

Information and Communications Technology Authority

Financial Statements

For the year ended 30 June 2009

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

**FINANCIAL STATEMENTS
For the Year Ended 30 June 2009**

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Information and Communications Technology Authority
Financial Statements
June 30, 2009

STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

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)*.

To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at June 30, 2009 and performance for the financial year ended June 30, 2009; and
- (c) comply with generally accepted accounting practice.



Mr. Glen Daykin
Chairman
Information and Communications
Technology Authority

Date: 28 OCT 2009



P.P. Mr. Dave Archbold
Managing Director
Information and Communications
Technology Authority

Date: 28 OCT 2009



AUDITOR'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 2009, 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 audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Information and Communications Technology Authority as of 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



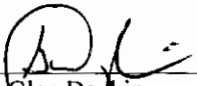
Dan Duguay, MBA, FCGA
Auditor General

Cayman Islands
28 October 2009


Information and Communications Technology Authority
Statement of Financial Position
As at 30 June 2009
(in Cayman Islands dollars)

CURRENT ASSETS	Notes	2009	2008
Cash and cash equivalents		\$1,292,985	\$902,116
Accounts receivables – net	3,5	236,670	610,836
Prepaid expenses		110,292	80,612
		<u>1,639,947</u>	<u>1,593,564</u>
NON-CURRENT ASSETS			
Property, plant and equipment	4	54,654	53,000
TOTAL ASSETS		<u>\$1,694,601</u>	<u>\$1,646,564</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$110,052	\$132,769
EQUITY		<u>1,584,549</u>	<u>1,513,795</u>
TOTAL LIABILITIES AND EQUITY		<u>\$1,694,601</u>	<u>\$1,646,564</u>

Approved on behalf of the Board on the 23 of OCTOBER 2009



Mr. Glen Daykin
Chairman



P.P. 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 2009
(in Cayman Islands dollars)

INCOME	Notes	2009	2008
Regulatory fees	2f)	\$947,239	\$918,022
Services provided to Cabinet	2f),5,7	346,611	370,605
Radio licences	2f)	106,491	72,314
Licensing fees	2f)	70,005	68,320
Other income		22,340	145,458
		1,492,686	1,574,719
EXPENSES			
Salaries and employee benefits	8	948,397	909,513
Legal and professional fees		94,580	229,049
KY domain administration		93,174	92,571
Lease of office space	2(g), 9	69,786	68,171
Directors' fees		61,686	65,291
Travel		33,087	83,983
Utilities		31,671	32,220
Miscellaneous expenses		19,103	21,239
Depreciation	4	17,834	41,617
Insurance		16,448	16,788
Subscriptions		13,098	12,310
Computer maintenance		11,947	11,809
Bank charges		7,288	5,463
Supplies and materials		3,833	9,340
Bad debts	3	-	9,060
		1,421,932	1,608,424
NET INCOME (LOSS) FOR THE YEAR		\$70,754	\$(33,705)

The accompanying notes form an integral part of these financial statements

Information and Communications Technology Authority
Statement of Changes in Equity
As At 30 June 2009
(in Cayman Islands dollars)

	Notes	Contributed capital	General reserve	Retained earnings/ Accumulated deficit	Total equity
Balance at June 30, 2007		\$887,500	\$660,000	\$345,658	\$1,893,158
Net loss for the year		-	-	(33,705)	(33,705)
Transfer to government	5	-	-	(345,658)	(345,658)
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

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 2009
(in Cayman Islands dollars)

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for year		\$70,754	(\$33,705)
Adjustment for non cash transactions:			
Depreciation	4	17,834	41,617
Bad debts	3	-	9,060
		88,588	16,972
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable	3	374,166	(230,684)
Prepaid expenses		(29,680)	19,870
Accounts payable and accrued liabilities		(22,717)	20,788
Net Cash provided by/(used by) operating activities		410,357	(173,054)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(19,488)	(10,421)
Net Cash used by investing activities		(19,488)	(10,421)
CASH FLOW FROM FINANCING ACTIVITIES			
Transfer to Government	5	-	(345,658)
Net Cash used by financing activities		-	(345,658)
Net increase/(decrease) in cash and cash equivalents during the year		390,869	(529,133)
Cash and cash equivalents at the beginning of the year		902,116	1,431,249
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$1,292,985	\$902,116

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 activity

The Information and Communications Technology Authority (“ICTA” or “Authority”) is an independent Statutory Authority which was created on 17 May 2002 by the Information and Communications Technology Authority Law, 2002. The Authority reports 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 which includes ship, aircraft, mobile and amateur radio in the Cayman Islands. The ICTA conducts the administration and management of the “.ky” domain, and also has a number of responsibilities under the Electronic Transactions Law 2000.

As at 30th June 2009, the ICTA had 9 employees, (2008: 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) Property, plant and equipment/depreciation

Property, Plant and Equipment are stated at cost less accumulated depreciation and 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 accounted for 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

(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 position date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates ruling 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) 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.

(g) Operating lease

The Authority leases the 3rd floor of Alissta Towers under a two-year operating lease. Lease payments are recognized as an expense on a straight-line basis over the lease term.

(h) 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.

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.

Information and Communications Technology Authority
Notes to the Financial Statements

2. Significant accounting policies (continued)

(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.

3. Accounts receivable

Management estimates that accounts receivable as of 30 June 2009 are fully collectible. During the year, there were no bad debts written off (2008: \$9,060).

4. Property, plant and equipment

	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				
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
Net Book Value At 30 June 2008	\$38,020	\$14,026	\$954	\$53,000

5. Related party transactions

The Cayman Islands Government appoints the Chairman and Members to the Authority's Board of Directors. The following transactions occurred during the period between the Authority and Cayman Islands Government.

	2009	2008
Accounts Receivable – Government	\$-	\$370,605
Services provided to Cabinet	\$346,611	\$370,605

During this year the Authority provided Services of \$346,611 (2008: \$370,605) to the Government under a purchase agreement. These services are charged to Government at cost.

Information and Communications Technology Authority
Notes to the Financial Statements

5. Related party transactions (continued)

As detailed in Note 8, the Authority on behalf of its eligible employees paid contributions of \$76,515 to the Public Service Pensions Plan during the period (2008: \$69,592).

Section 14 (5) of the ICTA Law states that 'where there is balance of account in favour of the Authority after the Authority has paid all of the expenses such balance shall be paid into the general revenue of the Islands'.

At the year end June 30, 2009 the Authority had an accumulated loss of \$22,951 (2008: \$33,705). No transfer was made to Government (2008: \$345,658).

Salaries and other short-term employee benefits for key management (being those executives with authority to direct ICTA's operating policy) of \$472,983 (2008: \$452,040) are included within Staff Costs.

6. General reserve

S.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 position represents approximately six times the monthly operating requirements (2008: 5.5 months).

For the financial year ended 30 June 2009 the Authority transferred \$60,000 to the General Reserve Fund (2008: Nil).

7. Services provided to Cabinet

During the year the Cayman Islands Government engaged the Authority to provide, on its behalf, 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.

For the year ended June 2009 the Authority, as part of services provided to Government, collected, verified and paid over the 6% Royalty Fee from ICTA Licensees to the Government of the Cayman Islands, as follows.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2009	2008
Balance at beginning of period	\$16,000	\$27,514	\$40,982	\$5,347	\$16,000	\$-
Amount collected	2,165,353	2,080,436	2,385,728	2,028,305	8,659,822	8,728,322
Amount paid	(2,153,839)	(2,066,968)	(2,421,363)	(2,033,652)	(8,675,822)	(8,712,322)
Balance at end of period	\$27,514	\$40,982	\$5,347	\$-	\$-	\$16,000

8. 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 expense under salaries and employee benefits of \$76,515 (2008: \$69,592) to the Public Service Pensions Fund.

Information and Communications Technology Authority
Notes to the Financial Statements

8. Pensions (continued)

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 (2008: \$17,777), in relation to this employee.

9. Lease commitments

The Authority leases the third floor of Alissta Towers under an operating lease. The lease term is for the period November 1, 2007 until October 31, 2009 with the option to renew the lease for further two years until October 31, 2011 ("Option Term 2"). The Lease payments are \$5,816 per month and are subject to an increase in Option Term 2 to \$6,139 per month. Future lease payments are:

Period	Amount
1 July 2009 to 30 June 2010	\$72,048
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.

10. 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 and liquidity 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, 2009.

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.

Information and Communications Technology Authority
Notes to the Financial Statements

10. Financial risk management objectives and policies (continued)

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 2009, 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.

The maximum exposure to credit risk at June 30, 2009, is as follows:

	2009	2008
Cash and cash equivalents	\$1,292,985	\$902,116
Accounts receivable	236,670	610,836
	\$1,529,655	\$1,512,952

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.

11. 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.

12. Subsequent events

Transfer to Government. In October 2009, the Government of the Cayman Islands identified that, under Section 18 (4) of the ICTA Law, it intends to direct the Authority to transfer \$500,000 of the Authority's reserve fund to government's General Revenues.

Judicial review proceedings. In October 2009, dms Broadcasting Ltd. ("dms") applied to the Grand Court for leave for judicial review proceedings that seek to quash decisions made by the Authority on 1 October 2009 not to renew/extend part of dms' ICT licence to broadcast on the 96.5 MHz frequency and to require dms to cease broadcasting its "Cayrock" station on that frequency as of 5 October 2009. On 12 October 2009, the Grand Court granted dms leave to bring the judicial review proceedings and the hearing of that application is scheduled for 23 November 2009. The Authority's attorneys have advised that, at this time, it is not possible to assess the likelihood or the extent of any liability/losses the Authority may be exposed to in relation to these judicial review proceedings.

13. Comparative figures

Certain accounts from the prior year financial statements have been reclassified for comparative purposes.