



## ANNUAL REPORT 2010/2011

---

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



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.



# TABLE OF CONTENTS

## CHAIRMAN'S MESSAGE BOARD OF DIRECTORS STAFF

Managing Director's Report.....1 - 16

Auditors' Report  
(Universal Access Fund Company Limited).....18 - 19

Audited Financial Statements  
(Universal Access Fund Company Limited).....20 - 21

Auditors' Report  
(Universal Service Fund).....22 - 23

Audited Financial Statements  
(Universal Service Fund).....24 - 44

Compensation  
(Directors and Senior Executives) .....45

---

### Tables

- 1 - Training and Development
- 2 - Budget
- 3 - Revenue
- 4 - Monthly Remittances to the Consolidated Fund Accounts
- 5 - Community Access Points Implementation 2010/2011
- 5a - CAPS Carried Forward
- 6 - CAPS Approved 2010/2011
- 7 - CAPS completed 2010/2011
- 8 - Incomplete CAPS at 2011 March 31

### Figure

- 1 - Collections
- 1a - JA\$ Monthly Remittances to Consolidated Fund Account
- 1b - US\$ Monthly Remittances to Consolidated Fund Account
- 1c - JA\$ Monthly Remittances to UAF
- 2 - Gross Annual Collections – June 1, 2005 to March 31, 2011
- 3 - Map: Community Access Points Implementation Across the Island







## CHAIRMAN'S MESSAGE

Access to the Information Superhighway is of critical importance to national development anywhere in the world. The positive correlation between growth in Gross Development Product and access to the Internet has been well documented. The World Bank in a September 2009 report indicated that "For every 10 percent increase in high-speed Internet connections, the increase in economic growth is 1.3 percent".

Jamaica is fortunate to have multiple options for the provision of internet access even though the coverage remains below acceptable standards and is heavily concentrated in the urban and sub-urban areas of the country. Multiple technologies are also available including optical, traditional cable, and wireless. Each technology presents its own challenges and has its own strengths and weaknesses.

By utilizing funds made available through the universal access levy, the Universal Access Fund Company Limited (UAFCL) was charged by the Government of Jamaica with the responsibility of developing an islandwide broadband network. This network will ultimately facilitate the delivery of quality education to the school population, through the e-Learning Project, and enhance public access to the internet through public libraries, post offices and other selected institutions. We are delighted that Cabinet approved the project and agreements were signed on 2011 April 06.

This Local Area Network/Wide Area Network (LAN/WAN) Broadband project evolved out of the conscious decision to accelerate the deployment of high speed internet access throughout Jamaica as contemplated under the Telecommunications Act 2000. The Act stipulates that access to universal service should be provided to all citizens on request, to the extent technically feasible and in so far as the necessary resources are available.

---

**Dr. André H. Foote**



# BOARD OF DIRECTORS

**Dr. André Foote**

CHAIRMAN

**Dr. Jean Dixon**

VICE CHAIR

**Mr. Hugh Cross**

MANAGING DIRECTOR

**Mrs. Dianne Edwards**

COMPANY SECRETARY

**Mr. Dainsworth B. Richards**

DIRECTOR

**Mrs. Kerry Ann Lewars-Jackson**

DIRECTOR

**Mr. Ian Murray**

DIRECTOR

**Ms. Lesia Quamina**

DIRECTOR

*Replaced by*

**Mrs. Stacey-Ann Soltau-Robinson**

DIRECTOR

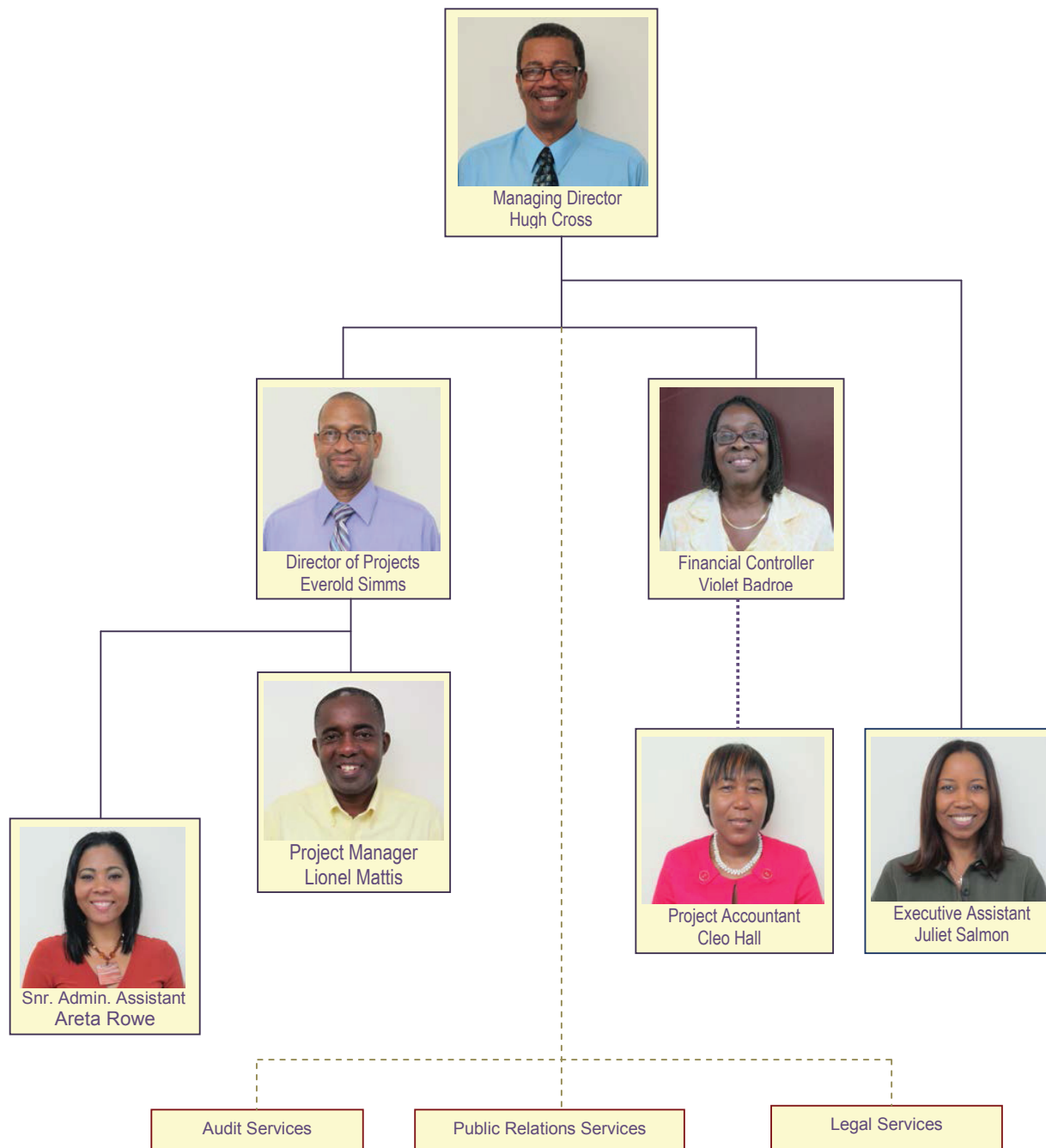
**Mrs. Amber Vicens-Stewart**

DIRECTOR



# UNIVERSAL ACCESS FUND COMPANY LIMITED

## ORGANIZATIONAL STRUCTURE AS AT 2011 MARCH 31





# **MANAGING DIRECTOR'S REPORT 2010/2011**





---

# MANAGING DIRECTOR'S REPORT

---

## 1.0 INTRODUCTION

## 2.0 MISSION

## 3.0 CORE FUNCTIONS

## 4.0 OBJECTIVES

4.1 *Primary Operating Objectives of the Fund*

4.2 *Major Strategies for Achieving Objectives*

## 5.0 ACHIEVEMENTS

## 6.0 HUMAN RESOURCES

6.1 *Administration/Staffing*

6.2 *Training and Development*

## 7.0 FINANCIAL PERFORMANCE

7.1 *Allocation of Revenue*

7.2 *Revenue Target*

7.3 *Access Fees*

7.4 *Interest Income*

7.5 *Collections to-date*

7.6 *Investments*

7.7 *Expenditure*

## 8.0 PROJECT EXECUTION

## 9.0 FOCUS FOR 2011/2012 FINANCIAL YEAR

9.1 *Completion of Projects*

9.2 *New Projects*

9.3 *External Auditing Services*

## PERFORMANCE OF THE UNIVERSAL ACCESS FUND COMPANY LIMITED FOR FINANCIAL YEAR 2010/2011

### 1.0 Introduction

The Universal Access Fund Company Limited (UAFCL) continued to pursue its mandate throughout fiscal year 2010/2011. The customary challenges and frustrations, which consumed tremendous energies to effect acceptable resolutions, were again encountered. The rate of growth of the fund was marginally less than the prior year due primarily to reduced inbound international telephony traffic occasioned partially by bypass operations and increased use of Voice over Internet facilities.

Consistent with the strategy for accelerating the rate of deployment of Internet access points, numerous consultations were held and visits made to locations island-wide to assess the suitability of proposed communities for the establishment of community access points. In addition, the island-wide broadband network was accorded greater prominence to make it a reality over the next two years.

The current funding regime expires on May 31, 2011 and a successor regime will be implemented with the requisite amendments to improve the efficiency of the process.

### 2.0 Mission

The Mission of the company remained 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 facilitated 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 appropriate projects. In addition, we will analyze, propose and monitor projects of a universal services nature, which have the potential of advancing the achievement of the company's mandate.

### 3.0 Core Functions

The UAFCL will continue to pursue its mandate through programmes delineated in the Corporate Plan and anticipates an increase in the number of projects during next year. The resources of the company will be directed toward fulfilling its mandate and core functions 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 institutions approved by the Board of Directors.
- Ensuring the prompt collection of the service charge levy through the Terminating Carriers
- Identification and execution of suitable projects through which the universal services obligation will be advanced

#### 4.2 *The major strategies pursued during the year for achieving these objectives were as follows:*

- Accelerating the negotiations with selected 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.
- Collaborating with the Jamaica Library Service to enhance its capacity for providing wider public access to the Internet.
- Engaging appropriate governmental and non-governmental institutions with a view to identifying suitable communities throughout the country for the establishment of community access points.
- Collaborating with the Postal Corporation of Jamaica to increase and enhance its capacity for providing wider public access to the Internet at select post offices.
- Continuing the collaborating with the e-Learning Jamaica Company Limited to transform the learning and teaching experiences in secondary schools, teacher's colleges and other "special" institutions.

## 5.0 Physical Achievement for Financial Year 2010/2011

- The passion for vigorously collecting the levy payments remained intact throughout the year. Details of the collections for the period are outlined in the financial report. The UAFCL remained resolute in ensuring that the levy payments were remitted on time despite the challenges encountered. Total levy collection for the year amounted to \$1.244 billion, down from \$1.31 billion the previous year. Our strategy, once again included repeated telephone calls and the dispatch of demand letters to terminating carrier to ensure that levy remittances were timely and delinquency was kept to a minimum.
- Two International Voice Service Providers defaulted on outstanding levy payments and their material services were terminated in 2009 August and January 2011. These carriers had outstanding balances of \$78,603,373.59 and \$19,671,482.21, respectively, at year end. Efforts are underway to collect the associated receivables. At year end only the Terminating Carriers were transporting legal international telephony traffic to the island.
- Prepared the accounting schedules to facilitate the commencement of the external audit field work.
- Collaborated, once again, in mounting a strong defence against foreign agencies that continued their challenges against the levy regime. Arising out of agreement at a meeting with the United States advocates, members of their team were taken on a tour of two established community access point facilities. From all indications, the representatives were pleased with the operations at both facilities.
- Secured funding and liquidated the long outstanding income tax payable of \$36,810,426.13.
- Commissioned thirty (30) Community Access Points island-wide.
- Completed and submitted the Corporate and Operating Plans for financial year 2011/2012.

## 6.0 Human Resources

### 6.1 Administration/Staffing

Approval was secured for filling the two vacancies on the establishment. A Project Manager and a Senior Administrative Assistant were consequently recruited and commenced their employment on 2010 September 01 and November 01 respectively. At year end there were seven members of staff.

### 6.2 Training and Development

Table 1 - Training and Development

Employees	Programme/Trainer	Date
Violet Badroe, Financial Controller and, Judith Robb-Walters Audit Committee Member	"Audit Committee Effectiveness" The Institute of Internal Auditors, Jamaica Chapter	2010 October 14

## 7.0 Financial Performance for 2010/2011

For the financial year 2010/2011, the Universal Access Fund Company Limited (UAFCL) established a revenue target of \$1.20 billion comprising:

• Access Fees	\$1.20 Billion
• Interest Income	-
	<u>\$1.20 Billion</u>

### 7.1 Distribution of Budgetary Allocation

Table 2 - Budget

Budget	\$M
Recurrent	75.931
Capital	0.065
Projects	163.189
Total	239.185

### 7.2 Revenue Target

For the financial year, revenue exceeded target by approximately 4% as shown in the table below:

Table 3 - Revenue

Revenue	Budget \$M	Actual \$M
Access Fee	1,200.00	1,243.75
Warrants	239.19	155.25
Interest Income	-	-
Total	1,439.19	1,399.00



### 7.3 Access Fees

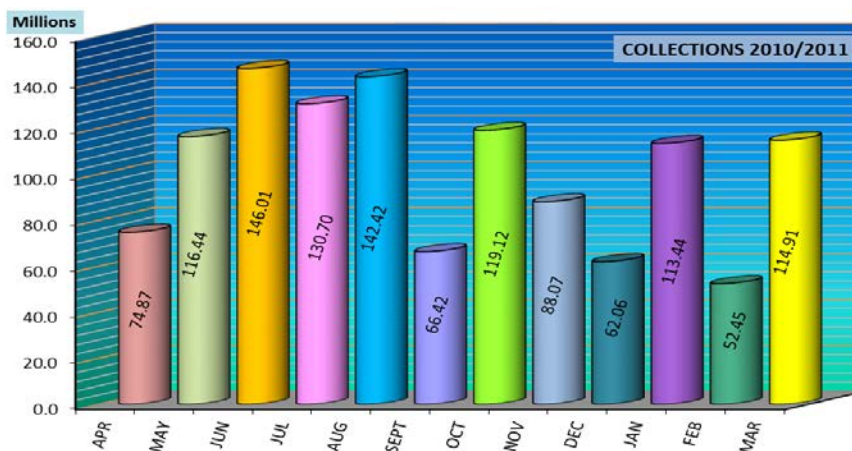
Access fees collected during the financial year amounted to \$1.23 billion, distributed by month as detailed in Table 4 below. Access fees are remitted to the Accountant General immediately upon collection for depositing into the special Consolidated Fund accounts.

*Table 4 - Monthly Remittances to the Consolidated Fund Accounts.*

MONTH	JA\$	US\$	JA\$ TOTAL <sup>1</sup>
April	27,387,342.14	535,417.99	74,874,420.34
May	44,960,459.14	807,985.43	116,436,859.64
June	32,973,531.45	1,308,716.93	146,008,413.96
July	26,562,213.92	1,212,841.67	130,704,321.80
August	32,306,891.56	1,291,068.11	142,424,781.08
September	37,930,594.46	332,436.68	66,415,377.70
October	36,767,884.45	960,542.77	119,119,972.79
November	32,826,545.42	645,243.12	88,067,297.80
December	33,118,381.85	338,547.90	62,057,111.56
January	32,635,658.78	946,777.24	113,444,680.89
February	19,495,149.34	385,376.11	52,454,749.45
March	39,447,766.73	883,404.22	114,909,825.99
<b>TOTAL</b>	<b>396,412,419.24</b>	<b>9,648,358.17</b>	<b>1,226,917,813.00</b>

<sup>1</sup> Monthly Jamaican dollar amounts plus United States dollar amounts converted at the exchange rate at the time of deposit.

Challenges were, once again, experienced in collecting the levy receivables throughout the year. Continual communication continued to be a requirement to ensure that serious delinquencies did not developed. The charts at Figure 1-4 graphically depict the monthly fluctuation of the levy receipts.



*Figure 1 - Collections*

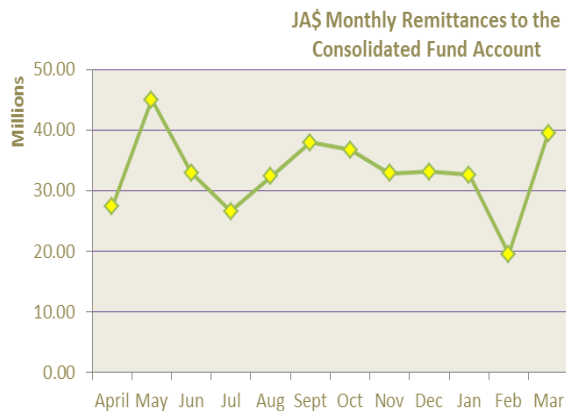


Figure 1a

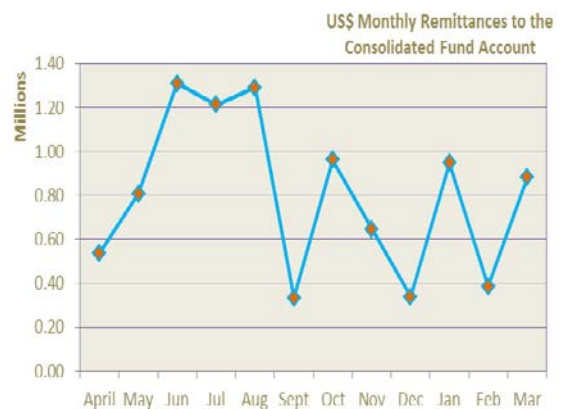


Figure 1b

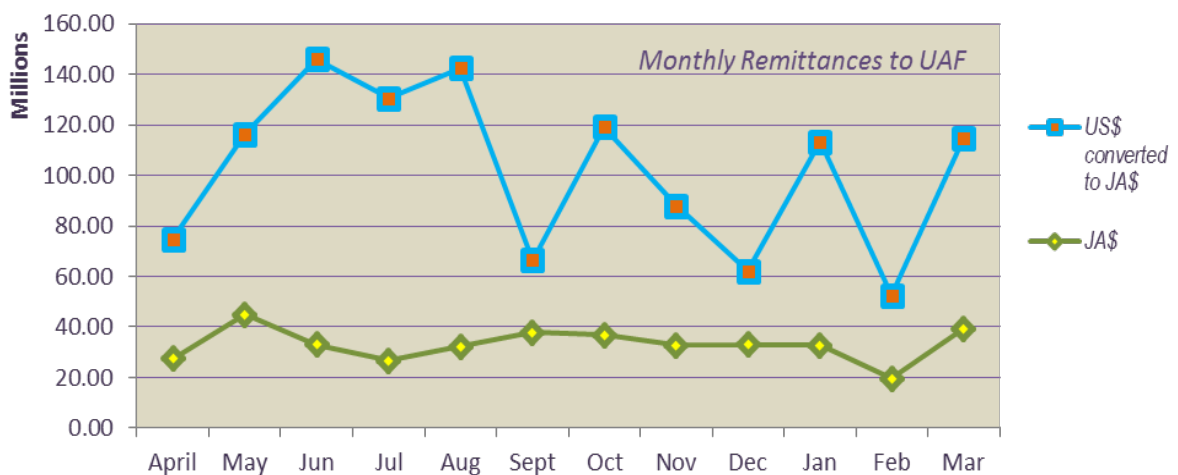


Figure 1c

The challenges continued to be:

- Persistent late remittance of levy obligations.
- Protocol and other bypass techniques that have combined to negatively impact billable inbound international voice traffic volumes.
- Continued diminution of levy receivables due to - Voice Over Internet

#### 7.4 Interest Income

Interest income, in the amount of \$2,934.00 for the year, is deemed immaterial. Funds held in the Consolidated Fund accounts accrue interest but the amounts are not booked as interest.

## 7.5 Collections to date

Since the inception of The Fund on 2005 June 1, the gross collection at year end is \$7.796 billion. Net trade receivables amounted to \$351.22 million; provision for bad debt amounted to \$129.84 million. Trade receivables are normally high due to the provisions of the extended payment contracts existing between terminating carriers and interconnected administrations. Levy remittances are synchronized with inveterate contracts between Terminating Carriers and international carriers. The distribution of collections by years is provided in Figure 2 below.

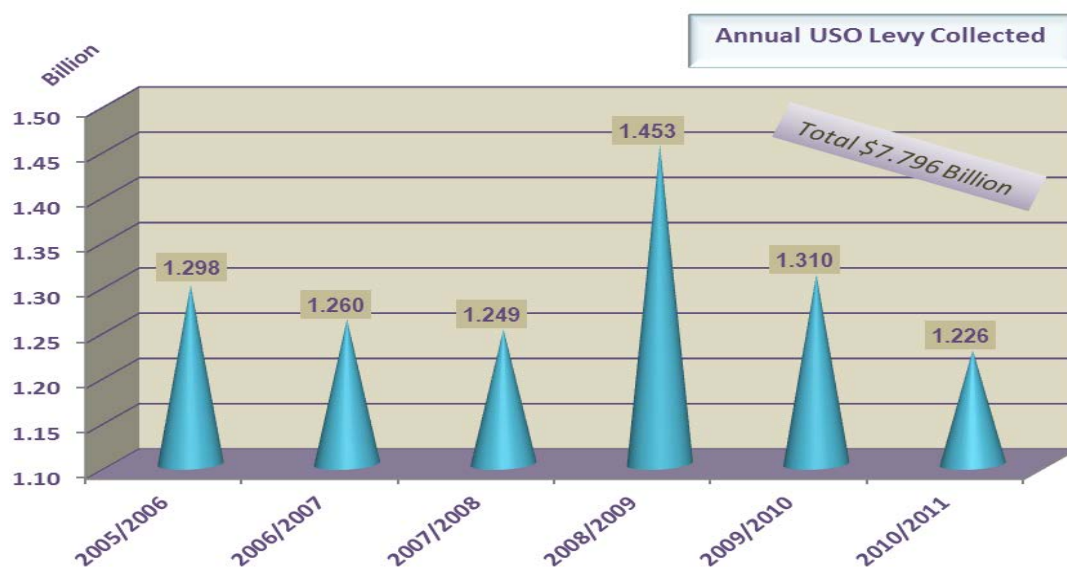


Figure 2: Gross Annual Collections – June 1, 2005 to March 31, 2011

## 7.7 Expenditure

The total expenditure (less depreciation and bad debts) for the financial year 2010/2011 amounted to \$213.85 million. Of this amount operating and project expenses totaled \$50.66 million and \$163.19 million respectively. Internal operating expenditure of \$50.66 million represents 93% of the budgeted allocation of \$54.26 million for the year.

## 8.0 Project Execution

Community Access Point (CAP) Project details at year end are summarized in Table 5 below.

*Table 5: Community Access Points Implementation 2010/2011*

Projects Approved – 25	Projects Completed – 30	Projects in Progress - 14
Treasure Beach	Boy's Town	NCYD Tivoli Gardens
Hanover Homecoming	Roy Edwards Centre North Street	KCDI
Sandy Park	Cassia Park	Youth Integrated Services
Rio Bueno	Samaritan Centre Duke Street	Jeffrey Town
Sunning Hill	Jamaica Youth Business Trust	Church Pen St. Catherine
Farm/Rose Heights	Portland Parish Dev Centre	Eleven Miles, Bull Bay
Mountainside	Marine Park	Mountainside
Williamsfield	Hellshire	Parottee
Girl's Town (PDI)	Victoria District	Balaclava
Kevoy Centre	Sunning Hill	Rio Bueno
Parottee	Treasure Beach	Whitehouse, Westmoreland
Negril	Creative Minds Youth Club	Albert Town
Whitehouse, Westmoreland	Farm/Rose Heights	SDC Complex, Addison Park
Balaclava	Sandy Park	Carron Hall United Church
U-Online Sav	Rollington Town	
Ebenezer	Buff Bay IT Centre	
Church Pen, St. Catherine	U-Online-Sav	
Accompong	Accompong	
Youth Opportunities Unlimited Centre	PDI (Girl's Town)	
Pentecostal Gospel Temple	Linstead Baptist	
Carron Hall	Negril Homework Centre	
Brown's Town	Harbour View	
Lime Hall	Hanover Homecoming	
NCYD Albert Town	Port Morant	
UWI Port Antonio	Pentecostal Gospel Temple	
	NCYD St. Ann's Bay	
	Lime Hall Community Centre	
	Ebenezer Resource Centre	
	Williamsfield	
	UWI Port Antonio	

Prior to the 2010/2011 financial year, twenty-two (22) community access points had been commissioned into service. At the beginning of the 2010/2011 financial year there were twenty (20) incomplete community access point projects in progress at a budgeted cost of \$37,657,177.45 (See Table 5a).

*Table 5a - CAPS Carried Forward*

PROJECTS CARRIED FORWARD at April 1, 2010	BUDGETED	STATUS	ACTUAL COST
Boy's Town	2,367,192.63	Completed July 2010	2,356,051.25
Port Morant	2,220,000.00	Completed February 2011	2,057,404.39
Rollington Town	1,655,000.00	Completed December 2010	1,578,542.50
Roy Edwards Centre	2,355,000.00	Completed September 2010	2,089,663.80
Hellshire Heights	2,355,000.00	Completed July 2010	2,250,180.29
Harbour View	2,355,000.00	Completed February 2011	1,933,204.08
Marine Park	2,580,859.80	Completed November 2010	2,427,347.72
Cassia Park	2,400,000.00	Completed August 2010	2,399,999.77
Ja. Youth Business Trust	2,085,643.00	Completed April 2010	2,072,632.90
Victoria District	1,883,396.00	Completed April 2010	1,877,002.60
Jeffrey Town	1,660,000.00	Awaiting internet sign off	315,099.67
Buff Bay	4,373,000.00	Completed November 2010	4,323,510.88
Linstead	2,305,750.00	Completed February 2011	2,305,750.00
Richmond	2,355,000.00	Withdrawn November 2010	Nil
Cedar Grove	2,214,912.00	Withdrawn November 2010	Nil
Port Antonio	1,214,800.00	Completed October 2010	1,207,307.16
Eleven Miles Bull Bay	2,937,000.00	Awaiting internet connection	2,934,454.08
Fellowship District	1,930,000.00	Completed October 2010	1,927,734.75
NCYD Tivoli Gardens	3,598,194.18	Building under repairs	Nil
NCYD Saint Ann's Bay	3,796,709.18	Completed February 2011	3,601,291.61
<b>TOTAL</b>	<b>\$48,642,456.79</b>		<b>\$37,657,177.45</b>



During the year the Projects and Finance Committee approved twenty-five (25) additional community access point projects island-wide at a cost of \$82,658,313.84 (See Table 6).

*Table 6 - CAPS Approved 2010/2011*

PROJECTS APPROVED 2010/2011	BUDGETED	STATUS	ACTUAL COST
Treasure Beach, St. Elizabeth	2,051,000.00	Completed September 2010	1,988,816.929
Hanover Homecoming, Hanover	2,412,000.00	Completed February 2011	2,407,630.97
Sandy Park, Kingston	2,711,000.00	Completed November 2010	2,666,660.46
Rio Bueno	1,197,000.00	Computer desks installed	95,000.00
Sunning Hill, St. Thomas	1,516,800.00	Completed September 2010	1,480,664.39
Farm/Rose Heights	2,809,000.00	Completed November 2010	2,776,075.56
Mountainside, St. Elizabeth	2,462,000.00	Chairs delivered	111,600.00
Williamsfield, Manchester	3,583,000.00	Completed March 2011	3,321,957.31
Girl's Town (PDI), Kingston	4,967,000.00	Completed January 2011	4,795,150.54
Kevoy Centre, Kingston	3,414,000.00	Computers delivered	2,659,965.00
Parottee, St. Elizabeth	2,536,000.00	Building roof repaired	Nil
Negril, Westmoreland	2,769,000.00	Completed February 2011	2,455,534.78
Whitehouse, Westmoreland	2,782,000.00	Computer desks installed	152,700.43
Balaclava, St. Elizabeth	2,483,000.00	Computers ordered	Nil
U-Online Sav	3,329,000.00	Completed December 2010	3,329,000.00
Ebenezer, Kingston	3,187,000.00	Completed March 2011	3,128,633.74
Church Pen, St. Catherine	2,855,000.00	Computers delivered	2,124,517.50
Accompong, St. Elizabeth	2,782,000.00	Completed January 2011	2,335,225.96
Youth Opportunities Unlimited, Kgn.	4,455,500.00	Computers and desks delivered	4,446,592.26
Pentecostal Gospel Temple Kingston	2,711,000.00	Completed February 2011	2,437,837.81
Carron Hall, St. Mary	3,820,200.00	Procurement phase	Nil
Brown's Town, St. Ann	4,517,640.00	Procurement phase	Nil
Lime Hall, St. Ann	2,786,110.00	Completed March 2011	2,638,206.35
NCYD, Albert Town	4,450,297.52	Procurement phase	Nil
UWI Open Campus, Port Antonio	10,071,766.32	Completed March 2011	10,071,766.32
<b>TOTAL</b>	<b>\$82,658,313.84</b>		<b>\$55,423,536.31</b>

Thirty (30) community access point projects were completed and commissioned to service during the year at a gross cost of \$82,357,343.06 (See Table 7); as a consequence, there were forty-two (42) community access points in service at year end.

*Table 7 - CAPS completed 2010/2011*

#	Location	Parish	Disbursement(\$)	Completed
1	Accompong IT Centre	St. Elizabeth	2,335,225.96	Jan. 2011
2	Boy's Town Cyber Centre	St. Andrew	2,356,051.25	Jul. 2010
3	Buff Bay IT Centre	Portland	4,323,510.88	Dec. 2010
4	Cassia Park	St. Andrew	2,399,999.77	Aug. 2010
5	Creative Minds Youth Club	Portland	1,927,734.75	Oct. 2010
6	Farm/Rose Heights Centre	St. James	2,776,075.56	Nov. 2010
7	Hanover Foundation Centre	Hanover	2,364,978.47	Feb. 2010
8	Harbour View Centre	Kingston	1,933,204.08	Feb. 2011
9	Hellshire Heights	St. Catherine	2,250,180.29	July 2010
10	Jamaica Youth Business Trust	St. Andrew	2,072,632.90	Apr. 2010
11	Linstead Baptist Church	St. Catherine	2,305,750.00	Feb. 2011
12	Marine Park IT Centre	St. Catherine	2,427,347.72	Sep. 2010
13	National Centre for Youth Development	St. Ann	3,601,291.61	Feb. 2011
14	Negril Homework Centre	Westmoreland	2,455,534.78	Feb. 2011
15	Pentecostal Gospel Temple	Kingston	2,437,837.81	Feb. 2011
16	Portland Parish Development Centre	Portland	1,207,307.16	Oct. 2010
17	Port Morant IT Centre	St. Thomas	2,057,404.39	Feb. 2011
18	Professional Development Institute (Girl's Town)	Kingston	4,717,365.54	Jan. 2011
19	Rollington Town Centre	Kingston	1,578,524.50	Dec. 2010
20	Roy Edwards Centre	Kingston	2,089,663.80	Sep. 2010
21	Samaritan Centre	Kingston	2,282,127.21	Jul. 2010
22	Sandy Park Centre	St. Andrew	2,666,660.46	Nov. 2010
23	Sunning Hill Centre	St. Thomas	1,480,664.39	Sep. 2010
24	Treasure Beach Women's Group	St. Elizabeth	1,988,816.92	Sep. 2010
25	U-Online Sav	Westmoreland	3,329,000.00	Dec. 2010
26	Victoria Community Centre	St. Catherine	1,877,002.60	Apr. 2010
27	Williamsfield Skills Centre	Manchester	3,321,957.31	Mar. 2011
28	Lime Hall Community Centre	St. Ann	2,638,206.35	Mar. 2011
29	Ebenezer Resource Centre	Kingston	3,128,633.74	Mar. 2011
30	UWI Port Antonio	Portland	10,071,766.32	Mar. 2011
	<b>TOTAL</b>		<b>\$82,357,343.06</b>	

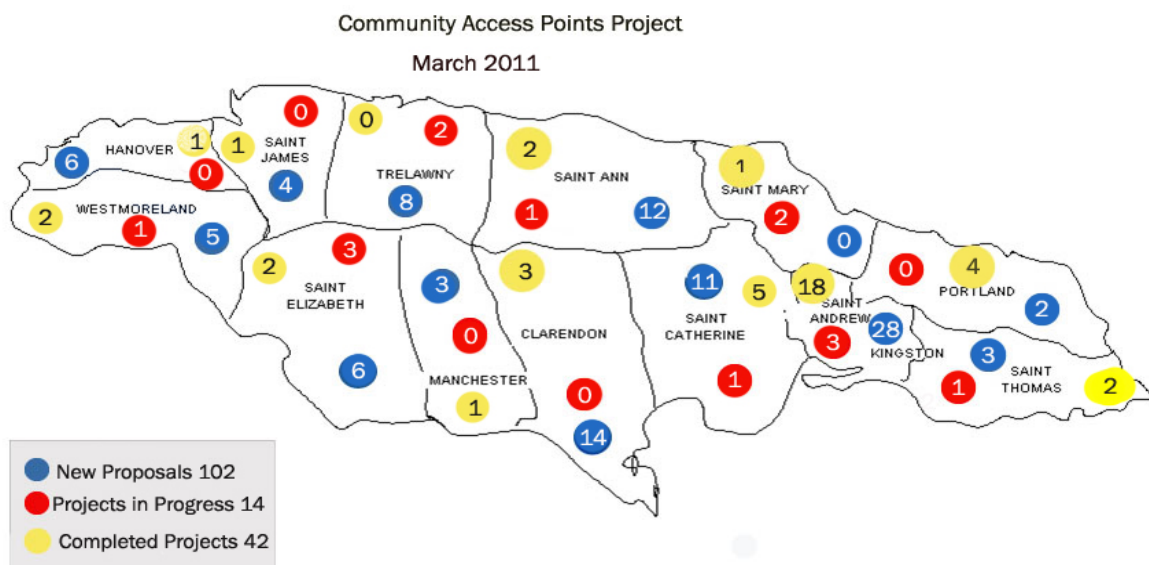
Also at year end, there were fourteen (14) incomplete community access point projects budgeted to cost \$43,149,831.70, with \$12,440,899.94 already disbursed against these incomplete projects (See Table 8).

Table 8 - Incomplete CAPS at 2011 March 31

#	Location	Parish	Sum Approved(\$)	Disbursement(\$)
1	Tivoli Gardens NCYD	Kingston	3,598,194.18	-
2	Kevo Centre	Kingston	3,414,000.00	2,659,965.00
3	Youth Opportunities	Kingston	4,455,500.00	4,446,593.26
4	Jeffrey Town Farmers Association	St. Mary	1,660,000.00	315,099.67
5	Church Pen	St. Catherine	2,855,000.00	1,725,487.50
6	Eleven Miles Bull Bay	St. Thomas	2,937,000.00	2,934,454.08
7	Mountainside Primary	St. Elizabeth	2,462,000.00	111,600.00
8	Parottee	St. Elizabeth	2,536,000.00	-
9	Balaclava	St. Elizabeth	2,483,000.00	-
10	Rio Bueno	Trelawny	1,197,000.00	95,000.00
11	Whitehouse	Westmoreland	2,782,000.00	152,700.43
12	Albert Town	Trelawny	4,450,297.52	-
13	Addison Park Browns Town	St. Ann	4,517,640.00	-
14	Carron Hall	St. Mary	3,802,200.00	-
	<b>TOTAL</b>		<b>43,149,831.70</b>	<b>12,440,899.94</b>

Execution of the community access point projects necessitated one hundred and fifty-seven site visits covering all fourteen parishes.

Figure 3: Community Access Points Implementation Across the Island



*PHOTOS - Community Access Point Openings*



Burchell Baptist,  
St. James



Comfort Manchester



Sandy Park



Granville Trelawny



Buff Bay Portland



## 8.1 Island-wide Broadband Project

Cabinet gave approval for the award of contracts to Cable and Wireless and Columbus Communications for the provision and maintenance of an integrated island-wide broadband network to provide high-speed connectivity to schools under the e-Learning project and to libraries and post offices. The contract awarded to Cable and Wireless included management of the entire network. Heads of Agreements were executed with both providers on April 6, 2011 and all institutions are expected to be connected within eighteen months. Total project cost over the initial five years of the contract is projected to be \$543 million.

- The island was divided into 6 zones.
- To enhance competition split award made to:  
LIME – Zones 1, 5, & 6  
FLOW – Zones 2, 3, & 4



*Photos: Broadband Contract Signing*



Signing of the  
Heads of Agreement  
With Cable and Wireless  
Jamaica Limited (LIME) and  
Columbus Communications  
Limited (FLOW)  
for the installation of the  
Islandwide Broadband Network

L-R: Mr. Hugh Cross, Managing Director, Universal Access Fund Co. Ltd.; Dr. Andre Foote, Chairman, Universal Access Fund Co. Ltd.; Mr. Garfield Sinclair, Managing Director, Jamaica and Cayman, LIME; Hon. Daryl Vaz, Minister without portfolio, Information and Telecommunications, Office of the Prime Minister; Mrs. Michelle English, President and Chief Operating Officer, FLOW.





## 9.0 Focus for 2011/2012 Financial Year

### 9.1 *Completion of Projects*

The UAFCL will continue to concentrate on completing all approved projects to ensure wider availability of broadband Internet access across the country, consistent with its mandate. There will be continued agitation for better and more timely international traffic data from the Terminating Carriers and the Office of Utilities Regulation to facilitate the more efficient discharge of our accounting responsibilities.

### 9.2 *New Projects*

- Arrangements will be made to establish seventy-five (75) community access points throughout the country.
- During 2011/2012 consideration will be given to provide Internet access at an additional ten (10) post offices across the island.
- Consideration will be given for the provision of a state of the art, purpose built mobile cyber-library for the Jamaica Library Service. This facility should enhance the Jamaica Library Service's service offerings and advance our mandate of providing universal Internet services.
- Public libraries will be upgraded where facilities permit.
- Consideration will be given to provide loan funding for the procurement of personal computers for public sector employees.
- Funding will be provided to furnish computing facilities at select primary and early childhood schools.
- Consideration will be given toward the establishment of at least one model cyber centre in each county.
- Strategies for validating the material traffic volumes underpinning the levy charges will be evaluated with a view to identifying the best of breed solution and securing approval for its implementation.

### 9.3 *External Auditing Services*

During the year, a Request for Proposal for our external auditing services was advertised for securing an auditor for the succeeding three years. By way of competitive bidding, BDO Marwilmac Partners, Chartered Accountants was awarded the contract to provide external auditing services for the period. Our new external auditors completed the audit for 2010/2011 and submitted their report on 2011 June 23. The corresponding Annual Reports will be printed and submitted for tabling in Parliament during 2011/2012.

# **UNIVERSAL ACCESS FUND CO. LTD**

## **FINANCIAL STATEMENTS 31 MARCH 2011**

### **INDEX**

Independent Auditors' Report to the Members ..18 - 19

### **FINANCIAL STATEMENTS**

Statement of AccumuLated Funds .....	20
Statement of Financial Position .....	21
Statement of Changes in AccumuLated Funds .....	22
Statement of Cash FLoWs .....	23
Notes to the Financial Statements .....	24 - 42
Independent Auditors' Report to the Directors .....	43
Administrative Expenses .....	44



## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Universal Access Fund Company Limited  
Re: Universal Service Fund

### **Report on the Financial Statements**

We have audited the financial statements of Universal Service Fund set out on pages 3 to 25, which comprise the statement of financial position as at 31 March 2011 and the statements of accumulated funds, changes in accumulated funds and cash flows for the year then ended and 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 these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. 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 these 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend 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 company'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.

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Directors of  
Universal Access Fund Company Limited  
Re: Universal Service Fund

***Basis for Qualified Opinion***

The Fund is dependent on information provided by local carriers for the determination of service fees to be recognized for the year. Furthermore, there are international carriers who remit service fees indirectly to the Fund, through local carriers, and the timing of remittances by the carriers involved are not predictable. We are, therefore, unable to verify the completeness of income from service fees of \$1,243,748,991 (2010 - \$1,394,294,102) recognized for the year. Any adjustment, as might have been deemed necessary in this regard, would affect the increase in the accumulated funds of \$1,069,981,480 (2010 - \$1,465,719,621) for the year and the accounts receivable of \$351,312,310 (2010 - \$467,954,703) at the statement of financial position date.

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

***Qualified Opinion***

In our opinion, except for the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the Fund's financial position at 31 March 2011, and of the increase in accumulated funds, changes in accumulated funds and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

**Report on additional requirements of the Jamaican Companies Act**

Except for the matters discussed in the Basis for Qualified Opinion paragraph, we have obtained all information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit.

In our opinion, except for the matters discussed in the Basis for Qualified Opinion paragraph, proper accounting records have been kept, and the financial statements, which are in agreement therewith, give the information required by the Act in the manner so required.

A handwritten signature in black ink, appearing to be 'BDO' with a stylized flourish.

**Chartered Accountants**

**21 October 2011**

**UNIVERSAL SERVICE FUND**

**STATEMENT OF ACCUMULATED FUNDS**

**YEAR ENDED 31 MARCH 2011**

	<u>2011</u>		<u>2010</u>	
	Subsidiary Consolidated Fund	Universal Service Fund	Subsidiary Consolidated Fund	Universal Service Fund
	\$	\$	\$	\$
<b>Sources of Funds:</b>				
Service levy	1,243,748,991	-	1,394,294,102	-
Interest income	2,934	-	307,125	-
Foreign exchange gain	-	-	-	-
	<u>1,243,751,925</u>	<u>-</u>	<u>1,394,601,227</u>	<u>-</u>
Government subventions	-	155,246,088	-	148,005,000
	<u>1,243,751,925</u>	<u>155,246,088</u>	<u>1,394,601,227</u>	<u>148,005,000</u>
<b>Use of Funds:</b>				
Universal service projects	-	163,188,998	-	26,403,095
Administrative expenses (page 27)	-	128,103,055	-	50,483,511
	<u>-</u>	<u>291,292,053</u>	<u>-</u>	<u>76,886,606</u>
<b>Increase/(decrease) in Accumulated Funds before taxation</b>	1,243,751,925	(136,045,965)	1,394,601,227	71,118,394
Taxation (note 6)	<u>266,814</u>	<u>-</u>	<u>3,122,029</u>	<u>-</u>
<b>Increase/(decrease) in Accumulated Funds for the year</b>	<u>1,244,018,739</u>	<u>(136,045,965)</u>	<u>1,397,723,256</u>	<u>71,118,394</u>



**UNIVERSAL SERVICE FUND**  
**STATEMENT OF FINANCIAL POSITION**

**31 MARCH 2011**

	<u>Note</u>	<u>2011</u> \$	<u>2010</u> \$
<b>ACCUMULATED FUNDS:</b>			
Universal Service Fund		( 28,055,576)	107,990,389
Subsidiary Consolidated Fund		<u>403,888,551</u>	<u>386,787,652</u>
		<u>375,832,975</u>	<u>494,778,041</u>
<b>Represented by:</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	7	3,571,778	2,966,114
Deferred tax asset	8	<u>185,522</u>	<u>-</u>
		<u>3,757,300</u>	<u>2,966,114</u>
<b>CURRENT ASSETS:</b>			
Receivables	9	351,312,310	467,954,703
Taxation recoverable	6	522	-
Cash and cash equivalents	10	<u>30,604,343</u>	<u>55,323,466</u>
		<u>381,917,175</u>	<u>523,278,169</u>
<b>CURRENT LIABILITIES:</b>			
Payables	11	9,841,500	8,114,659
Taxation payable	6	<u>-</u>	<u>23,270,075</u>
		<u>9,841,500</u>	<u>31,384,734</u>
<b>Net current assets</b>		<u>372,075,675</u>	<u>491,893,435</u>
<b>NON-CURRENT LIABILITY:</b>			
Deferred tax liability	8	<u>-</u>	<u>81,508</u>
		<u>375,832,975</u>	<u>494,778,041</u>

Approved for issue by the Board of Directors on 21 October 2011 and signed on its behalf by:

  
 Dr: Andre Foote - Chairman

  
 Hugh Cross - Director

**UNIVERSAL SERVICE FUND**

**STATEMENT OF CHANGES IN ACCUMULATED FUNDS**

**YEAR ENDED 31 MARCH 2011**

	Subsidiary Consolidated Fund <u>₹</u>	Universal Service Fund <u>₹</u>	Total <u>₹</u>
Balance at 31 March 2009	294,499,683	36,871,995	331,371,678
Transfers to Consolidated Fund	(1,305,435,287)	-	(1,305,435,287)
Increase in accumulated funds for the year	<u>1,397,723,256</u>	<u>71,118,394</u>	<u>1,468,841,650</u>
Balance at 31 March 2010	386,787,652	107,990,389	494,778,041
Transfers to Consolidated Fund	(1,226,917,840)	-	(1,226,917,840)
Increase/(decrease) in accumulated funds for the year	<u>1,244,018,739</u>	( 136,045,965)	<u>1,107,972,774</u>
Balance at 31 March 2011	<u>403,888,551</u>	( 28,055,576)	<u>375,832,975</u>



**UNIVERSAL SERVICE FUND**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 MARCH 2011**

	<u>2011</u> \$	<u>2010</u> \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in accumulated funds for the year	1,107,972,774	1,468,841,650
Adjustments for:		
Foreign exchange gains	-	-
Interest income	( 2,934)	( 307,125)
Depreciation	1,666,192	1,830,632
Tax credit	( 266,814)	( 3,122,029)
Loss on disposal of assets	<u>39,064</u>	<u>-</u>
Operating cash flows before movements in working capital	1,109,408,282	1,467,243,128
Change in operating assets and liabilities:		
Receivables	116,645,326	( 55,312,768)
Payables	1,726,841	( 96,025,749)
Taxation	<u>( 23,270,812)</u>	<u>( 76,826)</u>
Net cash provided by operating activities	<u>1,204,509,637</u>	<u>1,315,827,785</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<u>( 2,310,920)</u>	<u>( 1,259,460)</u>
Net cash used in investing activities	<u>( 2,310,920)</u>	<u>( 1,259,460)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments to Accountant General	<u>(1,226,917,840)</u>	<u>(1,305,435,287)</u>
Net cash used in financing activities	<u>(1,226,917,840)</u>	<u>(1,305,435,287)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>( 24,719,123)</b>	<b>9,133,038</b>
Cash and cash equivalents at beginning of year	<u>55,323,466</u>	<u>46,190,428</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>30,604,343</u></b>	<b><u>55,323,466</u></b>

**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2011****1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

The Universal Service Fund ("Fund") was established, effective 1 June 2005, under a Ministerial Order, dated 19 April 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.

The service levy is to be used to fund the implementation of the Cabinet approved plan 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 1 June 2005, the activities of the Fund are administered by a special purpose entity, Universal Access Fund Company Limited ("company"), incorporated in Jamaica on 18 May 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 17 March 2008, all investment accounts were closed and the proceeds forwarded to the Accountant General, following a directive by the Minister of Finance to immediately transfer levy balances to the Government's Consolidated Fund, based on the interpretation of statutes by the Auditor General and the Solicitor General.

The Fund, thereafter, will be treated as a Subsidiary Consolidated Fund Account and will become a line item on the budget of the Office of the Prime Minister (OPM).

The disbursement of funds is based on an approved budget both for recurrent and capital expenditures and is released by warrants through OPM.

Any new funds received are transferred to the Consolidated Fund immediately by the Fund.

**2. REPORTING CURRENCY:**

These financial statements are presented using the Jamaican dollars which is considered the currency of the primary economic environment in which the Fund operates ("the functional currency").

**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2011****3. SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the year presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

**(a) Basis of preparation -**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the statement of financial position date and the total comprehensive income during the reporting period. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below:

**(i) Accounts receivable and revenue recognition**

In determining the amounts receivable in the financial statements in respect of revenue from service levy, management makes judgments regarding the amount recognized, 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.



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (a) Basis of preparation (cont'd) -

## (ii) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

## (iii) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Fund recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## (iv) Expected useful life and residual value of property, plant and equipment

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the Fund.

## (v) Fair value of financial assets

The management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2011****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(a) Basis of preparation (cont'd) -**

**Standards, Interpretations and amendments to published standards effective in the reporting period**

During the reporting period, the following standards, amendments and interpretations became effective. Those considered relevant to the Fund are as follows:

- IAS 1 (Amendment) - Presentation of Financial Statements: Amendments as part of Improvements to IFRS issued in 2009 (effective for annual periods beginning on or after January 1, 2010) clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other asset for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- IAS 7 (Revised), Statement of Cash Flows: Amendments as part of Improvements to IFRS issued in 2009 (effective for annual periods beginning on or after January 1, 2010) specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.
- IAS 17 (Revised), Leases: Amendments as part of Improvements to IFRS issued in 2009 (effective for annual periods beginning on or after January 1, 2010) reflected the deletion of specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

The adoption of these standards and interpretations did not have a material impact on the financial statements.

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (a) Basis of preparation (cont'd) -

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the Fund are as follows:

- IAS 1 (Revised) Presentation of Financial Statements (as part of May 2010 Improvements to IFRS, effective for annual periods beginning on or after January 1, 2011). Retrospective application required. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.
- IAS 24 (Revised), Related Party Disclosures - Revised definition of related parties (effective for annual periods beginning on or after 1 January 2011). Earlier application, in whole or in part, is permitted. It clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.
- IFRS 7 (Revised) Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011). Retrospective application required. Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risk associated with financial instruments.
- IFRS 9, Financial instruments - Classification and Measurement of financial assets (effective for annual periods beginning on or after 1 January 2013). This was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods is unlikely to have any material impact on the financial statements.



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (b) Property, plant and equipment -

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Annual rates are as follows:

Furniture and fixtures	10%
Computer equipment	33 1/3%
Office equipment	20%
Motor vehicles	20%

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

## (c) Impairment -

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

## (d) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity.

**Financial assets**

The Fund classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

##### (d) Financial instruments (cont'd) -

###### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Fund's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

###### Financial liabilities

The Fund's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. These liabilities are classified as payables included in current liabilities on the statement of financial position.

###### IFRS 7 fair value measurement hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

## (d) Financial instruments (cont'd) -

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

## (e) Cash and cash equivalents -

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

## (f) Trade and other receivables -

Trade receivables are carried at amortized cost less provision made for impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of receivables. Other receivables are stated at amortized cost less impairment losses.

## (g) Trade and other payables -

Trade payables are stated at amortized cost.

## (h) Foreign currency translation -

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the year end date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the statement of accumulated funds.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Exchange differences are recognized in the statement of accumulated funds.

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

#### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

##### (i) Taxation -

Taxation expense in the statement of accumulated funds comprises current and deferred tax charges. Current and deferred taxes are recognised as income tax expense or benefit in the statement of accumulated funds except where they relate to items recorded in equity, in which case, they are also charged or credited to equity.

##### (i) Current income taxes

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

##### (ii) Deferred income taxes

Deferred tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled based on enacted rates.

##### (j) Revenue recognition -

###### *Service levy*

Revenue from service levy is recognized on the accruals basis, with monthly billings based on the average of the previous three to five months' collections.

###### *Interest income*

Interest income is recognized in the statement of accumulated funds for all interest bearing instruments on an accrual basis unless collectability is doubtful.

**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2011****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(j) Revenue recognition (cont'd) -****Subvention**

Government subventions are recognized when received.

**(k) Leases -**

Leases of property where the Fund has substantially all the risks and rewards of ownership are classified as finance leases. Finance charges are expensed in the statement of accumulated funds over the lease period. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged as an expense in the statement of accumulated funds on the straight line basis over the period of the lease.

**4. FINANCIAL AND CAPITAL RISK MANAGEMENT:****(a) Financial risk factors -**

The Fund is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Market price risk
- Liquidity risk
- Operational risk

In common with all other businesses, the Fund is exposed to risks that arise from its use of financial instruments. This note describes the Fund's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.



## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

#### 4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):

##### (a) Financial risk factors (cont'd) -

###### *Principal financial instruments*

The principal financial instruments used by the Fund, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other receivables

###### *General objectives, policies and processes*

The Board has overall responsibility for the determination of the Fund's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the finance function. The Board receives monthly reports from the Managing Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Fund's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Fund's competitiveness and flexibility. Further details regarding these policies are set out below:

##### (i) Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions.

###### *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.

**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2011****4. FINANCIAL RISK MANAGEMENT (CONT'D):****(a) Financial risk factors (cont'd) -****(i) Credit risk (cont'd) -****Accounts receivables**

The management of credit risk in respect of accounts receivable is executed by the management of the Fund. The Audit 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 statement of financial position.

**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2011****4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):****(a) Financial risk factors (cont'd) -****(ii) 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. As the Fund has no significant interest bearing assets or liabilities, the Fund's income and operating cash flows are substantially independent of changes in market interest rates. The Fund's interest rate risk arises from deposits and short term instruments.

**(iii) Market risk**

Market risk arises from the Fund's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

**Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Fund is currently not exposed to any price risk.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund manages its foreign exchange risk by holding foreign currency balances.

The statement of financial position at year end include net foreign assets of US\$6,286 (2010 - US\$12,713).

**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2011****4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):****(a) Financial risk factors (cont'd) -****(iv) 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.

**(v) Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Fund's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The Fund manages operational risk so as to avoid financial loss and damage to its reputation.

**(b) Fair value estimation**

The fair value of financial instruments traded in an active market is based on quoted market prices at the statement of financial position date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The amounts included in the financial statements for cash and cash equivalents, receivables and payables reflect their approximate fair value because of the short term maturity of these instruments.



**UNIVERSAL SERVICE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2011**

**5. RELATED PARTY BALANCES AND TRANSACTIONS:**

The following transactions were carried out with related parties.

	<u>2011</u> \$	<u>2010</u> \$
(a) Related companies		
Management fees	-	<u>540,000</u>
(b) Directors' emoluments		
Fees	729,162	579,168
Remuneration	6,587,471	6,210,034
Gratuity payable	<u>1,452,804</u>	<u>1,443,108</u>

**6. TAXATION:**

Taxation is based on the profit for the year, adjusted for taxation purposes and comprises:-

	<u>2011</u> \$	<u>2010</u> \$
Income tax 33 1/3%	216	91,682
Prior year over-provision	-	( 3,718,620)
Deferred tax (Note 8)	( 267,030)	<u>504,909</u>
Taxation credit in income statement	( <u>266,814</u> )	( <u>3,122,029</u> )

The taxation payable balance at year end is made up as follows:

<u>Year of Assessment</u>	<u>2011</u> \$	<u>2010</u> \$
2006	-	933,540
2007	-	8,837,897
2008	-	13,175,005
2009	-	308,778
2010	-	<u>14,855</u>
	-	<u>23,270,075</u>



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 6. TAXATION (CONT'D):

Reconciliation of theoretical tax change that would arise on profit before tax using the applicable tax rate to actual tax change.

	<u>2011</u> \$	<u>2010</u> \$
Increase in accumulated funds before taxation	<u>1,107,705,960</u>	<u>1,465,719,621</u>
Tax calculated at 33 1/3%	369,235,320	488,573,207
Adjusted for the effects of:		
Prior year overprovision	-	( 3,718,620)
Expenses not deducted for tax purposes	( 369,235,104)	( 488,481,069)
Net effect of other charges and allowances	<u>( 267,030)</u>	<u>504,453</u>
Taxation credit in income statement	<u>( 266,814)</u>	<u>( 3,122,029)</u>

## 7. PROPERTY, PLANT AND EQUIPMENT:

	<u>Leasehold Improvement</u> \$	<u>Office &amp; Computer Equipment</u> \$	<u>Furniture &amp; Fixtures</u> \$	<u>Motor Vehicle</u> \$	<u>Total</u> \$
At cost:					
1 April 2010	707,407	4,150,588	1,482,038	3,764,216	10,104,249
Additions	-	2,113,368	197,552	-	2,310,920
Disposal	-	-	( 76,079)	-	( 76,079)
	<u>707,407</u>	<u>6,263,956</u>	<u>1,603,511</u>	<u>3,764,216</u>	<u>12,339,090</u>
Depreciation:					
1 April 2010	707,407	3,111,875	307,481	3,011,372	7,138,135
Eliminated on disposal	-	-	( 37,015)	-	( 37,015)
Charge for year	-	<u>755,661</u>	<u>157,788</u>	<u>752,743</u>	<u>1,666,192</u>
31 March 2011	<u>707,407</u>	<u>3,867,536</u>	<u>428,254</u>	<u>3,764,115</u>	<u>8,767,312</u>
Net Book Values:					
31 March 2011	<u>-</u>	<u>2,396,420</u>	<u>1,175,257</u>	<u>101</u>	<u>3,571,778</u>
31 March 2010	<u>-</u>	<u>1,038,713</u>	<u>1,174,557</u>	<u>752,844</u>	<u>2,966,114</u>

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 8. DEFERRED TAXES:

Deferred income taxes are calculated in full temporary differences under the liability method using a principal tax rate of 33 1/3%. The movement in deferred tax assets is as follows:

	Accelerated Tax Depreciation	2011	2010
	\$	\$	\$
Balance at beginning of year	( 81,508)	( 81,508)	423,401
Credited/(charged) to income statement	<u>267,030</u>	<u>267,030</u>	<u>(504,909)</u>
Balance at end of year	<u>185,522</u>	<u>185,522</u>	<u>( 81,508)</u>

## 9. RECEIVABLES:

	2011	2010
	\$	\$
Service levy receivable	481,061,420	464,230,242
Provision for doubtful debts	<u>(129,840,249)</u>	<u>( 54,068,068)</u>
Net trade receivables	351,221,171	410,162,174
Prepayments	91,139	109,529
Other	<u>-</u>	<u>57,683,000</u>
	<u>351,312,310</u>	<u>467,954,703</u>

The aging of trade receivables is as follows:

	2011	2010
	\$	\$
0-30 days	277,777,943	280,906,083
31-60 days	43,786,522	16,891,500
61-90 days	11,820,000	20,545,293
90 days and over	<u>147,676,955</u>	<u>145,887,366</u>
	<u>481,061,420</u>	<u>464,230,242</u>

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2011

## 9. RECEIVABLES (CONT'D):

Movement in allowance for doubtful debts

	<u>2011</u> \$	<u>2010</u> \$
Balance at the beginning of the year	54,068,068	22,563,455
Impairment losses recognized	<u>75,772,181</u>	<u>31,504,613</u>
Balance at the end of year	<u>129,840,249</u>	<u>54,068,068</u>

In determining the recoverability of a receivable, the Fund considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The directors believe that at statement of financial position date there is no further credit provision required in excess of the allowance for doubtful debts.

## 10. CASH AND CASH EQUIVALENTS:

	<u>2011</u> \$	<u>2010</u> \$
Cash at bank and in hand	<u>30,604,343</u>	<u>55,323,466</u>

Interest rate exposure

The weighted average effective interest rates at the year end were as follows:

	<u>2011</u>	<u>2010</u>
Cash at bank (US\$ account)	<u>1%</u>	<u>1%</u>

**UNIVERSAL SERVICE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 MARCH 2011**

**11. PAYABLES:**

	<u>2011</u> \$	<u>2010</u> \$
Gratuity payable	5,614,550	4,710,980
Other payables	<u>4,226,950</u>	<u>3,403,679</u>
	<u>9,841,500</u>	<u>8,114,659</u>

**12. STAFF COSTS:**

	<u>2011</u> \$	<u>2010</u> \$
Salaries	26,486,849	23,298,819
Statutory contribution	1,231,102	1,229,311
Other	<u>1,505,021</u>	<u>1,332,372</u>
	<u>29,222,972</u>	<u>25,860,502</u>

The number of persons employed at the end of the year was 7 (2010 - 5).

**INDEPENDENT AUDITORS' REPORT**

To the Members of  
Universal Access Fund Company Limited  
Re: Universal Service Fund

The supplementary information presented on page 27 has been taken from the accounting records of the Fund and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements for the year ended 31 March 2011, upon which we have issued a qualified opinion.

In our opinion, this information, although not necessary for a fair presentation of the Fund's state of affairs, results of operations, changes in equity and cash flows is fairly presented in all material respects in the form and context in which it appears.



Chartered Accountants

**UNIVERSAL SERVICE FUND**

**ADMINISTRATIVE EXPENSES**

**YEAR ENDED 31 MARCH 2011**

	<u>2011</u>	<u>2010</u>
	£	£
Salaries and other staff costs	29,222,972	25,860,502
Directors' fees	729,162	579,168
Management fees	-	540,000
Audit and accounting fees	1,048,104	2,086,763
Rent	461,711	1,312,538
Training	25,000	125,785
Legal fees	349,395	234,435
Consultancy and other professional fees	470,778	254,565
Motor vehicle expenses	600,200	631,038
Insurance	66,027	83,632
General office expenses	2,832,865	2,942,679
Stationery and office supplies	911,834	508,165
Travel - local and overseas	9,729	-
Advertisement and public relations	112,110	602,087
Repair and maintenance	109,517	20,320
Bad debts	75,772,181	12,770,808
Subscriptions	72,307	61,163
Bank charges	48,700	39,231
Tax - interest and penalty	13,555,207	-
Loss on disposal of assets	39,064	-
Depreciation	<u>1,666,192</u>	<u>1,830,632</u>
	<u>128,103,055</u>	<u>50,483,511</u>



## 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	2010/2011	5,811,215	-	1,750,000	-	89,700	-	7,650,915
Director of Projects	2010/2011	3,334,454	88,919	796,500	-	89,700	-	4,309,573
Financial Controller	2010/2011	3,417,815	136,713	796,500	-	89,700	-	4,440,728

### 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	112,000	-	-	-	112,000
Vice Chair	8,500	-	-	-	8,500
Director 1	78,000	-	-	-	78,000
Director 2	10,500	-	-	-	10,500
Director 3	42,500	-	-	-	42,500
Director 4	34,000	-	-	-	34,000
Director 5	59,500	-	-	-	59,500
Director 6	101,500	-	-	-	101,500
Director 7	23,000	-	-	-	23,000
Director 8	19,500	-	-	-	19,500
Board Expenses	240,162	-	-	-	240,162
Total	729,162	-	-	-	729,162

### Notes

4. 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*



DESIGNED AND PRINTED BY THE  
JAMAICA INFORMATION SERVICE