



OfReg ICT Consultation 2016-2 RFI's and Next Steps

DataLinks' Responses to RFI's 312-315

RFI 312 - Provide a detailed explanation about the following expenses listed in DataLink's financial statements, including what are they composed of and how are they calculated:

- a) Depreciation & Amortization
- b) General and Administrative Costs
- c) Network Operations Expense
- d) Provision for Bad Debt

DataLink's Response:

A) Depreciation and Amortization

Depreciation: The monetary value of an asset decreases over time due to use, wear and tear or obsolescence. DataLink (DATALINK) is utilizing the straight-line depreciation method.

The following items make part of this account:

- 1) Laptops & Monitors (Depreciation charge period: 3 years)
- 2) Fiber Optic Cable (Depreciation charge period: 30 years)
- 3) Fiber Optic Material (Depreciation charge period: 30 years)

Amortization: An accounting technique used to periodically lower the book value of a loan or an intangible asset over a set period of time. DATALINK is utilizing the straight-line amortization method.

The following items make part of this account:

- 1) ICTA Licence Fee
- 2) All associated legal costs for ICTA Licence
- 3) Licence and associated costs are being amortized for a period of 15 years.

B) General & Administrative Costs

The following expense accounts are included in this line item:

- 1) Bank Charges
- 2) Employee Benefit Program (Phone Allowance, Health Ins & Pension cost)
- 3) Insurance (Motor Insurance)
- 4) Legal & Professional Fees
- 5) Miscellaneous
- 6) Training
- 7) Telephone
- 8) Wages

C) Network Operations Expense

The following expense accounts are included in this line item:

- 1) Infrastructure Sharing Costs (made up of Intercompany Pole Attachment and Fiber Optic Fees)
- 2) Repairs and Maintenance (consists of Make Ready costs and Material Recharges)
- 3) Obsolete Fiber



- 4) Profit/Loss on Fixed Asset Sales
- 5) Profit/Loss on Inventory Sales

D) Provision for Bad Debt

The provision for bad debt is the estimated amount of bad debt that will arise from accounts receivable that have been issued but not yet collected.

RFI 313 - Provide a detailed explanation about the following assets listed in DataLink's financial statements, including what are they composed of and how are they calculated:

- a) Intangible Asset – License (net)
- b) Property, plant and equipment (net)
- c) Inventory

DataLink's Response:

A) Intangible Asset – License (Net)

This intangible asset is a non-physical asset that will be consumed over more than one accounting period. The accounting for this intangible asset is to record the asset as a long-term asset and amortize the asset over its useful life.

This account is made up of obtaining DATALINK's License with the ICTA (now OfReg) and associated costs which is being amortized for a period of 15 years, duration of license. DATALINK is utilizing the straight-line amortization method.

B) Property, Plant and Equipment (Net)

Property, plant and equipment are tangible assets, meaning they are physical in nature.

This account consists of fiber optic cable, fiber optic material and computer equipment utilized in performing DATALINK's day to day responsibilities. The accumulated depreciation of these assets are being booked on a straight-line basis with variable useful life scenarios depending on the asset.

C) Inventory

This account is made up of fiber network equipment and fiber materials. These items were purchased for the use on a Weststar pilot project in Prospect that never launched due to Weststar being acquired by Logic. These items are currently being expensed on a monthly basis as obsolete inventory. This inventory has not been sold or used for a long period of time and is not expected to be sold in the future.

RFI 314 - Provide a detailed explanation about the following liabilities listed in DataLink's financial statements, including what are they composed of and how are they calculated:

- a) Accounts payable and accrued expenses
- b) Intercompany Accts Payable
- c) Deferred Revenue
- d) Intercompany Loans Payable
- e) Long Term Debt



DataLink's Response:

A) Accounts Payable and Accrued Expenses

This line items is made up of accrued expenses such as OfReg's license and regulatory fees, audit fees being accrued for on a monthly basis and any legal fees that are due to be paid. It also contains pension and health contributions that are payable.

B) Intercompany Accounts Payable

This line item contains any amounts due to CUC. Intercompany fees payable include make ready invoices, make ready accruals, intercompany pole attachment fees, intercompany fiber optic fees, intercompany maintenance and management fees.

C) Deferred Revenue

This line items is made up deferred revenue (pole attachment & fiber optic) and make ready (MR) deferred revenue. As DATALINK invoices pole attachment fees quarterly in advance there is a need to defer the revenue for the following two months until such time as to recognize that revenue in the month it pertains to. Fiber optic fees are also invoiced quarterly in advance to the Cayman Islands Government and bi-monthly to Weststar.

The MR deferred revenue portion is made up of invoices issued to Logic in which they pay a fixed fee per pole for MR work in advance as per their MOU signed back in 2016. The revenue will not be recognized until the MR work is completed and thus removed from this account.

This account also pertains to any MR estimate invoices issued to the other telcos and the revenue will only be recognized once the MR work is completed.

D) Intercompany Loans Payable

This account was initially for set up to provide DATALINK a means to make payments before DataLink was able to open up their individual bank account. Until this happened CUC would be making payments on behalf of DATALINK and booking them into this account.

The DATALINK bank account was opened and became operational in 2014.

E) Long Term Debt

This account is for the loan of CI\$XXXk that was provided by CUC to DataLink back in 2013. This loan had a maturity date of Feb 2020. These funds were provided to DataLink to get the company up and running and provide necessary funding for DataLink to operate.

RFI 315 - Referring to the definition of "Applicable Standards" in DataLink's Pole Sharing Agreements, confirm whether there have been any relevant changes to the NESC since 2012 or to any other applicable engineering and safety standard since 2017. If there have been any such relevant changes, describe them in detail and provide copies of the current relevant standards.

DataLink's Response:

DataLink has been working with the NESC 2017 Standards. It accounts for our current design standard, which remains as is. That is, the communication space on the poles is defined, such that the commination cable shall



maintain minimum clearance of 18 and a half feet from ground level and the cable shall have a minimum clearance of 40 inches from the neutral conductor. This standard has not changed since 2012.