



ANNUAL REPORT 2015-16

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.

CONTENTS

Corporate Information	4
Corporate Profile	5
Board of Directors	7
Board of Directors' Committees	8
Board of Directors' Report	9
Board of Directors' Compensation	18
Senior Executives/Key Management Compensation	19
Financial Statements	20

CORPORATE INFORMATION

Registered Office 13-19 Harbour Street, Kingston	Auditors KPMG 6 Duke Street, Kingston
Bankers <ul style="list-style-type: none">• First Global Bank Ltd. 28 Barbados Avenue, Kingston 5• National Commercial Bank Ja. Ltd. 1-7 Knutsford Boulevard Kingston 5	Company Secretary Ms. Ida-Gaye Warburton Spectrum Management Authority 13-19 Harbour Street Kingston

CORPORATE PROFILE

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

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

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

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

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

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

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

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

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

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

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

- *Certificate of Competence in Radio Telephony/Global Maritime Distress and Safety System (GMDSS)* – This certification authorizes the holder to carry out the radiotelephone service of any Ship Station;
- *Radio Technician Licence* – There are 2 classes for this category of licence: Class “A” and Class “B” Licences. A licence issued under Class “A” category authorizes the Licensee to install and maintain radio transmitting apparatus; and, the Class “B” category authorizes the Licensee to install and maintain radio transmitting apparatus with a radio frequency power not exceeding 1,000 watts;
- *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 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



Front row, from left: Ms. Olivia Leigh Campbell, Mr. Christopher Honeywell (Chairman), Ms. Shynelle Anderson, Mr. Pierre Shirley, Mr. Desmond Palmer. Back row, from left: Dr. Densil Williams, Mr. Andrew Geohagen, Ms. Marlene DeMercado, Mr. Henry Batson (Director, Spectrum Engineering), Mr. Mario Mitchell. Missing: Mr. Christopher Burgess, Ms. Kaydian Smith, and Ms. Latoya Thomas.

BOARD OF DIRECTORS' COMMITTEES

Human Resources: <ul style="list-style-type: none"> • Marlene DeMercado • Andrew Geohagen • Mario Mitchell 	Technical Operations: <ul style="list-style-type: none"> ➢ Christopher Honeywell ➢ Christopher Burgess ➢ Olivia Leigh Campbell ➢ Pierre Shirley 	Audit: <ul style="list-style-type: none"> ➢ Densil Williams ➢ Latoya Thomas ➢ Shynelle Anderson 	Finance: <ul style="list-style-type: none"> ➢ Desmond Palmer ➢ Christopher Honeywell ➢ Christopher Burgess
--	--	---	--

ATTENDANCE RECORD OF BOARD AND COMMITTEE MEETINGS

	BOARD	AUDIT	FINANCE	HUMAN RESOURCES	TECHNICAL OPERATIONS
	12 MEETINGS	1 MEETINGS	11 MEETINGS	0 MEETINGS	6 MEETINGS
Shynelle Anderson	8	1	-	-	-
Christopher Burgess	7	-	6		6
Olivia Leigh Campbell	9	-	-	-	5
Marlene DeMercado	12	-	-	-	-
Andrew Geohagen	11	-	-	-	-
Christopher Honeywell	12	-	7	-	2
Mario Mitchell	12	-	-	-	-
Desmond Palmer	9	-	11	-	-
Pierre Shirley	8	-	-	-	3
Kaydian Smith	8	-	-		
Latoya Thomas	7	1	-	-	-
Densil Williams	10	1	-	-	-

Please note that the Board does not convene during the months of August and December. Two (2) special Board meetings were held June 19, 2015 and October 21, 2015. Committee meetings are convened as necessary. A Special Finance Meeting was held October 13, 2015.

BOARD OF DIRECTORS' REPORT

The Board of Directors' (the Board) of the Spectrum Management Authority (the SMA) is pleased to present the report on the performance of the SMA, for the 2015/16 fiscal year (FY).

The year marked the end of tenure of the current Board, which was reappointed in 2014 February 13. Throughout the Board's tenure, guidance was provided on policy and strategic initiatives, which advanced the organization closer to achieving its strategic objectives.

With respect to the performance of the SMA for the 2015/16 FY, the Board is particularly pleased with the efforts of the organization towards fulfilling its mandate to create the regulatory framework which facilitates the wide-scale use of wireless communication systems, in that way, facilitating Jamaica's Vision 2030 plan. Based on the number of licences granted for use of the radio frequency spectrum (the spectrum), it is evident that the efforts of the SMA to provide "clean" spectrum, *inter alia*, is aiding Jamaica in becoming a technology enabled society, a national outcome of the Vision 2030 Plan. Notedly, industries have been searching for ways to leverage technology, and the SMA has been a source of empowerment, with many companies utilizing the spectrum as the preferred medium of communication, in order to operate more efficiently.

During the FY, as the global communications trend continued, the demand for the spectrum asset became more critical to many economies, making significant contributions to economic development through its commercial and public uses. Jamaica wasn't any different, as the granting of licences was at its highest and a total of approximately \$1.03 billion was paid into the Consolidated Fund from spectrum licence fees.

Against this background, the Board is elated to present the performance of the SMA for the 2015/16 FY.



ITU image

Corporate Performance

The 2015/16 FY was again characterized with changes in the telecommunications industry, driven by the demands of the market. Increasingly, end users of the spectrum continued to demand information, anywhere, anytime, and swiftly. As a result, in order for businesses to remain relevant changes ensued to adapt to the new realities. These changes related not only to service providers, but also regulators and policy-makers. At the beginning of the FY, the SMA made operational adjustments, which, *inter alia*, included the reduction of processing times for some licences, as well as the acquisition of equipment to improve internal efficiencies. These initiatives were part of the SMA's effort to better meet the needs of the market. The SMA also established Key Performance Indicators (KPIs) which are used to measure the company's performance for the 2015/16 FY, in meeting the needs of the market.

Band Planning

With the increasing demand for the spectrum, the efficient and accurate assignment of such a scarce and limited resource became more critical in the band planning process and by extension, the licensing process. The SMA was however well positioned to operate more efficiently. Specifically, in the 2014/15 FY, the SMA recognised the need to adopt new techniques and technologies, as part of the solution to the new industry reality, and as such, acquired the ICS Telecom and the ICS Map Server – equipment for use in the band planning process. These two equipment aided in ensuring a more accurate and efficient assignment of frequencies to users of the spectrum during the FY.

Consequently, throughout the FY, the SMA was able to ensure a creditable licensing process, whereby clients were assigned spectrum that was clean and free from interference.

Licensing

As alluded to above, during the FY, the licensing secretariat focused on working in concert with the band planning team, to ensure that the amendment to or the issuance of new licences, for the use of the spectrum, did not result in interference to existing customers. It is indeed a pleasure to report that the above stated goal was achieved by the team.

New Application

For the 2015/16 FY, 14 applications were brought forward from the 2014/15 FY. The SMA received 280 new applications; and processing as at the end of 2016 March resulted in 256 applications approved, whilst 252 were issued. Note that licences are only issued after all requisite fees are paid. Of the 256 licences approved, 242 or approximately 95 per cent were processed within their respective established processing time. Processing times range from 1 business day to 25 business days, depending on the licence to be processed.

The number of applications received and approved/granted for the FY was indeed indicative of industry trends, and is a reflection of Jamaica's ability and readiness to attract investment in the communication sector. In particular, over the past two FYs, there has been a noticeable increase in applications received, albeit, some licence types more than others. The table below demonstrates the licensing activities for 2013/14 to the 2015/16 FYs.

Category	Number of Applications Received		
	2013/14	2014/15	2015/16
Private Radio	38	31	29
Marine	86	169	180
Alien Amateur	16	16	23
Amateur	1	4	2
Aeronautical	3	3	-
Non-spec. Cert.	18	16	18
VSAT	2	2	1
Citizens Band	3	5	3
TOTAL	167	246	256

Renewal Licences

The SMA renewed 381 licences for the FY, which represents a performance rate of approximately 93%. This performance is above the KPI of 85%. The FY's target was 404 existing licences; however, there were 22 cancellations, and 29 clients requested reinstatement of their licence. This had a plus 7 net effect on the initial target of 404 bringing it to 411. Note that licences are only renewed after receipt of payment.

As at 2016 March 31, of the 381 licences renewed 378 have standard processing times, and 365 or 97% were processed within the processing standard. The 3 licences without standard processing times required modifications. Based on the different types of modification that can occur, a standard processing time has not yet been determined for the processing of renewal licences requiring modification(s).

Monitoring and Interference Management

Monitoring

Monitoring exercises are conducted as part of the SMA's strategy to reduce cases of interference and to reduce or eradicate the level of illegal use of the spectrum. With respect to the former, monitoring of this nature is carried out prior to the assignment of spectrum, and for auditing of the spectrum to ensure compliance by licensed users. Regarding the latter – reduce or eradicate the level of illegal use of the spectrum – the use of spectrum audits was employed.

During the FY, 11 audits were conducted in 5 parishes. Anomalies were detected in 12 channels in the VHF and UHF bands and was also observed in the 1924-1929 MHz band. Each situation was resolved within the FY.

Interference Management

The radio spectrum is a key resource to different industries, and its economic and social value demands that it be managed effectively, to avoid harmful interference between users, in order to maximize the benefits derived from its use. Notwithstanding the efforts of the regulator, users of the spectrum at times experience interference on their systems. This may be due to technical problems with the equipment of the user or may emanate from other users, licensed and unlicensed. Irrespective, the SMA consistently responds with alacrity to resolve any case of interference reported.

As at 2016 March 31, the SMA investigated 14 cases of interference reports, 1 of which was from the previous FY. Of the 14 cases investigated 13 were resolved as at 2016 March 31, and were all resolved within their respective resolution times. Investigations will continue on the case pending, which was received on 2016 March 31.

Financial Management Income

As a self-funding agency and a contributor to the Consolidated Fund, timely collection and treasury management are a fundamental component of the SMA's revenue plan. For the FY, the SMA projected total income of \$293.86M from Regulatory Fees, Processing Fees, Interest Income and Other Income. For the period ending 2016 March 31, the SMA booked total income amounting to \$318.42M. The actual versus budget for each category are as follows:

Income	Actual \$'M	Budget \$'M
Processing Fees	9.81	5.29
Regulatory Fees	280.00	274.41
Interest Income	20.16	14.12
Other Income	8.45	0.04
TOTAL	318.42	293.86

Revenue (Regulatory Fees and Processing Fees) for the FY amounted to \$289.81M, which is \$17.05M or 6.25% above revenue earned in the previous FY (2014/15), which amounted to \$272.76M. This amount reflects the increase value of service to our clients based on the increase demand on the spectrum for the 2015/16 FY.

Expenditure

The SMA incurred expenditures amounting to \$247.72M for the FY. This is within the budgeted expenditure target of \$285.38M. The vast majority of the SMA's expenditures for the FY, were within budget, primarily as in some instances, the SMA did not receive the requisite approvals to incur certain expenditures, and efforts were made as well, to reduce costs, during the year. Notwithstanding, the SMA has made every effort to minimize any impact this might have had on the level and quality of service to our customers.

Collection of Spectrum Licence Fees

The SMA collects spectrum licence fees on behalf of the GoJ and remits these amounts to the Consolidated Fund. For the FY, \$1,028.03M was

paid into the Consolidated Fund from spectrum licence fees; of this amount \$692.33M was paid over by the SMA.

Legal Policy & Regulatory

The SMA continued the execution of its mandate with respect to legal, policy and regulatory issues, providing support to the Department of Information and Telecommunications within the Ministry of Science, Technology, Energy and Mining (MSTEM – now MSET), during the FY, in relation to, *inter alia*, the following matters.

• UHF Band (470-698 MHz)

The lower portion of the UHF band, namely, 470 -698 MHz was the subject of much deliberations internationally as well as locally prior to the World Radiocommunications Conference 2015 (WRC-15), which was held in 2015 November. In addition to other bands, the 470-698 MHz was considered at WRC-15 for co-allocation between broadcasting services and mobile services. The SMA, in providing technical support to the then MSTEM, submitted a position paper on the matter in early 2015 April, and attended meetings with the Ministry to further advise on the matter.

At WRC-15, consensus was arrived at, bearing in mind the requirements for sharing, that countries in the Americas region (including Jamaica) may utilize the band for their greatest benefit. Subsequently, based on the instructions of the MSTEM, an application was accepted and spectrum in the UHF band and the 6 GHz band was assigned to a subscription television (STV) service operator. The spectrum is to be used to deliver islandwide STV services in keeping with the terms of the licence from the Broadcasting Commission. The spectrum licence was granted on 2016 February 11.

• Review of the Telecommunications Act

Based on the request of the MSTEM, the SMA provided further comments and recommendations for changes to the Telecommunications Act, 2000 and the Radio and Telegraph Control Act, on 2015 June 1. It is the view of the SMA that

both Acts in their present state fall well short of the requirements to support the regulator in this new reality.

• Spectrum Master Plan

During the FY, the ITU assisted the GoJ in the enhancement of the country's Master Plans for Spectrum Management. In implementing the project, as a first step, the ITU conducted a survey to understand the current needs related to spectrum management. The second phase of the assessment resulted in a mission visit to Jamaica from 2015 October 20-23 to meet with critical stakeholders. The SMA hosted the consultants and coordinated the meetings with the stakeholders on behalf of MSTEM. The programme will continue into the next FY.

• Spectrum Holdings Disclosure

In 2015 December, the SMA advised both incumbent cellular operators that in accordance with the Amended Telecommunications Act, 2012, the SMA would be identifying and publishing more information on licensed spectrum users in Jamaica, inclusive of the specific frequency ranges currently assigned to the operators. Comments were solicited and feedback received in the affirmative, to the actions proposed by the SMA.

On 2016 March 1, the information with respect to the spectrum holdings was placed on the SMA's website. The information first published was in relation to spectrum holdings in the 700 MHz, 850 MHz, 900 MHz, 1800 MHz, 1900 MHz, 1700/2100 MHz, 2.5 GHz and 3.5 GHz bands.

• Regulatory Fees for Mobile Licences

In an effort to improve equity in the regulatory fees paid by cellular operators for their mobile licences, the SMA, based on the directive of the Ministry with responsibility for telecommunications, invited the two incumbent cellular operators to meet with the SMA to discuss their billing for the 2016/17 fiscal year, which was based on an adjusted mechanism. The meeting was held on 2016 March 1. Subsequent to the meeting a

Discussion Paper regarding Regulatory Fees for Mobile Licences, was distributed on 2016 March 16 to the operators for comments and feedback on the proposed adjustments.

The SMA will conclude the process by submitting a Position Paper, and the comments received from the operators, to the Ministry in the 2016/17 FY.

Regional and International Obligations

For the FY under review, the SMA was again integrally involved on committees of the Caribbean Telecommunications Union (CTU), the International Telecommunication Satellite Organization (ITSO), and meetings of the Inter American Telecommunications Commission (CITEL) Permanent Consultative Committee II, and the ITU.



The head table during a plenary session at WRC-15.

Most significantly for the FY under review was the SMA's participation at WRC-15, which is a "shall participate event" on the calendars of all spectrum managers globally. WRCs are held every three or four years, and are mandated to review and revise, the Radio Regulations – the international treaty governing the use of radio-frequency spectrum and satellite orbit resources. The process involved extensive studies and preparatory discussions among stakeholders (equipment makers, network operators, regulators, and users of the spectrum) at national, regional and global levels. The decisions of the conferences are agreed by ITU Member States and are applied in all 193 countries of the Union.

WRC-15 was held in Geneva, Switzerland, from 2015 November 2 to 27. Of note was the fact

that this year's conference was held against the backdrop of the ITU's celebration of its 150th Anniversary and the 70th Anniversary of the United Nations (UN). The conference addressed a number of key issues governing future innovation in information and communications technologies (ICTs) around the world. Consequently, Jamaica's frequency allocations are to be aligned in accordance with the decisions taken, being a signatory to the agreement.

In addition to representatives from the SMA, the Jamaican delegation that participated at the conference also featured members of Jamaica's Permanent Mission in Geneva, and a representative from the MSTEM.



Mr. Cecil McCain of MSTEM representing Jamaica at WRC-15 closing plenary and signing ceremony.

Additionally, for the FY, the SMA participated in the following:

- The 26th and final meeting of CITEL's Permanent Consultative Committee II (PCC.II), which was in preparation for WRC-15. The meeting was focused on getting as much Proposals from the region finalized, which would reflect the needs of the region.
- The 20th ITSO Advisory Committee (IAC) meeting held in Washington DC during 2016 March 31-2016 April 1. The SMA's Director, Legal Affairs represents Jamaica and is also the Chairman of the IAC. Jamaica also represents Barbados, Bahamas and Trinidad & Tobago at the IAC.

Staffing

At 2016 March 31, there were 35 members of staff, representing approximately 85% of the approved establishment of 41. During the year, the SMA family welcomed on board new family members, namely:

Dr. David McBean – Managing Director;

Mr. Clifton Hills – Manager, Special Projects & Operating Systems;

Mr. Peter Bartley – Telecommunications Engineer; and,

Mrs. Lathoya Wright-Brown – Accounts Receivables Officer.

There were also separations at the following posts:

- **Manager, Administration**
– Mr. Adrian Scott;
- **Internal Auditor** – Ms. Paula Munroe;
- **Manager, Special Projects & Operating Systems** – Mrs. Judy Anderson;
- **Accounts Receivables Officer**
– Ms. Rose Johnson.

The SMA wishes them all the best in their new endeavours and thank all for their contribution to the SMA during their tenure.

Training and Development

Training and development continue to be a key strategy employed by the SMA in efforts to maintain a cadre of highly skilled professionals. Operating in a dynamic environment requires continued training and updating if the SMA is to remain relevant and positioned to regulate effectively. As such, during the FY, the following were among the training opportunities accessed by staff:

- *Globalisation ...A World of Opportunities;*
- *Mini MBA in Telecommunications;*

- *Records Management;*
- *Public Sector Procurement Certification Level 4 INPRI/MoF;*
- *Methods of Applying Project Management Certificate – Project Management Global Institute;*
- *Competition Law and Policy – Fair Trading Commission;*
- *IT Audit Security Essentials;*
- *The Changing Face of Employment Law;*
- *Regulatory Impact Analysis;*
- *Next Generation Telecommunications Network Construction for Developing Countries;*
- *Basic Principles of International Communications Regulation and Policy;*
- *Conformity and Interoperability on Type Approval et al;*
- *Cross Border Interference and Frequency Allocation Plan;*
- *Essential Elements of Public Sector Procurement;*
- *Radio Frequency Spectrum Management Course;*
- *Factory Training and Acceptance Testing for RMDFS; and,*
- *Building and Implementing an ERM System.*

Strategic Capital Development

Cabinet approved the expansion and upgrade of the SMA's Radio Monitoring and Direction-Finding Systems (RMDFS) project for the fiscal year 2015/2016 on 2015 November 6. The TCI International contract was approved in the sum of Nine Hundred and Forty-Four Thousand and Sixty United States Dollars (US\$944,060.00) to acquire 3 sensor sites and a Monitoring vehicle. The RMDFS is part of the SMA's mission critical radio frequency monitoring infrastructure, as it provides the SMA with the capacity to effectively monitor and efficiently manage the use of the spectrum to ensure that licensees have unencumbered access to utilize the spectrum.

With the proliferation of wireless equipment and devices, and based on continuous innovation in the industry, the SMA must position itself to facilitate investments in the wireless telecommunication sector and, by extension, growth in the economy, as Jamaica seeks to become a technology enabled society. Since the approval of the project, the RMDFS equipment arrived in the island on 2016 January 20. The timeline for the completion of the project has been shifted from 2016 March 31, as a result of delays occasioned by the procurement of local good and services which are critical to full implementation of the project.



Equipment for the new sites

Corporate Social Responsibility

Throughout the FY, the SMA, in recognition of its role as a corporate citizen, sought to add value to the well-being of the people of Jamaica, both economically and socially. The Girls in ICT Day was one such event that the SMA participated in as an effort to positively impact on the lives of young Jamaicans.



Career Talk with the Manager, Operating Systems & Special Projects.

Girls in ICT Day

Since 2011, on the fourth Thursday in April, the ITU and the global technology community (over 150 countries) celebrate 'Girls in ICT Day', an awareness-raising initiative designed to empower and encourage girls and young women to consider careers in the growing field of ICT. On 2015 April 23, the SMA continued its support of this initiative by hosting fifteen (15) female high school students between the ages of 15 and 18, and their teachers, at its offices located at 13-19 Harbour Street. The students represented were from Convent of Mercy Alpha Academy, St. Hugh's High School for Girls and Vauxhall High School.

The event was designed to give students the opportunity to meet with members of the SMA's engineering team and to discover more about ICT and in particular telecommunications engineering. The day's activities included career talks by the Manager, Operating Systems & Special Projects, a Telecommunications Engineer and Ms. Cheyenne Powell, a former SMA summer intern. Additionally, the team was taken to the Emancipation Park, where they participated in a practice "Fox Hunt" or a frequency location exercise. In closing off the day's events, the young ladies and their teachers were gifted with memorabilia from the SMA.



Fox Hunt with the Mgr., Monitoring & Inspection.

The young ladies and their teachers expressed enthusiasm about attending the event, also indicating that their level of interest in ICT, and particularly, engineering had risen, and desired some day to enter the field.

Other Efforts

The SMA also contributed to charitable organizations, missions and generally organizations that are attempting to make a positive difference in the lives of Jamaicans. As such special contributions were made to different organizations to include the following:

- a. Missionaries of the Poor;
- b. Praise Academy of Dance;
- c. Upliftment Youth Club;
- d. Abba Rescue Mission; and,
- e. Sunset Optimist Club of Kingston.

Going Forward

In approaching the next four fiscal years (2016-2020), the SMA as the regulatory agency responsible for the management of the spectrum, acknowledges the GoJ's ICT objective, to "...adequately address current trends and emerging technologies; promote and support competitiveness and the long-term development of the ICT sector." The SMA also recognizes the role we play in facilitating Jamaica's Vision 2030 Plan by managing a valuable input resource, which is critical to

a technology enabled society. Additionally, the SMA concedes that managing the RF spectrum effectively can present some real and complex challenges due to the rapidly changing technologies and their level of sophistication. Hence, for the medium term, the SMA's ultimate goal is to manage the spectrum effectively, through the use of modern technology, and employing international best practice to regulate efficiently. However, the policy and legislative support driven by the MSET will be necessary in this endeavour, to facilitate the efforts of the SMA, if we are to be successful.

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

- Strengthening human and physical capacity;
- Providing support to the Ministry on efforts that will improve regulatory effectiveness;
- Exploring new sharing/licensing technology and methods;
- The installation of additional monitoring sites; and,
- Acquisition of attendant equipment, where necessary, in support of a dynamic industry.

The planned activities of the SMA for the FY will include, *inter alia*:

- Pursuing the core functions of, licensing spectrum users, resolution of interference complaints according to established standards, monitoring and inspection to ensure the legitimate and efficient use of the spectrum, and collection of fees as targeted;
- Ensuring good corporate governance and statutory compliance within/by the Authority;
- Fulfilment of Local, Regional and International obligations; and,
- Performance Monitoring in order to achieve established targets and ensuring compliance with all statutory obligations.

Budgetary Proposal for Financial Year 2016/17

For the FY 2016/17, the SMA proposed a budget of \$643.08M as follows:

- Capital Expenditure \$320.35M
- Operating Expenditure \$322.73M

Summary of Principal Performance Targets

	Target	Key Performance Indicator (KPI)
Income	\$331.16M	90% of target
Spectrum licence fees collected	\$866.93M	80% of target
Spectrum licence fees remitted	\$866.93M	Remit all fees collected up to Feb. 2017
Expenditure	\$322.73M	Within target
No. of licences to be renewed – Regulatory fees	278	85% of target
No. of licences to be Renewed – Spectrum licence fees	422	85% of target
Number of interference cases resolved	All reported cases	85% of target

Closing Remarks

In closing, the Board of Directors of the Spectrum Management Authority takes this opportunity to thank all members of staff and management, for their invaluable contribution to the SMA's performance for the FY. The Board further thank the Minister and his team at MSTEM/MSET, which provided needed policy support during the FY. To the users of the spectrum, we thank you for your support in our successes for the 2015/16 FY and look forward to working with all stakeholders in the 2016/17 FY.


Christopher Honeywell
Board Chairman

SPECTRUM MANAGEMENT AUTHORITY BOARD OF DIRECTORS' COMPENSATION						
Position of Director	Board		Committees		Fees	Travelling Allowance or Value of Assigned Motor Vehicle
	Chairman	Member	Chairman	Member		
MEMBER - 01 - CHAIRMAN	137,500		21,000	31,500	190,000	11,750
MEMBER - 02	75,000	7,000	10,500	92,500	865	93,365
MEMBER - 03	45,000	-	3,500	48,500	-	48,500
MEMBER - 04	82,500	-	10,500	93,000	9,964	102,964
MEMBER - 05	67,500	-	-	67,500	6,956	74,456
MEMBER - 06	67,500	-	17,500	85,000	133,668	218,668
MEMBER - 07	75,000	-	-	75,000	64,954	139,954
MEMBER - 08	60,000	70,000	-	130,000	57,528	187,528
MEMBER - 09	45,000	-	10,500	55,500	6,063	61,563
MEMBER - 10	52,500	-	3,500	56,000	5,264	61,264
MEMBER - 11	60,000	-	10,500	70,500	207	70,707
MEMBER - 12	52,500	42,000	17,500	112,000	-	112,000
MEMBER - 13			3,500	3,500	-	3,500
Total	137,500	682,500	140,000	119,000	1,079,000	297,219
						1,376,219

SPECTRUM MANAGEMENT AUTHORITY						
SENIOR EXECUTIVES/ KEY MANAGEMENT COMPENSATION						
Position of Senior Executive/ Key Management	Salary	Gratuity or Performance Incentive	Travelling Allowance or Value of Assigned Motor Vehicle	Other Allowances	Total Remuneration	Non-Cash Allowance
Senior Executive	\$	\$	\$	\$	\$	\$
Managing Director (2016 Feb 22-Mar 31)	750,000	-	51,348	20,000	821,348	-
Managing Director (Acting), and Director - Spectrum Engineering (2015 Apr- 2016 Feb 21)	4,800,413	342,642	-	2,270,063	7,413,118	120,000
Director - Finance & Administration (2015 Apr- 2016 Mar)	4,284,078	1,400,644	1,219,656	721,012	7,625,390	-
Director - Legal Affairs (2015 Apr-2016 Mar)	4,284,078	1,281,113	1,219,656	594,592	7,379,439	-
Director - Policy & Strategic Management (2015 Apr-2016 Mar)	4,195,888	1,226,756	1,219,656	151,843	6,794,143	-
Director - Spectrum Engineering (2016 Feb 22- Mar 31)	585,664	-	-	80,853	666,517	-
Subtotal - Senior Executive	18,900,121	4,251,155	3,710,316	3,838,363	30,699,955	120,000
Key Management						
Manager - Human Resource (2015 Apr- 2016 Mar)	2,534,282	774,496	643,128	351,398	4,303,304	-
Subtotal - Key Management	2,534,282	774,496	643,128	351,398	4,303,304	-
Total	21,434,403	5,025,651	4,353,444	4,189,761	35,003,259	120,000

NB:

The Director – Spectrum Engineering assumed the responsibility of Acting Managing Director from November 2011 while still carrying his substantive responsibility. The acting arrangement ceased upon the appointment of a Managing Director as of 2016 February
Non-Cash Allowance refers to the taxable benefit for assigned motor vehicle

SPECTRUM MANAGEMENT AUTHORITY LIMITED
FINANCIAL STATEMENTS
31 MARCH 2016

SPECTRUM MANAGEMENT AUTHORITY LIMITED
FINANCIAL STATEMENTS
31 MARCH 2016

INDEX

	<u>Page</u>
Independent Auditors' Report to the Members	1 - 2
<u>FINANCIAL STATEMENTS</u>	
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 31



KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
e-Mail +1 (876) 922-4500
firma@mail@kpmg.com.jm

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 2016, 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 (CONTINUED)

To the Members of
Spectrum Management Authority
Limited

Report on the Financial Statements (continued)

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 2016, and of its financial performance 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.

kpmg
Chartered Accountants
Kingston, Jamaica

July 20, 2016

SPECTRUM MANAGEMENT AUTHORITY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2016

	<u>Note</u> <u>§</u>	<u>2016</u> <u>§</u>	<u>2015</u>
Revenue	5	289,813,033	272,763,479
Operating expenses	6	(247,721,509)	(237,230,925)*
Operating profit		42,091,524	35,532,554
Other income	5	28,606,213	32,074,579*
Profit before taxation	7	70,697,737	67,607,133
Taxation charge	8	(23,421,851)	(24,565,641)
Profit, being total comprehensive income for the year		<u>47,275,886</u>	<u>43,041,492</u>

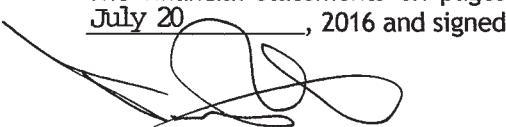
*Reclassified to conform to 2016 presentation.

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED
STATEMENT OF FINANCIAL POSITION
31 MARCH 2016

	<u>Note</u>	<u>2016</u> \$	<u>2015</u> \$
ASSETS			
Non-current assets:			
Property, plant and equipment	9	392,757,118	263,701,095
Intangible assets	10	<u>11,348,200</u>	<u>8,337,893</u>
Total non-current assets		404,105,318	272,038,988
Current assets:			
Receivables	11	17,000,799	24,448,207
Taxation recoverable	12	5,070,536	6,473,443
Resale agreements	13	315,720,277	408,741,853
Cash and cash equivalents	14	<u>11,665,446</u>	<u>13,735,237</u>
Total current assets		349,457,058	453,398,740
Total assets		753,562,376	725,437,728
EQUITY AND LIABILITIES			
Capital and reserves:			
Share capital	15	20	20
Contributed Capital	16	144,700,366	144,700,366
Retained earnings		<u>447,480,608</u>	<u>400,204,722</u>
Total capital and reserves		592,180,994	544,905,108
Non-current liabilities:			
Deferred tax liabilities	17	<u>12,251,075</u>	<u>16,734,759</u>
Current liabilities:			
Payables	18	61,362,443	87,620,182
Deferred income	19	60,025,234	51,047,944
Taxation payable	20	<u>27,742,630</u>	<u>25,129,735</u>
Total current liabilities		149,130,307	163,797,861
Total equity and liabilities		753,562,376	725,437,728

The financial statements on pages 3 to 31 were approved for issue by the Board of Directors on July 20, 2016 and signed on its behalf by:


Trevor Forrest - Chairman*


David McBean - Managing Director **

*Appointed to the Board effective April 4, 2016.

**Appointed to the Board effective April 11, 2016.

The accompanying notes form an integral part of the financial statements

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2016

	<u>Share Capital</u> \$ (Note 15)	<u>Contributed Capital</u> \$ (Note 16)	<u>Retained Earnings</u> \$	<u>Total</u> \$
Balances at 31 March 2014	20	144,700,366	357,163,230	501,863,616
Total comprehensive income	-	-	<u>43,041,492</u>	<u>43,041,492</u>
Balances at 31 March 2015	20	144,700,366	400,204,722	544,905,108
Total comprehensive income	-	-	<u>47,275,886</u>	<u>47,275,886</u>
Balances at 31 March 2016	<u>20</u>	<u>144,700,366</u>	<u>447,480,608</u>	<u>592,180,994</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2016

	<u>2016</u> \$	<u>2015</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	47,275,886	43,041,492
Adjustments for:		
Profit on disposal of property, plant and equipment	(13,632)	-
Depreciation & amortisation	40,429,385	32,436,189
Interest income	(20,162,789)	(25,114,700)
Taxation charge	<u>23,421,851</u>	<u>24,565,641</u> *
Operating cash flows before movements in working capital	90,950,701	74,928,622
Change in operating assets and liabilities:		
Receivables	7,447,408	6,268,762
Taxation recoverable	(5,070,536)	(6,473,443)
Deferred income	8,977,290	831,066
Payables (excluding spectrum licence fees)	<u>(64,917,499)</u>	<u>62,485,332</u>
	37,387,364	138,040,339
Interest received	20,282,646	25,894,525
Income tax paid	(18,819,197)	(13,669,631)
Spectrum licence fees received (Note 18)	730,988,052	2,018,371,489
Spectrum licence fees paid (Note 18)	<u>(692,328,292)</u>	<u>(2,031,969,136)</u>
Net cash provided by operating activities	<u>77,510,573</u>	<u>136,667,586</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase/(decrease) in resale agreements	92,901,719	(90,677,444)
Proceeds from sale of property, plant and equipment	13,632	-
Acquisition of property, plant and equipment	(166,531,918)	(33,330,809)
Acquisition of intangible assets	<u>(5,963,797)</u>	<u>(6,447,501)</u>
Net cash used in investing activities	<u>(79,580,364)</u>	<u>(130,455,754)</u>
Net (decrease)/increase in cash and cash equivalents	(2,069,791)	6,211,832
Cash and cash equivalents at beginning of year	<u>13,735,237</u>	<u>7,523,405</u>
Cash and cash equivalents at end of year	<u>11,665,446</u>	<u>13,735,237</u>

*Reclassified to conform to 2016 presentation.

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance

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

New, 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. The company has assessed them and has adopted those which are relevant to its financial statements viz;

- *Improvements to IFRS 2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:
 - IFRS 13, *Fair Value Measurement*, is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.
 - IAS 24, *Related Party Disclosures*, has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognised as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(a) Statement of compliance (cont'd)

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 have been issued but were not yet effective and had not been early-adopted by the company. The company has assessed their relevance with respect to its operations and has concluded as follows:

- Amendments to IAS 16 and IAS 38, *Classification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.
 - The amendment to IAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
 - The amendment IAS 38, *Intangible Assets* introduce a rebuttal presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The company is assessing the impact that these amendments will have on its 2017 financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016 has been amended to clarify or state the following:

- specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard;
- the order of notes to the financial statements is not prescribed;
- line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
- specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI with additional reconciliation requirements for the statement of profit or loss and OCI; and
- the presentation in the statement of OCI of items of OCI arising from joint ventures and associates are accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be classified to profit or loss.

The company is assessing the impact that this amendment will have on its 2017 financial statements.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(a) Statement of compliance (cont'd)

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

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The company is assessing the impact the standard will have on the 2019 financial statements.

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2017, replaces IAS 11-*Construction Contracts*, IAS 18 -*Revenue*, IFRIC 13 -*Customer Loyalty Programmes*, IFRIC 15 -*Agreements for the Construction of Real Estate*, IFRIC 18- *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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

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

The company is assessing the impact that the standard will have on its 2018 financial statements.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(a) Statement of compliance (cont'd)

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

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

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

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

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

(b) Basis of preparation

The financial statements are prepared under the historical cost basis.

(c) Reporting currency

The financial statements as of and for the year ended 31 March 2016 (reporting date), are presented in Jamaica dollars which is the company's functional currency.

(d) Use of estimates and judgements

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

32 MARCH 2016

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

(d) Use of estimates and judgements (continued)

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:

(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.

(e) Comparative information

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

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

(b) Financial instruments

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

Financial assets

The company's financial assets comprise receivables, resale agreements, cash and cash equivalents, and are classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables

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

Financial liabilities

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

(c) Property, plant and equipment

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

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

Building	2.5%
Leasehold improvements	10%
Monitoring and office equipment	6.67% - 20%
Furniture and fixtures	10%
Computers	33½%
Motor vehicles	20%

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) **Intangible assets**

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

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

(e) **Impairment**

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) **Calculation of recoverable amount:**

The recoverable amount of the company's 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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Pension obligations

Defined contribution plan

The company participates in a defined-contribution plan, the assets of which are held separately from those of the company. Contributions to the plan, made on the basis provided for in the rules, are charged to profit or loss when due.

(g) Cash and cash equivalents

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

(h) Resale agreements

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

(i) Trade and other receivables

Trade receivables are carried at original invoice amounts less provision for impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

(j) Trade and other payables

Trade and other payables are measured at cost.

(k) Borrowings

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

(l) Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the company and the revenue can be reliably measured. Income is recognised 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 collectibility is doubtful.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) 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.

(n) Leases

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

(o) 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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Related parties (cont'd)

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

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

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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(a) Overview (continued)

Risk Management Framework

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

The overall objective of the Board is to set policies that seek to reduce risk, as far as possible, without unduly affecting the company's regulatory activities.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The risk arises mainly from its receivables, Resale agreements and cash and cash equivalents. The company has policies in place to ensure that it provides its services to customers with an acceptable credit history, who will pay the applicable licence fees and regulatory fees for the use of the spectrum. The company has no significant concentration of credit risk attached to receivables as the company has a diverse customer base, with no significant balances arising from any single economic or business sector, or single entity or customer. The company, therefore, manages credit risk by continually screening its customers, pursuing its receivables rigorously, and ensuring investments are low-risk and are held with Government of Jamaica (GOJ) approved financial institutions with the holding not exceeding 25% of its portfolio in any one institution. Additionally, during the tenure of the investments, financial institutions are required to transfer the minimum of the nominal value of securities representing the net maturity value of investments to the company's designated account with the Bank of Jamaica (BOJ) operated JamClear-CSD.

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

	2016	2015
	\$	\$
Cash and cash equivalents	11,665,446	13,735,237
Resale agreements	315,720,277	408,741,853
Receivables (see Note 11)	<u>12,006,291</u>	<u>10,562,585</u>
	<u>339,392,014</u>	<u>433,039,675</u>

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(c) Market risk

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

(i) *Interest rate risk*

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

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

The company's interest rate risk arises from short-term Resale agreements that are backed by GOJ/BOJ securities (see Note 13).

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 2015.

	<u>Effect on profit or loss</u> <u>2016</u> \$	<u>Effect on equity</u> <u>2016</u> \$	<u>Effect on profit or loss</u> <u>2015</u> \$	<u>Effect on equity</u> <u>2015</u> \$
--	--	--	--	--

Change in basis points:

-100 (2015:-100)	(3,157,203)	(3,157,203)	(4,087,419)	(4,087,419)
100 (2015: 250)	<u>3,157,203</u>	<u>3,157,203</u>	<u>10,218,546</u>	<u>10,218,546</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(c) Market risk (continued)

(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>2016</u>	<u>2015</u>		
	<u>J\$</u>	<u>US\$</u>	<u>J\$</u>	<u>US\$</u>
Financial Assets				
Cash and cash equivalents	2,403,331	19,803	4,145,010	36,205
Resale agreements	<u>94,782,973</u>	<u>780,989</u>	<u>148,659,976</u>	<u>1,298,473</u>
	<u>97,186,304</u>	<u>800,792</u>	<u>152,804,986</u>	<u>1,334,678</u>

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>2016</u>	<u>2015</u>
	<u>£</u>	<u>£</u>
Effect on profit before tax:		
Devaluation - 6% (2015: 10%)	<u>5,831,178</u>	<u>15,280,499</u>
Revaluation - 1% (2015: 1%)	<u>(971,863)</u>	<u>(1,528,050)</u>

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(d) Liquidity risk

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

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

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

(e) Capital risk

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

The company's objectives, when managing capital, are to safeguard the company's ability to continue as a going concern and to maintain a strong capital base to support the development of its business. The company's capital is defined as share capital, contributed capital and retained earnings. Capital is managed through a formal budgetary process which is closely monitored by management to maintain profitability and control expenditure.

(f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the company's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. As a public body, the company manages operational risk with specific reference to guidelines provided in relevant Acts and government circulars, so as to avoid financial loss and damage to its reputation.

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

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

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

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

(g) Fair value

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

Determination of fair value and fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Discounted cash flow technique using a discount rate from observable market data, i.e. average of several brokers/dealers market indicative yields in active markets for identical assets or liabilities.
- Level 3 – Valuation techniques using significant unobservable inputs.

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

5. REVENUE AND OTHER INCOME

		<u>2016</u>	<u>2015</u>
		\$	\$
(a)	REVENUE:		
	Regulatory fees	280,002,027	263,273,323
	Processing fees	<u>9,811,006</u>	<u>9,490,156</u>
		<u>289,813,033</u>	<u>272,763,479</u>
(b)	OTHER INCOME:		
	Interest income	20,162,789	25,114,700
	Other income	167,104	854,195
	Exchange gain	8,262,688	6,105,684
	Profit on disposal of property, plant and equipment	<u>13,632</u>	-
		<u>28,606,213</u>	<u>32,074,579</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

6. EXPENSES BY NATURE

(a) Administrative expenses

	<u>2016</u> \$	<u>2015</u> \$
Salaries and other related costs ([see note 6(b)])	142,080,015	145,164,435
Chairman and Director's fees	1,079,000	1,276,500
Board/ Committee meeting	1,560,912	950,410
Travel and subsistence	6,063,199	6,387,519
Subscription and Donation	2,326,225	2,935,830
Audit fees	1,517,000	1,480,000
Legal and Professional fees	1,510,649	1,609,302
Office expenses	11,026,260	6,999,796
Security	3,595,659	3,576,232
Public relations and education	971,054	389,889
Lease and rental	3,975,913	3,436,147
Repairs and maintenance	8,407,124	5,315,581
Advertisement	1,376,965	441,822
Utilities	9,530,827	11,232,915
Insurance	3,039,133	4,331,185
Motor vehicle	2,129,324	2,546,356
Bank Charges	443,277	368,748
Asset & Property Taxes	326,250	326,250
Irrecoverable GCT	6,333,338	6,025,819
Depreciation & Amortization	<u>40,429,385</u>	<u>32,436,189</u>
	<u>247,721,509</u>	<u>237,230,925</u>

(b) Salaries and other related costs

	<u>2016</u> \$	<u>2015</u> \$
Salaries and wages	115,562,433	108,889,182
Statutory contributions	7,567,396	7,488,672
Group life and health insurance	5,220,724	7,268,024
Uniform	900,457	953,428
Contract/temporary workers	<u>3,507,763</u>	<u>3,046,553</u>
	<u>132,758,773</u>	<u>127,645,859</u>
Pension contributions	1,523,032	1,666,267
Staff training and welfare	6,790,175	15,226,426
Subsistence and accommodation	<u>1,008,035</u>	<u>625,883</u>
	<u>142,080,015</u>	<u>145,164,435</u>

The number of persons employed by the company as at the reporting date was 35 (2015 - 36).

SPECTRUM MANAGEMENT AUTHORITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

7. PROFIT BEFORE TAXATION

Operating profit is stated after charging:

	<u>2016</u> \$	<u>2015</u> \$
Auditors' remuneration- current year	1,517,000	1,480,000
Staff costs [Note 6(b)]	142,080,015	145,164,435
Depreciation & amortisation	<u>40,429,385</u>	<u>32,436,189</u>

8. TAXATION

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

	<u>2016</u> \$	<u>2015</u> \$
Current year income tax at 33 1/3% (Note 20)	27,742,630	27,175,747
Adjustment for prior year's income tax	162,905	(152,160)
Deferred taxation (Note 17)	<u>(4,483,684)</u>	<u>(2,457,946)</u>
Taxation charge in profit or loss	<u>23,421,851</u>	<u>24,565,641</u>

(b) The effective tax rate for 2016 was 33.1% (2015: 36.3%) of pre-tax profits compared to the statutory rate of 33 1/3% (2015: 33 1/3%). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2016</u> \$	<u>2015</u> \$
Profit before taxation	<u>70,697,737</u>	<u>67,607,133</u>
Tax calculated at 33 1/3%	23,565,912	22,535,711
Prior year's income tax	162,905	(152,160)
Adjusted for the effects of:		
Expenses not deductible for tax purposes	13,310,442	11,531,085
Net effect of other charges and allowances	<u>(13,617,408)</u>	<u>(9,348,995)</u>
Taxation charge in profit or loss	<u>23,421,851</u>	<u>24,565,641</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

9 PROPERTY, PLANT AND EQUIPMENT

	<u>Land and Building</u> \$	<u>Leasehold Improvement</u> \$	<u>Monitoring & Office Equipment</u> \$	<u>Furniture, and Fixtures</u> \$	<u>Motor Vehicles</u> \$	<u>Other Assets</u> \$	<u>Capital Work-in-Progress</u> \$	<u>Total</u> \$
At cost								
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>1,381,340</u>	<u>388,852,359</u>
Additions	<u>-</u>	<u>862,673</u>	<u>14,807,029</u>	<u>388,581</u>	<u>8,355,854</u>	<u>-</u>	<u>8,916,672</u>	<u>33,330,809</u>
31 March 2015	<u>73,777,368</u>	<u>9,985,351</u>	<u>294,332,481</u>	<u>12,131,207</u>	<u>21,580,696</u>	<u>78,053</u>	<u>10,298,012</u>	<u>422,183,168</u>
Additions	<u>-</u>	<u>-</u>	<u>11,893,851</u>	<u>907,132</u>	<u>2,996,485</u>	<u>8,738</u>	<u>150,725,712</u>	<u>166,531,918</u>
CWIP Transfers	<u>-</u>	<u>-</u>	<u>7,445,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,445,556)</u>	<u>-</u>
Disposals	<u>-</u>	<u>-</u>	<u>(836,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(836,176)</u>
31 March 2016	<u>73,777,368</u>	<u>9,985,351</u>	<u>312,835,712</u>	<u>13,038,339</u>	<u>24,577,181</u>	<u>86,791</u>	<u>153,578,168</u>	<u>587,878,910</u>
Depreciation								
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>-</u>	<u>128,411,804</u>
Charge for the year	<u>1,860,241</u>	<u>955,683</u>	<u>25,645,910</u>	<u>626,525</u>	<u>974,848</u>	<u>7,062</u>	<u>-</u>	<u>30,070,269</u>
31 March 2015	<u>9,921,657</u>	<u>1,745,731</u>	<u>123,000,659</u>	<u>9,580,637</u>	<u>14,199,689</u>	<u>33,700</u>	<u>-</u>	<u>158,482,073</u>
Charge for the year	<u>1,860,241</u>	<u>1,045,413</u>	<u>32,025,215</u>	<u>616,930</u>	<u>1,920,878</u>	<u>7,218</u>	<u>-</u>	<u>37,475,895</u>
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(836,176)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(836,176)</u>
31 March 2016	<u>11,781,898</u>	<u>2,791,144</u>	<u>154,189,698</u>	<u>10,197,567</u>	<u>16,120,567</u>	<u>40,918</u>	<u>-</u>	<u>195,121,792</u>
Net book values								
31 March 2016	<u>61,995,470</u>	<u>7,194,207</u>	<u>158,646,014</u>	<u>2,840,772</u>	<u>8,456,614</u>	<u>45,873</u>	<u>153,578,168</u>	<u>392,757,118</u>
31 March 2015	<u>63,855,711</u>	<u>8,239,620</u>	<u>171,331,822</u>	<u>2,550,570</u>	<u>7,381,007</u>	<u>44,353</u>	<u>10,298,012</u>	<u>263,701,095</u>
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>1,381,340</u>	<u>260,440,555</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

10. INTANGIBLE ASSETS

	Software and licences \$	Capital work-in- progress \$	Total \$
At cost			
31 March 2014	15,063,829	-	15,063,829
Additions	<u>6,447,501</u>	-	<u>6,447,501</u>
31 March 2015	21,511,330	-	21,511,330
Additions	3,332,205	2,631,592	5,963,797
CWIP Transfers	<u>2,160,013</u>	(2,160,013)	-
31 March 2016	<u>27,003,548</u>	<u>471,579</u>	<u>27,475,127</u>
Depreciation			
31 March 2014	10,807,517	-	10,807,517
Charge for the year	<u>2,365,920</u>	-	<u>2,365,920</u>
31 March 2015	13,173,437	-	13,173,437
Charge for the year	<u>2,953,490</u>	-	<u>2,953,490</u>
31 March 2016	<u>16,126,927</u>	-	<u>16,126,927</u>
Net book values			
31 March 2016	<u>10,876,621</u>	<u>471,579</u>	<u>11,348,200</u>
31 March 2015	<u>8,337,893</u>	-	<u>8,337,893</u>
31 March 2014	<u>4,256,312</u>	-	<u>4,256,312</u>

11. RECEIVABLES

	2016 \$	2015 \$
Trade receivables - Regulatory fees	2,175,431	1,102,740
Other receivables	<u>10,839,693</u>	<u>10,468,678</u>
Less: Impairment allowance	13,015,124	11,571,418
	(1,008,833)	(1,008,833)
Prepayments	12,006,291	10,562,585
	<u>4,994,508</u>	<u>13,885,622</u>
	<u>17,000,799</u>	<u>24,448,207</u>

Included in other receivables is an amount of \$8,829,829 (2015: \$8,829,829) recoverable from the Ministry of Science Energy and Technology (formerly the Ministry of Science Technology Energy and Mining) [see note 21(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.

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

11. RECEIVABLES (CONT'D)

The aging of trade receivables is as follows:

	<u>2016</u> \$	<u>2015</u> \$
0-30 days	145,520	120,408
31-60 days	40,522	22,584
61-90 days	18,330	8,151
90 days and over	<u>1,971,059</u>	<u>951,597</u>
	<u>2,175,431</u>	<u>1,102,740</u>

Movement in impairment allowance:

	<u>2016</u> \$	<u>2015</u> \$
Balance at the beginning and the end of year	<u>1,008,833</u>	<u>1,008,833</u>

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

12. TAXATION RECOVERABLE:

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

Movement in taxation recoverable:

	<u>2016</u> \$	<u>2015</u> \$
Balance at the beginning of year	6,473,443	5,837,909
Amount utilized as tax credit for 2014 (Note 20)	-	(5,837,909)
Amount utilized as tax credit for 2015 (Note 20)	<u>(6,473,443)</u>	-
Taxation recoverable during year	<u>5,070,536</u>	<u>6,473,443</u>
Balance at the end of year	<u>5,070,536</u>	<u>6,473,443</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

13. RESALE AGREEMENTS

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

These resale agreements include interest accrued of \$476,164 (2015: \$596,021) and have an average maturity period of 31 days (2015: 34 days).

	<u>2016</u> \$	<u>2015</u> \$
Resale agreements		
- J\$ equivalent of US\$	94,782,973	148,659,976
- J\$ currency	<u>220,937,304</u>	<u>260,081,877</u>
	<u>315,720,277</u>	<u>408,741,853</u>

The exchange rate used to translate resale agreements denominated in United States Dollars at the reporting date was 121.36 (2015: 114.49) Jamaica dollars to 1 United States dollar.

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

	<u>2016</u> %	<u>2015</u> %
US\$	1.96	2.27
J\$	<u>5.17</u>	<u>6.38</u>

14. CASH AND CASH EQUIVALENTS

	<u>2016</u> \$	<u>2015</u> \$
Cash in hand	20,000	20,000
- J\$ Currency		
Bank balances	<u>9,242,115</u>	<u>9,570,227</u>
	9,262,115	9,590,227
- J\$ Currency		
Bank balances	<u>2,403,331</u>	<u>4,145,010</u>
	11,665,446	13,735,237

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

	<u>2016</u> %	<u>2015</u> %
Cash at bank		
- US\$	0.09	0.08
- J\$	<u>0.40</u>	<u>0.35</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

15. SHARE CAPITAL

	<u>2016</u> \$	<u>2015</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>

16. CONTRIBUTED CAPITAL

	<u>2016</u> \$	<u>2015</u> \$
(i) Government of Jamaica	79,999,980	79,999,980
(ii) Government of Jamaica	<u>64,700,386</u>	<u>64,700,386</u>
	<u>144,700,366</u>	<u>144,700,366</u>

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

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

17. 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 31.03.14 \$	Credited to profit \$ [Note 8(a)]	Balance 31.03.15 \$	Credited to profit \$ [Note 8(a)]	Balance 31.03.16 \$
Accelerated tax depreciation	20,080,415	(2,398,899)	17,681,516	(4,530,572)	13,150,944
Other	(887,710)	(59,047)	(946,757)	(46,888)	(899,869)
Net deferred tax liabilities	<u>19,192,705</u>	<u>(2,457,946)</u>	<u>16,734,759</u>	<u>(4,483,684)</u>	<u>12,251,075</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

18. PAYABLES

	<u>2016</u> \$	<u>2015</u> \$
Accountant General:		
Spectrum licence fees	43,851,213	5,191,453
Accruals	<u>15,801,590</u>	<u>14,499,726</u>
	59,652,803	19,691,179
Customers' deposits	<u>1,709,640</u>	<u>67,929,003</u>
	<u>61,362,443</u>	<u>87,620,182</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:

	<u>2016</u> \$	<u>2015</u> \$
Balance payable at beginning of year	5,191,453	18,789,100
Spectrum licence fees received	730,988,052	2,018,371,489
Spectrum licence fees paid	<u>(692,328,292)</u>	<u>(2,031,969,136)</u>
Balance payable at end of year	<u>43,851,213</u>	<u>5,191,453</u>

Spectrum licence fees payable represents amounts due to the Government of Jamaica (GOJ) recognised at the time they are received from customers, and are reflected as a "pass through" in the company's accounts. Normally, fees collected in any month are remitted to the Consolidated Fund in the subsequent month. Digicel paid US\$1,541,289 and US\$3,500,000 in October 2015 and March 2016 respectively for its licences, which were immediately remitted to the GOJ Consolidated Fund. Cable & Wireless however paid J\$335,786,944.96 in March 2016 directly to the GOJ Consolidated Fund for its licences. In March 2015, Cable & Wireless and Digicel paid J\$184,302,880 and US\$3,500,000 respectively for their mobile spectrum licences, which were immediately remitted to the GOJ Consolidated Fund.

19. DEFERRED INCOME

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

Movement in deferred income:

	<u>2016</u> \$	<u>2015</u> \$
Balance at the beginning of year	51,047,944	50,216,878
Add: Amounts invoiced during year	288,979,317	264,104,389
Less: Transfers to revenue	<u>(280,002,027)</u>	<u>(263,273,323)</u>
Balance at the end of year	<u>60,025,234</u>	<u>51,047,944</u>

SPECTRUM MANAGEMENT AUTHORITY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2016

20. TAXATION PAYABLE:

Movement in taxation payable:

	<u>2016</u> \$	<u>2015</u> \$
Balance at the beginning of year	25,129,735	17,613,688
Adjustment for prior year's income tax	162,905	(152,160)
Less: Withholding taxes set-off during year (Note 12)	(6,473,443)	(5,837,909)
Less: Minimum business tax	(60,000)	(60,000)
Less: Quarterly tax payments - prior year	(6,138,037)	(4,558,491)
Less: Final payment - prior year	<u>(12,621,160)</u>	<u>(7,005,128)</u>
Current year income tax at 33 1/3% [Note 8(a)]	27,742,630	27,175,747
Less: Quarterly tax payment - current year		(2,046,012)
Balance at the end of year	<u>27,742,630</u>	<u>25,129,735</u>

21. RELATED PARTY TRANSACTIONS AND BALANCES

The following transactions were carried out with related parties:

(a) Compensation of key management personnel

	<u>2016</u> \$	<u>2015</u> \$
Salaries and other related costs:		
Key management personnel	<u>35,003,259</u>	<u>32,307,897</u>
Directors' fees:	<u>2016</u> \$	<u>2015</u> \$
Board Chairman	137,500	175,000
Committee Chairman	140,000	119,000
Board members	682,500	877,500
Committee members	<u>119,000</u>	<u>105,000</u>
	<u>1,079,000</u>	<u>1,276,500</u>

(b) Related party balances:

(i) Included in other receivables are:

	<u>2016</u> \$	<u>2015</u> \$
Due from related companies or agencies:		
Ministry of Science Energy & Technology (see Note 11)	8,829,829	8,829,829
Universal Service Fund	<u>324,434</u>	<u>129,383</u>

(ii) Included in payables is an amount of \$43,851,213 (2015: \$5,191,453) payable to the Accountant General (see Note 18).

SPECTRUM MANAGEMENT AUTHORITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2016

22. CAPITAL COMMITMENTS

As at the reporting date, the company had capital commitments totaling \$173,636,124 made up as follows:

- (i) \$151,462,642 has been committed towards the radio monitoring and direction finding system (RMDFS) project, which was to establish three additional fixed monitoring sites, upgrade of two existing fixed monitoring sites, upgrade of the existing monitoring vehicle, and the purchase of a covert monitoring vehicle, of which \$132,882,810 was spent.
- (ii) \$22,173,482 has been committed towards the structural repairs and refurbishing works of the company's building and car park, of which \$19,392,577 has been spent.