



Annual Report  
2013 - 2014





## **MISSION STATEMENT**

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

## **VISION STATEMENT**

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

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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  
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, Technology, Energy and Mining, on spectrum policy and related legal matters.

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

The statutory obligations and the operational principles of the Authority are in accordance with, and fulfil Jamaica’s international commitments to the World Trade Organization’s (WTO) telecommunication agreement, and the policy objectives enunciated by the Government of Jamaica (GOJ) with respect to the liberalisation of the telecommunication sector.

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

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

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

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

- Terrestrial (land-based) radio systems - including fixed services (such as networks providing data transfer services) and mobile services (such as cellular services as well as 2-way radios);
- Satellite systems - for large earth stations and VSATs (very small aperture terminals);
- Maritime radio systems - this facilitates radio communication for ships, yachts, boats; and,
- Aeronautical radio systems - this facilitates 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 authorises the holder to carry out the radio telephone service of any Ship Station;
- Radio Technician Licence – There are 2 classes for this category of licence: Class "A" and Class "B". A licence issued under Class "A" category authorises the Licensee to install and maintain radio transmitting apparatus; and, the Class "B" category authorises the Licensee to install and maintain radio transmitting apparatus with a radio frequency power not exceeding 1,000 watts;
- Type Approval Certificate – This certification is issued to manufacturers of radio communication equipment after the Authority ensures that it conforms to appropriate standards and principles of product safety and will not interfere with other equipment or networks.

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

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



## BOARD OF DIRECTORS

From left to right: Prof. Densil Williams (Deputy Chairman); Ms. Olivia Leigh Campbell; Mr. Henry Batson (Acting Managing Director); Ms. Latoya Thomas; Mr. Christopher Honeywell (Chairman); Mr. Pierre Shirley; Ms. Marlene DeMercado; Mr. Andrew Geohagen; Ms. Daniella Hickling; and Mr. Mario Mitchell.

Missing: Ms. Shynelle Anderson and Dr. Donald Walwyn.

# BOARD OF DIRECTORS' COMMITTEES

## HUMAN RESOURCES:

Marlene DeMercado  
Andrew Geohagen  
Mario Mitchell  
Shynelle Anderson

## AUDIT:

Densil Williams  
Latoya Thomas  
Shynelle Anderson

## TECHNICAL OPERATIONS:

Christopher Honeywell  
Donald Walwyn  
Olivia Leigh Campbell

## FINANCE:

Desmond Palmer  
Daniella Hickling  
Christopher Honeywell

## ATTENDANCE RECORD OF BOARD & COMMITTEE MEETINGS

For the 2013/14 fiscal year, the SMA scheduled eleven (11) meetings of the Board of Directors plus the Annual General Meeting. Details of the attendance of Directors at meetings of the Board and its Committees for the FY are outlined in the table below:

	BOARD		AUDIT [1]		FINANCE		HUMAN RESOURCES		TECHNICAL OPERATIONS	
	11 MEETINGS		1 MEETING		10 MEETINGS		6 MEETINGS		6 MEETINGS	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shynelle Anderson	11	7	1	1	3	3	3	3	-	-
Olivia Leigh Campbell	11	6	-	-	-	-	3	2	6	3
Marlene DeMercado	11	11	-	-	-	-	6	6	-	-
Andrew Geohagen	11	11	-	-	-	-	6	6	-	-
Daniella Hickling	11	11	-	-	10	8	-	-	-	-
Christopher Honeywell	11	11	-	-	7	4	-	-	6	6
Mario Mitchell	11	11	-	-	-	-	3	1	-	-
Desmond Palmer	11	9	-	-	10	10	-	-	-	-
Pierre Shirley [2]	5	5	-	-	-	-	2	2	-	-
Latoya Thomas	11	9	1	1	-	-	-	-	-	-
Donald Walwyn	11	7	-	-	-	-	-	-	6	6
Densil Williams	11	9	1	1	-	-	-	-	-	-

Please note that the Board does not convene during the months of August and December. Committee meetings are convened as necessary. One (1) special Board meeting was held during the year.

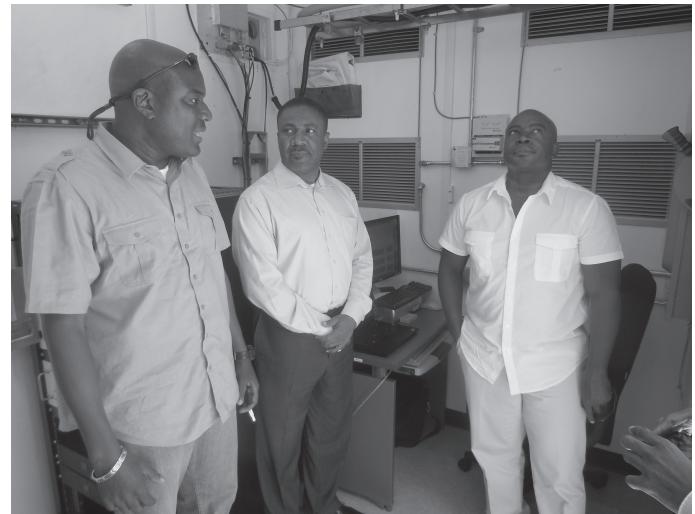
1. Audit Committee meets quarterly.
2. Director Pierre Shirley took leave of absence from June 2013 to December 2013.

# BOARD OF DIRECTORS' REPORT

Since the convergence and liberalisation of telecommunications markets globally, technological developments and user-expectations have resulted in increasing demand for spectrum. Meeting the needs of the market in a dynamic industry continues to be a challenge globally, as regulation becomes more intricate and sophisticated. The Authority's Board of Directors are however pleased to report real progress against our Strategic Priorities in the 2013/14 fiscal year (FY), which ensured that the SMA was better placed to meet the needs of our clients.

## MONITORING CAPACITY EXPANSION PROJECT

Of significance during the FY was the completion of phase 2 (installation of a monitoring site in Ocho Rios) of the Monitoring Capacity Expansion Project, which was started in the 2012/13 FY with the implementation of phase 1 (installation of a monitoring site in Montego Bay). The objective of the project was to expand and upgrade the radio monitoring and direction finding capabilities of the SMA in order to cover more of the north western population centres.



The Hon. Phillip Paulwell (center) being given a tour of the monitoring site in Albion, St.James, (July 2013), by the Acting Managing Director, Henry Batson (left), and the Chairman of the Board, Christopher Honeywell.

Phase 2 of the project was completed in the time targeted and was well within budget. The overall project, (phases 1 and 2) upon completion, realised savings of approximately 27% of the budgeted cost. With the implementation of these new sites the SMA can now monitor and resolve interference cases, in the north western end of Jamaica, remotely.

With the remote monitoring feature added in these parishes, the SMA's engineers are able to conduct monitoring activities within minutes, from the base location, as opposed to the previous exercise of travelling to the precise location to conduct the monitoring. This will enhance the efficiency and accuracy in band planning and assignment of frequency, interference resolution, and identification of illegal use of the spectrum. The processing of applications will also be expedited by the extended remote monitoring capabilities.

# BOARD OF DIRECTORS' REPORT

## 700 MHz FREQUENCY BAND

Based on the directive of the Hon. Phillip Paulwell, Minister with portfolio responsibility for Telecommunications ('the Minister'), 48 MHz of spectrum in the 700 MHz band was made available for licensing by way of an auction, during the FY. The authority to award mobile and broadband spectrum is within the sole purview of the Minister. Therefore, the SMA in respect of the 700 MHz band assisted the Ministry of Science, Technology, Energy and Mining (MSTEM) with the administration of the auction process and was particularly instrumental in the following: the Band Plan selected for use; the preparation of the Information Memorandum (IM) document; crafting responses to questions emanating from the IM; and, organizing the public consultation forum held at the Jamaica Conference Centre.



Minister Paulwell and members of the SMA team continue the tour of the monitoring site in Montego Bay (July 2013).

The process did not yield the desired result, as there were no bids for the spectrum on the day of the auction. The Minister subsequently in a press release thanked the SMA and the other agencies/departments involved, for the guidance provided and the manner in which the process was executed. The Office of the Contractor General (OCG) also commended the SMA and MSTEM on the handling of the process. It is of note that during the process for the renewal of mobile licences slated for expiration in 2015 March, one licence was granted in the 700 MHz band, by the Minister.

## RENEWAL OF MOBILE LICENCES

Of importance in the area of licensing was the renewal exercise for mobile licences slated to expire in 2015 March. Early renewal was essential for all stakeholders (the operators, the people and the GOJ, as it will facilitate a seamless transition into the new licensing period. Early renewal was important to enable effective planning by the operators, as the business of telecommunication requires significant investments; and whether or not they were to continue operations in Jamaica would require forward planning.

The GoJ needed to be assured as well that there would not be any disruption in telecommunication services that could severely hinder productivity nationally. By extension, it was important that the interest of the people of Jamaica were protected from the possible repercussions from the absence of these services.

# BOARD OF DIRECTORS' REPORT

Significantly, both incumbent operators moved swiftly and renewed their licences for another 15 years. Additional spectrum was also granted during the renewal exercise, for the provision of International Mobile Telecommunication (IMT) services, which will further enhance the sector, and act as an enabler to other sectors, as operators upgrade and enhance their services; advancing the GoJ Vision 2030 Jamaica Plans.

## ENERGY CONSERVATION

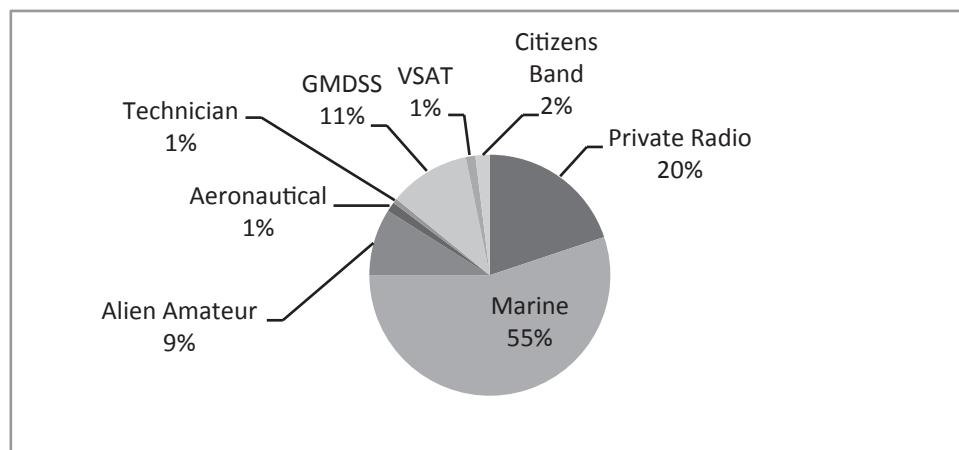
The SMA constituted an Energy Efficiency and Conservation Committee in 2012 January, which was charged with making recommendations, to implement and manage the efficient utilisation of energy within the SMA. The first order of business of the Committee was the performance of an energy audit, using the guidelines in the Energy Conservation, Efficiency and Management Training Manual prepared by the MSTEM. Implementation of the energy savings recommendations emanating from the audit, coupled with other efforts by the committee, resulted in the SMA utilising 19,564 kWh less energy during the FY, when compared to the base year. This reduction in power consumption reflects a savings of \$910,787 versus \$366,000 expended on energy saving measures during the period; a net savings of \$544,787.

## CORPORATE PERFORMANCE

### LICENSING

### NEW APPLICATIONS

Applications received and granted during the 2013/14 FY amounted to 167 and 156, respectively. This represents a significant increase from the 93 and 91 received and granted respectively, for the 2012/13 FY. The performance was due primarily to a significant increase in marine applications. Jamaica was able to reap the benefits of among other things, consistent delivery of quality service and quick turn-around time, in processing temporary applications.



# BOARD OF DIRECTORS' REPORT

Of the 156 licences granted, 150 or approximately 96 per cent were processed within their respective established processing times.

## RENEWAL LICENCES

For the FY under review, 423 licences were originally targeted for renewal; however during the period, 18 licences were reinstated upon the respective clients' request whilst 16 relinquished their licences, resulting in a plus 2 net effect of 425 renewable licences. Of the 425 licences that were renewable, 365, or 86% were renewed. The performance rate was marginally above the Authority's KPI of 85% for renewals.

Note that licences are only renewed after receipt of payment. Of the 365 licences renewed, 359 or approximately 98% were processed within the established processing standard. The KPI is eighty-five (85) percent.

## MONITORING & INTERFERENCE MANAGEMENT MONITORING

The SMA conducts monitoring exercises in order to assign spectrum, to ensure compliance by licenced users, and to reduce or eradicate the level of unauthorised use of the spectrum. During the FY, the SMA conducted 33 monitoring exercises for auditing purposes. These audit exercises were performed in 12 different parishes and resulted in the SMA identifying 8 incidents of non-compliance by licensed users of the spectrum; and 2 incidents of unauthorised use. At the end of the FY, there was 1 case of unauthorised use still under investigation.



RMDFS/ASMS – Judy Anderson, Manager, Operating Systems & Special Project with members of the TCI team that supplies the SMA's monitoring equipment.

## INTERFERENCE MANAGEMENT

The SMA investigated 21 cases of interference reports for the 2013/14 FY, which was similar to the 2012/13 FY. However, for the 2013/14 FY, 20 of the 21 cases investigated were resolved, an increase from 16 in the previous FY. Of the cases received during the FY, 11 were in relation to broadcasting operators, 8 small network operators<sup>1</sup> (eg, taxi companies, etc.) and 2 major network operators<sup>2</sup> (eg, cellular and security companies, etc.).

The SMA was able to resolve 95% of the interference cases within their respective standard resolution time<sup>3</sup>, compared to the KPI of 90%.

1. Operator that utilises a maximum of two (2) repeaters.  
2. Operator utilizing more than two (2) repeaters.  
3. Resolution times ranges from 15 to 75 days.

# BOARD OF DIRECTORS' REPORT

## BAND PLANNING

Band planning plays an integral part in ensuring efficient use of the spectrum. During the FY, the unit was instrumental in the assignment of 33 licences for additional spectrum, in addition to the following:

- Maintaining and updating the Frequency Allocation Table and Chart to ensure that frequencies used in Jamaica are consistent with the agreed allocation for Region 2 set at the ITU's WRC-12. The Frequency Allocation Table was modified in April 2013 to reflect the Caribbean and South American Regional frequency plan for aeronautical services;
- Maintaining an accurate frequency assignment database;
- Reviewing and correcting call signs to reflect the format in the ITU's Radio Regulation as set out in Article 19, relating to the following services:
  - ★ Amateur services;
  - ★ Broadcasting services;
  - ★ Fixed services below 28 MHz; and,
  - ★ Mobile services.
- Responding to international Administrations with respect to satellite network requests.

## INCOME

Demand for the radio frequency spectrum remained strong and increased in some service types (particularly Maritime), which resulted in the SMA surpassing its budget target for the period, notwithstanding unrealised revenue projected from rental income and new applications. Actual income for the FY amounted to \$268.65M or 102% of the budget and approximately 103% of the income earned, (\$261.59M), for the 2012/13 FY.

The actual vs. KPI (95% of Budget) for each category of income are as follows:

Income	Budget	KPI (95%)	Actual
	\$'M	\$'M	\$'M
Processing Fees	<b>3.64</b>	<b>3.46</b>	<b>6.52</b>
Regulatory Fees	<b>245.25</b>	<b>232.99</b>	<b>237.94</b>
Interest Income	<b>10.73</b>	<b>10.19</b>	<b>24.05</b>
Other Income	<b>2.50</b>	<b>2.38</b>	<b>0.13</b>
<b>TOTAL</b>	<b>262.12</b>	<b>249.01</b>	<b>268.65</b>

# BOARD OF DIRECTORS' REPORT

## EXPENDITURE

In incurring expenditures during the FY, the SMA continued the disciplined and systematic execution of its strategy, to attain financial prudence and stability, as was effected in the 2012/13 FY, focusing on optimising operational cost and deriving value for money. In addition, the tight fiscal policies being employed by the GoJ based on the International Monetary Fund (IMF) agreement influenced the SMA's spending habits.

As a result of the above mentioned, as at 2014 March 31, actual expenditure amounted to \$207.31M, or approximately 21% below the budgeted amount of \$261.01M. The SMA remained deliberate in its efforts, to ensure efficiencies in operations throughout the FY whilst still meeting the slated objectives.

### COLLECTION OF SPECTRUM LICENCE FEES

The SMA collected \$1,658.05M in Spectrum Licence fees for the FY, which included amounts collected in relation to the renewal of mobile licences slated to expire in 2015 March. These fees are collected on behalf of the GOJ and are remitted to the Consolidated Fund in the subsequent month. A total of \$1,640.79M was remitted for the 12 months ending 2014 March 31.

### TRAINING AND DEVELOPMENT

Training and development of human capacity has increasingly become more integral to the effective management of the spectrum. The continuous change in technology demands that the SMA be equipped with a cadre of highly skilled professionals in order to fulfil its mandate. As such, training and development is high on the SMA's list of priorities.

Below are some of the training opportunities that were accessed by staff during the FY:

- Ethical Considerations in the use of Technology in the Practice of Law;
- Practical Applications on Spectrum Management and Spectrum Monitoring;
- ITU/ITSU VSAT & Satellite Systems Workshop;
- ITU Seminar on Spectrum Management;
- Licensing in a converged environment;
- Building and Implementing an Enterprise Risk Management System;



Patrick Brown – Dir Fin & Admin, and Stephanie Cain – Mgr Admin, making a presentation at a licensing workshop.

# BOARD OF DIRECTORS' REPORT

- Conformity & Interoperability;
- The Rule of Law and Best Practices in Telecommunication Regulation and Purpose and Impact of European Regulation and Communication;
- ICAJ Tax Seminar;
- Business Continuity Management Training/Certification; and,
- Secure Software Development Lifecycle Training (Part 2).

The SMA's Board of Directors and senior management also participated in an introductory risk management training in 2013 November. The purpose of the workshop was to sensitize the group on the importance of risk management, conducting risk assessments relating to the various dimensions and aspects of the SMA's operations, and the value of having adequate risk management systems in place, which together represents a critical component of the Corporate Governance Framework requirement.

## LOCAL, REGIONAL AND INTERNATIONAL OBLIGATIONS

The SMA provided support to the MSTEM during the FY, as well as being integrally involved with committees of the Caribbean Telecommunications Union (CTU), the International Telecommunications Satellite Organization (ITSO) and the Inter-American Telecommunication Commission (CITEL). Specific meetings the SMA participated in during the FY, included:

### CITEL

- The 22nd meeting of the Permanent Consultative Committee II (PCC.II), held in Managua, Nicaragua during 2013 November 4 to 8; and,
- The 23rd meeting of the Permanent Consultative Committee II (PCC.II), held in Cartagena de Indias, Colombia during 2014 March 17 to 21.

### CTU

- The Emergency Telecommunication and Harmonized Caribbean Spectrum Management Task Force Workshop in Barbados from February 19-21. The workshop was hosted jointly by the CTU and Caribbean Disaster Emergency Management Agency (CDEMA).

### ITSO

- The 18th meeting of the ITSO Advisory Committee (IAC) as Vice Chairman of the IAC, which was held in Washington, D.C on 2014 February 20.

## CORPORATE SOCIAL RESPONSIBILITY

The SMA continued efforts towards positively impacting and advancing the social and economic well-being of Jamaicans. As such, during the FY the SMA contributed to several such efforts through organizations such as, Jamaica Save the Children, Missionaries of the Poor and other community based organizations.

# BOARD OF DIRECTORS' REPORT

## GIRLS IN ICT DAY

Of significance was the SMA's inaugural celebration of "Girls in ICT Day" on 2013 April 25. The SMA in celebrating, held an open house whereby, fifteen (15) young women and their lecturers, were hosted at the company's main location. These students were from the University of the West Indies (Mona Campus) and the University of Technology, who are engineering majors or considering a career in that field. "Girls in ICT Day" was established by the International Telecommunications Union's (ITU) Resolution 70, and is in its third year of celebration.



Girls in ICT Day – Participants are taken on a tour at one of the SMA's radio monitoring site in Planter's Hall.

The events organized each year in celebration of Girls in ICT Day are intended to convince girls that heading into science, technology, engineering and mathematics (stem) careers isn't dull, geeky or nerdy, but a smart career move with excellent prospects<sup>4</sup>. The events are to encourage and inform participants of the opportunities in ICT. Jobs ranging from traditional engineering or programming, to designing new types of mobile phones or designing applications (apps) to save the environment. ICTs are employed everywhere and it impacts aspect of our lives daily; ICT connects people worldwide – anywhere, anytime. However, the issue is that several studies show there are not enough young people choosing careers in ICT's – especially not enough young women. In the OECD countries the trained male ICT professionals out number their female counterparts at a ratio of 5 to 1<sup>5</sup>. Similarly, the Ministry of Education in Jamaica, reports that of 1284 students pursuing various ICT qualifications for the 2011/2012 academic year at the University of Technology (UTECH), only 340 or 26.5% were female<sup>6</sup>.

"To benefit from ICT, women need to be digitally literate, and Girls in ICT Day is a powerful platform for raising awareness of this need."<sup>7</sup> As such, the SMA designed its inaugural celebration to give the students an opportunity to meet with members of the SMA's engineering team and to learn more about ICT and telecommunications engineering.

The day's activities included career talks by Judy Anderson, Manager, Operating Systems & Special Projects; Mahlangu Lawson, Telecommunications Engineer and Cheyenne Powell, a former University of Technology Student who participated in the SMA/UTECH work experience programme.

4. ITU News, April 2013, Editorial – Dr. Hamadoun I. Toure, ITU Secretary-General

5. Speech by ITU Secretary-General, Dr Hamadoun I. Touré, <http://www.itu.int/en/0sg/speeches/Pages/2012-04-26.aspx>

6. <http://www.moe.gov.jm/sites/default/files/Education%20Statistics%202012-13.pdf>

7. ITU News, April 2013, Editorial – Dr. Hamadoun I. Toure, ITU Secretary-General

# BOARD OF DIRECTORS' REPORT

The attendees were also taken on a tour to one of the SMA's remote monitoring sites in Planter's Hall, St. Catherine. This activity proved very beneficial as the ladies were exposed to the practical day to day responsibilities of telecommunication engineers. The SMA looks forward to participating in these events on an annual basis.

## ICT WEEK JAMAICA

The SMA provided sponsorship to the MSTEM for the series of meetings and seminars branded, ICT Week Jamaica. The week of meetings were hosted in Jamaica during 2013 December 2 – 6, and included the Caribbean Telecommunications Union's 27th Executive Council Meeting; the 16th General Conference of Ministers; and, the 12th Caribbean Ministerial Strategic ICT Seminar. The meetings and seminars created a forum for Government Ministers, regulators and senior policy makers to engage industry players in order to gain greater understanding of emerging ICTs and their impact on diverse spheres of operations.

## GOING FORWARD

For 2014/15, the SMA has recognized that the use of new technologies will further enable the team to achieve higher levels of effectiveness in regulating the industry, and has therefore identified certain modern tools for acquisition. Further, with the completion of the monitoring site in Ocho Rios, the SMA plans to implement similar sites across Jamaica with a view of expanding its remote monitoring capabilities. These sites however require significant investment and based on the absence of a formal funding mechanism for such capital expenditures, the SMA's first hurdle is to secure these funds.



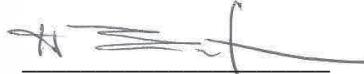
Girls in ICT Day – Henry Batson, Acting Managing Director addressing the participants of Girls in ICT Day.

The SMA however remains committed to the goal of effective management of the spectrum. At the heart of this will be the continued training and development of our team to meet the demands of industry and aid the GoJ in the Vision, Goal and Outcomes under Vision 2030 Jamaica.

In closing, on behalf of the Board and management, we take this opportunity to thank our clients for their continued cooperation and support; we further recognize the support of the MSTEM in our efforts to fulfil our mandate; and, most of all, we thank all members of staff for their invaluable contribution, which made the 2013/14 FY a success.



Christopher Honeywell  
Board Chairman



Henry Batson  
Managing Director (Acting)

# BOARD OF DIRECTORS' COMPENSATION

Position of Director	SPECTRUM MANAGEMENT AUTHORITY BOARD OF DIRECTORS' COMPENSATION								
	Board		Committees		Fees	Travelling Allowance or Value of Assigned Motor Vehicle	Honoria	Compensation including Non-Cash Benefits as applicable	Total
	Chairman	Member	Chairman	Member					
	\$	\$	\$	\$	\$	\$	\$	\$	\$
CHAIRMAN - 01	150,000		-	35,000	185,000	27,708			212,708
MEMBER - 02		75,000	7,000	-	82,000	-			82,000
MEMBER - 03		60,000	-	24,500	84,500	752			85,252
MEMBER - 04		90,000	42,000	-	132,000	15,537			147,537
MEMBER - 05		90,000	-	21,000	111,000	12,768			123,768
MEMBER - 06		82,500	-	28,000	110,500	630			111,130
MEMBER - 07		52,500	-	17,500	70,000	15,580			85,580
MEMBER - 08		90,000	-	3,500	93,500	75,136			168,636
MEMBER - 09		75,000	70,000	-	145,000	60,840			205,840
MEMBER - 10		37,500	-	7,000	44,500	-			44,500
MEMBER - 11		75,000	-	3,500	78,500	7,503			86,003
MEMBER - 12		52,500	42,000	-	94,500	25,172			119,672
<b>Total</b>	<b>150,000</b>	<b>780,000</b>	<b>161,000</b>	<b>140,000</b>	<b>1,231,000</b>	<b>241,626</b>	<b>-</b>	<b>-</b>	<b>1,472,626</b>

## SENIOR EXECUTIVES / KEY MANAGEMENT COMPENSATION

Position of Senior Executive/ Key Management	SPECTRUM MANAGEMENT AUTHORITY SENIOR EXECUTIVES/ KEY MANAGEMENT COMPENSATION							
	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
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Senior Executive</b>								
Managing Director (Vacant)	-	-	-	-	-	-	-	-
Managing Director (Acting), and Director - Spectrum Engineering (Apr 2013_Mar 2014)	5,280,958	336,583	-	-	2,327,218	7,944,759	98,000	8,042,759
Director - Finance & Administration (Apr 2013_Mar 2014)	4,115,057	2,265,941	975,720	-	718,715	8,075,433	-	8,075,433
Director - Legal Affairs (Apr 2013_Mar 2014)	3,935,986	1,093,973	975,720	-	598,903	6,604,582	-	6,604,582
Director - Policy & Strategic Planning (Apr 2013_Mar 2014)	3,820,071	1,091,745	975,720	-	168,239	6,055,775	-	6,055,775
<b>Sub-total - Senior Executive</b>	<b>17,152,072</b>	<b>4,788,242</b>	<b>2,927,160</b>	<b>-</b>	<b>3,813,075</b>	<b>28,680,549</b>	<b>98,000</b>	<b>28,778,549</b>
<b>Key Management</b>								
Manager - Human Resource (Apr 2013_Mar 2014)	2,485,081	1,364,693	514,500	-	382,013	4,746,287	-	4,746,287
<b>Sub-total - Key Management</b>	<b>2,485,081</b>	<b>1,364,693</b>	<b>514,500</b>	<b>-</b>	<b>382,013</b>	<b>4,746,287</b>	<b>-</b>	<b>4,746,287</b>
<b>Total</b>	<b>19,637,153</b>	<b>6,152,935</b>	<b>3,441,660</b>	<b>-</b>	<b>4,195,088</b>	<b>33,426,836</b>	<b>98,000</b>	<b>33,524,836</b>

NB:

The Director - Spectrum Engineering was appointed as the Acting Managing Director from November 2011 while still carrying his substantive responsibility. The Managing Director's position remained vacant as at date of report.

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

# TECHNOLOGY HIGHLIGHT

## COGNITIVE RADIO TECHNOLOGY

### INTRODUCTION

Global demand for the spectrum, fuelled by the continued technological advances in wireless communications, is expected to continue to increase over the next two (2) years. The International Telecommunications Union (ITU) estimates that data associated with mobile broadband will grow 8.4 times larger between 2010 and 2015. Accordingly, some technologists have posited that Cognitive Radio Technology (CRT), which is widely accepted as the most technically efficient approach to spectrum sharing, can play an integral role in satisfying this increasing demand for the spectrum. Cognitive Radio (CR) is a form of wireless communication in which a transceiver can intelligently detect which communication channels are in use and which are not, and instantly move into vacant channels while avoiding occupied ones. This optimizes the use of available radio-frequency (RF) spectrum while minimizing interference to other users.<sup>8</sup>

### BENEFITS OF COGNITIVE RADIO TECHNOLOGY

Most of the radio systems in use today are not sensitive to their radio spectrum environment and operate in a specific (or fixed) frequency band, using a specific spectrum access system. Spectrum Regulators in several countries including the US (FCC<sup>9</sup>) and the UK (OfCom) have found that most of the radio frequency spectrum assigned to primary users was inefficiently used. For example, cellular network bands are overloaded in most parts of the world, but amateur radio and paging frequencies are not... and concluded that spectrum utilization depends strongly on time and place.<sup>10</sup> A fixed band allocation regime would not allow for secondary users to make use of the vacant spectrum, even when there is no issue regarding interference. With CRT however, transceivers are "smart" and capable of autonomous reconfiguration by learning from and adapting to the communication environment. The IJDPS<sup>11</sup>(2011) outlines that CRT will enable the cognitive radio devices to determine which portions of the spectrum is available and detect the presence of licensed users when a user operates in a licensed band (spectrum sensing), (2) select the best available channel (spectrum management), (3) coordinate access to this channel with other users (spectrum sharing), and (4) vacate the channel when a licensed user is detected (spectrum mobility). Cognitive radios have many advantages where the number of users is high:

- more efficient use of the spectrum;
- ensures connectivity;
- allows for awareness of surroundings and bandwidth availability and are able to dynamically tune the spectrum usage based on location, nearby radios, time of day;
- reduced power consumption
- enables high priority communications to take precedence if needed, eg. emergency and public safety; and,
- unlimited internet access.

8. <http://searchnetworking.techtarget.com/definition/cognitive-radio>

9. Federal Communications Commission; the Spectrum Regulator in the USA

10. Bhattacharya, P.P. et.al. (2011), "Smart Radio Spectrum Management for Cognitive Radio", International Journal of Distributed and Parallel Systems (IJDPS) Vol.2, No.4

11. International Journal of Distributed and Parallel Systems Vol.2, No.4, July 2011

# TECHNOLOGY HIGHLIGHT

## COGNITIVE RADIO SYSTEM APPLICATIONS

In light of its advantages, CRT is beneficial to both regulators and users of the spectrum. More flexible and efficient use of spectrum is leading to exciting opportunities for CR to enable and support a variety of emerging applications, ranging from smart grid, public safety and broadband cellular, to medical applications. Currently, there are emerging regulatory trends (in the US, Canada, UK, Australia) with regards to cognitive radio operation in unused portions of TV bands (TV white spaces). From a regulator's perspective, dynamic spectrum access techniques using Cognitive Radio could minimize the burden of spectrum management whilst maximizing spectrum efficiency. Some of the various Cognitive Radio applications being tested in several jurisdictions include:

- **Smart Grid** - A smart grid transforms the way power is generated, delivered, consumed and billed. The CR technology provides added intelligence which increases grid reliability, improves demand handling and responsiveness, increases efficiency, better harnesses and integrates renewable/distributed energy sources, and potentially reduces costs for the provider and consumers. In Jamaica, the Jamaica Public Service Company Limited had in 2012 began its testing of the smart grid technology through a pilot project in the Barbican and Jacks Hill communities.<sup>12</sup>. These smart meters utilize wireless mobile phone type technology to send data; other Caribbean countries like St. Kitts have already adapted the smart grid technology<sup>13</sup>.
- **Public Safety** – In countries such as the US, UK and Canada, wireless communications are extensively used by emergency services personnel (e.g., police, fire, and ambulance). The desired wireless services for public safety extend from voice to messaging, email, web browsing, database access, picture transfer, video streaming, and other wideband services. Video surveillance cameras and sensors are becoming important tools to extend the eyes and ears of public safety agencies. CR is used to improve the interoperability of the devices with the ability to switch to common interfaces and frequencies.
- **Broadband Cellular** - CR technologies can augment next generation cellular networks like LTE and WiMAX to dynamically use these newly available spectrums either in the access or backhaul parts of their networks.
- **Wireless Medical Networks** - In order to more efficiently and more quickly assess a patient's vital signs, there has been a departure from the wired on-body sensors to wireless devices (e.g. wireless ECG machine). Sensors are now able to reliably collect multiple data parameters simultaneously and relay the monitoring information wirelessly so that doctors can respond rapidly.

Cognitive Radio Technology marks a significant point for telecommunications development as it is purported to provide a workable technical solution to flexible and efficient spectrum use. This is an area in which the SMA hopes to embark in the future.

12. [http://www.myjpsco.com/myhome/smart-metering/#prettyPhoto\[iframes\]/1/](http://www.myjpsco.com/myhome/smart-metering/#prettyPhoto[iframes]/1/)  
13. <http://www.smartmeters.com/the-news/4447-st-kitts-adopting-smart-meters.html>

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2014**

# SPECTRUM MANAGEMENT AUTHORITY LIMITED

## FINANCIAL STATEMENTS

31 MARCH 2014

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Page 1

### INDEPENDENT AUDITORS' REPORT

To the Members of  
Spectrum Management Authority  
Limited

#### Report on the Financial Statements

We have audited the financial statements of Spectrum Management Authority Limited, set out on pages 3 to 31, which comprise the statement of financial position as at 31 March 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
Spectrum Management Authority  
Limited

**Report on the Financial  
Statements (cont'd)***Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Spectrum Management Authority Limited as at 31 March 2014, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

**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.

*Icpmc*  
Chartered Accountants  
Kingston, Jamaica

June 26, 2014

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED 31 MARCH 2014**

	<u>Note</u>	<u>2014</u> £	<u>2013</u> £
Revenue	5	244,460,743	237,268,609
Operating expenses		(207,313,030)	(178,896,022)
Operating profit	6	37,147,713	58,372,587
Other income		<u>24,184,437</u>	<u>24,316,696</u>
Profit before taxation		61,332,150	82,689,283
Taxation charge	7	(20,063,826)	(27,340,662)
Profit, being total comprehensive income for the year		<u>41,268,324</u>	<u>55,348,621</u>

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

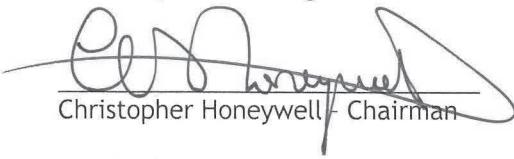
## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF FINANCIAL POSITION

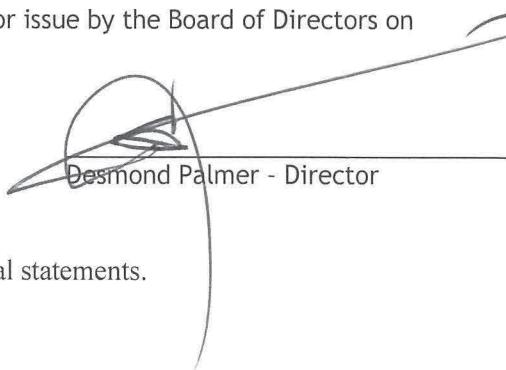
31 MARCH 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	8 (a)	259,059,215	221,394,158
Intangible assets	8 (b)	4,256,312	4,859,774
Investment in subsidiary	9	-	9,900
<b>Total non-current assets</b>		<b>263,315,527</b>	<b>226,263,832</b>
<b>Current assets:</b>			
Receivables	10	32,098,309	10,116,044
Taxation recoverable	11	5,837,909	5,825,724*
Repurchase agreements	12	318,844,234	301,961,732
Cash and cash equivalents	13	7,523,405	12,358,894
<b>Total current assets</b>		<b>364,303,857</b>	<b>330,262,394</b>
<b>Total assets</b>		<b>627,619,384</b>	<b>556,526,226</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves:</b>			
Share capital	14	20	20
Contributed Capital	15	144,700,366	144,700,366
Retained earnings		357,163,230	315,894,906
<b>Total capital and reserves</b>		<b>501,863,616</b>	<b>460,595,292</b>
<b>Non-current liabilities:</b>			
Deferred tax liabilities	16	<u>19,192,705</u>	<u>18,614,973</u>
<b>Current liabilities:</b>			
Payables	17	38,732,497	23,276,483
Deferred income	18	50,216,878	37,991,898
Taxation payable	19	17,613,688	16,047,580*
<b>Total current liabilities</b>		<b>106,563,063</b>	<b>77,315,961</b>
<b>Total equity and liabilities</b>		<b>627,619,384</b>	<b>556,526,226</b>

The financial statements on pages 3 to 31 were approved for issue by the Board of Directors on June 26, 2014 and signed on its behalf by:



Christopher Honeywell - Chairman



Desmond Palmer - Director

\*Reclassified to conform to 2014 presentation.

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

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**YEAR ENDED 31 MARCH 2014**

	<u>Share Capital</u> \$ (Note 14)	<u>Contributed Capital</u> \$	<u>Retained Earnings</u> \$	<u>Total</u> \$
Balances at 31 March 2012	20	144,700,366	260,546,285	405,246,671
Total comprehensive income	-	-	<u>55,348,621</u>	<u>55,348,621</u>
Balances at 31 March 2013	20	144,700,366	315,894,906	460,595,292
Total comprehensive income	-	-	<u>41,268,324</u>	<u>41,268,324</u>
Balances at 31 March 2014	<u>20</u>	<u>144,700,366</u>	<u>357,163,230</u>	<u>501,863,616</u>

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

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2014

	<u>2014</u> \$	<u>2013</u> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit for the year	41,268,324	55,348,621
Adjustments for:		
Profit on disposal of property, plant and equipment	( 937,867)	( 10,900)
Depreciation & amortisation	28,201,734	19,039,749
Interest income	( 24,051,879)	( 24,270,247)
Deferred tax	577,732	9,763,029
Taxation charge	<u>19,486,094</u>	<u>17,577,633</u>
Operating cash flows before movements in working capital	64,544,138	77,447,885
 Change in operating assets and liabilities:		
Receivables	( 21,982,265)	40,819,576
Taxation recoverable	( 5,837,909)	( 5,825,724)
Deferred income	12,224,980	( 6,200)
Payables (excluding spectrum licence fees)	<u>( 1,801,078)</u>	<u>( 3,113,317)</u>
	47,147,866	109,322,220
Interest received	23,351,179	24,371,453
Income tax paid	( 12,094,262)	( 37,404,225)
Spectrum licence fees received (see Note 17)	1,658,046,785	160,979,112
Spectrum licence fees paid (see Note 17)	<u>( 1,640,789,693)</u>	<u>( 171,480,205)</u>
Net cash provided by operating activities	<u>75,661,875</u>	<u>85,788,355</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (increase)/decrease in repurchase agreements	( 16,181,802)	5,213,949
Proceeds from sale of property, plant and equipment	1,202,964	10,900
Proceeds from refund of investment in subsidiary	9,900	-
Acquisition of property, plant and equipment	( 64,471,111)	( 93,751,432)
Acquisition of intangible assets	<u>( 1,057,315)</u>	<u>( 1,047,310)</u>
Net cash used in investing activities	<u>( 80,497,364)</u>	<u>( 89,573,893)</u>
 <b>Net decrease in cash and cash equivalents</b>	<b>( 4,835,489)</b>	<b>( 3,785,538)</b>
Cash and cash equivalents at beginning of year	<u>12,358,894</u>	<u>16,144,432</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>7,523,405</u></b>	<b><u>12,358,894</u></b>

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

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

**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, Technology, Energy and Mining. The registered office of the company is located at 13-19 Harbour Street, Kingston.

The principal activity of the company is the efficient management of Jamaica's electromagnetic spectrum in the interest of national, technological, economic and social development.

**2. REPORTING CURRENCY**

The financial statements as of and for the year ended 31 March 2014 (reporting date), are presented in Jamaica dollars which is the company's functional currency.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated or reclassified to conform to current year presentation.

**(a) Basis of preparation**

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

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

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

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

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

###### (i) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables, 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) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination may be uncertain. The company recognises liabilities based on estimates, involving tax matters which might be subject to different interpretation and adjustment. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the period in which such determination is made.

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

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

#### New, revised and amended standards and interpretations effective during the year:

Certain new, revised and amended standards and interpretations, which were in issue, came into effect during the current financial year. None of these standards and interpretations had any significant effect on the financial statements of the company, except for:

- IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*. Other than the change of the 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income' the standard did not have any other impact on the financial statements.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

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

(a) Basis of preparation (cont'd)

**New, revised and amended standards and interpretations effective during the year (cont'd):**

- IFRS 13, *Fair Value Measurement*, which became effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRS, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- *Improvements to IFRS 2009-2011* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendment applicable to the company is as follows:
  - *IAS 1 Presentation of Financial Statements* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

This amendment did not result in any change in the financial statements.

The entity does not prepare consolidated financial statements as ownership in the subsidiary does not constitute control as the entity does not:

- (i) have the power to govern the financial and operating policies of the subsidiary under a statute or an agreement.
- (ii) have the power to appoint or remove the majority of the members of the board of directors and control of the subsidiary is by that Board or;

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

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

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

**New, revised and amended standards and interpretations effective during the year (cont'd):**

- (iii) the power to cast the majority of votes at meetings of the board of directors and the control of the subsidiary is by that Board.

##### **Non-consolidation**

Consolidated financial statements are not prepared, as, although the subsidiary is wholly-owned, the company does not have control over the financial and operating policies of the subsidiary. Its Board of Directors is separately appointed by Government, with none common to it and the company.

##### **New, revised and amended standards and interpretations that are not yet effective**

At the date of authorisation of the financial statements, certain new, revised and amended standards and interpretations had 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:

- IFRS 9, *Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2017 (previously January 1, 2015). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as at fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities. The company is assessing the impact that the standard may have on its 2018 financial statements.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

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

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

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

- Amendments to IAS 32, *Offsetting of Financial Assets and Financial Liabilities*, which is effective for annual reporting periods beginning on or after January 1, 2014, clarifies those conditions needed to meet the criteria specified for offsetting financial assets and liabilities. It requires the entity to prove that there is a legally enforceable right to set off the recognised amounts. Conditions such as whether the set off is contingent on a future event and the nature and right of set-off and laws applicable to the relationships between the parties involved should be examined. Additionally, to meet the criteria, an entity should intend to either settle on a net basis or to realise the asset and settle the liability simultaneously. The company is assessing the impact that these amendments may have on its 2015 financial statements.

##### (b) Foreign currency translation

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the 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.

##### (c) 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, repurchase 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.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

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

**(c) Financial instruments (cont'd)**

*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.

**(d) 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	6.67% - 20%
Furniture and fixtures	10%
Computers	33.1/3%
Motor vehicles	20%

**(e) 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.

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.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

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

**(f) 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 held-to-maturity 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.

**(g) 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 2014**

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

(h) 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.

(i) Repurchase 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.

(j) 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.

(k) Trade and other payables

Trade and other payables are stated at cost.

(l) 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.

(m) 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 for services rendered by reference to the stage of completion.

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

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

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

(n) **Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except, to the extent that it relates to items recognised in other comprehensive income, in which case, it is recognised in other comprehensive income.

(i) **Current income tax**

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

(ii) **Deferred tax**

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset in respect of tax losses carried forward is recognized only to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) **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 2014**

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

##### **(p) 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).

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.

##### **(q) Investment in subsidiary**

Investment in the subsidiary (see note 9) is accounted for at cost, less any impairment losses.

## **SPECTRUM MANAGEMENT AUTHORITY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

#### **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 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 customers. 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 2014**

**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>2014</u> \$	<u>2013</u> \$
Cash and cash equivalents	7,523,405	12,358,894
Repurchase agreements	318,844,234	301,961,732
Receivables (see Note 10)	<u>11,267,027</u>	<u>8,773,316</u>
	<u>337,634,666</u>	<u>323,093,942</u>

(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 repurchase agreements that are backed by GOJ/BOJ securities (see Note 12).

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

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

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

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

*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.

The analysis assumes that all other variables, in particular foreign currency rates, remain constant and was performed on the same basis for 2013.

	Effect on <u>profit or loss</u> <u>2014</u> \$	Effect on <u>equity</u> <u>2014</u> \$	Effect on <u>profit or loss</u> <u>2013</u> \$	Effect on <u>equity</u> <u>2013</u> \$
Change in basis points:				
-100 (2013:-100)	(3,188,442)	(3,188,442)	(3,019,617)	(3,019,617)
250 (2013: 250)	<u>7,971,106</u>	<u>7,971,106</u>	<u>7,549,043</u>	<u>7,549,043</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>2014</u> J\$	<u>2014</u> US\$	<u>2013</u> J\$	<u>2013</u> US\$
Financial Assets				
Cash and cash equivalents	1,414,662	12,979	1,831,672	18,703
Repurchase agreements	<u>73,959,255</u>	<u>678,561</u>	<u>51,231,917</u>	<u>523,120</u>
	<u>75,373,917</u>	<u>691,540</u>	<u>53,063,589</u>	<u>541,823</u>

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

**4. FINANCIAL AND CAPITAL RISK MANAGEMENT (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>2014</u> \$	<u>2013</u> \$
Effect on profit before tax:		
Devaluation - 15% (2013: 10%)	<u>11,306,088</u>	<u>5,306,359</u>
Revaluation - 1% (2013: 1%)	<u>( 753,739)</u>	<u>( 530,636)</u>

(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.

(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.

(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.

## **SPECTRUM MANAGEMENT AUTHORITY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

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

##### **(f) Operational risk (cont'd)**

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

- Requirements for appropriate segregation of duties, including the authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory government 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, repurchase 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 2014

## 5. REVENUE

This represents spectrum regulatory fees and processing fees, and does not include spectrum licence fees (see Note 17). The increase in revenue in the current year is primarily attributable to the inflationary increase in regulatory fees for the mobile licences held by Digicel and LIME.

## 6. OPERATING PROFIT

Operating profit is stated after charging:

	<u>2014</u> \$	<u>2013</u> \$
Auditors' remuneration- current year	1,345,800	1,345,800
- prior year under provision	-	24,641
Staff costs (Note 21)	128,762,018	115,593,502
Depreciation & amortisation	<u>28,201,734</u>	<u>19,039,749</u>

## 7. TAXATION

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

	<u>2014</u> \$	<u>2013</u> \$
Current year income tax at 33 1/3%	19,133,185	17,916,732
Adjustment for prior years income tax	352,909	( 339,099)
Deferred taxation (Note 16)	<u>577,732</u>	<u>9,763,029</u>
Taxation charge in profit or loss	<u>20,063,826</u>	<u>27,340,662</u>

(b) The effective tax rate for 2014 was 32.7% (2013: 33.0%) of pre-tax profits compared to the statutory rate of 33 1/3% (2013: 33 1/3%). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2014</u> \$	<u>2013</u> \$
Profit before taxation	<u>61,332,150</u>	<u>82,689,283</u>
Tax calculated at 33 1/3%	20,444,050	27,563,094
Prior year's income tax	352,909	( 339,099)
Adjusted for the effects of:		
Expenses not deductible for tax purposes	9,114,949	2,327,687
Net effect of other charges and allowances	( 9,848,082)	( 2,211,020)
Taxation charge in profit or loss	<u>20,063,826</u>	<u>27,340,662</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

## 8 (a) PROPERTY, PLANT AND EQUIPMENT

	Land and <u>Building</u> \$	Leasehold <u>Improvement</u> \$	Monitoring & Office <u>Equipment</u> \$	Furniture, and <u>Fixtures</u> \$	Motor <u>Vehicles</u> \$	Other <u>Assets</u> \$	<u>Total</u> \$
At cost							
31 March 2012	73,728,877	-	133,506,660	10,750,561	15,854,842	68,150	233,909,090
Additions	48,491	4,573,852	88,684,347	444,742	-	-	93,751,432
Disposals	-	-	( 867,707)	-	-	-	( 867,707)
31 March 2013	73,777,368	4,573,852	221,323,300	11,195,303	15,854,842	68,150	326,792,815
Additions	-	4,548,826	59,365,059	547,323	-	9,903	64,471,111
Disposals	-	-	( 1,162,907)	-	( 2,630,000)	-	( 3,792,907)
31 March 2014	<u>73,777,368</u>	<u>9,122,678</u>	<u>279,525,452</u>	<u>11,742,626</u>	<u>13,224,842</u>	<u>78,053</u>	<u>387,471,019</u>
Depreciation							
31 March 2012	3,651,495	-	63,385,471	7,446,140	14,038,176	13,025	88,534,307
Charge for the year	2,549,680	76,231	13,145,167	955,263	999,166	6,550	17,732,057
Eliminated on disposal	-	-	( 867,707)	-	-	-	( 867,707)
31 March 2013	6,201,175	76,231	75,662,931	8,401,403	15,037,342	19,575	105,398,657
Charge for the year	1,860,241	713,817	22,589,628	552,709	817,499	7,063	26,540,957
Eliminated on disposal	-	-	( 897,810)	-	( 2,630,000)	-	( 3,527,810)
31 March 2014	<u>8,061,416</u>	<u>790,048</u>	<u>97,354,749</u>	<u>8,954,112</u>	<u>13,224,841</u>	<u>26,638</u>	<u>128,411,804</u>
Net book values							
31 March 2014	<u>65,715,952</u>	<u>8,332,630</u>	<u>182,170,703</u>	<u>2,788,514</u>	<u>1</u>	<u>51,415</u>	<u>259,059,215</u>
31 March 2013	<u>67,576,193</u>	<u>4,497,621</u>	<u>145,660,369</u>	<u>2,793,900</u>	<u>817,500</u>	<u>48,575</u>	<u>221,394,158</u>
31 March 2012	<u>70,077,382</u>	<u>-</u>	<u>70,121,189</u>	<u>3,304,421</u>	<u>1,816,666</u>	<u>55,125</u>	<u>145,374,783</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

## 8 (b) INTANGIBLE ASSETS

	\$
At cost	
31 March 2012	12,959,204
Additions	<u>1,047,310</u>
31 March 2013	14,006,514
Additions	<u>1,057,315</u>
31 March 2014	<u>15,063,829</u>
Depreciation	
31 March 2012	7,839,048
Charge for the year	<u>1,307,692</u>
31 March 2013	9,146,740
Charge for the year	<u>1,660,777</u>
31 March 2014	<u>10,807,517</u>
Net book values	
31 March 2014	<u>4,256,312</u>
31 March 2013	<u>4,859,774</u>
31 March 2012	<u>5,120,156</u>

## 9. INVESTMENT IN SUBSIDIARY

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

Arising from the passage of the Telecommunications (Amendment) Act 2012, the Universal Service Fund has been established as a statutory body, effective June 1, 2012, and has assumed the operation which, previously, was the purview of the Universal Access Fund Company Limited. Consequently, the operations of the Universal Access Fund Company Limited shall be wound up. The cost of the shares in the amount of \$9,900 was fully refunded in August 2013.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

## 10. RECEIVABLES

	<u>2014</u> \$	<u>2013</u> \$
Trade receivables - Regulatory fees	1,256,660	6,420,731
Less: Impairment allowance	<u>(885,294)</u>	<u>-</u>
	371,366	6,420,731
Prepayments	20,831,282	1,342,728
Other receivables	<u>10,895,661</u>	<u>2,352,585</u>
	<u>32,098,309</u>	<u>10,116,044</u>

The reduction in the trade receivables balance from \$6,420,731 in 2013 to \$1,256,660 in 2014 reflects management sustained effort to collect spectrum fees on a timely basis. The increase in prepayments is attributable to contractual expenses which will either be expensed or capitalised during 2014-2015. Included in other receivables is an amount of \$8,829,829 (2013: \$Nil) recoverable from the Ministry of Science Technology Energy and Mining [see note 19(b)(i)]. This amount was advanced as budgetary support for promotional activity regarding the auction of the 700MHz spectrum which was held in October 2013.

The aging of trade receivables is as follows:

	<u>2014</u> \$	<u>2013</u> \$
0-30 days	185,206	4,693,315
31-60 days	67,565	941,865
61-90 days	9,053	9,682
90 days and over	<u>994,836</u>	<u>775,869</u>
	<u>1,256,660</u>	<u>6,420,731</u>

Movement in impairment allowance:

	<u>2014</u> \$	<u>2013</u> \$
Balance at the beginning of year	-	959,828
Impairment losses recognised on trade receivables	885,294	-
Impairment losses recognised on other receivables	123,539	-
Amounts written off as uncollectible	<u>-</u>	<u>(959,828)</u>
Balance at the end of year	<u>1,008,833</u>	<u>-</u>

In determining the recoverability of a receivable, the company considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The directors believe that, at the reporting date, adequate provision has been made in respect of allowance for impairment.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

**11. TAXATION RECOVERABLE:**

Taxation recoverable represents taxes withheld at source on interest received on repurchase agreements and cash and cash equivalents.

Movement in taxation recoverable:

	<u>2014</u> \$	<u>2013</u> \$
Balance at the beginning of year	5,825,724	4,368,128
Amount utilized as tax credit for 2012 (Note 19)	-	(4,368,128)
Amount utilized as tax credit for 2013 (Note 19)	(5,825,724)	-
Taxation recoverable during year	<u>5,837,909</u>	<u>5,825,724</u>
Balance at the end of year	<u>5,837,909</u>	<u>5,825,724</u>

**12. REPURCHASE AGREEMENTS**

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

These repurchase agreements include interest receivable of \$1,375,846 (2013: \$675,146) and have an average maturity period of 31 days (2013: 31 days).

	<u>2014</u> \$	<u>2013</u> \$
Repurchase agreements - J\$ equivalent of US\$	73,959,254	51,269,866
- J\$ currency	<u>244,884,980</u>	<u>250,691,866</u>
	<u>318,844,234</u>	<u>301,961,732</u>

The exchange rate used to translate repurchase agreements denominated in United States Dollars at the reporting date was 108.99 (2013: 97.94) Jamaica dollars to 1 United States dollar.

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

	<u>2014</u> %	<u>2013</u> %
US\$	3.04	2.95
J\$	<u>9.31</u>	<u>5.73</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

## 13. CASH AND CASH EQUIVALENTS

	<u>2014</u> \$	<u>2013</u> \$
Cash in hand - J\$ Currency	20,000	20,000
Bank balances - J\$ Currency	<u>6,088,743</u>	<u>10,515,333</u>
	6,108,743	10,535,333
Bank balances - J\$ equivalent of US\$	<u>1,414,662</u>	<u>1,823,561</u>
	7,523,405	12,358,894

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

	<u>2014</u> %	<u>2013</u> %
Cash at bank - US\$	0.10	0.16
- J\$	<u>0.36</u>	<u>0.35</u>

## 14. SHARE CAPITAL

	<u>2014</u> \$	<u>2013</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>2014</u> \$	<u>2013</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 (LIME) 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.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

## 15. CONTRIBUTED CAPITAL (CONT'D)

(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. DEFERRED TAX LIABILITIES

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

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

	Balance 31.03.12 \$	Charged to profit [Note 7(a)]	Balance 31.03.13 \$	Charged to profit [Note 7(a)]	Balance 31.03.14 \$
Accelerated tax depreciation	13,414,812	5,599,263	19,014,075	1,066,340	20,080,415
Other	( 4,562,868)	4,163,766	( 399,102)	( 488,608)	( 887,710)
Net deferred tax liabilities	<u>8,851,944</u>	<u>9,763,029</u>	<u>18,614,973</u>	<u>577,732</u>	<u>19,192,705</u>

## 17. PAYABLES

	2014 \$	2013 \$
Accountant General:		
Spectrum licence fees	18,789,100	1,532,008
Accruals	<u>15,540,193</u>	<u>17,240,856</u>
Customers' deposits	<u>34,329,293</u>	<u>18,772,864</u>
	<u>4,403,204</u>	<u>4,503,619</u>
	<u>38,732,497</u>	<u>23,276,483</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.

Movement in spectrum licence fees:

	2014 \$	2013 \$
Balance payable at beginning of year	1,532,008	12,033,101
Spectrum licence fees received	1,658,046,785	160,979,112
Spectrum licence fees paid	(1,640,789,693)	(171,480,205)
Balance payable at end of year	<u>18,789,100</u>	<u>1,532,008</u>

# SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

### 17. PAYABLES (CONT'D)

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. The fees are remitted to the Consolidated Fund in the subsequent month following that of collection. The amount of \$1,533,869,400 was paid by LIME in March 2014 and was immediately remitted to the GOJ Consolidated Fund, representing partial payment advanced for renewal of its mobile spectrum licence and allocation of additional mobile frequencies.

### 18. 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 the applicable licences which fall outside the financial year.

Movement in deferred income:

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance at the beginning of year	37,991,898	37,998,098
Add: Amounts invoiced during year	250,162,057	230,436,613
Less: Transfers to revenue	<u>(237,937,077)</u>	<u>(230,442,813)</u>
Balance at the end of year	<u>50,216,878</u>	<u>37,991,898</u>

### 19. TAXATION PAYABLE:

Movement in taxation payable:

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance at the beginning of year	16,047,580	40,242,300
Adjustment for prior years income tax	352,909	( 339,099)
Less: Withholding taxes set-off during year (Note 11)	<u>( 5,825,724)</u>	<u>( 4,368,128)</u>
Less: Quarterly tax payments - prior year	<u>( 5,607,454)</u>	<u>(16,166,253)</u>
Less: Final payment - prior year	<u>( 4,967,311)</u>	<u>(19,368,820)</u>
Current year income tax at 33 1/3% [Note 7(a)]	19,133,185	17,916,732
Less: Quarterly tax payment - current year	<u>( 1,519,497)</u>	<u>( 1,869,152)</u>
Balance at the end of year	<u>17,613,688</u>	<u>16,047,580</u>

# SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2014

### 20. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions were carried out with related parties:

(a) Compensation of key management personnel

	<u>2014</u> \$	<u>2013</u> \$
Salaries and other related costs:		
Key management personnel	<u>33,426,836</u>	<u>28,863,486</u>
Directors' fees:	<u>2014</u> \$	<u>2013</u> \$
Board Chairman	150,000	150,000
Committee Chairmen	161,000	175,000
Board members	780,000	757,500
Committee members	<u>140,000</u>	<u>196,000</u>
	<u>1,231,000</u>	<u>1,278,500</u>

(b) Related party balances:

(i) Included in other receivables are:

	<u>2014</u> \$	<u>2013</u> \$
Due from related companies or agencies:		
Ministry of Science Technology Energy & Mining	8,829,829	-
Universal Service Fund	<u>284,826</u>	<u>129,383</u>

(ii) Included in payables is an amount of \$18,789,100 (2013: \$1,532,008) payable to the Accountant General (see Note 17).

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2014**

**21. STAFF COSTS**

	<u>2014</u> £	<u>2013</u> £
Salaries and wages	105,648,237	92,218,071
Statutory contributions	7,312,871	5,827,978
Group life and health insurance	5,378,968	4,750,458
Uniform	971,486	753,641
Contract/temporary workers	<u>1,682,546</u>	<u>4,242,026</u>
Pension contributions	120,994,108	107,792,174
Staff training and welfare	<u>1,803,187</u>	<u>1,790,976</u>
	<u>5,964,723</u>	<u>6,010,352</u>
	<u><b>128,762,018</b></u>	<u><b>115,593,502</b></u>

The number of persons employed by the company as at the reporting date was 36 (2013 - 35).



**KPMG**  
**Chartered Accountants**  
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#### INDEPENDENT AUDITORS' REPORT

To the Directors of  
Spectrum Management Authority Limited

The supplementary information presented on pages 33 and 34 has been taken from the accounting records of the company and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements of the company for the year ended 31 March 2014.

In our opinion, this information, although not necessary for a fair presentation of the company's financial position, financial performance, changes in equity or cash flows, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*KPMG*

Chartered Accountants  
Kingston, Jamaica

June 26, 2014

**SPECTRUM MANAGEMENT AUTHORITY LIMITED****DETAILED STATEMENT OF INCOME****YEAR ENDED 31 MARCH 2014**

	<u>2014</u> \$	<u>2013</u> \$
REVENUE:		
Regulatory fees	237,937,077	230,442,813
Processing fees	<u>6,523,666</u>	<u>6,825,796</u>
	244,460,743	237,268,609
OTHER INCOME:		
Interest income	24,051,879	24,270,247
Other income	<u>132,558</u>	<u>46,449</u>
	268,645,180	261,585,305
LESS - EXPENSES		
Administrative (Page 34)	<u>207,313,030</u>	<u>178,896,022</u>
PROFIT BEFORE TAXATION	<u>61,332,150</u>	<u>82,689,283</u>

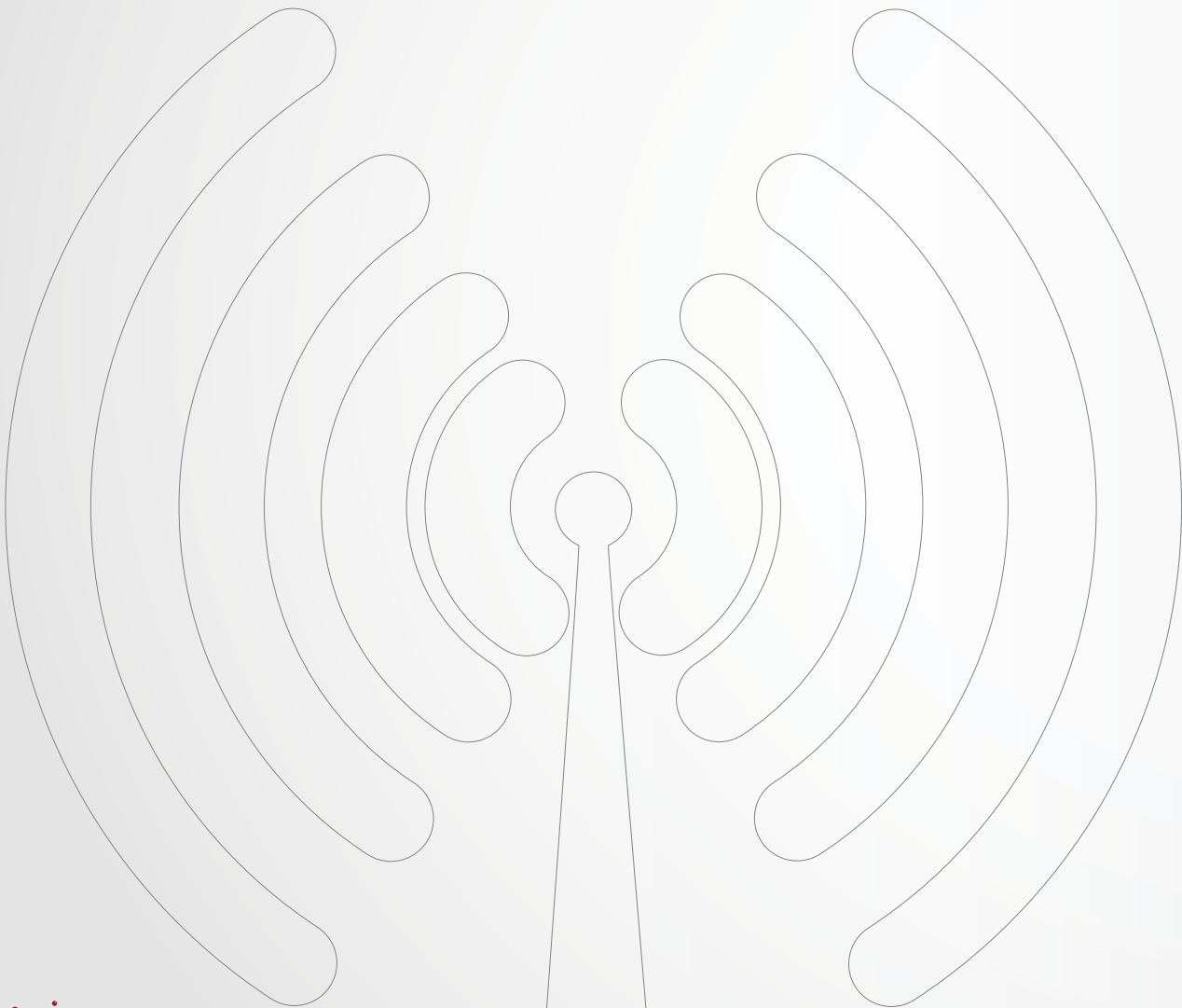
## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## SCHEDULE OF EXPENSES

YEAR ENDED 31 MARCH 2014

	<u>2014</u> \$	<u>2013</u> \$
<b>ADMINISTRATIVE:</b>		
Salaries and other related costs	120,994,108	107,792,174
Pension costs	1,803,187	1,790,976
Staff training and welfare	5,964,723	6,010,352
Chairman and directors' fees	1,231,000	1,278,500
Board/Committee meeting	825,290	1,308,312
Travel and subsistence - overseas and local meetings	5,002,253	1,743,032
CTU subscription/ICT promotion	534,719	868,826
Audit fees - current year	1,345,800	1,345,800
- prior year under-provision	-	24,641
Legal fees	220,000	508,950
Professional fees	2,036,480	1,424,919
Subsistence and accommodation	984,673	519,893
Stationery and office supplies, postage, courier	562,306	768,576
Data processing	1,737,440	1,563,723
Security	3,373,900	1,783,480
Sanitation & cleaning	1,857,846	1,652,826
General office expenses	1,898,830	1,892,729
Public relations and education	721,360	2,753,407
Lease & rental	2,900,211	2,452,514
Repairs and maintenance	4,550,642	6,294,639
- ASMS/RMDFS	1,785,460	1,634,947
- equipment	985,979	60,229
- building	195,878	410,707
- furniture and fixtures	-	-
Advertisement	1,221,190	1,529,922
Telephone	2,747,082	2,502,349
Electricity	8,705,471	7,839,993
Water	298,299	217,722
Subscriptions and donations	553,593	472,924
Insurance	3,206,525	2,019,754
Motor vehicle	3,012,908	2,496,352
Bank charges	465,709	254,661
Asset tax	100,000	135,000
Property tax	126,250	49,263
Irrecoverable GCT	3,592,720	1,001,169
Profit on disposal of property, plant and equipment	( 937,867)	( 10,900)
Exchange gain	( 6,501,502)	( 4,536,088)
Provision for bad debts	1,008,833	-
Depreciation & amortization	<u>28,201,734</u>	<u>19,039,749</u>
	<u>207,313,030</u>	<u>178,896,022</u>





Spectrum Management Authority  
13 - 19 Harbour Street  
Kingston

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