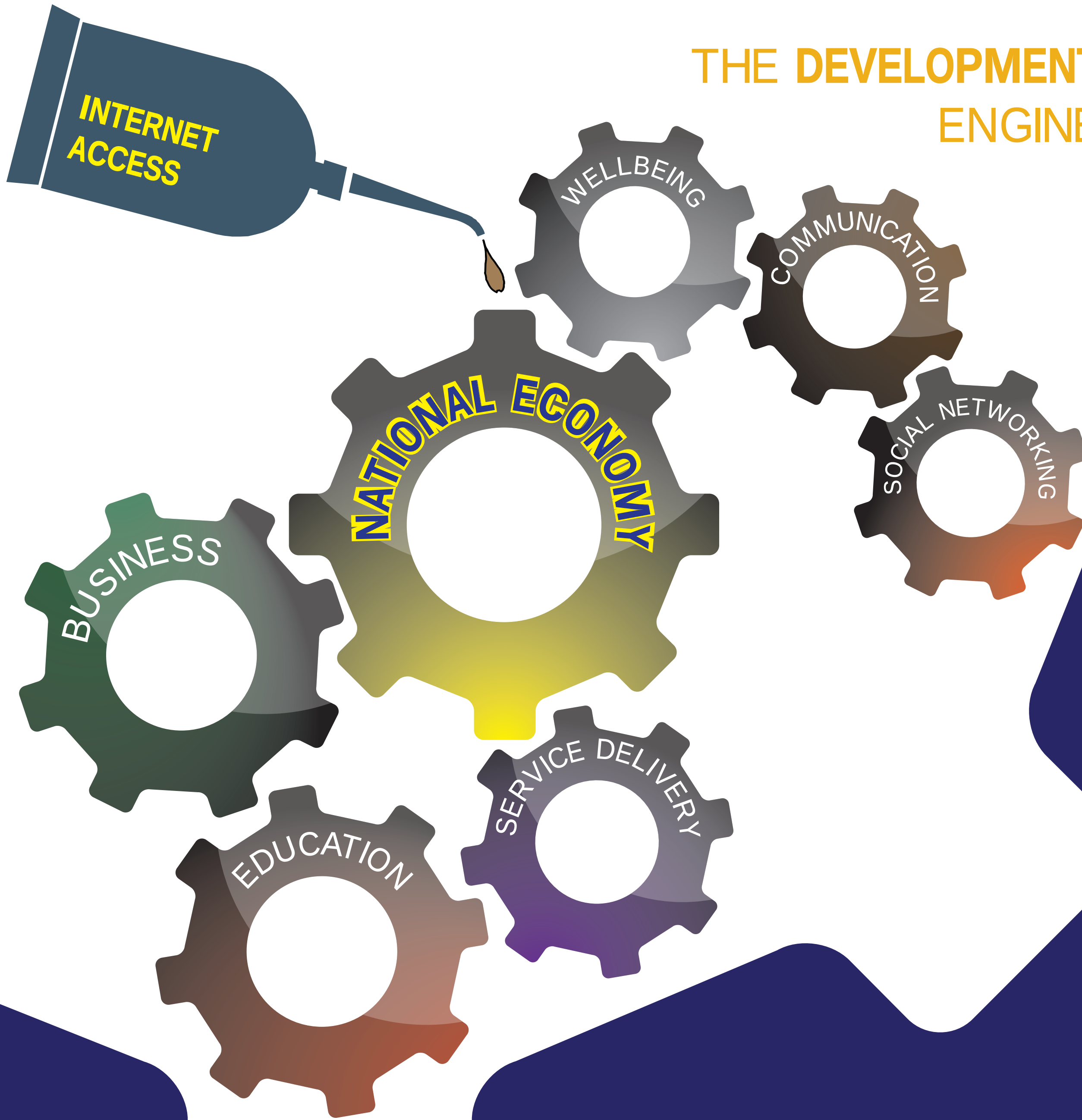
UNIVERSAL ACCESS
FUND COMPANY LIMITED

THE **DEVELOPMENT** ENGINE



ANNUAL REPORT
2006-2007

UAF...Bridging the Information Gap.
Internet Access for Everyone

VISION

“Our aspiration is to ensure that every resident of Jamaica is provided with easy and reliable access to the information superhighway through the deployment of broadband services, to facilitate the transformation of Jamaica into a knowledge based society and to stimulate continuous improvement in the quality of life for all.”

UNIVERSAL ACCESS
FUND COMPANY LIMITED

Table of Contents

UNIVERSAL ACCESS
FUND COMPANY LIMITED

UNIVERSAL ACCESS
FUND COMPANY LIMITED

ANNUAL REPORT
2006-2007

CONTENTS

PERFORMANCE OF THE UNIVERSAL ACCESS FUND COMPANY LIMITED FOR FINANCIAL YEAR 2006/2007

1.0 Introduction

The Universal Access Fund Company Limited (UAFCL) continued the pursuit of its mandate toward the objective of ensuring that every Jamaican resident is provided with easy and reliable high-speed access to Internet services.

Challenges were again encountered in ensuring that all levy payments were remitted on time; in defending the levy regime against external pressures; in retaining full administrative control of the funds collected; and in securing confirmation of our taxation liability status to facilitate completion of our external audits. Concerted efforts were made to consolidate and streamline operations of the company. Much of the activities were concentrated on:

(a) Recruiting requisite staff for the organization,

(b) Securing approvals for relevant operational activities from the respective Ministries,

(c) Communicating with all telecommunications providers who were liable for payment of the levy imposed by the Government of Jamaica,

(d) Pursuing rigorous collection of the levy by following up on late payments etc.,

(e) Communication with the Federal Communications Commission and the United States Trade Representative in relation to the Levy,

(f) Adjudicating responses to our Request for Proposals for the Island-wide Broadband Network,

(g) Analyzing invoices from the e-Learning Company and making payments for completed project elements,

(h) Preparation of the Corporate and Operational Plans with revised budgets,

(i) Interfacing with auditors to provide requested information and explanations.

2.0 Mission

The Mission of the company is to facilitate the provision of universal access to the information superhighway by stimulating and accelerating the deployment of broadband services island-wide. This will be achieved through the effective collection and astute management of the universal service levy and disbursing such funds in a transparent and non discriminatory manner to fund requisite projects. In addition, we will analyze, propose, and monitor projects of a universal services nature, for which the company has decided to provide funding.

3.0 Core Functions

The core functions of the company continued to be oriented toward the delivery of the government's universal service obligation as enshrined in the Telecommunications Act (2000). These functions are summarized as follows:-

- *Collecting the universal telecommunications services obligations levy from telecommunication companies;*
- *Analyzing projects of a universal services obligation nature and making recommendations to Cabinet for approval of funding;*
- *Disbursing funds for the implementation of approved initiatives;*
- *Monitoring the implementation of projects; and*
- *Managing and accounting for funds collected and disbursed.*

4.0 Objectives

4.1 *The primary operating objectives of the UAFCL are:*

- Provisioning of an island wide broadband network that will allow public access to the information super highway through High Schools, Public Libraries, Post Offices, any other agency approved by the Board of Directors, and general access to communities covered by the transmission media.
- Ensuring the timely collection of the service charge levy through the Terminating Carriers
- Identification and execution of suitable projects through which the universal service obligation will be advanced

4.2 *The major strategies for achieving these objectives were as follows:*

- Engaging suitable telecommunications providers to provide an island-wide high speed data network to provide broadband connectivity to all high schools, public libraries, post offices, and other selected institutions and communities.

- Collaborating with the Jamaica Library Service to increase and enhance its capacity for providing wider public access to the Internet.

- Collaborating with the National Library to increase and enhance its capacity for providing wider public access to the Internet.

- Collaborating with the Postal Corporation of Jamaica to increase and enhance its capacity for providing wider public access to the Internet.

- Collaborating with the e-Learning Jamaica Company Limited to transform the learning and teaching experiences in 180 secondary schools, teachers colleges and other “special” institutions.

5.0 Board of Directors

5.1 Charter chairman, Colin Campbell was appointed to the Senate and appointed Minister of Information with effect from 2006 April 01. He therefore, relinquished the position of chairman and with effect from 2006 April 03 was replaced by Dr. Herbert Thompson who chaired his first meeting on 2006 June 14. During the year the board held six consecutive monthly meetings from June through to November. There was no replacement for charter director Herman Athias who had resigned during the previous year; members of the board were, therefore: Herbert Thompson, Jean Dixon, Camille Facey, Sheree Martin, Stacey Mitchell, Leary Myers, Minett Palmer, and Ann Marie Rhoden. Camille Facey and Stacey Mitchell were appointed from the industry, Cable and Wireless and Digicel, respectively.

5.2 On 2006 October 11, the Board of Directors invited the e-Learning Company to make a comprehensive presentation of its mandate and strategies for advancing the concept of universal service. Board members present at this presentation, through a range of probing questions, were able to improve their appreciation of the e-Learning mission.

5.3 On 2006 July 12, the Board of Directors was exposed to a summary presentation by Mr. Lenworth Taylor of the Ministry of Finance and Planning to apprise them of the provisions of the Public Bodies Management and Accountability Act which is a critical statute in the governance of public agencies. The Board was extremely appreciative of the presentation as many abstruse provisions were highlighted and explained for the benefit of board members.

6.0 Physical achievements for Financial Year 2006/2007

- The UAFCL continued to meet the increasing demand for funding by the e-Learning Company Jamaica Limited. Unfortunately, the e-learning project was delayed due primarily to challenges raised by one bidder in respect of the award of the most significant contract, being the supply of computers. As a consequence, the level of funding for the year was substantially less than planned, being $70.28 Million against a budget of $1,311.0 Million. Monitoring of project execution and approval of funding within this portfolio continued throughout the year.

- The strategic decision to deploy a nation-wide broadband network was advanced through the preparation and sale of a comprehensive Request for Proposal (RFP). This RFP was advertised for sale on 2006 April 3 at a cost of $65,000 each. Eleven prospective bidders bought copies of the RFP and sought clarifications which were provided to all prospects at a bidders conference held on 2006 April 26. At the specified bid closing time four bids were received and were opened and recorded as specified. An ad hoc, cross functional evaluation team, comprising representation from all relevant government agencies, was assembled to evaluate the bids.

  Due to the magnitude and complexity of the project the evaluation committee decided that a consultant should be engaged to evaluate the bids and make a recommendation regarding the best solution. Consequently, a consultant was selected through the selective bidding process. The consultant concluded that of the four bids received, only two were compliant and submitted a recommendation to the full committee on 2006 September 21.

The committee reviewed the consultant's report and made its recommendation to the Board; the Board accepted the recommendation and the procurement process was pursued to the extent that by year end approval was secured from the parent Ministry's procurement committee and the Sector Committee. The recommendation was advanced to the National Contracts Commission which returned it with specific instructions at the close of the year. Approval by the National contracts Commission and Cabinet will be pursued during the next financial year in order to let the requisite contracts.

- Collaborative work continued with consultants, PriceWaterHouseCoopers, who had been engaged during the prior year to develop sound accounting and operating policies and practices for institutional strengthening of the company. After numerous iterations the consultants submitted their final recommendations on 2007 March 15.

- Remittances from terminating carriers began on August 3, 2005. During the twenty two months of operation ending March 31, 2007 total service fees collected amounted to $2,558.00 Million.

- Funds collected were deposited into commercial bank accounts, opened for the purpose; funds not immediately required for capital or administrative expenditure were invested in gilt edged securities at approved financial institutions, consistent with the Treasury Management policy.

- Consistent with the Public Bodies Management and Accountability Act, the Corporate and Operating Plans (2006-2009) for the company were completed and submitted to the parent ministry and the Ministry of Finance and the Public Service.

- Some foreign telecommunications administrations, their regulators, and trade representatives continued to fulminate against the service charge regime and consequently raised challenges against it. The company supported the parent ministry in successfully defending the regime by once again participating in teleconferences, and providing written responses to material communication.

- Promotional packages, outlining the background and rationale for the universal service obligation, were developed and distributed at the Diaspora Conference in June 2006.

- Dissemination of information to the general public was advanced through participation of the Managing Director on a live morning television programme on July 13, 2006; as a result, public enquiries were received regarding project possibilities.

- A Proposal from the Jamaica Library Services for upgrading all Parish and Branch Libraries throughout the island to provide multi-media facilities and Internet services was reviewed and approved by the projects committee.

- A proposal for upgrading five selected post offices to provide multi-media facilities and Internet services was reviewed and approved by the projects committee.

7.0 Human Resources

7.1 *Administration/Staffing*

Employees continued to display tremendous flexibility and versatility in ensuring that all responsibilities were adequately discharged. In that regard, the staff once again performed admirably.

The positions of Managing Director and Accountant were filled on April 10 and December 15, 2006 respectively. The staff complement was thus increased to five and the decision was taken that the remaining two vacancies would not be filled until the project portfolio expands sufficiently to demand the additional resources.

7.2 *Training and Development*

Employee	Programme/Trainer	Date
Rowland Phillips, Director of Projects	Caribbean Telecomunications Union World Telecommunications Day Symposium	2006 May 17-19
Rowland Phillips, Director of Projects	Project Management University of New Orleans	2006 October 18

8.0 Financial Performance for 2006/2007

For the Financial year 2006/2007, the Universal Access Fund Company Limited (UAFCL) established a revenue target of $1.38 Billion.

8.1 *Allocation of Revenue*

• Project funding, including the e-Learning Ja. Co. Ltd. (95% of Access Fees)	$1,311.00 Million
• UAFCL Administrative Expenses 5% of Access Fees	69.00 Million
	$1,380.00 Million

In addition, interest earned would be added to the funding allocation of the UAFCL.

8.2 *Revenue Target*

For the Financial year, revenue surpassed target by approximately 23% as shown in the table below:

Revenue	*Actual $B*	*Budget $B*
Access Fee	1.546	1.380
Interest Income	0.126	.012
Exchange Gain	0.043	-
Total	**1.715**	**1.392**

8.3 *Access Fees*

The UAFCL continued to face challenges pertaining to the collection of the Universal Service Levy:

- The need to continually remind carriers of outstanding payments was again a feature of the operations.

- The suspension of the material terminating services of two carriers for payment defaults was effected by the terminating carrier, one on 2006 December 31 and the other on 2007 January 8. This is expected to result in a challenge to collect the associated delinquent balances which amounted to $56,276,115.21.

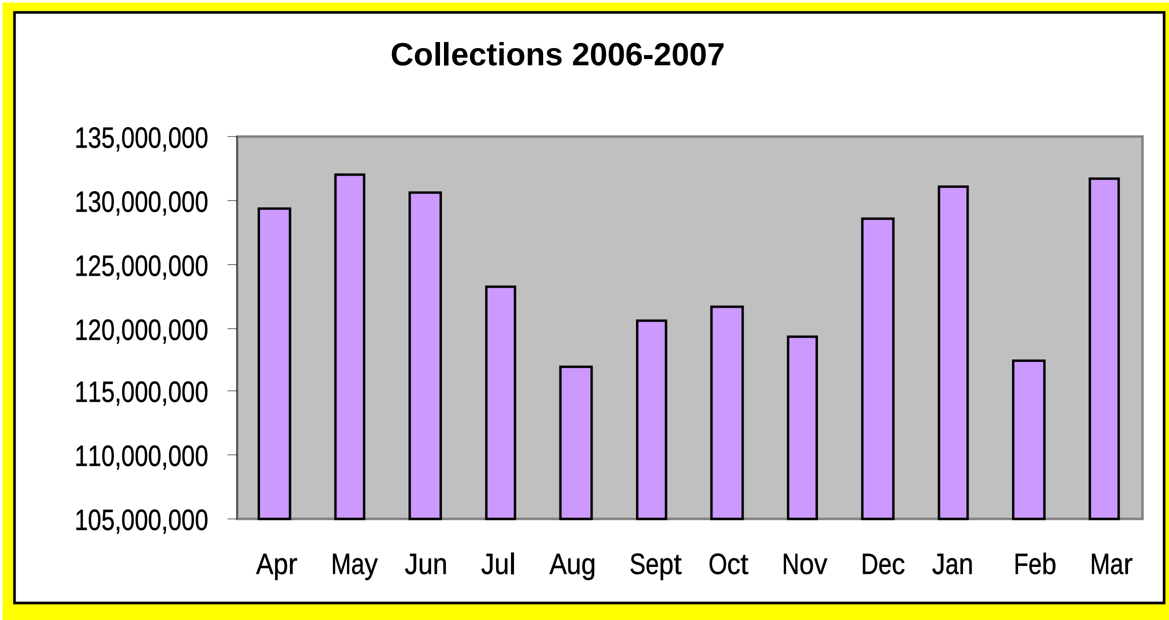
8.4 *Interest Income*

Interest Income earned amounted to $126.55 Million, surpassing expectations due to the tremendous growth in investments as a result of the deferrals in projected payments resulting from delays in our major projects.

8.5 *Collections to date*

Since the inception of The Fund on 2005 June 1, the gross collections at year end was $2.56 Billion. Receivables amounted to approximately $386.90 Million. This is approximately $36.90 Million above the expected level of receivables. Receivables are normally high due to the credit provisions in the payment contracts existing between terminating carriers and interconnected administrations.

Financial Year	*Actual Collection $B*
2006/2007	$1.26



8.6 *Investments*

The UAFCL once again invested all available funds in gilt edge securities with reputable financial institutions, consistent with its Treasury Management policy. At year end total Cash at Bank and Cash on Hand amounted to $2.40 Billion as shown in the table below:

Accounts	*Amount*
BNS Current A/C	738,533
* *BNS Savings*	14,306,740
Cap & Credit Securities	161,823,464
* *Cap & Credit Securities*	532,102,329
* *NCB Capital Markets*	95,461,683
* *RBTT Securities Limited*	168,058,381
* *Pan Caribbean*	284,853,383
Pan Caribbean	153,550,609
* *Dehring, Bunting & Golding*	299,141,701
Dehring, Bunting & Golding	163,028,071
* *Guardian Asset Management*	328,706,727
Guardian Asset Management	138,400,788
Petty cash	10,000
Cash on Hand	*62,965,827
Total	JA 2,403,148,336

* These Accounts were denominated in United States Currency

8.7 *Expenditure*

The total expenditure (minus depreciation and provision for doubtful debt) for the financial year 2006/2007 amounted to $149.50 Million. Of this amount The Fund accounted for $79.22 Million directly and e-Learning Jamaica Company Limited accounted for $70.28.

Internal operating expenditure of $41.32 Million excludes $37.90 Million of Corporation tax, represents a 22.36% positive variance over the budget of $53.22 Million. The positive variance resulted from judicious management of resources and the fact that some planed expenditure in salaries and related costs, Board fees and advertising did not materialise.

9.0 Focus for Financial Year 2007/2008

9.1 Completion of Projects

The UAFCL will concentrate on advancing all approved projects to ensure wider availability of broadband access across the country consistent with its mandate. It is anticipated that approval will be secured for awarding the broadband project contract and thus commencing the execution of the requisite works. It is also anticipated that the projects for the Jamaica Library Services and the Postal Corporation will be executed during the ensuing year.

9.2 Defence of the Universal Service Obligation Regime

There is good reason to believe that challenges will continue to be mounted against the current service charge regime under which the levy is governed. We will therefore continue to marshal all requisite information in defence of the regime.

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

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

To the Members of
UNIVERSAL ACCESS FUND COMPANY LIMITED

Report on the Financial Statements

We have audited the financial statements of Universal Access Fund Company Limited ("company"), set out on pages 14 to 18 which comprise the balance sheet as at March 31, 2007, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Members of Universal Access fund Company Limited

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements, give a true and fair view of the financial position of the company as at March 31, 2007 in accordance with International Financial Reporting Standards.

Report on additional requirements of the 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 and the financial statements are in agreement therewith and give the information required by the Companies Act, in the manner so required.

KPMG

August 12, 2009

UNIVERSAL ACCESS FUND COMPANY LIMITED

Balance Sheet
March 31, 2007

	Note	2007	2006
CURRENT ASSET			
Cash at bank		$10,000	Nil
EQUITY			
Share capital	4	$10,000	Nil

The financial statements on pages 14 to 18 were approved for issue by the Board of Directors on August 12, 2009 and signed on its behalf by:

André Foote — Chairman

Hugh Cross — Director

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

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements
March 31, 2007

1. Identification

Universal Access Fund Company Limited ("company") was incorporated in Jamaica on May 18, 2005 and commenced operations on June 1, 2005. The company is a wholly-owned subsidiary of Spectrum Management Authority, incorporated by statute in Jamaica (note 3). The company is domiciled in Jamaica and its registered office is located at 53 Knutsford Boulevard, Kingston 5.

The company is a special purpose entity, charged, as of June 1, 2005, with the administration of the Universal Service Fund ("Fund"), established by Ministerial Order, dated April 19, 2005, issued by the Minister of Commerce, Science & Technology, pursuant to Sections 38 and 39 of the Telecommunications Act 2000.

The principal activities of the company, solely on behalf of the Fund, are:

(i) the collection of the universal telecommunications services obligations levy ("service fees") from telecommunications companies,

(ii) the analysis of projects of a universal service obligation nature and recommendation to Cabinet for approval of funding, and

(iii) the disbursement and accountability for funds allocated to approved initiatives.

As at March 31, 2007, the company has 4 employees who are on two-year contracts. Staff costs and other administration expenses are borne by the Fund and, in this regard, Section 42 of the Telecommunication Act 2000, provides for the allocation of an amount, not exceeding five percent of the service fees, for the administration of the Fund. The allocation is subject to review after three years.

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, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Act.

New standards and interpretations which became effective during the year

New accounting standards, amendments to standards and interpretations, which became effective during the year, had no impact on the company's financial statements

New standards and interpretations not yet effective

IFRS 7, Financial Instruments: Disclosures and the complementary *Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures* (effective for accounting periods beginning on or after January 1, 2007) require new disclosures to improve the information about financial instruments and the level of an entity's capital and how it is managed. IFRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. IFRS 7 is expected to result in additional disclosures with respect to the fund's financial instruments, while the amended IAS 1 disclosures is not expected to have any impact on the company financial statements.

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2007

2. Statement of compliance and basis of preparation (cont'd)

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

New standards and interpretations not yet effective (cont'd):

IAS 1 (Revised) Presentation of Financial Statements requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement of comprehensive income. The standard, which becomes effective for accounting periods beginning on or after January 1, 2009, is not expected to have any impact on the company financial statements.

IAS 23(Revised) - Borrowing Costs, which becomes effective for financial periods beginning on or after January 1, 2009, removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. An example is self-constructed assets such as buildings, machinery and internally developed software (intangible assets). This is not expected to have any impact on the company financial statements.

(b) Basis of preparation:

The financial statements are presented in Jamaican dollars, which is the functional currency of the company, and are prepared on the historical cost basis.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the period then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no significant assumptions and judgements made by management in the application of IFRS in these financial statements that have a significant risk of material adjustment in the next financial year.

(c) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the period then ended. Actual amounts could differ from those estimates.

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2007

2. Statement of compliance and basis of preparation (cont'd)

(c) Accounting estimates and judgements (cont'd):

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that any have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

Accounts receivable and revenue recognition:

In determining the amounts receivable in the financial statements in respect of revenue from service levy management makes judgements regarding the amounts recognised, as the Fund is dependent on information provided by the carriers to determine the amounts payable and these are usually not remitted to the Fund on a timely basis. Revenue and accounts receivable, therefore, are based on estimates of service levy due from carriers, using the average of the previous three to five months' collections.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

3. Significant accounting policies

(a) Revenue and expenses:

As stated at note 1, all revenues are collected and all expenses are incurred in connection with the administration of the Universal Service Fund. Accordingly, these are reflected in the financial statements of that Fund.

(b) Related parties:

A party is related to an entity if:

(i) directly or indirectly the party:
- controls, is controlled by, or is under common control with the company;
- has an interest in the entity that gives it significant influence over the company; or
- has joint control over the company.

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the company or its parent.

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2007

3. Significant accounting policies (cont'd)

(b) Related parties (cont'd):

(v) the party is a close member of the family of any individual referred to in (i) or (iv) above.

(vi) the party is the company that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company, or any company that is a related party of the company.

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

4. Share capital

	2007	2006
Authorised, issued and fully paid:		
100 ordinary shares of no par value (2006: Nil)	$10,000	-

The 100 ordinary shares were allotted to Spectrum Management Authority (SMA) (99 shares) and the Ministry of Industry, Technology, Energy & Commerce (1 share) at $100 each on May 18, 2005. During the year, the shares allotted were paid for and were issued.

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

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

INDEPENDENT AUDITORS' REPORT

To the Directors of Universal Access Fund Company Limited
UNIVERSAL SERVICE FUND

Report on the Financial Statements

We have audited the financial statements of Universal Service Fund ("Fund"), set out on pages 21 to 37, which comprise the balance sheet as at March 31, 2007, the statements of accumulated funds and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

To the Directors of Universal Access Fund Company Limited
UNIVERSAL SERVICE FUND

Report on the Financial Statements, (cont'd)

Opinion

The Fund is dependent on information provided by local carriers for the determination of service fees to be recognised for the year. Furthermore, there are international carriers who remit service fees indirectly to the Fund, through the local carriers, and the timing of remittances of carriers involved are not predictable. We are, therefore, unable to verify the completeness of income from service fees of $1,432,831,647 (2006: $1,312,041,152) recognised for the year. Any adjustment, as might have been deemed necessary in this regard, would affect the increase in the accumulated funds of $1,510,744,853 (2006: $1,269,666,607) for the year and the accounts receivable and prepaid expenses of $397,632,199 (2006: $431,718,198) at balance sheet date.

In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, except for the effects, if any of the matters mentioned in the preceding paragraph, give a true and fair view of the financial position of the Fund as at March 31, 2007, and of the increase in accumulated funds, changes in accumulated funds and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

KPMG

August 12, 2009

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Balance Sheet
March 31, 2007

	Notes	2007 $	2006 $
UNIVERSAL SERVICE FUND		-	1,269,666,607
SUBSIDIARY CONSOLIDATED FUND		2,780,411,460	-
		2,780,411,460	1,269,666,607
Represented by:			
NON-CURRENT ASSET			
Property, plant and equipment	4	6,307,970	7,185,248
CURRENT ASSETS			
Cash and cash-equivalents	5	978,592,504	449,425,808
Resale agreements	6	1,424,553,373	389,648,968
Accounts receivable and prepaid expenses	7	397,632,199	431,718,198
Total current assets		2,800,778,076	1,270,792,974
CURRENT LIABILITIES			
Accounts payable and accrued charges	8	(13,203,788)	(3,224,037)
Due to related entity	9	(128,209)	(23,659)
Income tax payable		(9,940,342)	(1,102,444)*
Total current liabilities		(23,272,339)	(4,350,140)
Net current assets		2,777,505,737	1,266,442,834
NON-CURRENT LIABILITY			
Deferred tax liability	10	(3,402,247)	(3,961,475)
Net assets		2,780,411,460	1,269,666,607

The financial statements on pages **21 to 37** were approved for issue by the Board of Directors on August 12, 2009 and signed on its behalf by:

_______________ Chairman
André Foote

_______________ Director
Hugh Cross

*Reclassified to conform to current year presentation.
The accompanying notes form an integral part of the financial statements.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Statement of Accumulated Funds
Year ended March 31, 2007
(With comparative figures for the ten months ended March 31, 2006)

	Notes	2007		2006
		Subsidiary Consolidated Fund	Universal Service Fund	Universal Service Fund
		$	$	$
INCREASE IN FUNDS				
Service levy		1,432,831,647	-	1,312,041,152
Other income - interest		126,546,342	-	18,070,987
- foreign exchange gains		43,502,923	-	8,584,578
		1,602,880,912	-	1,338,696,717
Government grant		-	113,342,572	-
Total increase in fund		1,602,880,912	113,342,572	1,338,696,717
DECREASE IN FUND				
Universal service projects:				
E-learning project		-	70,278,964	16,500,000
Edu vision conference		-	-	333,993
		-	70,278,964	16,833,993
Administration expenses*:				
Auditors' remuneration		-	837,765	815,500
Advertising and public relations		-	1,313,600	4,319,348
Bank charges		-	13,945	8,317
Directors' fees		-	325,427	606,280
Loan interest		-	-	117,363
Management fees		-	1,420,000	2,000,000
Depreciation		-	1,743,952	249,636
Training expenses		-	96,033	75,032
Subscriptions		-	53,528	6,566
General office expenses		-	1,819,514	1,210,162
Rent		-	656,847	261,394
Legal fees		-	8,163,113	20,223,244
Consultancy and other professional fees		-	6,915,147	1,698,859
Stationery and office supplies		-	373,645	475,684
Staff costs		-	18,916,548	10,579,258
Travel - local/overseas		-	15,866	769,655
Motor Vehicle		-	398,678	-
Doubtful Debts		54,239,116	-	-
Total administration expenses		54,239,116	43,063,608	43,416,298
Total decrease in fund		54,239,116	113,342,572	60,250,291
Increase in accumulated funds before taxation		1,548,641,796	-	1,278,446,426
Taxation (note 13)		37,896,943)	-	(8,779,819)
Increase in accumulated funds for the year/period		1,510,744,853	-	1,269,666,607

*Irrecoverable GCT is included in the related expense captions.
The accompanying notes form an integral part of the financial statements.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Statement of Changes in Accumulated Funds
Year ended March 31, 2007

	Subsidiary Consolidated Fund $	Universal Service Fund	Total $
Balances at June 1, 2005	-	-	-
Increase in fund for the period	-	1,269,666,607	1,269,666,607
Balances at March 31, 2006	-	1,269,666,607	1,269,666,607
Increase in fund for the year	1,510,744,853	-	1,510,744,853
Transferred to subsidiary consolidated fund	1,269,666,607	(1,269,666,607)	-
Balances at March 31, 2007	2,780,411,460	-	2,780,411,460

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

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Statement of Cash Flows
Year ended March 31, 2007

	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in accumulated funds for the year/period	1,510,744,853	1,269,666,607
Adjustments to reconcile increase in accumulated funds for the year/period to net cash provided by operating activities:		
Foreign exchange gains	(43,502,923)	(8,584,578)
Doubtful Debts	54,239,116	-
Interest income	(126,546,342)	(18,070,987)
Depreciation	1,743,952	249,636
Taxation expense	37,896,943	8,779,819
Interest received	115,870,716	14,834,197
	1,550,446,315	1,266,874,694
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	(9,477,491)	(428,481,408)
Taxation recoverable	(29,618,273)	(3,715,900)
Accounts payable	9,979,751	3,224,037
Due to parent company	104,550	23,659
Net cash provided by operating activities	1,521,434,852	837,925,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(866,674)	(7,434,884)
Resale agreements	(1,034,904,405)	(389,648,968)
Net cash used by investing activities	(1,035,771,079)	(397,083,852)
Net increase in cash and cash-equivalents	485,663,773	440,841,230
Cash and cash-equivalents at beginning of the year/period	449,425,808	-
Effect of exchange fluctuations on cash held and cash-equivalents	43,502,923	8,584,578
Cash and cash-equivalents at end of the year/period	978,592,504	449,425,808

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

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements
March 31, 2007

1. Identification

The Universal Service Fund ("Fund") was established effective June 1, 2005 under a Ministerial Order, dated April 19, 2005, issued by the Minister of Commerce, Science & Technology, pursuant to Sections 38 and 39 of the Telecommunications Act 2000 ("Act"), which levied a fixed universal service charge ("service levy") per minute on all international incoming calls terminating on networks of local carriers. The Fund is domiciled in Jamaica and its principal place of business is located at 53 Knutsford Boulevard, Kingston 5.

The service levy are to be used to fund the implementation of the Cabinet approved plan which will include the e-Learning Project, in the first instance, in accordance with the principle set out in Section 39(2)(d) of the Act, relating to the provision of internet access for schools, libraries and post offices, and in accordance with the Universal Service obligations determined by the Minister, pursuant to powers conferred under Section 39(1) of the Act.

Effective June 1, 2005, the activities of the Fund are administered by a special purpose entity, Universal Access Fund Company Limited ("company" or "administrator"), incorporated in Jamaica on May 18, 2005. In this regard, Section 42 of the Act provides for the allocation of an amount, not exceeding five percent of the service fees, for the administration of the Fund. The allocation is subject to review after three years (note 16).

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, issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation:

Based on the interpretation of the statutes by the Auditor General and the Solicitor General, the financial statements for the year ended March 31, 2007 are prepared to reflect the understanding that the levies collected by the Fund, as well as any investments resulting therefrom, are state revenue to be included in Government's Consolidated Fund and treated as a Subsidiary Consolidated Fund Account (note 16).

The financial statements are presented in Jamaica dollars, which is the functional currency of the Fund, and are prepared on the historical cost basis, with comparative figures as at, and for the ten months ended, March 31, 2006.

The financial statements are prepared on the going concern basis. Although the levy is imposed for an initial period of three years, after which it will be reviewed by Government to determine whether, or not, to continue with it, management believes that the preparation of the financial statements on the going concern basis continues to be appropriate.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL ACCESS FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

2. Statement of compliance and basis of preparation (cont'd)

(b) Basis of preparation (cont'd):

New standards, and amendments to and interpretations of existing standards:

At the date of authorization of these financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective at balance sheet date and which the fund has not early-adopted. The fund has assessed the relevance of all such new standards, amendments and interpretations with respect to the fund's operations and has determined that the following may be relevant to its operations and has concluded as follows:

IFRS 7, Financial Instruments: Disclosures and the complementary *Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures* (effective for accounting periods beginning on or after January 1, 2007) require new disclosures to improve the information about financial instruments and the level of an entity's capital and how it is managed. IFRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. IFRS 7 is expected to result in additional disclosures with respect to the fund's financial instruments, while the amended IAS 1 disclosures is not expected to have any significant impact on the fund's financial statements.

IAS 1 (Revised) Presentation of Financial Statements requires the presentation of all non-owners changes in equity in one or two statements: either in a single statement of comprehensive income, or in an income statement of comprehensive income. The standard, which becomes effective for accounting periods beginning on or after January 1, 2009, is not expected to have any significant impact on the fund's financial statements.

IAS 23(Revised) - *Borrowing Costs,* which becomes effective for financial periods beginning on or after January 1, 2009, removes the option of either capitalising borrowing costs relating to qualifying assets or expensing the borrowing costs and requires management to capitalise borrowing costs attributable to qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use or sale. An example is self-constructed assets such as buildings, machinery and internally developed software (intangible assets). This is not expected to have a material impact on the fund's financial statements.

Amendments to *IAS 32 Financial instruments: Presentation and IAS 1, Presentation of Financial Statements* is effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The standard is not expected to have any significant impact on the financial statements.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

2. Statement of compliance and basis of preparation (cont'd)

(c) Accounting estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the period then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that any have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

Accounts receivable and revenue recognition:

In determining the amounts receivable in the financial statements in respect of revenue from service fees, management makes judgements regarding the amounts recognised, as the Fund is dependent on information provided by the carriers to determine the amounts payable and these are usually not remitted to the Fund on a timely basis. Revenue and accounts receivable, therefore, are based on estimates of service fees due from carriers, using the average of the previous three to five months' collections.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the financial statements.

3. Significant accounting policies

(a) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [note 3(g)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement.

Property, plant and equipment are depreciated on the straight-line basis at annual rates to write down the assets to their estimated residual values over their expected useful lives. The depreciation rates are as follows:

Furniture and fixtures	10%
Computer	33⅓%
Motor vehicles	20%
Office equipment	20%

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

3. Significant accounting policies (cont'd)

(a) Property, plant and equipment (cont'd):

The depreciation method, useful lives and residual values are reassessed at each reporting date.

(b) Cash and cash equivalents:

This comprises cash in hand and at bank, as well as short-term deposits where the maturities do not exceed three months from the date of placement.

(c) Resale agreements:

Securities purchased under resale agreements ("resale agreements" or "reverse repos") are short-term transactions whereby securities are bought with simultaneous agreements for reselling the securities on a specified date and at a specified price. Reverse repos are accounted for as short-term collaterised lending, and are carried at amortised cost.

The difference between the purchase and resale considerations is recognised on the accrual basis over the period of the agreement, using the effective yield method, and is included in interest income.

(d) Accounts receivable:

This is stated at cost, less impairment losses [note 3(g)].

(e) Accounts payable:

Accounts payable are stated at cost.

(f) Revenue recognition:

(i) Service fees:

Revenue from service fees is derived from the imposition of a fixed charge per minute on all incoming international calls terminating on local carriers' networks. With regard to the determination of the total amount due, the Fund is dependent on information provided by the local carriers and reserves the right to audit such information.

Revenue from service fees is recognised on the accrual basis, with monthly billings based on the average of the previous three to five months' collections.

(ii) Interest income:

This represents interest from short-term deposits and resale agreements and is recognised on the accrual basis.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

3. Significant accounting policies (cont'd)

(g) Impairment:

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of accumulated fund.

(i) Calculation of recoverable amount

The recoverable amount of the Fund's resale agreement and receivables is calculated as the present value of 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 pretax 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 inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a held-to-maturity security or 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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the statement of accumulated fund.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

3. Significant accounting policies (cont'd)

(i) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of accumulated fund, except to the extent that it relates to items recognised directly to the accumulated fund, in which case it is recognised in the accumulated fund.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation 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 balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. Property, plant and equipment

	Leasehold	Office equipment	Furniture, fixtures	Computer equipment	Motor vehicles	Total
	$	$	$	$	$	$
At cost:						
Acquisitions	-	1,590,905	453,511	1,626,252	3,764,216	7,434,884
Additions	707,407	-	159,267	-	-	866,674
At March 31, 2007	707,407	1,590,905	612,778	1,626,252	3,764,216	8,301,558
Depreciation:						
At March 2006	-	18,059	7,909	223,668	-	249,636
Charge for the Year	70,741	317,620	61,206	541,542	752,843	1,743,952
At March 31, 2007	70,741	335,679	69,115	765,210	752,843	1,993,588
Net book values						
March 31, 2007	636,666	1,255,226	543,663	861,042	3,011,373	6,307,970
March 31, 2006	-	1,572,846	445,602	1,402,584	3,764,216	7,185,248

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

5. Cash and cash-equivalents

	2007	2006
	$	$
Short-term deposits	900,571,404	419,514,406
Cash and bank balances	78,021,100	29,911,402
	978,592,504	449,425,808

6. Resale agreements

The Fund purchases securities and agrees to resell them on a specified date and at a specified price (‘resale agreements’ or ‘reverse repos’). The fund, on paying cash to the counterparty, sometimes takes possession of the underlying securities, although title is not formally transferred, unless that counterparty fails to repurchase the securities on the date specified or to honour other conditions.

	2007	2006
	$	$
Denominated in Jamaica dollars	1,095,846,646	55,000,000
Denominated in US dollars	328,706,727	334,648,968
	1,424,553,373	389,648,968

The fair values of the underlying securities are:

	2007	2006
	$	$
Denominated in Jamaica dollars	1,900,830,518	55,997,903
Denominated in US dollars	648,116,593	352,096,385
	2,548,947,111	408,094,288

7. Accounts receivable and prepaid expenses

	2007	2006
	$	$
Service fees receivable	386,918,614	425,595,593
Deposits	-	2,553,445
Interest receivable	10,675,626	3,236,790
Other receivables and prepayments	37,959	332,370
	397,632,199	431,718,198

Deposits in 2006 include advances of $656,850 made in connection with capital expenditure (note 15).

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

8. Accounts payable and accrued charges

	2007 $	2006 $
Deposit	6,581,280	-
Accounts payable	-	243,163
Gratuity payable [see note 14(a)]	4,071,674	1,588,624
Other payables and accrued charges	2,550,834	1,392,250
	13,203,788	3,224,037

9. Due to related entity

This represents interest-free amounts advanced on current account by Spectrum Management Authority, parent entity of the administrator, in respect of medical costs for employees and parking spaces.

10. Deferred tax liability

Deferred tax liability is attributable to temporary differences between tax and financial reporting in respect of the following:

	2007 $	2006 $
Property, plant and equipment	195,439	21,019
Interest receivable	3,558,542	1,078,930
Unrealised foreign exchange gain	-	2,861,526
Accounts payable	(351,734)	-
	3,402,247	3,961,475

To show the movement recognized in the statement of accumulated fund [note 13(b)(ii)].

11. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash-equivalents, resale agreements and accounts receivable. Financial liabilities include accounts payable and due to related entity.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

11. Financial instruments (cont'd)

Fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Determination of fair values:

The fair values of cash and cash-equivalents, resale agreements, accounts receivable, accounts payable and due to related entity are assumed to approximate their carrying values, due to their short-term nature.

Financial instrument risks:

Exposure to interest rate, credit, market, liquidity, cash flow and foreign currency risks arise in the ordinary course of the Fund's business. Derivative financial instruments are not presently used by the Fund as a risk management strategy.

(a) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, such as interest and foreign exchange rates, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's exposure is not significant as the financial instruments subject to this risk are held for the short-term and, accordingly, would substantially reflect prevailing interest rates in the financial markets.

(ii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currency giving rise to this risk is the US dollar. At balance sheet date, the fund has foreign currency assets which amounted to US $4,843,609 (2006: US$5,762,526).

The Fund has no exposure to market risk as it has no traded securities.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

11. Financial instruments (cont'd)

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation resulting in loss to the other party.

The Fund's credit risks are concentrated in cash and cash-equivalents, resale agreements and accounts receivable. The Fund manages credit risk by establishing an investment policy and maintaining cash and cash equivalents and resale agreements with reputable financial institutions. Accounts receivable are subject to rigorous collection procedures. There are no other significant concentrations of credit risk and the Fund's maximum exposure to credit risk is limited to the carrying values of financial assets in the balance sheet.

(c) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. The Fund manages this risk by maintaining sufficient cash and cash-equivalents.

12. Staff costs

	2007 $	2006 $
Salaries	17,528,289	9,762,345
Statutory contributions	1,004,731	503,924
Other	383,526	312,989
Total staff costs [note 14(b)]	18,916,546	10,579,258

13. Taxation

(a) The services fees received by the Fund on inbound international telephone calls have been exempted from income tax under Section 12(i) of the Income Tax Act. All other income, including income earned on investments are taxable.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

13. Taxation (cont'd)

(b) The income tax charge is computed at 33⅓% of the increases in accumulated fund before taxation, as adjusted for tax purposes, and is made up as follows:

	2007 $	2006 $
(i) Current income tax	38,456,171	4,818,344
(ii) Deferred income tax:		
Origination and reversal of temporary differences (note 10)	(559,228)	3,961,475
Total taxation recognised in the statement accumulated fund [note 13(c)]	37,896,943	8,779,819

(c) Reconciliation of effective tax rate of 0.69% of the increase in accumulated fund before taxation, compared to the expected tax rate of 33⅓%:

	2007 $	2006 $
Increase in accumulated fund before taxation	1,548,641,796	1,278,446,426
Computed "expected" tax expense @ 33⅓%	516,213,932	426,148,809
Tax effect of treating the following items differently for financial statements and for tax reporting purposes:		
Non-taxable income	(482,259,707)	(417,383,002)
Other	3,942,718	14,012
Actual taxation charge recognised [note 13(b)]	37,896,943	8,779,819

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL ACCESS FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

14. Related party balances and transactions

A party is related to an entity if:

(i) directly or indirectly the party:

- controls, is controlled by, or is under common control with the entity;
- has an interest in the entity that gives it significant influence over the entity; or
- has joint control over the entity.

(ii) the party is an associate of the entity;

(iii) the party is a joint venture in which the entity is a venturer;

(iv) the party is a member of the key management personnel of the entity or its parent.

(v) the party is a close member of the family of any individual referred to in (i) or (iv) above.

(vi) the party is the entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or any company that is a related party of the entity.

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

"Key management personnel", comprises the Board of Directors and the administrator.

(a) In addition to those shown in the balance sheet, balances with related parties are as follows:

	2007	2006
Key management personnel:		
Gratuity payable - Director (see note 8)	1,025,436	657,877

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL ACCESS FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2007

14. Related party balances and transactions (cont'd)

(b) The statement of accumulated fund includes expenses, arising in the ordinary course of business, with the related parties as follows:

	2007	2006
Related entities:		
Interest on loan	-	117,363
Management fees	1,420,000	2,000,000
Rental of property and maintenance fees	-	648,996
Legal fees	8,163,113	20,223,244
Professional fees – computer support	-	61,430
Key management personnel compensation:		
Directors' fees	325,427	606,280
Directors remuneration included in staff costs (note 12)	5,336,274	2,950,544

15. Capital commitments

Commitments in relation to capital expenditure at the balance sheet date amount to $NIL (2006: $707,407). Of this amount, $656,850 has been deposited (note 7).

16. Subsequent event

On March 17, 2008, all investment accounts were closed and the proceeds forwarded to the Accountant General, following a directive by the Minster of Finance to immediately transfer levy balances to the Government's Consolidated Fund, based on the interpretation of the statutes by the Auditor General, and the Solicitor General.

The Fund will be treated as a Subsidiary Consolidated Fund Account and will become a line item on the budget of the Ministry of Energy, Mining & Technology (MEMT).

Disbursement of the funds will be made when the Fund requests monies to be disbursed to e-Learning or any other project under consideration. These along with funds required for the administration of projects will be released by warrants to the Fund through the MEMT. It has also been recommended that the 5% of incoming revenues be retained by the Fund for administrative purposes, though conceptually it will remain part of the Consolidated Fund. These operating arrangements have not yet been finalised.

It is also expected that any new funds received are to be transferred to the Consolidated Fund quarterly, rather than monthly by the Fund. This is to be approved by Cabinet.

SENIOR EXECUTIVES' COMPENSATION

Position of Senior Executive	Year	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assigned Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances (Meal Allowance) ($)	Non-Cash Benefits ($)	Total ($)
Managing Director	2006/2007	4,812,600	-	2,911,372	-	46,800	-	7,770,772
Director of Projects	2006/2007	2,761,500	-	477,708	-	46,800	-	3,286,008
Financial Controller	2006/2007	2,761,500	-	477,708	-	46,800	-	3,286,008

Notes

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc.)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

DIRECTORS' COMPENSATION

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	**49,500**	**40,000**	**-**	**-**	**89,500**
Deputy Chairman	**18,000**	**-**	**-**	**-**	**18,000**
Director 1	**26,000**	**-**	**-**	**-**	**26,000**
Director 2	**24,000**	**-**	**-**	**-**	**24,000**
Director 3	**20,000**	**-**	**-**	**-**	**20,000**
Director 4	**20,000**	**-**	**-**	**-**	**20,000**
Director 5	**16,000**	**-**	**-**	**-**	**16,000**
Director 6	**34,000**	**-**	**-**	**-**	**34,000**
Committee 1	**4,000**	**-**	**-**	**-**	**4,000**
Refund (Board Fees 2005/2006)	**(104,000)**	**-**	**-**	**-**	**(104,000)**
Board Expenses	**177,927**	**-**	**-**	**-**	**177,927**
TOTAL	**$285,427**	**40,000**	**-**	**-**	**$325,427**

Notes

3. **Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.**

UAF...Bridging the Information Gap.
Internet Access for Everyone

36 Trafalgar Road,
Kingston 10, Jamaica W.I.
Telephone: 876. 926. 1727 **Fax:** 876. 960. 8981

DESIGN & PRINTED BY