



# ANNUAL REPORT 2016-2017



...Shaping Your Future With Wireless...



## *Mission Statement*

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

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# CORPORATE INFORMATION

## **Registered Office**

**13 - 19 Harbour Street  
Kingston**

## **Auditors**

**KPMG  
6 Duke Street  
Kingston**

## **Bankers**

•  
**First Global Bank Ltd.  
28 Barbados Avenue  
Kingston 5**

•  
**National Commercial  
Bank Ja. Ltd.  
1-7 Knutsford  
Boulevard  
Kingston 5**

## **Company Secretary**

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

# CORPORATE PROFILE

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

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

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

Spectrum Management Authority was in accordance with the Companies Act incorporated as a limited liability company on 1<sup>st</sup> 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 aforesaid, in carrying out its mandate, the Authority operates within the legislative framework as established by the **Telecommunications Act, 2000** and the **Radio and Telegraph Control Act, 1973**. Internationally, SMA is also guided by the rules and regulations of the International Telecommunications Union (ITU). ITU is the leading United Nations agency for information and communication technologies. As the global focal point for governments and the private sector, ITU's role in helping the world communicate spans 3 core sectors: radio communication, standardization and development.

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

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

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

## SPECTRUM MANAGEMENT AUTHORITY

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).



# MESSAGE FROM THE HONOURABLE MINISTER

I take great pleasure in commending the Board of Directors and staff of the Spectrum Management Authority (SMA) on another year of successful activities.

As Minister with responsibility for telecommunications, I have a deep appreciation of the important role the SMA continues to play in ensuring efficient management of one of Jamaica's most valuable resources. I note also that the Board has made proactive decisions and in so doing has set the foundation for the effective management of the spectrum in the next fiscal year.

Jamaica, as a signatory to the International Telecommunications Unit (ITU), must ensure that we adhere to international best practices. Such practices go hand in hand with national policies and legislation which govern the telecommunications sector, thereby contributing to Jamaica's social, economic and technological advancement. As Minister, I will continue to work to improve the legislative framework and implore the SMA to further develop the necessary physical and human capital to keep pace with this dynamic ICT industry.

I look forward to the continued advancement of the industry and wish for the SMA an even more



successful fiscal year as it works closely with our regional and international partners to meet our short, medium and long term objectives.

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

# BOARD OF DIRECTORS



Seated L-R: Ms. Yolande Ramharrack (Deputy Chairman), Mr. Trevor Forrest (Chairman), Dr. Marcia Forbes;  
Standing L-R: Mr. Marlon Morgan, Mr. Rickman Warren, Mr. Delroy Thompson, Mr. Robert Richards,  
Dr. David McBean (Managing Director);  
Missing: Mr. Brian Yap-Sam, Mrs. Kaydian Smith Newton, Mrs. Marsha Haughton, and Mr. Craig  
Ottey-Brown.



# BOARD OF DIRECTORS' COMMITTEES

## Human Resources:

- Yolande Ramharrack
- Marlon Morgan
- Sophia Deer
- Craig Ottey-Brown

## Technical Operations:

- Marcia Forbes
- Delroy Thompson
- Rickman Warren
- Yolande Ramharrack

## Audit:

- Robert Richards
- Rickman Warren
- Brian Yap-Sam

## Finance:

- Marsha Haughton
- Kaydian Smith Newton
- Marlon Morgan

## ATTENDANCE RECORD OF BOARD AND COMMITTEE MEETINGS

For the 2016/17 fiscal year, the SMA scheduled twelve (12) meetings of the Board of Directors. Details of the attendance of Directors at meetings of the Board and its Committees for the FY are outlined in the table below:

	BOARD	ANNUAL GENERAL	AUDIT	FINANCE	HUMAN RESOURCES	TECHNICAL OPERATIONS	BOARD
	11 <sup>1</sup> MEETINGS	1 MEETING	0 MEETING	9 MEETINGS	9 MEETINGS	5 MEETINGS	1 MEETING
Sophia Deer <sup>2</sup>	6		-	-	2	-	-
Marcia Forbes	8	1	-	-	-	5	-
Trevor Forrest	10	1	-	-	-	-	-
Marsha Haughton	7		-	7	-	-	1
Marlon Morgan	11	1	-	9	9	-	1
Craig Ottey-Brown	6		-	-	1	-	-
Yolande Ramharrack	7	1	-	-	9	1	-
Robert Richards <sup>3</sup>	8	1		-	-		1
Kaydian Smith Newton	9		-	8	-	-	
Delroy Thompson	8	1	-	-	-	5	-
Rickman Warren	6	1		-	-	4	1
Brian Yap-Sam	3			-	-	-	-
David McBean	10	1		7	3	4	1

*Please note that the Board does not convene in the months of August and December.*

<sup>1</sup>Special Board of Directors meeting held on July 20, 2016

<sup>2</sup>Director Sophia Deer tendered her resignation from the Board December 1, 2016

<sup>3</sup>Director Robert Richards tendered his resignation from the Technical Operations Committee July 2016

# BOARD OF DIRECTORS' REPORT

It is with great pleasure that the Board of Directors (the Board) of the Spectrum Management Authority (the SMA), reports on the performance of the SMA, for the 2016/17 fiscal year (FY). The 2016/17 FY was of great significance to the SMA family, as the organization celebrated its 15<sup>th</sup> Anniversary, and as well, it was the start of the initial tenure of this Board, which assumed oversight responsibility for the SMA in 2016 April. The Board was honoured to have the opportunity to share in the occasion, recounting the successes of the SMA and its impact on the development of the wireless industry in Jamaica over the years, even as we commenced our journey as a Board, making our contribution to nation building, by providing strategic and policy guidance.

As part of the anniversary celebrations during the year, the SMA held two events: an "Invocation" at the office at 13-19 Harbour Street, on 2016 November 21; and an awards dinner on 2016 November 23 at the Jamaica Pegasus Hotel. For

the Invocation, Reverend Astor Carlyle was the special guest speaker. For the occasion of the dinner, the SMA took the opportunity to honour past and present members of staff for their contributions over the years, and Dr. the Honourable Andrew Wheatley, Minister of Science, Energy & Technology was the keynote speaker.

Operationally, for the year under review, the SMA, in recognition of, inter alia, the Government of Jamaica's (GoJ) ICT objectives, to "...adequately address current trends and emerging technologies; promote and support competitiveness and the long term development of the ICT sector", ensured the efficient management of the radio frequency spectrum (the spectrum), in support of these objectives. Essential to the efficient management of the spectrum was allocating it efficiently. Allocation of the spectrum refers to the designation of a given frequency band for use by one or more types of radio communication services, where appropriate, under specific conditions.



Dr. the Honourable Andrew Wheatley delivering the keynote speech at the SMA Awards Dinner.



**Radio Spectrum Allocation Chart.**

In allocating the spectrum efficiently, the process requires balancing competing demands to assign the spectrum use rights to users who value them most. In principle, however, weighing competing demands is a very difficult and time-consuming task, at best. As such, the SMA and by extension Jamaica, continues to participate in the International Telecommunications Union's (ITU) system for allocating the spectrum, through the World Radiocommunications Conferences (WRC), which also seeks to promote harmonization of the spectrum.

The most recent WRC was in 2015 November, as such, during the 2016/17 FY, the SMA revised Jamaica's allocation chart according to the decisions taken as Jamaica is a signatory to the agreements. Above is an illustration of Jamaica's allocation chart.

In addition to the aforementioned, the operations of the SMA were also influenced by the global market trends, driven by the expectations of end users, demanding more connectivity, anywhere, anytime, and with an increase in connected devices. Many carriers/service providers in response have tried to be all things to all persons, by delivering a wide variety of services to their customers. The result, locally and around the world, is an increased demand on the spectrum asset. This increase in demand has been demonstrated locally, with the SMA experiencing continuous

increase each year for the last 5 years, in new applications received for licence/authorization for use of the spectrum. The performance for the year under review, represents the new high as it relates to new applications received and approved in any given year, with figures of 340 and 324 (to include amount brought forward) respectively.

### **Upgrade and Expansion of Radio Monitoring and Direction Finding System (RMDFS)**

In crafting the plans prior to the FY, the SMA recognized that based on the trend of increasing demand for the spectrum, both locally and internationally, then the adaptation/use of modern technologies, and employing international best practice to regulate the use of the spectrum efficiently, are in fact the primary approaches to satisfactorily respond to emerging challenges of the new paradigm. Bearing this in mind, the Board and the Management of the SMA are particularly pleased and recognize as a significant achievement, the completion of the further expansion of the RMDFS project during the FY, which will aid the SMA in regulating more effectively. This phase of the expansion project involved the installation and development of the following:

- 3 new sensor sites have been commissioned in Red Hills, Portmore and Papine;

- A new covert monitoring vehicle was commissioned;
- The original mobile unit (the Defender) was upgraded with Time Difference of Arrival (TDOA) capabilities;
- The Planter's Hall and Oceana sites were upgraded as well with Angle of Arrival (AOA)/TDOA techniques/capabilities.



Maintenance being conducted at the Ocho Rios site.

The implementation of the project has provided the SMA with additional information on the radio frequency environment, enabling more effective management of the spectrum through enhanced capabilities. Essentially the SMA is better able to provide "clean spectrum" to meet the needs of our clients and end users, which advances Jamaica's Vision 2030 Plan, (particularly, the desired outcome of Jamaica becoming a technology enabled society), and facilitates economic growth and development.

Against this background the Board is proud of the work being done by the SMA and the performances achieved for the 2016/17 FY, in facilitating Information Communication Technology (ICT) development in Jamaica, through wireless connectivity.

## CORPORATE PERFORMANCE

Recognizing that the preferred medium to facilitate connectivity was the radio frequency spectrum, and noting the continuous increase in its demand, the SMA, in an effort to not just meet the spectrum needs of the industry, but to also provide customer oriented service, established Key Performance Indicators (KPIs). This was in order to measure the company's performance for the 2016/17 FY, particularly with respect to the core operational activities, of licensing, interference management and financial management.

### Band Planning

In fulfilling its mandate, during the FY, the SMA in carrying out the band planning function sought to allocate and assign the spectrum efficiently and accurately so as to maximize its use and ensure assignment of "clean" spectrum. A significant part of this process was the revision of Jamaica's allocation chart in alignment with the ITU's Radio Regulations (RR), as at 2015. The Band Planning team was also involved in determining optimum frequency arrangements (based on ITU's designated options), since certain services were approved for additional allocations and different services were allocated to particular bands at WRC-15. These efforts were geared towards being more flexible as a regulator, in order to meet the needs of industry as the environment changes and more fundamentally, to facilitate investments. Based on the efforts of the Band Planning team, the SMA was able to successfully assign unencumbered spectrum to a record number of new licence applicants.

### Licensing

During the FY, the licensing secretariat worked closely with the band planning team to process and issue new and amended licences, which did not interfere with existing users of the spectrum, as the SMA continued to facilitate the growth of traditional wireless communication and new wireless broadband services in Jamaica.



Members of the Licensing Secretariat.

**Type Approval**

The SMA conducts type approval of wireless radio communication equipment/devices for use in Jamaica to ensure that these equipment/devices meet a minimum set of regulatory, technical and safety standards. This is done to confirm that when used as prescribed and designated, these devices will not interfere with other equipment or networks in use locally. During the FY the SMA granted 245 type approval certifications, 209 or 85% of which were processed within the standard processing times. The KPI for this activity was 80%.

**New Licensing**

For the 2016/17 FY, 30 applications were brought forward from the 2015/16 FY. The SMA received 340 new applications; and processing as at the end of 2017 March resulted in 324 applications approved, whilst 324 were issued. This performance represents a record high since the inception of the organization. The continuous growth experienced in wireless subscribers may be directly associated to the efforts of the SMA in providing interference

free spectrum. The SMA continues to facilitate the various uses of the spectrum to include; for maritime services, aeronautical services, amateur services and particularly the growth of mobile services as providers move from a concentration in voice services. This is in keeping with the global trend towards the provision of more broadband data services.

**Performance for new applications for the last 5 years**

Year	Number of New Applications	
	Received	Granted/Approved
2012/13	93	91
2013/14	167	156
2014/15	246	241
2015/16	280	256
2016/17	340	324
<b>TOTAL</b>	<b>1,126</b>	<b>1,068</b>

Of the 324 licences approved during the FY, 308 or approximately 95%, were processed within their respective established processing time. The KPI was 80%. *Processing times range from 1 business day to 25 business days, depending on the licence to be processed.*

**Renewal Licensing**

The SMA renewed 373 licences for the FY, which represents a performance rate of approximately 91%. This performance is above the KPI of 85%. The FY’s target was 422 existing licences, however there were 42 cancellations, and 32 clients requested reinstatement of their licence. This had a minus ten (-10) net effect on the initial target of 422 bringing it to 412. Note that licences are only renewed after receipt of payment.

As at 2017 March 31, of the 373 licences renewed 352 or 94% were processed within the processing standard of 5 business days. This performance is above the KPI of 90%.

**Monitoring and Interference Management**

**Monitoring**

In addition to the SMA’s proactive approach to the assignment of frequencies, whereby scans, analysis and sometimes checks in the automated database are carried out, monitoring exercises are conducted as part of the SMA’s strategy to reduce cases of interference and to reduce or eradicate the level of illegal use of the spectrum. Monitoring exercises are sometimes carried-out prior to the assignment of spectrum, depending on the frequency band to be assigned, to confirm availability. In addition, monitoring exercises are conducted when auditing the spectrum, to ensure compliance by licensed users, and to identify any illegal use of the spectrum. During the FY, 4 audits

were conducted in 3 parishes and the Kingston Metropolitan Region (KMR). Anomalies were detected in 5 channels. The anomalies identified were resolved.

**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, so that the benefits derived from its use may be maximised. Notwithstanding the efforts of regulators, such as the SMA, users of the spectrum at times experience interference on their systems. These may be primarily due to technical problems with the equipment of the user or may emanate from other users, both licensed and unlicensed. Notwithstanding, the SMA consistently responds with swiftness to resolve any cases of interference reported.

As at 2017 March 31, the SMA investigated 26 interference reports, 2 of which were from the previous FY. All 26 cases investigated were resolved as at 2017 March 31, and were all resolved within their respective resolution times.

**Financial Management**

**Income**

The SMA is a self funding agency and continues to be a contributor to the Consolidated Fund, and as such, timely collection and prudent treasury management is a fundamental component of the SMA’s financial management plan. For the FY, the SMA projected total income of \$331.16M from Regulatory Fees, Processing Fees, Interest Income and Other Income. For the period ending 2017 March 31, the SMA booked total income amounting to \$334.88M, which is above the KPI of \$298.04M or 90% of target. The table below outlines the performance of each category.

	ACTUAL	BUDGET	KPI	COLLECTION
	\$'M	\$'M	\$'M	\$'M
Processing Fees	12.29	7.09	6.38	12.29
Regulatory Fees	299.01	287.30	258.57	279.90
Interest Income	15.70	9.18	8.26	15.70
Other Income	7.88	27.59	24.83	7.88
<b>TOTAL</b>	<b>334.88</b>	<b>331.16</b>	<b>298.04</b>	<b>315.77</b>

Revenue (Regulatory Fees and Processing Fees) for the FY amounted to \$311.30M, which is \$21.49M or 7.4% above revenue earned in the previous FY (2015/16), which amounted to \$289.81M. This amount reflects the increase in the value of service to our clients based on the increase demand on the spectrum for the 2016/17 FY.

### **Expenditure**

The SMA incurred recurrent expenditure (including depreciation) of approx. \$274.40M for the 12 months ending 2017 March 31, which was well within the budgeted amount of approx. \$322.73M. The primary reason for the positive variance was that the SMA did not receive the requisite approvals to incur certain expenditures, and as well, efforts were made to reduce costs, during the year. Notwithstanding, the SMA made every effort to minimize any impact this might have on the level and quality of service to our customers.

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

Spectrum Licence Fees are collected on behalf of the GoJ and are remitted to the Consolidated Fund (the Fund). Actual collection of Spectrum Licence Fees for the 12 months ending 2017 March 31, amounts to approx. \$1,437.92M; whilst remittance to the fund was \$1,432.02M (includes \$43.85M b/f from the previous FY). **Please note that spectrum licence fees collected on mobile licences are remitted in the month it is collected, whilst for all other categories of licence it is remitted in the month after they are collected.**

## **Legal Policy & Regulatory**

The SMA continued the execution of its mandate with respect to legal, policy and regulatory issues, providing support to the Ministry of Science, Energy and Technology (MSET), during the FY, in relation to, inter alia, the following matters.

### **Spectrum Pricing Policy**

During 2016 December, the Minister with responsibility for telecommunications the Hon. Dr. Andrew Wheatley, after, inter alia, considering the SMA's recommendation, took the decision to maintain the spectrum pricing policy previously implemented in 2014 March, which expired in 2016 March. The terms of the Policy are unchanged, save that the Policy now also applies to the 1700/2100 MHz frequency band and will remain in effect until 2018 March 31. The other bands guided by this

Policy are the 700 MHz, 850 MHz, 900 MHz, 1800 MHz and 1900 MHz.

### **International Telecommunications Union (ITU) Korea Project**

During the FY, the International Telecommunications Union (ITU) assisted the Government of Jamaica in the enhancement of its Master Plans for Spectrum Management. Mission visits were held during the period and in this regard, the SMA hosted the consultant, Mr. Pavel Mamchenkov, and coordinated meetings with stakeholders. The SMA also provided extensive comments on the draft and final report.

### **International Telecommunications Satellite Organization (ITSO)**

The SMA represented Jamaica at the 20<sup>th</sup> ITSO Advisory Committee (IAC) during 2016 March 31 - April 1 in Washington D.C. The SMA is Jamaica's representative at the IAC, and Jamaica represents Barbados, Bahamas and Trinidad & Tobago. SMA's Director, Legal Affairs is the Chairman of the Committee.

The SMA also attended the meeting of the 37<sup>th</sup> ITSO Assembly of Parties Meeting (AP) on 2016 October 11-14 in Washington D.C. Ms. Wahkeen Murray, Chief Technical Director, MSET was also in attendance. The SMA's Director, Legal Affairs was appointed, by acclamation, as the Deputy Chairman of the meeting. The main outcome of the meeting was the appointment of a new Director General effective 2017 July for four (4) years.

### **The Radio & Telegraph Control Act Regulations**

The SMA was instrumental in the development of amendments to the Radio & Telegraph Control Act Regulations which affects amateur radio operators. Specifically, the amendments target the removal of morse code as a requirement. The Radio and Telegraph Control (Radio Operators and Technicians) (Amendment) Regulations, 2017 and the Radio and Telegraph Control (Amateur Radio Service) (Amendment) Regulations, 2017 were gazetted in March 2017. The MSET advised that both Regulations are subject to negative resolution in the House of Representatives and the Senate. Therefore, it is anticipated that the SMA will continue to provide support to the MSET until the Regulations are fully adopted.

### **Regulatory Fees for Mobile Licences**

In an effort to realign an equitable apportionment of the Regulatory fees paid by cellular operators for their mobile licences, the SMA, based on the directive of the Ministry of Science, Energy & Technology (MSET), embarked on a process, which started in 2016 March. On 2017 March 30, the SMA received the Telecommunications (Spectrum Regulatory Fees) (Amendment) Regulations, 2017, from the MSET which outlines the new formula to be used for the calculation of Regulatory Fees.

### **Review of Spectrum Cap (the cap)**

Upon the request of the Minister with responsibility for telecommunications, Dr. the Hon. Andrew Wheatley, the SMA reviewed the spectrum cap policy of 2014 and provided its recommendation to the Minister/Ministry. On 2017 March 24, the Minister having accepted the SMA's recommendations took the decision to retain the cap at 120 MHz, to include the 1700/2100 MHz band.

### **Regional and Global Obligations**

As international harmonization of radio spectrum allocation and use at global and regional levels become more important with the ever growing globalization of business, trade and people's mobility, the SMA continued to participate in related fora. As such, during the 2016/17 FY the SMA participated in regional and global meetings and conferences, particularly, the SMA participated in meetings held by the Caribbean Telecommunications Union (CTU), the Inter-American Telecommunications Commission (CITEL), as well as the International Telecommunications Satellite Organisation (ITSO) Advisory Committee (IAC).

### **Staffing**

As at 2017 March 31, there were 33 members of staff, representing approximately 80% of the approved establishment of 41. During the year the SMA family welcomed on board Mr. Christopher Spencer, Manager, Administration. There were also several separations at the following posts:

**Chief Accountant;**  
**Manager, Human Resources;**  
**Legal Officer;**  
**Manager, Administration; and,**  
**Manager, Information Technology.**

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

### **Training and Development**

Based on the dynamic environment in which the SMA operates, continued training and updating of staff is a requirement if the SMA is to remain relevant and effective. As such, during the FY, the following were among the training opportunities accessed by staff locally and overseas:

- *Introduction to Radio Spectrum Monitoring & Measuring;*
- *In-depth Look at Spectrum Management & Monitoring;*
- *Valuing the Spectrum;*
- *ASMS/ACCPAC Training;*
- *TCI Electronic Training;*
- *Professional Certificate in Regulatory Affairs;*
- *ATDI/ICS Telecoms Training;*
- *CompTIA Network+ Training;*
- *Development of Training Needs Analysis and new Curricular;*
- *Organizational Development & Effectiveness;*
- *Mastery in Applying Project Management;*
- *Public Sector Procurement Level 4 course;*
- *Comprehensive Regulatory Impact Analysis.*

### **Corporate Social Responsibility**

The SMA remains committed to facilitating solutions to improve the quality of life for Jamaicans, by making a measurable difference in our own neighborhood and communities in order to make Jamaica a better place. 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.

International "Girls in ICT Day" is an initiative of the International Telecommunication Union (ITU) launched in 2014, aimed at creating a global environment that empowers and encourages girls and young women to consider careers in the growing field of information communication technologies (ICTs). Supporting the education of women and girls in the ICT sector is also in line with the United Nations Sustainable Development Goals (SDGs); in particular SDG 5, aimed at achieving gender equality and empowering all women and girls through, among others, ICTs. The day is celebrated on the 4<sup>th</sup> Thursday of each year in April, and for 2016, on April 28, the international theme was "Expanding Horizons and Changing Attitudes".





Minister Wheatley visits the SMA's booth.

In sharing in the theme, the SMA participated in a one day seminar and exhibition hosted by the Office of Utilities Regulation (OUR), which was held at the Knutsford Court Hotel, Kingston. The event saw an audience of more than 200 female students between the ages of 14 and 19, drawn from various high schools across Jamaica. The day's activities included several presentations from various women at varying stages in their ICT careers, ranging from students to top executives. Topics presented included: "ICT Skills and jobs"; "Innovation and Creativity"; "Opportunities in ICT"; and "Is hacking ok? The case for ethical hacking". As part of the range of exhibitions from selected ICT stakeholders, the SMA's booth featured spectrum monitoring equipment, type approved devices, and brochures outlining the functions and responsibilities of the SMA. The team which manned the booth was on hand to educate the girls on the importance of the radio frequency spectrum in communications; the necessity of spectrum monitoring; areas of study within telecommunications field; and type approval requirements. Additionally, tokens such as water bottles, pens and notebooks were given to students who visited SMA's booth. The girls deemed the day to be very informative and beneficial.

### Other Efforts

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

- a. Combined Disabilities Association;
- b. Missionaries of the Poor;
- c. Office of the Patron for Global Giving;
- d. St. Georges Girls Primary & Infant School;
- e. Upliftment Jamaica Agro Farm Project;
- f. Highholborn Basic School; and
- g. Love & Hope Ministries.

### Going Forward

In approaching the next four fiscal years (2017 - 2021), the SMA recognizes that "efficient management" of the spectrum, according to the ITU, is still being shaped by the ICT industry. This generational phase of regulation requires adaptability to an industry that not only grows exponentially but undergoes constant innovations. Consequently, as a regulator, the SMA shall seek to facilitate a regulatory environment that is flexible to meet the needs of the industry. Hence, for the medium term, the SMA will therefore continue to work closely with regional (CITEL, CTU, etc) and global (ITU) partners, in allocating the spectrum, which is essential to efficient management, as well as positioning the organization with the human and physical capacity, and technology needed to be effective. The SMA is however a creature of Law, and its success is highly dependent on the legislative and policy support available to effect the necessary response to industry's requirements.

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;
- Fulfillment of Local, Regional and International obligations; and,
- Performance Monitoring in order to achieve established targets and ensuring compliance with all statutory obligations.

### Closing Remarks

To our stakeholders, the SMA thanks you all for your support and cooperation throughout the year and looks forward to continued collaboration in seeking to effectively manage the spectrum and provide customer oriented service. The Board takes this opportunity to specially thank the Minister and the team at the Ministry for their support during the year, and finally to thank the management and staff for their dedication and resilience demonstrated during the financial year. We look forward to working with all stakeholders during the 2017/18 FY.

**Mr. Trevor Forrest**  
Board Chairman

### Budgetary Proposal for Financial Year 2017/18

For the FY 2017/18, the SMA's approved budget of \$632.17M is as follows:

Capital Expenditure           \$278.83M  
Operating Expenditure       \$353.34M

### Summary of Principal Performance Targets

	Target	Key Performance Indicator (KPI)
Income	\$353.73M	90% of target
Spectrum licence fees Collected	\$1,160.49M	80% of target
Spectrum licence fees Remitted	\$1,160.49M	Remit all fees collected up to Feb. 2018 and mobile fees collected in Mar. 2018.
Expenditure	\$353.34M	Within target
No. of licences to be Renewed	408	85% of target
Number of Interference Cases resolved	All reported cases	90% of target



# BOARD OF DIRECTORS' COMPENSATION

SPECTRUM MANAGEMENT AUTHORITY										
BOARD OF DIRECTORS' COMPENSATION										
Position of Director	Board			Committees		Fees	Travelling Allowance	Total		
	Chairman	Member	Member	Chairman	Member					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
MEMBER - 01 - CHAIRMAN	165,000		4,500	-	4,500	169,500	-	169,500		169,500
MEMBER - 02	15,000	63,000	4,500	67,500	4,500	150,000	5,922	155,922		155,922
MEMBER - 03		63,000	4,500	52,500	4,500	120,000	-	120,000		120,000
MEMBER - 04		72,000	-	37,500	-	109,500	-	109,500		109,500
MEMBER - 05		63,000	22,500	7,500	22,500	93,000	1,654	94,654		94,654
MEMBER - 06		54,000	4,500	-	4,500	58,500	3,083	61,583		61,583
MEMBER - 07		108,000	81,000	-	81,000	189,000	-	189,000		189,000
MEMBER - 08		81,000	31,500	7,500	31,500	120,000	47,713	167,713		167,713
MEMBER - 09		27,000	-	7,500	-	34,500	12,197	46,697		46,697
MEMBER - 10		81,000	22,500	-	22,500	103,500	-	103,500		103,500
MEMBER - 11		81,000	-	-	-	81,000	4,409	85,409		85,409
MEMBER - 12		54,000	9,000	-	9,000	63,000	11,501	74,501		74,501
<b>Total</b>	<b>180,000</b>	<b>747,000</b>	<b>184,500</b>	<b>180,000</b>	<b>184,500</b>	<b>1,291,500</b>	<b>86,479</b>	<b>1,377,979</b>		<b>1,377,979</b>
<b>NB:</b>										
<b>Director David McBean is not compensated as a member of the board given his substantive post as Managing Director.</b>										

# SENIOR EXECUTIVES/KEY MANAGEMENT COMPENSATION

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 \$	Total \$
<b>Senior Executive</b>							
Managing Director (2016Apr-2017 Mar)	7,000,000	-	89,442	195,183	7,284,625	100,000	7,384,625
Director - Spectrum Engineering (2016Apr-2017 Mar)	5,630,182	345,174	1,323,196	798,167	8,096,719	-	8,096,719
Director - Finance & Administration (2016Apr-2017 Mar)	4,472,867	1,281,162	1,341,624	351,126	7,446,779	-	7,446,779
Director - Legal Affairs (2016Apr-2017 Mar)	4,472,867	1,386,860	1,341,624	818,175	8,019,526	-	8,019,526
Director - Policy & Strategic Planning (2016Apr-2017 Mar)	4,472,867	1,343,021	1,341,624	293,320	7,450,832	-	7,450,832
<b>Sub-total - Senior Executive</b>	<b>26,048,783</b>	<b>4,356,217</b>	<b>5,437,510</b>	<b>2,455,971</b>	<b>38,298,481</b>	<b>100,000</b>	<b>38,398,481</b>
<b>Key Management</b>							
Manager - Human Resources (2016 Apr-2016 July)	878,413	127,925	235,816	173,204	1,415,358	-	1,415,358
Manager - Human Resources, Acting (2016Aug-2017 Mar)	1,355,414	98,695	471,632	420,935	2,346,676	-	2,346,676
<b>Sub-total - Key Management</b>	<b>2,233,827</b>	<b>226,620</b>	<b>707,448</b>	<b>594,139</b>	<b>3,762,034</b>	<b>-</b>	<b>3,762,034</b>
<b>Total</b>	<b>28,282,610</b>	<b>4,582,837</b>	<b>6,144,958</b>	<b>3,050,110</b>	<b>42,060,515</b>	<b>100,000</b>	<b>42,160,515</b>
<b>NB:</b>							
The Manager, Human Resources resigned effective 2016 July 29. The Human Resources Officer was appointed to act in the post as of August 2016.							
Non-Cash Allowance refers to the taxable benefit for assigned motor vehicle.							

# TECHNOLOGY HIGHLIGHTS

## PREPARING FOR THE 5G EVOLUTION

### *Introduction - The Next Wave of the Digital Society*

Advancement in mobile communications has definitely made people's life easier over the last decade; whether it is ordering an item online, searching for information or connecting with family and friends through social media platforms. As we get closer to 2020, the global telecommunications industry is anticipating the development of technologies that will achieve near-instantaneous, "zero distance" connectivity between people and connected machines [1]. This is the promise of the **fifth generation (5G)** of mobile networks, which is heralded as the next frontier of innovation and the breakthrough in the transformation of Information Communication Technology (ICT) network infrastructure. Super intelligent network features will usher in a revolutionary generation of mobile communication, which undoubtedly will be the next wave of a globally connected Digital Society.

### *5G Capability Perspectives*

Technology developers worldwide have, in recent months, been articulating the "5G Technology Vision" and much of the discussions surrounds increasing data transfer rates. The 5G technology envisions a one-stop unique network for all the market segments, starting from very low-bandwidth and low-power Internet of Things (IoT) nodes to ultra-high definition immersive experiences [2]. Samsung Electronics Company contends that with 5G technology, a device is able to maintain network connectivity regardless of time and location, and open the possibility to connect devices without human intervention [3]. GSMA, which represents the interests of about 800 mobile operators

worldwide, affirms that with the prospect of being considerably faster than existing technologies, 5G holds the promise of applications with high social and economic value, leading to a "hyper-connected society" in which mobile will play an ever more important role in people's lives [4]. Indeed, all this will profoundly affect human life by connecting virtually everything anywhere.

### *Standardization and Spectrum Requirements*

With all the wonders to be gained from 5G, the issue of spectrum requirements remains a concern and is expected to be addressed at the World Radiocommunication Conference (WRC) in Geneva, 2019. Decision will be taken as to the additional spectrum to be allocated and the related technical requirements. Studies are being conducted through the ITU's study groups to determine these requirements in the frequency range between 24.25 GHz and 86 GHz.

### *Conclusion*

Spectrum is a precious and finite resource that is critical for both current and future wireless communications. As we seek to create sustainable consumer benefits and increased competition within the telecommunications sector, we recognise that the decisions to emerge from the WRC 2019 will be pivotal in this respect. Further, we recognise that due to difference in stages of development of ICT and resources in different countries, the benefits to be derived from 5G may not be experienced by all nations simultaneously. Some nations will benefit earlier, based on their readiness. Each nation should, however, based on their resources, position themselves to be able to benefit when the time arise, as it promises to further improve lives globally.

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## References

- 1) Huawei Technologies. 2013' "5G - A Technology Vision"
- 2) Mudigonda, Saraj. 2017; "5G: What is the Buzz all About?" <https://www.imgtec.com/blog/5g-what-is-the-buzz-all-about/>
- 3) Samsung Electronics Company. 2015; "5G Vision". DMC R&D Center
- 4) GSMA Intelligence, 2014. "Analysis - Understanding 5G: Perspectives on Future Technological Advancements in Mobile"

# FINANCIAL STATEMENTS

SPECTRUM MANAGEMENT AUTHORITY

SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2017



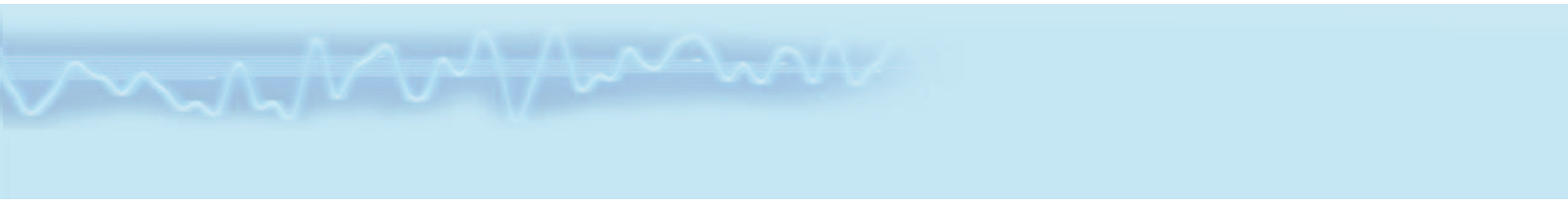
SPECTRUM MANAGEMENT AUTHORITY LIMITED

FINANCIAL STATEMENTS

31 MARCH 2017

*I N D E X*

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Statement of Cash Flows	7
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INDEPENDENT AUDITORS' REPORT

To the Members of  
SPECTRUM MANAGEMENT AUTHORITY LIMITED

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

*Opinion*

We have audited the financial statements of Spectrum Management Authority Limited ("the company"), set out on pages 4 to 32 which comprise the statement of financial position as at March 31, 2017, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at March 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

*Basis for Opinion*

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





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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SPECTRUM MANAGEMENT AUTHORITY LIMITED

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

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

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

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

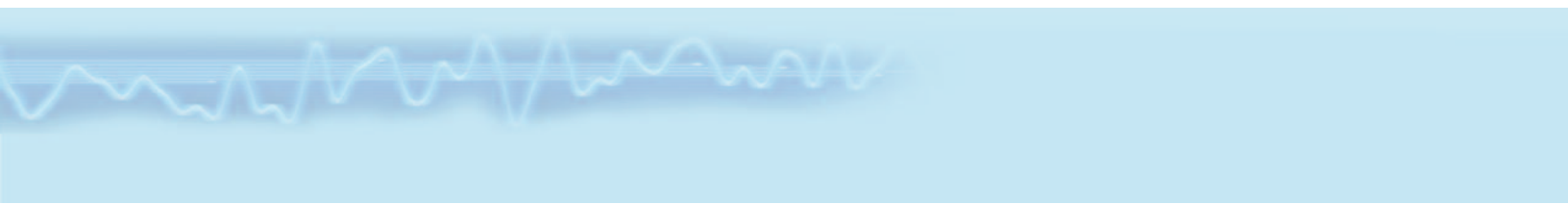
Those charged with governance are responsible for overseeing the company's financial reporting process.

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

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

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

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





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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
SPECTRUM MANAGEMENT AUTHORITY LIMITED

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

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

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

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

**Report on additional matters as required by the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

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

Chartered Accountants  
Kingston, Jamaica

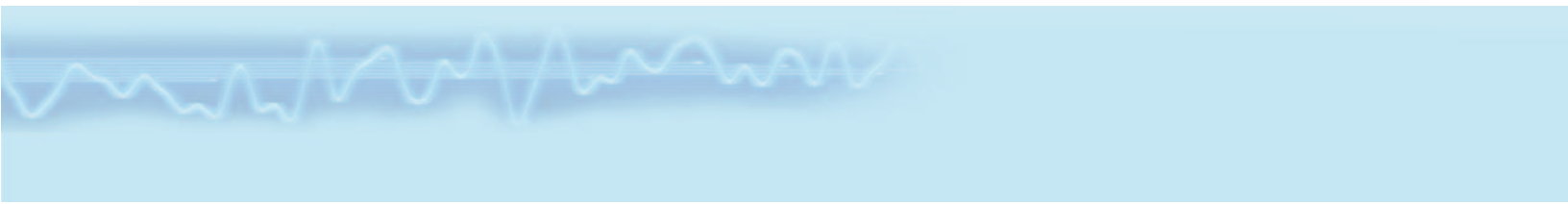
July 5, 2017



SPECTRUM MANAGEMENT AUTHORITY LIMITED  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 YEAR ENDED 31 MARCH 2017

	<u>Note</u>	<u>2017</u> <u>₹</u>	<u>2016</u> <u>₹</u>
Revenue	5	311,304,996	289,813,033
Operating expenses	6(a)	(274,400,650)	(247,721,509)
Operating profit		36,904,346	42,091,524
Other income	5	<u>23,575,303</u>	<u>28,606,213</u>
Profit before taxation	7	60,479,649	70,697,737
Taxation charge	8	( 11,436,176)	( 23,421,851)
Profit, being total comprehensive income for the year		<u>49,043,473</u>	<u>47,275,886</u>

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



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF FINANCIAL POSITION

31 MARCH 2017

	<u>Note</u>	<u>2017</u> \$	<u>2016</u> \$
<b>ASSETS</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	9	398,277,685	392,757,118
Intangible assets	10	<u>10,575,138</u>	<u>11,348,200</u>
<b>Total non-current assets</b>		<u>408,852,823</u>	<u>404,105,318</u>
<b>Current assets:</b>			
Receivables	11	42,222,969	17,000,799
Taxation recoverable	12	3,903,729	5,070,536
Resale agreements	13	295,546,072	315,720,277
Cash and cash equivalents	14	<u>50,065,148</u>	<u>11,665,446</u>
<b>Total current assets</b>		<u>391,737,918</u>	<u>349,457,058</u>
<b>Total assets</b>		<u>800,590,741</u>	<u>753,562,376</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves:</b>			
Share capital	15	20	20
Contributed Capital	16	144,700,366	144,700,366
Retained earnings		<u>496,524,081</u>	<u>447,480,608</u>
<b>Total capital and reserves</b>		<u>641,224,467</u>	<u>592,180,994</u>
<b>Non-current liabilities:</b>			
Deferred tax liabilities	17	<u>25,640,683</u>	<u>12,251,075</u>
<b>Current liabilities:</b>			
Payables	18	72,614,033	61,362,443
Deferred income	19	58,876,965	60,025,234
Taxation payable	20	<u>2,234,593</u>	<u>27,742,630</u>
<b>Total current liabilities</b>		<u>133,725,591</u>	<u>149,130,307</u>
<b>Total equity and liabilities</b>		<u>800,590,741</u>	<u>753,562,376</u>

The financial statements on pages 4 to 32 were approved for issue by the Board of Directors on July 5, 2017 and signed on its behalf by:



Trevor Forrest - Chairman




David McBean - Managing Director

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

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 MARCH 2017**

	Share Capital \$ (Note 15)	Contributed Capital \$ (Note 16)	Retained Earnings \$	Total \$
Balances at 31 March 2015	20	144,700,366	400,204,722	544,905,108
Total comprehensive income	<u>-</u>	<u>-</u>	<u>47,275,886</u>	<u>47,275,886</u>
Balances at 31 March 2016	20	144,700,366	447,480,608	592,180,994
Total comprehensive income	<u>-</u>	<u>-</u>	<u>49,043,473</u>	<u>49,043,473</u>
Balances at 31 March 2017	<u>20</u>	<u>144,700,366</u>	<u>496,524,081</u>	<u>641,224,467</u>

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




## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED 31 MARCH 2017

	Notes	<u>2017</u> \$	<u>2016</u> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net profit for the year		49,043,473	47,275,886
Adjustments for:			
Profit on disposal of property, plant and equipment	(	1,720,000)	( 13,632)
Depreciation & amortisation		46,482,707	40,429,385
Interest income	(	15,703,091)	( 20,162,789)
Taxation charge		<u>11,436,176</u>	<u>23,421,851</u>
Operating cash flows before movements in working capital		89,539,265	90,950,701
Change in operating assets and liabilities:			
Receivables	(	25,222,170)	7,447,408
Taxation recoverable	(	3,903,729)	( 5,070,536)
Deferred income	(	1,148,269)	8,977,290
Payables (excluding spectrum licence fees)		<u>5,353,821</u>	<u>( 64,917,499)</u>
		64,618,918	37,387,364
Interest received		15,612,194	20,282,646
Income tax paid	(	18,484,069)	( 18,819,197)
Spectrum licence fees received (Note 18)		1,437,916,930	730,988,052
Spectrum licence fees paid (Note 18)		<u>(1,432,019,161)</u>	<u>(692,328,292)</u>
Net cash provided by operating activities		<u>67,644,812</u>	<u>77,510,573</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net decrease in resale agreements		20,265,102	92,901,719
Proceeds from sale of property, plant and equipment		1,720,000	13,632
Acquisition of property, plant and equipment (Note 9)	(	48,025,734)	(166,531,918)
Acquisition of intangible assets (Note 10)	(	<u>3,204,478)</u>	<u>( 5,963,797)</u>
Net cash used in investing activities	(	<u>29,245,110)</u>	<u>( 79,580,364)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		38,399,702	( 2,069,791)
Cash and cash equivalents at beginning of year		<u>11,665,446</u>	<u>13,735,237</u>
<b>Cash and cash equivalents at end of year</b>		<u>50,065,148</u>	<u>11,665,446</u>

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



## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

## 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Spectrum Management Authority Limited (the company) is a limited liability company incorporated and domiciled in Jamaica. It is wholly owned by the Government of Jamaica and is an agency within the Information and Communication Technology (ICT) Portfolio of the Ministry of Science, Energy and Technology. The registered office of the company is located at 13-19 Harbour Street, Kingston.

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

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

## (a) Statement of compliance

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

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

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

- Amendments to IAS 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 to IAS 38, *Intangible Assets* introduce a rebuttal presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.
- 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;



**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2017**

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

(a) Statement of compliance (cont'd)

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

- IAS 1, *Presentation of Financial Statements* (cont'd)
  - 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 adoption of these amendments did not result in any changes to the presentation and disclosures in the financial statements.

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

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

- 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.

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2017**

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

(a) Statement of compliance (cont'd)

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

- IFRS 15, *Revenue From Contracts With Customers*, 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.

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

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

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

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

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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

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

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

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The Company is assessing the impact that this amendment will have on its 2018 financial statements.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognized, should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The Company is assessing the impact that this amendment will have on its 2018 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 2017 (reporting date), are presented in Jamaica dollars which is the company's functional currency.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

32 MARCH 2017

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

## (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.

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 2017

## 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	33 $\frac{1}{3}$ %
Motor vehicles	20%

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

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

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

## (ii) Reversal of impairment:

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

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

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

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

## 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 collectability is doubtful.

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

## 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 2017

## 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 2017

## 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:

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash and cash equivalents	50,065,148	11,665,446
Resale agreements	295,546,072	315,720,277
Receivables (see Note 11)	<u>37,434,414</u>	<u>12,006,291</u>
	<u>383,045,634</u>	<u>339,392,014</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 2017**

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 2016.

	Effect on <u>profit or loss</u> <u>2017</u> \$	Effect on <u>equity</u> <u>2017</u> \$	Effect on <u>profit or loss</u> <u>2016</u> \$	Effect on <u>equity</u> <u>2016</u> \$
Change in basis points:				
-100 (2016: -100)	(2,955,461)	(2,955,461)	(3,157,203)	(3,157,203)
100 (2016: 100)	<u>2,955,461</u>	<u>2,955,461</u>	<u>3,157,203</u>	<u>3,157,203</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

## 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>2017</u>		<u>2016</u>	
	<u>J\$</u>	<u>US\$</u>	<u>J\$</u>	<u>US\$</u>
Financial Assets				
Cash and cash equivalents	6,589,804	51,576	2,403,331	19,803
Resale agreements	<u>81,097,198</u>	<u>634,730</u>	<u>94,782,973</u>	<u>780,989</u>
	<u>87,687,002</u>	<u>686,306</u>	<u>97,186,304</u>	<u>800,792</u>

The exchange rate used to translate assets denominated in United States Dollars at the reporting date was 127.77 (2016: 121.36) Jamaica dollars to 1 United States dollar.

*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>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Effect on profit before tax:		
Devaluation - 6% (2016: 6%)	<u>5,261,220</u>	<u>5,831,178</u>
Revaluation - 1% (2016: 1%)	<u>( 876,870)</u>	<u>( 971,863)</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 2017

## 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 2017

## 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>2017</u>	<u>2016</u>
	\$	\$
(a) REVENUE:		
Regulatory fees (Note 19)	299,010,029	280,002,027
Processing fees	<u>12,294,967</u>	<u>9,811,006</u>
	<u>311,304,996</u>	<u>289,813,033</u>
(b) OTHER INCOME:		
Interest income	15,703,091	20,162,789
Exchange gain	5,023,894	8,262,688
Profit on disposal of property, plant and equipment	1,720,000	13,632
Other	<u>1,128,318</u>	<u>167,104</u>
	<u>23,575,303</u>	<u>28,606,213</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

## 6. EXPENSES BY NATURE

## (a) Administrative expenses

	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries and other related costs [Note 6(b)]	148,273,228	142,080,015
Chairman and Director's fees [Note 21(a)]	1,291,500	1,079,000
Board/ Committee meeting	749,025	1,560,912
Travel and subsistence	3,133,972	6,063,199
Subscription and Donation	4,145,248	2,326,225
Audit fees - current year	1,555,000	1,517,000
- prior year	197,750	-
Legal and Professional fees	4,505,513	1,510,649
Office expenses	10,782,803	11,026,260
Security	4,024,450	3,595,659
Public relations and education	5,256,778	971,054
Lease and rental	5,667,672	3,975,913
Repairs and maintenance	11,292,664	8,407,124
Advertisement	1,070,906	1,376,965
Utilities	11,902,399	9,530,827
Insurance	3,391,925	3,039,133
Motor vehicle	2,003,268	2,129,324
Bank Charges	439,696	443,277
Asset & Property Taxes	326,250	326,250
Irrecoverable GCT	7,907,896	6,333,338
Depreciation & Amortization	<u>46,482,707</u>	<u>40,429,385</u>
	<u>274,400,650</u>	<u>247,721,509</u>

## (b) Salaries and other related costs

	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries and wages	117,234,176	115,562,433
Statutory contributions	7,339,625	7,567,396
Group life and health insurance	5,347,394	5,220,724
Uniform	1,202,660	900,457
Contract/temporary workers	<u>6,457,907</u>	<u>3,507,763</u>
	137,581,762	132,758,773
Pension contributions	1,527,312	1,523,032
Staff training and welfare	8,008,245	6,790,175
Subsistence and accommodation	<u>1,155,909</u>	<u>1,008,035</u>
	<u>148,273,228</u>	<u>142,080,015</u>

The number of persons employed by the company as at the reporting date was 33 (2016 - 35).

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

## 7. PROFIT BEFORE TAXATION

Operating profit is stated after charging:

	<u>2017</u>	<u>2016</u>
	\$	\$
Auditors' remuneration - current year	1,555,000	1,517,000
- prior year	197,750	-
Staff costs [Note 6(b)]	148,273,228	142,080,015
Depreciation & amortisation [Note 6(a)]	<u>46,482,707</u>	<u>40,429,385</u>

## 8. TAXATION

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

	<u>2017</u>	<u>2016</u>
	\$	\$
Current year income tax at 33 $\frac{1}{3}$ % (Note 20)	4,920,957	27,742,630
Adjustment for prior year's income tax	( 6,874,389)	162,905
Deferred taxation (Note 17)	<u>13,389,608</u>	<u>( 4,483,684)</u>
Taxation charge in profit or loss	<u>11,436,176</u>	<u>23,421,851</u>

(b) The effective tax rate for 2017 was 18.9% (2016: 33.1%) of pre-tax profits compared to the statutory rate of 33 $\frac{1}{3}$ % (2016: 33 $\frac{1}{3}$ %). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Profit before taxation	<u>60,479,649</u>	<u>70,697,737</u>
Tax calculated at 33 $\frac{1}{3}$ %	20,159,883	23,565,912
Prior year's income tax	( 6,874,389)	162,905
Adjusted for the effects of:		
Expenses not deductible for tax purposes	14,232,284	13,310,442
Net effect of other charges and allowances	<u>(16,081,602)</u>	<u>(13,617,408)</u>
Taxation charge in profit or loss	<u>11,436,176</u>	<u>23,421,851</u>



## SPECTRUM MANAGEMENT AUTHORITY

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

**31 MARCH 2017**

9 **PROPERTY, PLANT AND EQUIPMENT**

	Land and Building \$	Leasehold Improvement \$	Monitoring & Office Equipment \$	Furniture, and Fixtures \$	Motor Vehicles \$	Other Assets \$	Capital Work-in- Progress \$	Total \$
At cost								
31 March 2015	73,777,368	9,985,351	294,332,481	12,131,207	21,580,696	78,053	10,298,012	422,183,168
Additions	-	-	11,893,851	907,132	2,996,485	8,738	150,725,712	166,531,918
CWIP Transfers	-	-	7,445,556	-	-	-	( 7,445,556)	-
Disposals	-	-	( 836,176)	-	-	-	-	( 836,176)
31 March 2016	73,777,368	9,985,351	312,835,712	13,038,339	24,577,181	86,791	153,578,168	587,878,910
Additions	22,000	81,442	8,770,629	579,990	119,910	-	38,451,763	48,025,734
Transfer to CWIP	-	-	-	-	-	-	-	-
intangible	-	-	-	-	-	-	( 159,674)	( 159,674)
CWIP Transfers	-	13,294,676	137,432,847	-	9,623,248	-	(160,350,771)	-
Disposals	-	-	-	-	( 4,570,000)	-	-	( 4,570,000)
31 March 2017	73,799,368	23,361,469	459,039,188	13,618,329	29,750,339	86,791	31,519,486	631,174,970
Depreciation								
31 March 2015	9,921,657	1,745,731	123,000,659	9,580,637	14,199,689	33,700	-	158,482,073
Charge for the year	1,860,241	1,045,413	32,025,215	616,930	1,920,878	7,218	-	37,475,895
Eliminated on disposal	-	-	( 836,176)	-	-	-	-	( 836,176)
31 March 2016	11,781,898	2,791,144	154,189,698	10,197,567	16,120,567	40,918	-	195,121,792
Charge for the year	1,861,707	1,625,846	34,026,902	610,716	4,213,104	7,218	-	42,345,493
Eliminated on disposal	-	-	-	-	( 4,570,000)	-	-	( 4,570,000)
31 March 2017	13,643,605	4,416,990	188,216,600	10,808,283	15,763,671	48,136	-	232,897,285
Net book values								
31 March 2017	60,155,763	18,944,479	270,822,588	2,810,046	13,986,668	38,655	31,519,486	398,277,685
31 March 2016	61,995,470	7,194,207	158,646,014	2,840,772	8,456,614	45,873	153,578,168	392,757,118
31 March 2015	63,855,711	8,239,620	171,331,822	2,550,570	7,381,007	44,353	10,298,012	263,701,095

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 10. INTANGIBLE ASSETS

	<u>Software and licences</u> \$	<u>Capital work-in- progress</u> \$	<u>Total</u> \$
<b>At cost</b>			
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>	<u>(2,160,013)</u>	-
31 March 2016	27,003,548	471,579	27,475,127
Additions	1,501,868	1,702,610	3,204,478
Transfer from CWIP tangible	-	159,674	159,674
CWIP Transfers	<u>644,902</u>	<u>( 644,902)</u>	-
31 March 2017	<u>29,150,318</u>	<u>1,688,961</u>	<u>30,839,279</u>
<b>Depreciation</b>			
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	16,126,927	-	16,126,927
Charge for the year	<u>4,137,214</u>	-	<u>4,137,214</u>
31 March 2017	<u>20,264,141</u>	-	<u>20,264,141</u>
<b>Net book values</b>			
31 March 2017	<u>8,886,177</u>	<u>1,688,961</u>	<u>10,575,138</u>
31 March 2016	<u>10,876,621</u>	<u>471,579</u>	<u>11,348,200</u>
31 March 2015	<u>8,337,893</u>	-	<u>8,337,893</u>

## 11. RECEIVABLES

	<u>2017</u> \$	<u>2016</u> \$
Trade receivables - Regulatory fees	27,091,531	2,175,431
Other receivables	<u>11,351,716</u>	<u>10,839,693</u>
	38,443,247	13,015,124
Less: Impairment allowance	<u>( 1,008,833)</u>	<u>( 1,008,833)</u>
	37,434,414	12,006,291
Prepayments	<u>4,788,555</u>	<u>4,994,508</u>
	<u>42,222,969</u>	<u>17,000,799</u>

Included in other receivables is an amount of \$8,829,829 (2016: \$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 2017

## 11. RECEIVABLES (CONT'D)

The aging of trade receivables is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
0-30 days	25,638,738	145,520
31-60 days	10,705	40,522
61-90 days	-	18,330
90 days and over	<u>1,442,088</u>	<u>1,971,059</u>
	<u>27,091,531</u>	<u>2,175,431</u>

Movement in impairment allowance:

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at the beginning and 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>2017</u>	<u>2016</u>
	\$	\$
Balance at the beginning of year	5,070,536	6,473,443
Amount utilized as tax credit (Note 20)	(5,070,536)	(6,473,443)
Taxation recoverable during year	<u>3,903,729</u>	<u>5,070,536</u>
Balance at the end of year	<u>3,903,729</u>	<u>5,070,536</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 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 \$567,061 (2016: \$476,164) and have an average maturity period of 31 days (2016: 31 days).

		<u>2017</u>	<u>2016</u>
		\$	\$
Resale agreements	- J\$ equivalent of US\$	81,097,198	94,782,973
	- J\$ currency	<u>214,448,874</u>	<u>220,937,304</u>
		<u>295,546,072</u>	<u>315,720,277</u>

The fair values of underlying assets for resale agreements amounted to \$301,169,007 (2016: \$478,535,196).

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

	<u>2017</u>	<u>2016</u>
	%	%
US\$	1.53	1.96
J\$	<u>5.64</u>	<u>5.17</u>

## 14. CASH AND CASH EQUIVALENTS

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash in hand - J\$ Currency	75,000	20,000
Bank balances - J\$ Currency	<u>43,400,344</u>	<u>9,242,115</u>
	43,475,344	9,262,115
Bank balances - J\$ equivalent of US\$	<u>6,589,804</u>	<u>2,403,331</u>
	<u>50,065,148</u>	<u>11,665,446</u>

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

	<u>2017</u>	<u>2016</u>
	%	%
Cash at bank - US\$	0.08	0.09
- J\$	<u>4.28</u>	<u>0.40</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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## 15. SHARE CAPITAL

	<u>2017</u>	<u>2016</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>2017</u>	<u>2016</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 $\frac{1}{3}$ %

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

	<u>Balance</u> <u>31.03.15</u>	<u>Recognized in</u> <u>profit or loss</u>	<u>Balance</u> <u>31.03.16</u>	<u>Recognized in</u> <u>profit or loss</u>	<u>Balance</u> <u>31.03.17</u>
	\$	\$	\$	\$	\$
		[Note 8(a)]		[Note 8(a)]	
Accelerated tax depreciation	17,681,516	(4,530,572)	13,150,944	13,695,983	26,846,927
Other	( 946,757)	46,888	( 899,869)	( 306,375)	( 1,206,244)
Net deferred tax liabilities	<u>16,734,759</u>	<u>(4,483,684)</u>	<u>12,251,075</u>	<u>13,389,608</u>	<u>25,640,683</u>

## SPECTRUM MANAGEMENT AUTHORITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2017

## 18. PAYABLES

	<u>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Tax Administration Jamaica:		
Spectrum licence fees (see Note 23)	49,748,982	-
Accountant General's Department:		
Spectrum licence fees (see Note 23)	-	43,851,213
Accruals	<u>17,591,456</u>	<u>15,801,590</u>
	67,340,438	59,652,803
Customers' deposits	<u>5,273,595</u>	<u>1,709,640</u>
	<u>72,614,033</u>	<u>61,362,443</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>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Balance payable at beginning of year	43,851,213	5,191,453
Spectrum licence fees received	1,437,916,930	730,988,052
Spectrum licence fees paid	<u>(1,432,019,161)</u>	<u>(692,328,292)</u>
Balance payable at end of year	<u>49,748,982</u>	<u>43,851,213</u>

Spectrum licence fees payable represents amounts due to the Government of Jamaica (GOJ) recognised at the time they are received from customers, and are reflected as a "pass through" in the company's accounts. Normally, fees collected in any month are remitted to the Consolidated Fund in the subsequent month except for domestic mobile licences. During the year, Digicel paid US\$102,752.57 and US\$3,500,000 in October 2016 and March 2017 respectively, while Cable & Wireless paid US\$2,755,966.39 in March 2017 for both their respective domestic mobile licences. These amounts 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>2017</u>	<u>2016</u>
	<u>\$</u>	<u>\$</u>
Balance at the beginning of year	60,025,234	51,047,944
Add: Amounts invoiced during year	297,861,760	288,979,317
Less: Transfers to revenue (Note 5)	<u>(299,010,029)</u>	<u>(280,002,027)</u>
Balance at the end of year	<u>58,876,965</u>	<u>60,025,234</u>

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**20. TAXATION PAYABLE:**

Movement in taxation payable:

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at the beginning of year	27,742,630	25,129,735
Adjustment for prior year's income tax [Note 8(a)]	( 6,874,389)	162,905
Less: Withholding taxes set-off during year (Note 12)	( 5,070,536)	( 6,473,443)
Less: Minimum business tax	( 60,000)	( 60,000)
Less: Quarterly tax payments - prior year	-	( 6,138,037)
Less: Final payment - prior year	(15,737,705)	(12,621,160)
	-	-
Current year income tax at 33 $\frac{1}{3}$ % [Note 8(a)]	4,920,957	27,742,630
Less: Quarterly tax payment - current year	( 2,686,364)	-
Balance at the end of year	<u>2,234,593</u>	<u>27,742,630</u>

**21. RELATED PARTY TRANSACTIONS AND BALANCES**

The following transactions were carried out with related parties:

## (a) Compensation of key management personnel

	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries and other related costs:		
Key management personnel	<u>42,060,515</u>	<u>35,003,259</u>

	<u>2017</u>	<u>2016</u>
	\$	\$
Directors' fees:		
Board Chairman	180,000	137,500
Committee Chairman	180,000	140,000
Board members	747,000	682,500
Committee members	<u>184,500</u>	<u>119,000</u>
	<u>1,291,500</u>	<u>1,079,000</u>

## (b) Related party balances:

## (i) Included in other receivables are:

	<u>2017</u>	<u>2016</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>595,746</u>	<u>324,434</u>

## (ii) Included in payables is an amount of \$49,748,982 payable to Tax Administration Jamaica (see Note 23) [2016:\$43,851,213 payable to the Accountant General's Department (see Note 18)].

**SPECTRUM MANAGEMENT AUTHORITY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2017**

**22. CAPITAL COMMITMENTS**

As at the reporting date, the company had capital commitments totaling \$5,293,311 made up as follows:

- (i) \$9,819,052 has been committed towards a grid tied alternative power supply system project, of which \$8,206,802 was spent, leaving an outstanding balance of \$1,612,250.
- (ii) \$1,957,929 has been committed towards the enhanced development of a software programme that integrates the licensing/billing system and the accounting system, of which no money has yet been 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 \$20,450,350 has been spent, leaving a balance of \$1,723,132.

**23. SUBSEQUENT EVENTS**

Effective April 1, 2017, the Ministry of Finance by way of a policy directive of the Government of Jamaica, reclassified "spectrum licence fees" as a "tax revenue" item. Beginning April 2017, the company is now required to pay "spectrum licence fees" that it collects to Tax Administration Jamaica, which previously was paid to the Accountant General's Department, for ultimate payment into the Consolidated Fund (see Note 18).

