ANNUAL REPORT | 2007/2008

UNIVERSAL ACCESS FUND COMPANY LIMITED

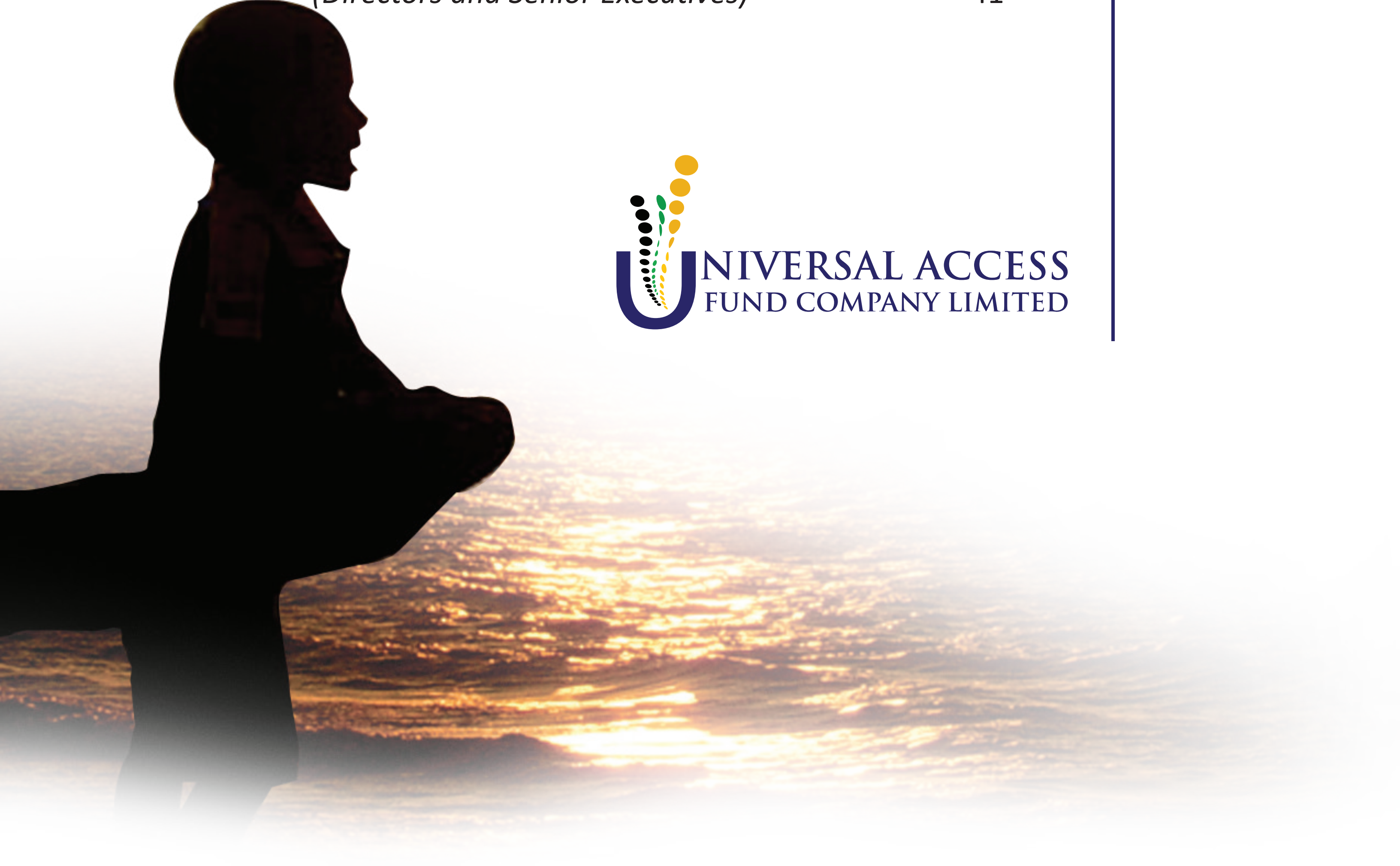
UAF...Bridging the Information Gap.
Internet Access for Everyone

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

Managing Director's Report

UNIVERSAL ACCESS
FUND COMPANY LIMITED

CONTENTS

PERFORMANCE OF THE UNIVERSAL ACCESS FUND COMPANY LIMITED (UAFCL) FOR FINANCIAL YEAR 2007/2008

1.0 Inroduction

The Universal Access Fund Company Limited (UAFCL) continued to pursue its mandate throughout fiscal year 2007/2008, achieving moderate successes. Many challenges were encountered which consumed tremendous energies in resolving them. The fund continued to grow as a result of brisk collections coupled with delays in the execution of major projects.

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 UAFCL will continue to pursue the mandate outlined in the Corporate Plan and anticipates an acceleration of the projects during next year. The resources of the company will be directed toward fulfilling its core functions and mandate which 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 and any other agency approved by the Board of Directors

- Ensuring the 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, other selected institutions, and communities.

- Collaborating with the Jamaica Library Services 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 experience in 180 secondary schools, teachers colleges and other “special” institutions.

5.0 Board of Directors

Dr. Herbert Thompson served as Chairman of the Board up to the end of August 2007. Mr. James Moss-Solomon was appointed 2008 January 8 and chaired his first meeting on 2008 March 19. During the year the board held five meetings from May 2007 and March 2008. No meetings were held during the months 2007 September to 2008 January due to issues relating to the reconstituting of the Board. As at the end of the March 2008 the board members were James Moss-Solomon, Hugh Cross, Jean Dixon, Michele English, Camille Facey, Mark Hall, Nigel Henry, Lorris Jarrett, Stacey Mitchell, Chenée Riley, and Robert Shaw. The Company Secretary remained Dianne Edwards.

6.0 Physical achievement for Financial Year 2007/2008

- Completed the adjudication of responses to the Broadband RFP and concluded negotiations with selected providers and sought approval for awarding the contracts. Our recommendations were considered by the National Contracts commission (NCC) which advised that all bids should be rejected and negotiations concluded with the two recommended bidders. These negotiations have been concluded and the revised recommendations are scheduled to be presented to the NCC during 2008 April. Subsequent on their approval, the recommendations will be submitted to Cabinet for consideration and approval following which contracts will be awarded. Expectations are that contracts should be awarded during the first quarter of fiscal 2008/2009.

- Collected levy payments, details of which are outlined in the financial report below. The UAFCL remained vigilant in ensuring that the levy payments were remitted on time. Total collection for the year amounted to $1.25 Billion despite the serious challenges that were encountered. Our strategy included the dispatch of demand letters to terminating carriers to ensure that delinquency was kept to a minimum. Unfortunately, there are three carriers in default, who owe a combined amount of $72.4 Million. Their terminating inbound international services have been suspended by the terminating carrier and the licence of one carrier was suspended for three months beginning 2007 November.

- Invested funds with approved institutions in accordance with our Treasury Management policy. The investment portfolio increased to $3.56 Billion at 2008 March 17. However, this portfolio was terminated pursuant to the decision that all funds collected should be deposited into the Consolidated Fund where special, sterile accounts would be opened on behalf of the UAFCL. The total proceeds from the closed investment portfolio, in the amounts of JA$866.7 Million and US$38.7 Million, were forwarded to the Accountant General for deposit into the special accounts.

- Reviewed draft Human Resource Policy Manual. The format of the original manual was considered inappropriate; consequently, a revised policy with a new format and content was prepared and submitted to the Board of Directors for consideration and approval.

- Provided subventions to the e-Learning Jamaica Company for their operating expenses and project contract obligations. During the year, 15 such payments were made totaling $336.62 Million. Gross funding to the e-Learning Company to the end of 2008 March 31 amounted to $423.32 Million.

- Supported the National Library Service project and participated in the launch of their new modern Information Commons on 2008 July 26. Funding in the amount of $329,072 was provided for this project. The Library has reported a tremendous increase in traffic since the commissioning of the new facilities.

- Supported the Jamaica Library Services (JLS) in upgrading all its Parish and Branch Libraries with computing and associated facilities. The UAFCL participated in the signing of the contract for the Jamaica Library Services computer acquisition project on Monday 2008 January 28 with a total value of $31.68 Million. Within two days the contractor delivered all 333 computers under the contract which the JLS immediately distributed to the targeted libraries. The UAFCL has so far paid $28.51 Million under this project. Total project support approved for the JLS is $31.68 Million.

- The UAFCL collaborated with the Postal Corporation in visiting the five post offices which have been selected to participate in its pilot project scheme. The Postal Corporation has selected a contractor for supplying the computer and associated equipment and will commence infrastructural work during the first quarter of fiscal 2008/2009. This project is scheduled for completion during the same quarter.

- Collaborated in providing strong defence against foreign agencies that persisted in their challenges against the levy regime.

- Commenced preparations for a successor Universal Service Obligation funding regime. The current regime, under which the levy derives its legitimacy, took effect on 2005 June 1 with an initial expected life of three years. In preparation for the design of a successor regime the UAFCL prepared a comprehensive terms of reference document for engaging an appropriate consultant to analyse the current situation and to make recommendations regarding the most judicious future strategy.

- Prepared terms of reference and contracts to procure external and internal audit services. Advertisements were placed for these services and responses received are currently being adjudicated with a view to awarding contracts during 2008 April.

7.0 Human Resources

7.1 *Administration/Staffing*

There were no changes in the staff complement during the year. At yearend there were five (5) members of staff, with two unfilled vacancies.

7.2 *Training and Development*

Employee	Programme/Trainer	Date
Hugh Cross, Managing Director	"Building Productivity Through Strategic Leadership" Jamaica Employers Federation (JEF)	2008/01/23
Rowland Phillips, Director of Projects	Annual Regional Summit E-Trade Central Information Technology Office (CITO)	2007/05/10
Violet Badroe, Financial Controller	Strengthening Public Sector Financial Management; the Emerging Role of Accountants. Management Institute for National Development (MIND)	2008/03/06
Cleo Hall, Accountant	[1] Taxation – Taxpayers' Rights and Obligations [2] IFRS Assessment and Application Institute of Chartered Accountants of Jamaica (ICAJ)	2007/10/06 2007/10/19-20

8.0 Financial Performance for 2007/2008

For the Financial year 2007/2008, Universal Access Fund Company Limited (UAFCL) established a revenue target of $1.332 Billion comprising:

- *Access Fees* *$1.296*
- *Interest Income* *0.036*

$1.332 Billion

8.1 Allocation of Revenue

- Project funding, including the e-Learning company 95% of Access Fees $1.265
- UAFCL 5% of Access Fees + Interest Income 0.067

$1.332 Billion

8.2 Revenue Target

For the Financial year, revenue surpassed target by approximately 18% as shown in the table below:

Revenue	*Actual $B*	*Budget $B*
Access Fee	1.357	$1.296
Interest Income	0.215	0.036
Total	**1.572**	**1.332**

8.3 *Access Fees*

The UAFCL faced many challenges pertaining to the collection of the Universal Service Levy:

- The three (3) carriers whose international inbound terminating services were disconnected during 2006/2007 remained disconnected. Efforts continued to collect the overdue balances from these three carriers; however, there has been no success to date. The matter was referred to the Solicitor General's Chambers for advice regarding the most judicious strategy for collecting these long overdue balances.

- Late payment of fees from time to time.

- Continued diminution of levy receivables due to – Voice Over Internet Protocol and other bypass techniques that have negatively impacted billable inbound international traffic minutes.

8.4 Interest Income

Interest Income earned surpassed target because of the tremendous growth in investments and deferrals in projected payments resulting from delays in our major projects. This source of income will be significantly reduced for future years as all funds are now deposited into the Consolidated Fund.

8.5 *Collections to-date*

Since the inception of The Fund on 2005 June 1, the company has collected $3.807 Billion. There remain approximately $323.4 Million receivables for the year 2007/2008. Receivables are normally high due to the provisions of payment contracts existing between terminating carriers and interconnected administrations.

Financial Year	*Actual Collection $B*
2005/2006	$1.298
2006/2007	$1.260
2007/2008	**$1.249**
Total	**$3.807**

8.6 *Investments*

The UAFCL invested all available funds in gilt edge securities with reputable financial institutions, consistent with our Treasury Management policy. At the close of business on 2008 March 14, total Cash at Bank and Cash on Hand stood at $3.67 Billion as shown in the table below:

Accounts	*Amount*
BNS Current A/C	45,637,574
* *BNS Savings*	63,426,353
Cap & Credit Securities	214,543,205
* *Cap & Credit Securities*	862,218,067
* *NCB Capital Markets*	237,133,173
* *RBTT Securities Limited*	245,227,817
* *Pan Caribbean*	424,100,942
Pan Caribbean	223,269,923
* *Dehring, Bunting & Golding*	325,311,905
Dehring, Bunting & Golding	196,299,634
* *Guardian Asset Mgmt*	596,250,051
Guardian Asset Mgmt	232,624,796
Petty cash	10,000
Total	J$3,666,053,440

* These Accounts were denominated in United States Currency

As indicated earlier, all investment accounts were closed and the proceeds deposited into the Consolidated Fund.

8.7 *Expenditure*

The total expenditure (minus depreciation) for the financial year 2007/2008 amounted to $477.891 Million. Of this amount The Fund accounted for $98.901 Million directly, which included taxation totaling $70.091 Million; and e-Learning Jamaica Company Limited accounted for $378.990 Million.

Internal operating expenditure of $28.81 Million represents 46% of the budgeted amount of $62.26 Million. This resulted from judicious management of resources and the fact that certain planned expenditures did not materialise.

9.0 Focus for 2008/2009 Financial Year

9.1 Completion of Projects

The UAFCL will concentrate on completing all approved projects to ensure wider availability of broadband access across the country consistent with its mandate. It is anticipated that the broadband wide-area network will become available to allow connectivity to the upgraded high schools, public libraries, and select post offices, and general access to communities covered by the transmission media. It is expected that the infrastructural upgrade of the Postal Corporation will be completed within the first quarter. Once their pilot project has been implemented and evaluated, the initiative may be rolled out to additional post offices. We will continue to press for better and more timely international traffic data from the terminating carriers and the Office of Utilities Regulation to facilitate our reconciliation efforts.

9.2 New Projects

New projects under consideration will include the upgrading of facilities catering to the physically challenged community. In this regard, consideration will be given to a request from the Jamaica Association for the Deaf for upgrading facilities at 6 institutions across the country (Pre-School Centre for the Deaf, Danny Williams School for the Deaf, St. Christopher's School, May Pen Unit, Portland Unit, and Ex-ed Unit); at a total projected cost of $6.0 Million. The UAFCL will also consider the development of 60 Community Multi-media Access Points throughout the country.

9.3 Audit, Public Relations, and Legal Services, and Annual General Meeting

The UAFCL will enter into contract for the provision of internal and external audit services during the first quarter of 2008/2009. We will also seek to conclude negotiations for public relations and legal services during the second quarter. The financial audits of our accounts for 2005/2006 have been approved by the Board of Directors, clearing the way for holding our first annual general meeting. We will vigorously pursue the completion of external audits for years 2006/2007 and 2007/2008 to facilitate annual general meetings for those years very soon thereafter.

9.4 Project Monitoring

Our Director of projects will be heavily engaged in monitoring progress at the more than 170 educational and other institutions which will be upgraded. Post mobilization disbursements against projects will continue to be strictly on the basis of work that has been confirmed to have been satisfactorily completed.

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, 2008, 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, 2008 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, 2008

	Note	2008	2007
CURRENT ASSET			
Cash at bank		$10,000	10,000
EQUITY			
Share capital	3	$10,000	10,000

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:

____________________ Chairman
André Foote

____________________ Director
Hugh Cross

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

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements
March 31, 2008

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 levy") 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, 2008, the company has 5 (March 31, 2007: 5) 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. Basis of preparation, statement of compliance and significant accounting policies

(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 Companies 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

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements
March 31, 2008

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

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

New standards and interpretations not yet effective

At the date of approval of the financial statements for issue, certain new and revised standards and interpretations were in issue but were not yet effective. The new standards and interpretations relevant to the company are as follows:

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 company'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 any material impact on the company'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 company's financial statements.

- Amendments to IFRS 7 *Financial Instruments: Disclosures* are effective for annual periods beginning on or after January 1, 2009. require enhanced disclosures in respect of two aspects: disclosures over fair value measurement for financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk, to address current diversity in practice

(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.

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2008

2. Basis of preparation, statement of compliance and significant accounting policies (cont'd)

(b) Basis of preparation (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.

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.

The significant accounting policies are as follows:

(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 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.

UNIVERSAL ACCESS FUND COMPANY LIMITED

Notes to the Financial Statements (Continued)
March 31, 2008

3. Significant accounting policies (cont'd)

(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.

(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

	2008	2007
Authorised, issued and fully paid:		
100 ordinary shares of no par value	$10,000	10,000

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 40, which comprise the balance sheet as at March 31, 2008, the statements of accumulated funds, changes in 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 $887,347,759 (2007: $1,432,831,647) recognised for the year. Any adjustment, as might have been deemed necessary in this regard, would affect the increase in the accumulated funds of $1,114,271,754 (2007: $1,510,744,853) for the year and the accounts receivable and prepaid expenses of $328,081,838 (2007: $397,632,199) 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, 2008, 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, 2008

	Notes	2008 $	2007 $
UNIVERSAL SERVICE FUND		60,000,000	-
SUBSIDIARY CONSOLIDATED FUND		335,742,949	2,780,411,460
		395,742,949	2,780,411,460
Represented by:			
NON-CURRENT ASSETS			
Property, plant and equipment	4	4,733,102	6,307,970
CURRENT ASSETS			
Cash and cash-equivalents	5	52,773,340	978,592,504
Resale agreements	6	46,565,712	1,424,553,373
Accounts receivable and prepaid expenses	7	328,081,838	397,632,199
Total current assets		427,420,890	2,800,778,076
CURRENT LIABILITIES			
Accounts payable and accrued charges	8	(8,806,057)	(13,203,788)
Due to related entity	9	-	(128,209)
Income tax payable		(26,664,229)	(9,940,342)
Total current liabilities		(35,470,286)	(23,272,339)
Net current assets		391,950,604	2,777,505,737
NON-CURRENT LIABILITIES			
Deferred tax liability	10	(940,757)	(3,402,247)
Net assets		395,742,949	2,780,411,460

The financial statements on pages 21 to 40 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

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Statement of Accumulated Funds
Year ended March 31, 2008

	2008		2007	
	Subsidiary Consolidated fund	Universal Service Fund	Subsidiary Consolidated Fund	Universal Service Fund
	$	$	$	$
INCREASE IN FUNDS				
Service levy	887,347,759	-	1,432,831,647	-
Other income - interest	215,567,087	-	126,546,342	-
- foreign exchange gains	104,011,910	-	43,502,923	-
	1,206,926,756	-	1,602,880,912	-
Government grant and subvention	-	469,561,106	-	113,342,572
Total increase in fund	1,206,926,756	469,561,106	1,602,880,912	113,342,572
DECREASE IN FUNDS				
Universal service projects:				
E-learning project	-	378,990,014	-	70,278,964
	-	378,990,014	-	70,278,964
Administration expenses*:				
Auditors' remuneration	-	1,332,760	-	837,765
Advertising and public relations	-	566,609	-	1,313,600
Bank charges	-	22,838	-	13,945
Directors' fees	-	410,143	-	325,427
Management fees	-	790,757	-	1,420,000
Depreciation	-	1,761,871	-	1,743,952
Training expenses	-	48,834	-	96,033
Subscriptions	-	48,696	-	53,528
General office expenses	-	1,719,246	-	1,819,514
Rent	-	673,944	-	656,847
Legal fees	-	234,045	-	8,163,113
Consultancy and other professional fees	-	918,524	-	6,915,147
Stationery and office supplies	-	258,036	-	373,645
Staff costs (note 12)	-	21,201,867	-	18,916,548
Travel - local/overseas	-	104,077	-	15,866
Motor Vehicle expenses	-	464,935	-	398,678
Doubtful Debts	22,563,455	-	54,239,116	-
Repairs and maintenance	-	13,910	-	-
Total administration expenses	22,563,455	30,571,092	54,239,116	43,063,608
Total decrease in funds	22,563,455	409,561,106	54,239,116	113,342,572
Increase in accumulated funds before taxation	1,184,363,301	60,000,000	1,548,641,796	-
Taxation (note 13)	(70,091,547)	-	(37,896,943)	-
	1,114,271,754	60,000,000	1,510,744,853	-

*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, 2008

	Subsidiary Consolidated Fund $	Universal Service Fund	Payments to consolidated fund	Total $
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
Payments to subsidiary consolidated fund	-	-	(3,558,940,265)	(3,558,940,265)
Increase in fund for the year	1,114,271,754	60,000,000	-	1,174,271,754
Balances at March 31, 2008	3,894,683,214	60,000,000	(3,558,940,265)	395,742,949

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, 2008

	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in accumulated funds for the year/period	1,174,271,754	1,510,744,853
Adjustments to reconcile increase in accumulated funds for the year/period to net cash provided by operating activities:		
Foreign exchange gains	(104,011,910)	(43,502,923)
Doubtful Debts	22,563,455	54,239,116
Interest income	(215,567,087)	(126,546,342)
Depreciation	1,761,871	1,743,952
Tax expense	70,091,547	37,896,943
Interest received	222,780,041	115,870,716
	1,171,889,671	1,550,446,315
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	39,773,952	(9,477,491)
Taxation recoverable	(55,829,150)	(29,618,273)
Accounts payable	(4,397,731)	9,979,751
Due to parent company	(128,209)	104,550
Net cash provided by operating activities	1,151,308,533	1,521,434,852
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(187,003)	(866,674)
Resale agreements	1,377,987,661	(1,034,904,405)
Net cash received/(used) by investing activities	1,377,800,658	(1,035,771,079)
CASH FLOW FROM FINANCING ACTIVITITIES		
Payment to consolidated fund subsidiary	(3,558,940,265)	-
Net cash used by financing activities	(3,558,940,265)	-
Net (decrease)/increase in cash and cash-equivalents	(1,029,831,074)	485,663,773
Cash and cash-equivalents at beginning of the year/period	978,592,504	449,425,808
Effect of exchange fluctuations on cash held and cash-equivalents	104,011,910	43,502,923
Cash and cash-equivalents at end of the year/period	52,773,340	978,592,504

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, 2008

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 is 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 levy, for the administration of the Fund. The allocation is subject to review after three years.

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.

Any new funds received are transferred to the Consolidated Fund immediately by the Fund. This is to be approved by Cabinet.

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).

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 fund's financial statements.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

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

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

New standards and interpretations not yet effective

At the date of approval of the financial statements for issue, certain new and revised standards and interpretations were in issue but were not yet effective. The new standards and interpretations relevant to the fund are as follows:

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 funds financial statements.

Amendments to IFRS 7 *Financial Instruments: Disclosures* are effective for annual periods beginning on or after January 1, 2009. require enhanced disclosures in respect of two aspects: disclosures over fair value measurement for financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk, to address current diversity in practice

(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, 2008 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.

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

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

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

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

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.

(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 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) 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 statement of accumulated funds.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

3. Significant accounting policies (cont'd)

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

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%

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 origination.

(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.

(e) Accounts payable:

Accounts payable are stated at cost.

(f) Revenue recognition:

(i) Service levy:

Revenue from service levy 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 levy 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, 2008

3. Significant accounting policies (cont'd)

(f) Revenue recognition (cont'd):

(iii) Subvention:
Government subventions are recognised on the cash basis.

(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 funds.

(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 funds.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

3. Significant accounting policies (cont'd)

(i) Income tax:

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

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:						
March 31, 2006	-	1,590,905	453,511	1,626,252	3,764,216	7,434,884
Additions	707,407	-	159,267	-	-	866,674
March 31, 2007	707,407	1,590,905	612,778	1,626,252	3,764,216	8,301,558
Additions	-	16,891	170,112	-	-	187,003
March 31, 2008	707,407	1,607,796	782,890	1,626,252	3,764,216	8,488,561
Depreciation:						
March 31, 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
March 31, 2007	70,741	335,679	69,115	765,210	752,843	1,993,588
Charge for the year	70,741	321,547	75,198	541,542	752,843	1,761,871
At March 31, 2008	141,482	657,226	144,313	1,306,752	1,505,686	3,755,459
Net book values						
March 31, 2008	565,925	950,570	638,577	319,500	2,258,530	4,733,102
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, 2008

5. Cash and cash-equivalents

	2008	2007
	$	$
Short-term deposits	-	900,571,404
Cash and bank balances	52,773,340	78,021,100
	52,773,340	978,592,504

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.

	2008	2007
	$	$
Denominated in Jamaica dollars	-	1,095,846,646
Denominated in US dollars	46,565,712	328,706,727
	46,565,712	1,424,553,373

The amount at year-end represents resale agreement which were being en-cashed but this was not completed until subsequent to year-end.

The fair values of the underlying securities are:

	2008	2007
	$	$
Denominated in Jamaica dollars	-	1,900,830,518
Denominated in US dollars	46,565,712	648,116,593
	46,565,712	2,548,947,111

7. Accounts receivable and prepaid expenses

	2008	2007
	$	$
Service levy receivable	323,382,412	386,918,614
Interest receivable	3,462,672	10,675,625
Other receivables and prepayments	1,236,754	37,960
	328,081,838	397,632,199

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

8. Accounts payable and accrued charges

	2008 $	2007 $
Deposit	-	6,581,280
Gratuity payable [see note 14(a)]	4,923,353	4,071,674
Other payables and accrued charges	3,882,704	2,550,834
	8,806,057	13,203,788

9. Due to related entity

This represented 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:

	2008 $	2007 $
Property, plant and equipment	33,550	195,439
Interest receivable	1,154,224	3,558,542
Accounts payable	(247,017)	(351,734)
	940,757	3,402,247

11. Financial instruments

Financial risk management:

(a) Introduction and overview:

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

These risks are managed through an established risk management framework for the company. The Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

11. Financial instruments (cont'd)

(b) Credit risk:

(i) Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management regards as strong. These financial institutions are kept under review by the Board of Directors.

(ii) Investment securities

The Fund limits its exposure to credit risk by investing only with counterparties that have high credit ratings. Therefore, management does not expect any counterparty to fail to meet its obligations.

The Fund has strong investment policies, which serve as a guide in managing credit risk on investment securities. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

(iii) Accounts receivable

The management of credit risk in respect of accounts receivable is executed by the management of the Fund. The Finance, Audit and Investment Committee is given the responsibility for the oversight of the Fund's credit risk and the development of credit policies.

The Fund does not hold collateral against its accounts receivable.

Allowances for losses:

The Fund establishes an allowance for losses that, if required, represents its estimate of incurred losses in its accounts receivable. Component of this allowance is a specific loss provision that relates to individually significant exposures.

Write-off policy:

The Fund writes off accounts receivable (and any related allowances for losses) when it determines that accounts receivable is uncollectible. This determination is usually made after considering information such as account history, payment patterns, changes in the debtor's financial position, or economic condition of the debtor's industry.

Exposure to credit risk:

Current credit exposure is the amount of loss that the Fund would suffer if all counterparties to which the Fund was exposed were to default at once. This is represented substantially by the carrying amount of financial assets shown on the balance sheet.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

11. Financial instruments (cont'd)

(b) Credit risk (cont'd):

As detailed in the following table, the carrying amounts of financial assets recorded in the financial statements, represent the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Maximum exposure	
	2008	2007
	$	$
Cash and cash equivalents	52,773,340	978,592,504
Resale agreements	46,565,712	1,424,553,373
Accounts receivable and prepayments	328,081,838	397,632,199
	427,420,890	2,800,778,076

The aging of accounts receivable at the reporting date and the related loss allowance was as follows:

	2008		2007	
	Gross	Impairment	Gross	Impairment
	$	$	$	$
Past due 0-30 days	261,681,763	-	150,403,780	-
Past due 31-60 days	19,174,077	-	214,049,148	-
Past due 61-90 days	12,863,015	-	37,945,854	11,771,884
More than 90 days	56,926,438	22,563,455	49,472,534	42,467,232
	350,645,293	22,563,455	451,871,316	54,239,116

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008	2007
	$	$
Balance at beginning of year	54,239,116	-
Impairment loss recognised	22,563,455	54,239,116
Impairment written-off	(54,239,116)	-
Balance at end of year	22,563,455	54,239,116

The Fund's financial assets are concentrated in Jamaica.

There has been no change to the Fund's exposure to credit risk or the manner in which it manages and measures this risk.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

11. Financial instruments (cont'd)

(c) Liquidity risk:

Liquidity risk is the risk that the fund will not be able to meet its financial liabilities as they fall due. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

The Fund manages this risk by maintaining sufficient cash and cash equivalents.

There has been no change to the Fund's exposure to liquidity risk or the manner in which it manages and measures this risk.

The following table presents the contractual maturities of financial liabilities:

	2008		
	Carrying amount	Contractual amounts	6 months or less
	$'000	$'000	$'000
Accounts payable	8,806	8,806	8,806
Total outflow	8,806	8,806	8,806

	2007		
	Carrying amount	Contractual amounts	6 months or less
	$'000	$'000	$'000
Accounts payable	13,204	13,204	13,204
Due to related entity	128	128	128
Total outflow	13,332	13,332	13,332

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

11. Financial instruments (cont'd)

(d) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates, will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. Market risk exposures are measured using sensitivity analysis.

There has been no change to the Fund's exposure to market risk or the manner in which it manages and measures this risk.

(i) Foreign currency risk:

Foreign currency risk is the risk that market value of, or the cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The Fund incurs foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currency giving rise to this risk is the US Dollar.

The Fund manages this risk by minimizing the amount of foreign currency transactions undertaken and limiting outstanding foreign currency balances.

At the balance sheet date, the Jamaica dollar equivalent of net foreign currency asset was as follows:

			Exchange rate	
	2008	2007	2008	2007
	J$'000	J$'000	J$	J$
United States dollar	15,262	1,423,489	70.9413	67.6821

Sensitivity analysis:

A 5 percent strengthening of the Jamaica dollar against the following currencies at March 31 would have decreased surplus or loss by the amount shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2007.

	2008	2007
	J$'000	J$'000
United States dollar	763	71,174

A 15 percent weakening of the Jamaica dollar against these currencies at March 31 would have increased surplus or loss by the amount shown below, on the basis that all other variables remain constant.

	2008	2007
	J$'000	J$'000
United States dollar	2,289	213,523

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

11. Financial instruments (cont'd)

(d) Market risk (cont'd):

(ii) Interest rate risk:

Interest rate risk is the risk of loss from fluctuations in future cash flows or fair values of financial instruments due to changes in market interest rates.

It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities, which are subject to interest rate adjustments, within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. Interest rate risk is managed by holding primarily fixed rate financial instruments which forms the majority of the Fund's financial assets.

At March 31, 2008, interest-bearing financial instruments were as follows:

	Carrying amount	
	2008	2007
	$'000	$'000
Fixed rate financial assets		
Cash and cash equivalents	52,773	978,593
Short-term investments	46,566	1,424,553
	99,339	2,403,146

Fair value sensitivity analysis for fixed rate instruments:

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect surplus or loss.

Cash flow sensitivity analysis for variable rate instruments:

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

12. Staff costs

	2008 $	2007 $
Salaries	19,300,764	17,528,289
Statutory contributions	953,165	1,004,731
Other	947,938	383,526
Total staff costs [note 14(b)]	21,201,867	18,916,546

13. Taxation

(a) The service levy 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.

(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:

	2008 $	2007 $
(i) Current income tax	72,553,037	38,456,171
(ii) Deferred income tax: Origination and reversal of temporary differences (note 10)	(2,461,490)	(559,228)
Total taxation recognised in the statement of accumulated fund note 13(c)]	70,091,547	37,896,943

(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%:

	2008 $	2007 $
Increase in accumulated fund before taxation	1,244,363,301	1,548,641,796
Computed "expected" tax expense @ 33⅓%	414,787,767	516,213,932
Tax effect of treating the following items differently for financial statements and for tax reporting purposes:		
Non-taxable income	(364,380,848)	(482,259,707)
Other	19,684,628	3,942,718
Actual taxation charge recognised [note 13(b)]	70,091,547	37,896,943

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL SERVICE FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

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 of the administrator.

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

	2008	2007
Key management personnel:		
Gratuity leave and incentive payable - Director (see note 8)	3,127,556	1,025,436

UNIVERSAL ACCESS FUND COMPANY LIMITED

UNIVERSAL ACCESS FUND
(Established under the Telecommunication Act 2000)

Notes to the Financial Statements (Continued)
March 31, 2008

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:

	2008	2007
Related entities:		
Management fees	790,757	1,420,000
Legal fees	234,045	8,163,113
Professional fees – computer support	-	61,430
Key management personnel compensation:		
Directors' fees	318,546	325,427
Directors remuneration included in staff costs (note 12)	5,174,305	5,336,274

COMPENSATION

SENIOR EXECUTIVES

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	2007/2008	5,053,230	-	2,158,529	-	49,140	-	7,260,899
Director of Projects	2007/2008	2,899,525	1,381,447	568,812	-	49,140	-	4,898,924
Financial Controller	2007/2008	2,899,525	1,386,625	568,812	-	49,140	-	4,904,102

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

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	**64,000**	**25,000**	**-**	**-**	**89,000**
Deputy Chair	**12,625**	**-**	**-**	**-**	**12,625**
Director 1	**27,500**	**-**	**-**	**-**	**27,500**
Director 2	**10,625**	**-**	**-**	**-**	**10,625**
Director 3	**46,625**	**-**	**-**	**-**	**46,625**
Director 4	**36,125**	**-**	**-**	**-**	**36,125**
Director 5	**25,500**	**-**	**-**	**-**	**25,500**
Director 6	**17,000**	**-**	**-**	**-**	**17,000**
Director 7	**11,046**	**-**	**-**	**-**	**11,046**
Director 8	**25,500**	**-**	**-**	**-**	**25.500**
Director 9	**8,500**	**-**	**-**	**-**	**8,500**
Director 10	**8,500**	**-**	**-**	**-**	**8,500**
Board Expenses	**91,597**	**-**	**-**	**-**	**91,597**
Total	**385,143**	**25,000**	**-**	**-**	**410,143**

Notes: 1. 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.

UNIVERSAL ACCESS FUND COMPANY LIMITED

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