

Information and Communications Technology Authority

Financial Statements

30 June 2010

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

**FINANCIAL STATEMENTS
30 June 2010**

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Information and Communications Technology Authority
Statement of Responsibility for Financial Statements
June 30, 2010

These financial statements have been prepared by the Information and Communications Technology Authority in accordance with the provisions of the *Public Management and Finance Law, (2005 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law, (2005 Revision)*.

As Chairman and Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Information and Communications Technology Authority.

As Chairman and Managing Director, we are responsible for the preparation of the Information and Communications Technology Authority financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended June 30, 2010.

To the best of our knowledge we represent that these financial statements:


- (a) completely and reliably reflect the financial transactions of the Information and Communications Technology Authority for the year ended June 30, 2010;
- (b) fairly reflect the financial position as at 30 June 2010 and comprehensive income for the year ended 30 June 2010; and
- (c) comply with International Financial Reporting Standards under the responsibility of International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards of Auditing.



Mr. Glen Daykin
Chairman

Date: 28 Oct 2010



Mr. Dave Archbold
Managing Director

Date: 28 Oct 2010



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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Information and Communications Technology Authority

I have audited the accompanying financial statements of the Information and Communications Technology Authority which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 20 of the *Information and Communications Technology Authority Law (2006 Revision)* , and Section 60(a)(ii) of the *Public Management and Finance Law (2005 Revision)*.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

The Authority has one employee who is an active participant in the Public Service defined benefit plan. The Authority is not able to quantify and record the past service pension liability as at 30 June 2010 as an actuarial valuation has not been done.

Qualified Opinion

In my opinion, except for the possible effects of the adjustments necessary for recording the past service pension liability, these financial statements present fairly, in all material respects, the financial position of the Information and Communications Technology Authority as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
28 October 2010

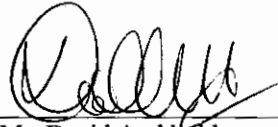
Information and Communications Technology Authority
Statement of Financial Position
As at 30 June 2010
(in Cayman Islands dollars)

CURRENT ASSETS	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents		\$ 880,293	\$ 1,292,985
Accounts receivables – net	3,5	600,510	236,670
Prepaid expenses		47,068	110,292
		<u>1,527,871</u>	<u>1,639,947</u>
 NON-CURRENT ASSETS			
Property, plant and equipment	4	97,790	54,654
TOTAL ASSETS		<u>\$ 1,625,661</u>	<u>\$ 1,694,601</u>
 LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 102,803	\$ 110,052
 EQUITY			
Contributed capital		887,500	887,500
General reserve	6	720,000	720,000
Accumulated deficit		(84,642)	(22,951)
		<u>1,522,858</u>	<u>1,584,549</u>
 TOTAL LIABILITIES AND EQUITY		<u>\$ 1,625,661</u>	<u>\$ 1,694,601</u>

Approved on behalf of the Board on the 28th of October 2010



Mr. Glen Daykin
Chairman



Mr. David Archbold
Managing Director

The accompanying notes form an integral part of these financial statements

Information and Communications Technology Authority
Statement of Comprehensive Income
For the year ended 30 June 2010
(in Cayman Islands dollars)

INCOME	Notes	2010	2009
Regulatory fees		\$ 997,500	\$ 947,239
Services provided to Government	5,6	345,101	346,611
Radio licences		126,926	106,491
Licensing fees		64,900	70,005
Other income		5,631	22,340
		1,540,058	1,492,686
EXPENSES			
Salaries and employee benefits	7	953,160	948,397
Legal and professional fees		301,637	94,580
Domain administration		93,817	93,174
Lease of office space	8	72,048	69,786
Directors' fees		54,992	61,686
Utilities		28,002	31,671
Depreciation and amortization	4	17,117	17,834
Miscellaneous expenses		16,954	19,103
Travel		16,800	33,087
Insurance		16,412	16,448
Computer maintenance		10,611	11,947
Subscriptions		9,615	13,098
Bank charges		8,048	7,288
Supplies and materials		2,536	3,833
		1,601,749	1,421,932
NET (LOSS)/INCOME FOR THE YEAR		\$ (61,691)	\$ 70,754

The accompanying notes form an integral part of these financial statements

Information and Communications Technology Authority
Statement of Changes in Equity
For the Year Ended 30 June 2010
(in Cayman Islands dollars)

	Notes	Contributed capital	General reserve	Accumulated deficit	Total equity
Balance at June 30, 2008		\$887,500	\$660,000	\$(33,705)	\$1,513,795
Net income for the year		-	-	70,754	70,754
Transfer to general reserve	6	-	60,000	(60,000)	-
Balance at June 30, 2009		887,500	720,000	(22,951)	1,584,549
Net loss for the year		-	-	(61,691)	(61,691)
Transfer to general reserve	6	-	-	-	-
Balance at June 30, 2010		\$887,500	\$720,000	\$(84,642)	\$1,522,858

The accompanying notes form an integral part of these financial statements

Information and Communications Technology Authority
Statement of Cash Flows
For the year ended 30 June 2010
(in Cayman Islands dollars)

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss)/income for year		\$ (61,691)	\$ 70,754
Adjustment for non cash transactions:			
Depreciation and amortization	4	17,117	17,834
		(44,574)	88,588
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable	3	(363,840)	374,166
Prepaid expenses		63,224	(29,680)
Accounts payable and accrued liabilities		(7,249)	(22,717)
Net Cash (used in)/provided by operating activities		<u>(352,439)</u>	<u>410,357</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(60,253)	(19,488)
Net Cash used in investing activities		<u>(60,253)</u>	<u>(19,488)</u>
Net (decrease)/increase in cash and cash equivalents during the year		(412,692)	390,869
Cash and cash equivalents at beginning of year		1,292,985	902,116
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 880,293</u>	<u>\$ 1,292,985</u>

The accompanying notes form an integral part of these financial statements

Information and Communications Technology Authority

Notes to the Financial Statements

1. Establishment and principal activities

The Information and Communications Technology Authority (“ICTA” or “Authority”) is an independent Statutory Authority that was created on 17 May 2002 by the Information and Communications Technology Authority Law, 2002. The Authority reports to the Legislative Assembly of the Cayman Islands on its operations through the Ministry of District Administration, Works and Gender Affairs of the Cayman Islands Government.

The ICTA is responsible for the regulation and licensing of telecommunications, broadcasting, and all forms of radio transmission that includes ship, aircraft, mobile and amateur radio in the Cayman Islands. The ICTA oversees the administration and management of the “.ky” domain, and also has a number of responsibilities under the Electronic Transactions Law 2000.

The Cayman Islands Government appoints the Chairman and Members to the Authority’s Board of Directors.

As at 30th June 2010, the ICTA had 9 employees, (2009: 9). The ICTA is located at 85 North Sound Way, 3rd floor of Alissta Tower, P.O. Box 2502 George Town, Grand Cayman, KY1-1104, Cayman Islands.

2. Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The significant accounting policies adopted by the ICTA in these financial statements are as follows:

(a) Basis of preparation

The financial statements of the ICTA are presented in Cayman Island dollars and are prepared on the accruals basis under the historical cost convention.

(b) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

(c) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statements date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of comprehensive income.

Information and Communications Technology Authority
Notes to the Financial Statements

2. Significant accounting policies (continued)

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(e) Accounts receivable

Accounts receivable are recognized initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collectible by the Authority according to the agreed terms a provision for bad debt is established.

(f) Property, plant and equipment/depreciation and amortization

Property, Plant and Equipment are stated at cost less accumulated depreciation and amortization, and any impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the property, plant and equipment and leasehold improvements are amortized over the life of the lease.

The estimated useful lives of the other fixed assets are as follows:

Office equipment and furniture	4 - 12 Years
IT equipment	3 Years
Leasehold improvements	5 Years

Management reviews the depreciation and amortization method and useful life periodically to ensure that they are consistent with the expected economic benefits from property, plant and equipment.

(g) Revenue recognition

Services provided to Cabinet are recognized when the services agreed in the purchase agreement are performed and the Government is invoiced. Services are billed at cost to the Authority (see also Related Party Note 5).

Regulatory and licensing fees are recognised as revenue when they are due to the Authority. Radio licence fees are recorded when received by the Authority. Application and licence fees are non-refundable.

(h) Operating lease

Lease payments are recognized as an expense on a straight-line basis over the lease term.

(i) Financial Instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets are comprised of cash and cash equivalents and prepayments.

Information and Communications Technology Authority

Notes to the Financial Statements

2. Significant accounting policies (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are comprised of accounts payables and accrued expenses.

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statement of comprehensive income.

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

(iv) Derecognition

A financial asset is derecognised when the Authority realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expired.

(j) Provisions and Contingencies

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

(k) Subsequent Events

Post-year-end events that provide additional information about the Authority's position at balance sheet date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

3. Accounts receivable

Management estimates that accounts receivable as of 30 June 2010 are fully collectible. During the year, there were no bad debts written off (2009: Nil).

Information and Communications Technology Authority
Notes to the Financial Statements

4. Property, plant and equipment

	2010			
	Office Equipment and Furniture	IT Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	\$90,954	\$101,232	\$231,907	\$424,093
Additions	-	60,253	-	60,253
Disposals	-	-	-	-
Balance at end of year	90,954	161,485	231,907	484,346
Accumulated depreciation and amortization				
Balance at beginning of year	59,583	78,602	231,254	369,439
Charge for year	6,160	10,655	302	17,117
Disposals	-	-	-	-
Balance at end of year	65,743	89,257	231,556	386,556
Net Book Value At 30 June 2010	\$25,211	\$ 72,228	\$ 351	\$ 97,790

	2009			
	Office Equipment and Furniture	IT Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	\$90,954	\$81,744	\$231,907	\$404,605
Additions	-	19,488	-	19,488
Disposals	-	-	-	-
Balance at end of year	90,954	101,232	231,907	424,093
Accumulated depreciation and amortization				
Balance at beginning of year	52,934	67,718	230,953	351,605
Charge for year	6,649	10,884	301	17,834
Disposals	-	-	-	-
Balance at end of year	59,583	78,602	231,254	369,439
Net Book Value At 30 June 2009	\$31,371	\$22,630	\$ 653	\$ 54,654

5. Related party transactions

The following transactions occurred during the period between the Authority and Cayman Islands Government.

	2010	2009
Accounts Receivable – Government	\$345,101	\$ -
Services provided to Cabinet	\$345,101	\$346,611

Information and Communications Technology Authority
Notes to the Financial Statements

5. Related party transactions (continued)

During the year, the Cayman Islands Government engaged the Authority to provide, a number of information and communications technology ("ICT") related services. The provision of these services (or "Outputs") is formalized in a purchase agreement which includes the collection and verification of royalties paid by ICTA Licensees, policy advice on ICT matters and drafting instructions for ICT legislation and regulations. Additionally, in lieu of subsidies, the Government pays the Authority for such services as the management of the Electromagnetic Spectrum.

As part of the services provided to Government, the Authority collected, verified and remitted the 6% Royalty Fee from ICTA Licensees, as follows.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2010	2009
Balance at beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,000
Amount collected	1,985,729	1,891,435	2,073,793	1,774,332	7,725,289	8,659,822
Amount paid	(1,985,729)	(1,891,435)	(2,073,793)	(1,774,332)	(7,725,289)	(8,675,822)
Balance at end of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

As detailed in Note 7, the Authority on behalf of its eligible employees paid contributions of \$79,093 to the Public Service Pensions Plan during the period (2009: \$76,515).

Salaries and other short-term employee benefits for key management of \$483,064 (2009: \$472,983) are included within Staff Costs.

6. General reserve

Section 18 of the ICTA Law (2002) requires the Authority to maintain a reserve fund; the management of such fund being at the discretion of the Authority. The Law requires the fund to be applied only for the purposes of the Authority. The current reserve account represents approximately six times the monthly operating requirements (2009: 6 months).

For the year ended 30 June 2010, there was no transfer to the General Reserve Fund (2009: \$60,000).

7. Pensions

The Authority participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Public Service Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 12%, whereby the employer pays both the employer and employee contributions. The Authority is also required to contribute to the Public Service Pension Plan, an extra 1% of each employee's monthly salary. This 1% is a Past Service Liability (PSL) cost to cover a deficiency in the Fund. During the current year, the Authority recorded pension expenses under salaries and employee benefits of \$79,093 (2009: \$76,515) to the Public Service Pensions Fund.

Contributions are also made to Silver Thatch Pension Plan on behalf of one employee who, having already attained the age of 60, is ineligible to participate in the Public Service Pension Fund. This is also a defined contribution fund. The Authority pays both the employer and the employee contributions amounting to 12% of the employee's salary. During the year, the Authority recorded pension expense (under salaries and employee benefits) of \$18,152 (2009: \$18,152), in relation to this employee.

Information and Communications Technology Authority
Notes to the Financial Statements

8. Lease commitments

The Authority leases the third floor of Alissta Towers under an operating lease. The lease term is for two years from period November 1, 2007 until October 31, 2009 with the option to renew the lease for further two years until October 31, 2011. The Lease payments are \$5,816 per month and are subject to an increase to \$6,139 per month until June 2011. Future lease payments are:

Period	Amount
1 July 2010 to 30 June 2011	\$73,663

At the termination of the lease, unless agreed between the Landlord and the Authority in writing, the Authority is to remove at its cost and expense any partitions, structures, additions or improvements erected by the Authority and shall reinstate the premises to the condition they were in at the commencement of the term.

9. Financial risk management objectives and policies

The Authority's principal financial assets are comprised of cash and receivables. Financial liabilities are solely trade and other payables. The Authority's Board of Directors has overall responsibility for the establishment and oversight of its risk management policies which are designed to identify and analyze the risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions and Authority's activities. The most important types of financial risk to which the Authority is exposed are market risk, credit risk, liquidity risk and interest rate risk.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority did not have any financial instrument that was subject to market risk during the year ended June 30, 2010.

b) Credit Risk

Credit risk for the Authority is the risk that counterparty will not meet its obligation under a financial instrument, leading to a financial loss. The Authority is exposed to credit risk primarily from its receivables from licensees, and from its various deposits in its bank. The Authority does not have the flexibility in refusing to transact with a licensee in accordance with the laws.

At year-end, the Authority evaluates the financial capability of its licensees to determine any issues with collectability that can result in a financial loss. The Authority also continues to monitor the financial soundness of its banking institution, and currently believes that there are no issues impacting the bank's ability to repay amounts in accordance with the respective terms of various deposits.

The Authority's accounts receivable balance does not have any significant credit risk exposure to any single licensee, but is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Authority's licensees include well-established local telecommunication and media companies and, at 30 June 2010, there have been no indications of any insolvency in those entities that impacts their ability to pay the Authority. On the other hand, the Authority's deposits are concentrated in a single banking institution based locally.

Information and Communications Technology Authority
Notes to the Financial Statements

9. Financial risk management objectives and policies (continued)

The maximum exposure to credit risk at June 30, 2010, is as follows:

	2010	2009
Cash and cash equivalents	\$ 880,293	\$1,292,985
Accounts receivable	600,510	236,670
	\$1,480,803	\$1,529,655

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk management process ensures that the Authority is able to honour all of its financial commitments when due. The Authority manages liquidity risk by ensuring that it has sufficient cash on demand to meet expected operational expenses and servicing of financial obligations.

d) Interest Rate Risk

The Authority is subject to interest rate risk on the cash placed with a local bank which attracts interest. No interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The total interest earned during the year ended 30 June 2010 was \$1,542 (2009: \$11,403).

10. Financial instruments

Fair values. The carrying amount of cash deposits, prepayments, accounts receivable and accounts payables and accrued liabilities approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.