,049</u>	<u>29,976</u>	<u>139,495,166</u>	<u>483,460,260</u>
31 March 2017	<u>60,155,763</u>	<u>18,944,479</u>	<u>270,822,588</u>	<u>2,810,046</u>	<u>13,986,668</u>	<u>38,655</u>	<u>31,519,486</u>	<u>398,277,685</u>
31 March 2016	<u>61,995,470</u>	<u>7,194,207</u>	<u>158,646,014</u>	<u>2,840,772</u>	<u>8,456,614</u>	<u>45,873</u>	<u>153,578,168</u>	<u>392,757,118</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

9. INTANGIBLE ASSETS	<u>Software and licences</u> ₤	<u>Capital work-in- progress</u> ₤	<u>Total</u> ₤
At cost			
31 March 2016	27,003,548	471,579	27,475,127
Additions	1,501,868	1,702,610	3,204,478
Transfer from CWIP tangible	-	159,674	159,674
CWIP Transfers	<u>644,902</u>	<u>( 644,902)</u>	<u>-</u>
31 March 2017	29,150,318	1,688,961	30,839,279
Additions	5,774,985	2,136,262	7,911,247
CWIP Transfers	<u>2,075,678</u>	<u>(2,075,678)</u>	<u>-</u>
31 March 2018	<u>37,000,981</u>	<u>1,749,545</u>	<u>38,750,526</u>
Depreciation			
31 March 2016	16,126,927	-	16,126,927
Charge for the year	<u>4,137,214</u>	<u>-</u>	<u>4,137,214</u>
31 March 2017	20,264,141	-	20,264,141
Charge for the year	<u>6,116,670</u>	<u>-</u>	<u>6,116,670</u>
31 March 2018	<u>26,380,811</u>	<u>-</u>	<u>26,380,811</u>
Net book values			
31 March 2018	<u>10,620,170</u>	<u>1,749,545</u>	<u>12,369,715</u>
31 March 2017	<u>8,886,177</u>	<u>1,688,961</u>	<u>10,575,138</u>
31 March 2016	<u>10,876,621</u>	<u>471,579</u>	<u>11,348,200</u>
10. RECEIVABLES	<u>2018</u> ₤	<u>2017</u> ₤	
Trade receivables - Regulatory fees	31,375,846	27,091,531	
Other receivables	<u>2,011,964</u>	<u>11,351,716</u>	
	33,387,810	38,443,247	
Less: Impairment allowance	<u>( 935,563)</u>	<u>( 1,008,833)</u>	
	32,452,247	37,434,414	
Prepayments	<u>6,552,568</u>	<u>4,788,555</u>	
	<u>39,004,815</u>	<u>42,222,969</u>	

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 10. RECEIVABLES (CONT'D)

The aging of trade receivables is as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
0-30 days	110,804	25,638,738
31-60 days	-	10,705
61-90 days	231,980	-
90 days and over	<u>31,033,062</u>	<u>1,442,088</u>
	<u>31,375,846</u>	<u>27,091,531</u>

Movement in impairment allowance:

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance at the beginning of year	1,008,833	1,008,833
Impairment losses recognized on receivables	50,269	-
Amounts written off as uncollectible	<u>( 123,539)</u>	<u>-</u>
Balance at the end of year	<u>935,563</u>	<u>1,008,833</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 the reporting date, adequate provision has been made in respect of allowance for impairment.

## 11. TAXATION RECOVERABLE:

Taxation recoverable represents taxes withheld at source on interest received on Resale agreements and cash and cash equivalents, and amount paid as quarterly taxation installments prior to the company receiving confirmation of its Tax Exempt status.

Movement in taxation recoverable:

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance at the beginning of year	6,590,093	5,070,536
Amount utilized as tax credit	-	(5,070,536)
Taxation recoverable during year	4,087,207	3,903,729
Amount advanced as tax now deemed recoverable	<u>-</u>	<u>2,686,364</u> *
Balance at the end of year	<u>10,677,300</u>	<u>6,590,093</u>

\*Restated (see note 20)

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 12. RESALE AGREEMENTS

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

These resale agreements include interest accrued of \$463,341 (2017: \$567,061) and have an average maturity period of 34 days (2017: 31 days).

	<u>2018</u>	<u>2017</u>
	\$	\$
Resale agreements - J\$ equivalent of US\$	76,792,857	81,097,198
- J\$ currency	<u>215,007,788</u>	<u>214,448,874</u>
	<u>291,800,645</u>	<u>295,546,072</u>

The fair values of underlying assets for resale agreements amounted to \$359,505,816 (2017: \$301,169,007).

The weighted average effective interest rates at the reporting date were, as follows:

	<u>2018</u>	<u>2017</u>
	%	%
US\$	1.14	1.53
J\$	<u>3.02</u>	<u>5.64</u>

## 13. CASH AND CASH EQUIVALENTS

	<u>2018</u>	<u>2017</u>
	\$	\$
Cash in hand - J\$ Currency	75,000	75,000
Bank balances - J\$ Currency	<u>68,070,135</u>	<u>43,400,344</u>
	68,145,135	43,475,344
Bank balances - J\$ equivalent of US\$	<u>237,043,444</u>	<u>6,589,804</u>
	<u>305,188,579</u>	<u>50,065,148</u>

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

	<u>2018</u>	<u>2017</u>
	%	%
Cash at bank - US\$	1.07	0.08
- J\$	<u>2.82</u>	<u>4.28</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 14. SHARE CAPITAL

	<u>2018</u> \$	<u>2017</u> \$
Authorized - 100 ordinary shares of no par value		
Issued and fully paid - 2 ordinary shares of no par value	<u>20</u>	<u>20</u>

## 15. CONTRIBUTED CAPITAL

	<u>2018</u> \$	<u>2017</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 funds received from the Government of Jamaica to finance the company's capital programme which formed a part of the first phase of the company's two year business plan which commenced in the financial year 2004/2005.

## 16. PAYABLES

	<u>2018</u> \$	<u>2017</u> \$
Tax Administration Jamaica:		
Spectrum licence fees	296,539,193	49,748,982
Accruals	<u>18,492,990</u>	<u>17,711,456</u>
	315,032,183	67,460,438
Customers' deposits	<u>2,358,350</u>	<u>5,273,595</u>
	<u>317,390,533</u>	<u>72,734,033</u>

Customers' deposits represent regulatory fees received in the month(s) prior to when the validity periods of the respective renewal licence(s) will begin.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 16. PAYABLES (CONT'D)

Movement in spectrum licence fees:

	<u>2018</u> \$	<u>2017</u> \$
Balance payable at beginning of year	49,748,982	43,851,213
Spectrum licence fees received	1,885,225,420	1,437,916,930
Spectrum licence fees paid	<u>(1,638,435,209)</u>	<u>(1,432,019,161)</u>
Balance payable at end of year	<u>296,539,193</u>	<u>49,748,982</u>

Spectrum licence fees payable represents amounts due to the Government of Jamaica (GOJ) recognised at the time they are received from customers, and are reflected as a "pass through" in the company's accounts. Normally, fees collected in any month are remitted to the Consolidated Fund in the subsequent month except for domestic mobile licences. All funds collected for the domestic mobile licences are remitted immediately in the month of collection to the GOJ Consolidated Fund, however for an amount of US\$1,800,000 that was collected from Symbiote Investments Limited remains in payable, pending a directive from the Minister responsible for telecommunications.

## 17. DEFERRED INCOME

This is the unearned portion of regulatory fees that are billed during the financial year and represents the entire, or the proportionate number of months, of the validity period of applicable licences which fall outside the financial year.

Movement in deferred income:

	<u>2018</u> \$	<u>2017</u> \$
Balance at the beginning of year	58,876,965	60,025,234
Add: Amounts invoiced during year	373,891,533	297,861,760
Less: Transfers to revenue (Note 5)	<u>(328,307,531)</u>	<u>(299,010,029)</u>
Balance at the end of year	<u>104,460,967</u>	<u>58,876,965</u>

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. RELATED PARTY TRANSACTIONS AND BALANCES**

The following transactions were carried out with related parties:

(a)	Compensation of key management personnel	<u>2018</u>	<u>2017</u>
		\$	\$
	Salaries and other related costs:		
	Key management personnel	<u>42,369,946</u>	<u>42,060,515</u>
		<u>2018</u>	<u>2017</u>
		\$	\$
	Directors' fees:		
	Board Chairman	195,000	180,000
	Committee Chairman	165,000	180,000
	Board members	675,000	747,000
	Committee members	<u>175,500</u>	<u>184,500</u>
		<u>1,210,500</u>	<u>1,291,500</u>
(b)	Related party balances:		
(i)	Included in other receivables are:		
		<u>2018</u>	<u>2017</u>
		\$	\$
	Due from related companies or agencies:		
	Universal Service Fund	<u>503,906</u>	<u>595,746</u>
(ii)	Included in payables is an amount of \$296,539,193 (2017:\$49,748,982) payable to Tax Administration Jamaica.		

**19. CAPITAL COMMITMENTS**

As at the reporting date, the company had capital commitments totaling \$11,294,764 made up as follows:

- (i) \$95,829,582 has been committed towards the radio monitoring and direction finding system project, of which \$86,234,277 was spent, leaving an outstanding balance of \$9,595,305.
- (ii) \$28,252,111 has been committed towards the structural repairs and refurbishing works of the company's building and car park, of which \$26,552,652 has been spent, leaving a balance of \$1,699,459.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 20. RESTATEMENT

Tax Administration Jamaica by their letter dated February 15, 2018 confirmed that the company is exempt from income tax under section 12(b) of the Income Tax Act. This change in taxation policy resulted in a change in the accounting policies of the company on income tax and deferred taxation.

The statements of financial position and profit or loss and other comprehensive income have been restated to give effect to the following:

- (i) Adjustment to deferred tax liabilities previously recognised that are no longer applicable.
  - (ii) Adjustment to income tax charges and resulting taxation payable for year ended March 31, 2017. No taxes were paid in respect of year of assessment 2017, on the due date of March 15, 2018, as the exempt status was confirmed on February 15, 2018.
  - (iii) Adjustment to recognise a taxation recoverable on account of advance estimated tax paid in respect of year of assessment 2017.
- a) Effects on the statement of financial position:

	<u>Impact of change in accounting policy</u>		
	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
	\$	\$	\$
<b>March 31, 2016</b>			
Non-current assets	404,105,318	-	404,105,318
Current assets	<u>349,457,058</u>	-	<u>349,457,058</u>
Total assets	<u>753,562,376</u>	-	<u>753,562,376</u>
Deferred tax liabilities	12,251,075	(12,251,075)	-
Taxation payable	27,742,630	( 6,814,390)	20,928,240
Other current liabilities	<u>121,387,677</u>	-	<u>121,387,677</u>
Total liabilities	<u>161,381,382</u>	<u>(19,065,465)</u>	<u>142,315,917</u>
Share capital and contributed capital	144,700,386	-	144,700,386
Retained earnings	<u>447,480,608</u>	<u>19,065,465</u>	<u>466,546,073</u>
Total equity	<u>592,180,994</u>	<u>19,065,465</u>	<u>611,246,459</u>
Total equity and liabilities	<u>753,562,376</u>	-	<u>753,562,376</u>
<b>March 31, 2017</b>			
Non-current assets	408,852,823	-	408,852,823
Current assets	<u>391,737,918</u>	<u>2,686,364</u>	<u>394,424,282</u>
Total assets	<u>800,590,741</u>	<u>2,686,364</u>	<u>803,277,105</u>
Deferred tax liabilities	25,640,683	(25,640,683)	-
Other current liabilities	<u>133,725,591</u>	<u>( 2,114,593)</u>	<u>131,610,998</u>
Total liabilities	<u>159,366,274</u>	<u>(27,755,276)</u>	<u>131,610,998</u>
Share capital and contributed capital	144,700,386	-	144,700,386
Retained earnings	<u>496,524,081</u>	<u>30,441,640</u>	<u>526,965,721</u>
Total equity	<u>641,224,467</u>	<u>30,441,640</u>	<u>671,666,107</u>
Total equity and liabilities	<u>800,590,741</u>	<u>2,686,364</u>	<u>803,277,105</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 20. RESTATEMENT (CONT'D)

b) Effects on the statement of profit or loss and other comprehensive income:

	<u>Impact of change in accounting policy</u>		
	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Year ended March 31, 2016</b>			
Revenue	311,304,996	-	311,304,996
Operating expenses	(274,400,650)	( 60,001)	(274,460,651)
Other income	23,575,303	-	23,575,303
Taxation charge	( 11,436,176)	11,436,176	-
	<u>49,043,443</u>	<u>11,376,175</u>	<u>60,419,648</u>

c) Effect on statement of cash flows:

There was no impact on the total operating or investing cash flows for the year ended March 31, 2017.



