# ANNUAL REPORT
## 2011/2012

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

# BOARD OF DIRECTORS

UNIVERSAL ACCESS
FUND COMPANY LIMITED

**Bishop Wellesley Blair**
CHAIRMAN

**Mrs. Sheree Martin**
VICE CHAIR

**Mr. Hugh Cross**
MANAGING DIRECTOR

**Ms. Dianne Edwards**
COMPANY SECRETARY

**Miss Sekayi Campbell**
DIRECTOR

**Miss Dania Bennett**
DIRECTOR

**Miss Jessica Francis**
DIRECTOR

**Dr. Mark Broomfield**
DIRECTOR

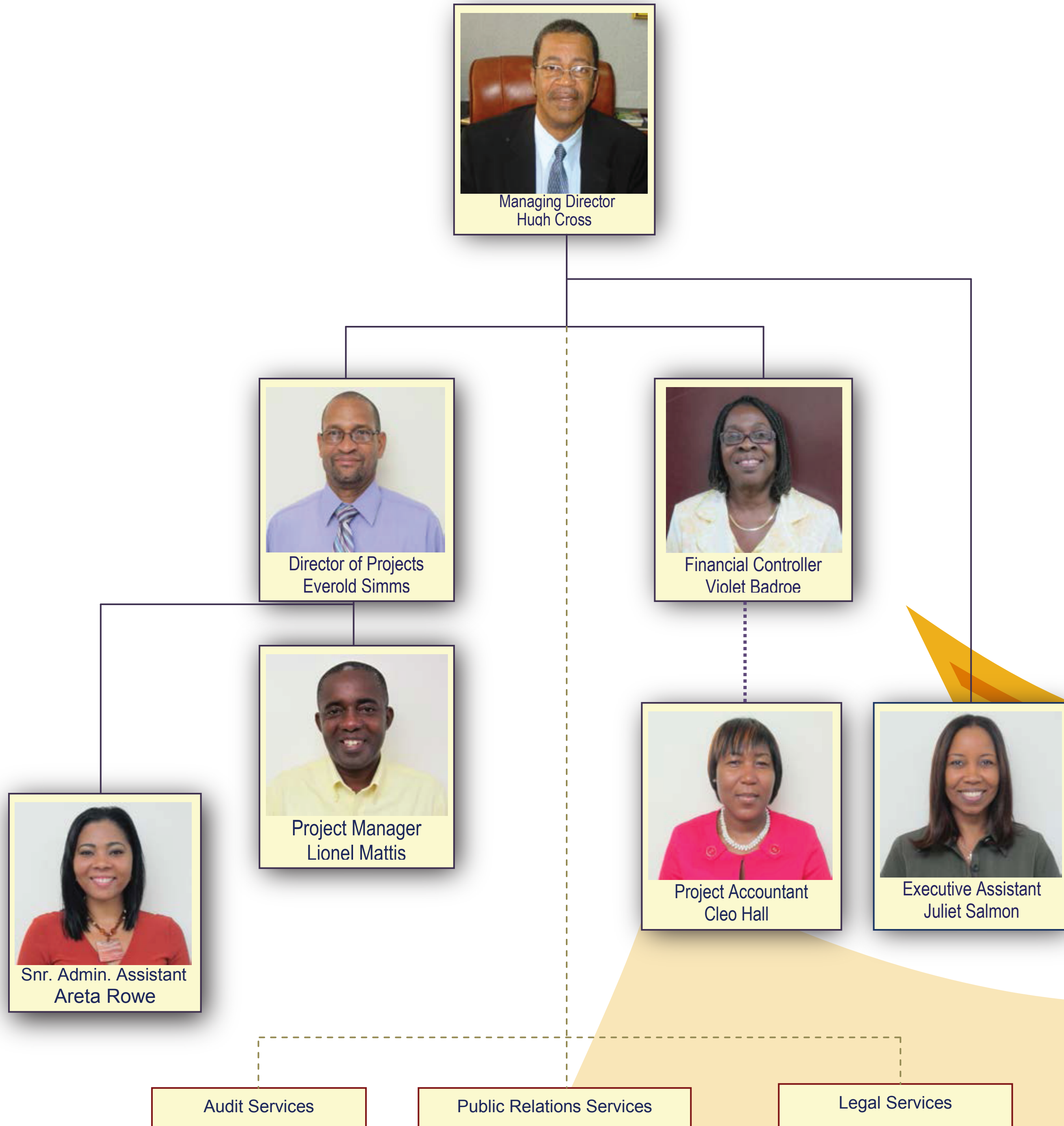
**Mr. Norman Perry**
DIRECTOR

**Mr. Andrew Swaby**
DIRECTOR

**Miss Rochelle Cameron**
DIRECTOR (Carrier Representative from LIME)

**Mr. Andrew Lee**
DIRECTOR (Carrier Representative from Flow)

**Mr. Richard Fraser**
DIRECTOR (Carrier Representative from Digicel)




UNIVERSAL ACCESS
FUND COMPANY LIMITED

# ORGANISATIONAL STRUCTURE

# MANAGING DIRECTOR'S REPORT

2011/2012

UNIVERSAL ACCESS
FUND COMPANY LIMITED

# MANAGING DIRECTOR'S REPORT

# PERFORMANCE OF THE UNIVERSAL ACCESS FUND COMPANY LIMITED FOR FINANCIAL YEAR 2011/2012

## 1.0 Introduction

The Universal Access Fund Company Limited (UAFCL) continued to pursue its mandate throughout fiscal year 2011/2012. The customary challenges, which have become a hallmark of our operations, were once again evident. Efforts were directed toward circumventing the difficulties encountered in order to deliver acceptable results. 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 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 islandwide broadband network was accorded greater prominence to commence the connection of targeted institutions.

The funding regime, which expired on May 31, 2011, was renewed with effect from June 1, 2012, and remained in vogue for the rest of the year.

## 2.0 Mission

The Mission of the company remained unchanged; to facilitate the provision of universal access to the information superhighway by stimulating and accelerating the deployment of broadband services islandwide. 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 continued 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 were directed toward fulfilling the universal service obligation mandate and discharge of the core functions which are summarized as follows:-

- *Collecting the universal telecommunications services obligations levy from telecommunications 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 islandwide broadband network that will allow public access to the information superhighway through high schools, public libraries, post offices and any other agency 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 service 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 islandwide 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 experience in secondary schools, teachers colleges and other "special" institutions.'

## 5.0 Physical Achievement for Financial Year 2011/2012

- 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 below. 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 $0.953 billion, down from $1.244 billion the previous year. Our strategy, once again included repeated telephone calls and the dispatch of demand letters to terminating carriers to ensure that levy remittances were timely and delinquency was kept to a minimum.

- The terminating services of one delinquent carrier, with an outstanding balance of $89 million, were suspended. Efforts to collect the outstanding amount have, so far, not been successful. Two additional International Voice Service Providers defaulted on outstanding levy payments and their material services were terminated in November 2010 and January 2011. These carriers had outstanding balances of $31,940,144.76 and $19,671,482.21 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 fieldwork.

- Collaborated, once again, in mounting a strong defence against foreign agencies that continued their challenges against the levy regime.

- Commissioned 28 community access points islandwide.

- Completed and submitted the Corporate and Operating Plans for financial year 2012/2013.

## 6.0 Human Resources

### *6.1 Administration/Staffing*

At year end, there were seven members of staff.

## 7.0 Financial Performance for 2011/2012

For the financial year 2011/2012, the Universal Access Fund Company Limited (UAFCL) established a revenue target of $1.14 billion comprising:

- *Access Fees* *$1.14 Billion*
- *Interest Income* -

*$1.14 Billion*

### 1.1 *Allocation of Revenue (Budget)*

| *Budget* | *$M* |
|---|---|
| Recurrent | 39.89 |
| Capital | 7.60 |
| Projects | 1,303.57 |
| Total | 1,351.06 |

Table 1

### 1.2 *Revenue Target*

For the financial year, revenue fell below target by approximately 15% as shown in the table below:

| *Revenue* | *Budget $M* | *Actual $M* |
|---|---|---|
| Access Fees | 1,1440.00 | 976.31 |
| Warrants | 1,351.06 | 698.46 |
| Interest Income | - | - |
| Total | 2491.06 | 1,674.77 |

Table 2

### *7.3 Access Fees*

Access fees collected during the financial year amounted to $953.25 million, distributed by month as detailed in table 2 below. Access fees were again routinely remitted to the Accountant General immediately upon collection for depositing into the special Consolidated Fund accounts.

Table 3. Monthly Remittances to the Consolidated Fund Accounts

| MONTH | JA$ | US$ | JA$ TOTAL [1] |
|---|---|---|---|
| April | 22,764,660.54 | 506,630.39 | 66,039,559.23 |
| May | 22,312,003.55 | 385,139.16 | 55,213,842.66 |
| June | 31,808,208.64 | 968,784.52 | 114,677,387.74 |
| July | 18,760,275.81 | 465,383.13 | 58,600,148.30 |
| August | 28,471,749.07 | 558,346.52 | 76,329,361.80 |
| September | 27,123,837.53 | 185,430.80 | 43,068,257.29 |
| October | 34,242,368.64 | 1,165,909.07 | 134,390,354.62 |
| November | 20,492,189.46 | 427,432.02 | 57,339,698.93 |
| December | 22,641,341.46 | 449,232.97 | 61,449,052.35 |
| January | 17,362,773.22 | 1,081,666.64 | 110,843,200.01 |
| February | 25,868,317.32 | 460,553.52 | 65,715,105.12 |
| March | 30,890,593.51 | 904,539.06 | 109,587,662.56 |
| TOTAL | 302,738,318.75 | 7,559,027.80 | 953,253,630.61 |

1 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 serious delinquencies were not developed. The bar charts at Figure 1 below graphically depict the monthly fluctuations of the levy receipts.

The challenges continued to be:

- Persistent late payment of levy obligations by the carriers.
- Voice over Internet 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 Protocol.

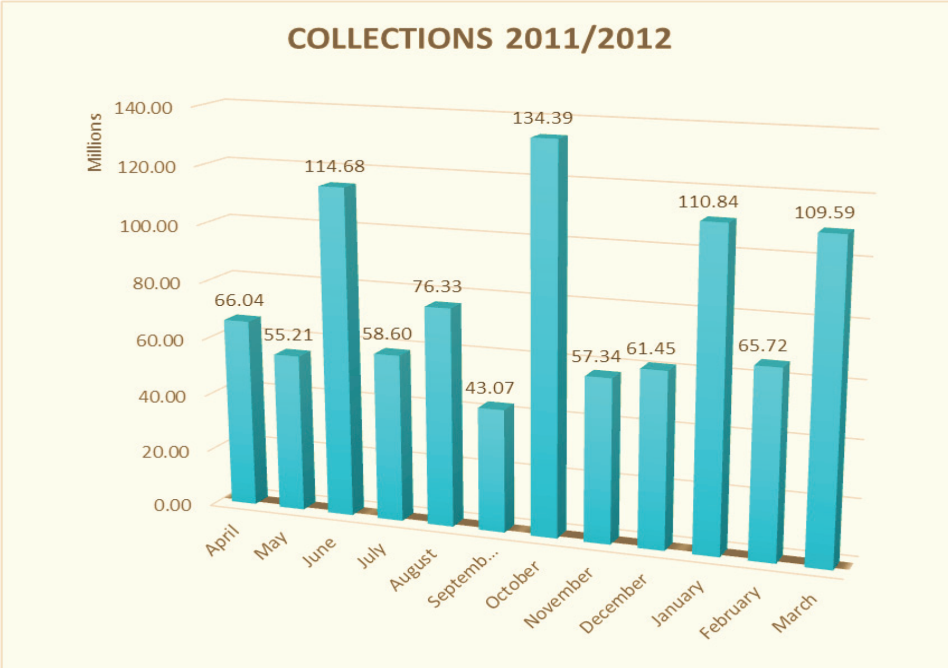



Figure 1 - Collections

## 7.4 Collections to Date

Since the inception of the Fund on 2005 June 1, the gross collection at year end amounted to $8.749 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 Table 4 below.

Table 4 - Gross Collections by Year

| Financial Year | Actual Collection $B |
|---|---|
| 2005/2006 | $1.298 |
| 2006/2007 | $1.260 |
| 2007/2008 | $1.249 |
| 2008/2009 | $1.453 |
| 2009/2010 | $1.310 |
| 2010/2011 | $1.226 |
| 2011/2012 | $0.953 |
| TOTAL | $8.749 |

### 7.5 Expenditure

The total expenditure (less depreciation and bad debts) for the financial year 2010/2011 amounted to $372.27 million. Of this amount, operating and project expenses totaled $42.42 million and $329.85 million, respectively.

Internal operating expenditure of $42.42 million represents 96% of the budgeted allocation of $44.17 million for the year.

## 8.0 Project Execution

Prior to the 2011/2012 financial year, 42 community access points had been commissioned into service. At the beginning of the year, there were 14 unfinished community access point projects under development at a budgeted cost of $43,149,831.70. During the year, the Finance and Projects Committee approved 55 additional community access point projects islandwide at an estimated cost of $263,782,031.25. Twenty-eight community access point projects were completed and commissioned to service during the year at a gross cost of $73,835,150.36; as a consequence, there were 70 community access points in service at year end. Also at year end, there were 40 unfinished projects budgeted to cost $222,094,401.25, with $38,238,212.82 disbursed against these unfinished projects. Project details at year end are summarized in tables 5, 6, and 7 below.

In addition to the community access point projects, major projects were approved for upgrading the Jamaica Library Service's ICT infrastructure and for upgrading the University of the West Indies Open Campuses at Morant Bay and Denbigh, at estimated costs of $92,749,300, $9,941,389.04, and $9,424,756, respectively.

Execution of the community access point projects necessitated 192 site visits covering all 14 parishes.

*Table 5: Projects Approved 2011-2012*

| PROJECTS APPROVED IN 2011/2012 | VALUE ($) |
|---|---|
| UWI Morant Bay Open Campus – St. Thomas | 9,941,389.04 |
| UWI Denbigh Campus – Clarendon | 9,424,756.00 |
| Federal Gardens – St. Andrew | 2,400,000.00 |
| Hannah Town – St. Andrew | 3,721,950.00 |
| Independence City – St. Catherine | 2,212,000.00 |
| Women's Resource Outreach Centre – St. Andrew | 2,951,650.00 |
| Mount Salus – St. Andrew | 2,520,000.00 |
| Bushy Park – Clarendon | 3,095,250.00 |
| Comfort – Manchester | 1,666,060.00 |
| Discovery Bay – St. Ann | 2,520,000.00 |
| Sterling Castle – St. Andrew | 2,520.000.00 |
| Riversdale – St. Catherine | 2,634,318.82 |
| Goodwin Park – St. Andrew | 2,894,263.84 |
| Burchell Baptist Church – St. James | 3,780,200.00 |
| Boulevard Baptist Church – St. Andrew | 3,486,500.00 |
| Maldon Baptist Church – St. James | 3,850,200.00 |
| Santa Cruz – St. Elizabeth | 5,360,923.55 |
| CSO Post Office – Kingston | 4,159,960.00 |
| Grace Learning Centre – St. Andrew | 2,550,210.00 |
| Charlie Smith ACE Centre – St. Andrew | 3,698,600.00 |
| Edgewater Centre – St. Catherine | 2,293,800.00 |
| The Source Savanna-la-Mar – Westmoreland | 6,000,000.00 |
| Women's Centre – St. Andrew | 3,518,600.00 |
| Victoria Court – St. Andrew | 2,400,130.00 |
| Delacree Park – St. Andrew | 3,843,600.00 |
| Broughton Computer Centre – Westmoreland | 3,843,600.00 |
| Granville Computer Centre – Trelawny | 4,712,540.00 |
| Lyndhurst Gospel Assembly – St. Andrew | 2,677,320.00 |
| Content Gap – St. Andrew | 3,069,760.00 |
| Greater Portmore Centre – St. Catherine | 3,843,600.00 |
| Hampton Court – St. Thomas | 2,400,130.00 |
| Craighton Centre – St. Andrew | 2,677,320.00 |
| Kingsvale Community Centre – Hanover | 2,384,100.00 |
| Oneness Ministries – Hanover | 1,661,740.00 |
| Sandy Bay – Hanover | 3,889,550.00 |
| Standpipe Centre – St. Andrew | 2,961,920.00 |
| Hear The Children Cry – St. Andrew | 2,081880.00 |
| St. Pius X Training Centre – St. Andrew | 2,522,320.00 |
| Centre of Hope – St. Andrew | 3,869,440.00 |
| Springfield Centre – St. Thomas | 2,522,320.00 |

| | |
|---|---|
| Covenant Moravian Centre – St. Andrew | 3,471,800.00 |
| Fletcher's Land Centre – Kingston | 2,432,320.00 |
| Jacks Hill – St. Andrew | 2,294,100.00 |
| Chi-chester – Hanover | 3,889,550.00 |
| Hope Bay – Portland | 2,638,120.00 |
| Jamaica Library Service Mobile Cyber Centre | 27,000,000.00 |
| Jamaica Library Service – Islandwide Upgrade | 65,749,300.00 |
| Cheapside Youth & Community Club – St. Elizabeth | 2,522,320.00 |
| Queensbury Tamarind Tree Centre – St. Elizabeth | 2,936,470.00 |
| S-Corner Clinic Community Club – St. Andrew | 2,524,400.00 |
| St. Stephens Early Childhood Centre – St. Andrew | 2,522,320.00 |
| Hillside Christian Church Centre – St. Andrew | 2,732,650.00 |
| Church of God of Prophecy – St. Andrew | 1,801,770.00 |
| St. Margaret's Bay Centre – Portland | 2,612,320.00 |
| Boundbrook Community & School Centre – Portland | 2,612,320.00 |
| ***GRAND TOTAL APPROVED FOR 2011/2012*** | **263,782,031.25** |

## Table 6: Projects Completed 2011/2012

| # | Project | Parish | Disbursement($) | Completed |
|---|---|---|---|---|
| 1 | Youth Opportunities Unlimited | St. Andrew | 4,446,593.26 | April 2011 |
| 2 | Balaclava Resource Centre | St. Elizabeth | 2,461,863.52 | April 2011 |
| 3 | Church Pen Computer Centre | St. Catherine | 2,601,332.20 | May 2011 |
| 4 | Mount Salus | St. Andrew | 2,519,850.95 | September 2011 |
| 5 | Burchell Baptist Church | St. James | 3,598,741.95 | October 2011 |
| 6 | Miracle Cyber Centre | St. Catherine | 1,902,965.80 | October 2011 |
| 7 | WROC Centre (Phase 2) | St. Andrew | 2,797,498.75 | October 2011 |
| 8 | Craighton Primary | St. Andrew | 2,245,823.00 | November 2011 |
| 9 | Rio Bueno Centre | Trelawny | 1,193,329.05 | November 2011 |
| 10 | Brown's Town Resource Centre | St. Ann | 4,458,302.50 | November 2011 |
| 11 | Eleven Miles Bull Bay Centre | St. Thomas | 2,934,454.08 | December 2011 |
| 12 | Edgewater Centre | St. Catherine | 1,702,520.00 | December 2011 |
| 13 | St. Margaret's Bay Centre | Portland | 2,619,499.17 | December 2011 |
| 14 | Fletcher's Land Centre | Kingston | 2,432,320.00 | December 2011 |
| 15 | Hope Bay Centre | Portland | 2,638,085.71 | December 2011 |
| 16 | Sandy Bay | Hanover | 2,922,393.13 | November 2011 |
| 17 | Chi-chester | Hanover | 3,889,550.00 | January 2012 |
| 18 | Boulevard Baptist Church | St. Andrew | 2,657,287.23 | January 2012 |
| 19 | Comfort Centre | Manchester | 1,078,197.90 | December 2011 |
| 20 | Maldon Baptist Church | St. James | 3,793,225.35 | January 2012 |
| 21 | Springfield Centre | St. Thomas | 2,522,210.76 | January 2012 |
| 22 | Charlie Smith ACE Centre | St. Andrew | 3,686,539.01 | February 2012 |
| 23 | Lyndhurst Gospel Assembly | St. Andrew | 1,867,468.23 | February 2012 |

| | | | | |
|---|---|---|---|---|
| 24 | Kingsvale Community Centre | Hanover | 1,728,887.44 | February 2012 |
| 25 | Grace House Learning Centre | St. Andrew | 1,826,517.71 | February 2012 |
| 26 | Boundbrook Centre | Portland | 2,075,986.43 | March 2012 |
| 27 | Parottee Centre | St. Elizabeth | 2,183,726.62 | March 2012 |
| 28 | Porus Centre | Manchester | 3,049,980.61 | March 2012 |
| **Total** | **Disbursed** | | **73,835,150.36** | |

### Table 7: Projects in Progress at Year End 2011/2012

| # | Project | Parish | Sum Approved($) | Disbursement($) |
|---|---|---|---|---|
| 1 | Church of God of Prophecy | St. Andrew | 1,891,770.00 | 1,392,924.88 |
| 2 | Hillside Christian Church | St. Andrew | 2,732,650.00 | 2,465,777.18 |
| 3 | St. Stephens Centre | St. Andrew | 2,522,320.00 | - |
| 4 | S-Corner Centre | St. Andrew | 2,524,400.00 | - |
| 5 | Queensbury Centre | St. Elizabeth | 2,936,470.00 | - |
| 6 | Cheapside Centre | St. Elizabeth | 2,522,320.00 | - |
| 7 | Maverley Junior High | St. Andrew | 4,672,540.00 | - |
| 8 | Jacks Hill Centre | St. Andrew | 2,294,100.00 | - |
| 9 | Covenant Moravian Church | St. Andrew | 3,471,800.00 | - |
| 10 | Centre of Hope | St. Andrew | 3,869,440.00 | - |
| 11 | St. Pius X Training Centre | St. Andrew | 2,522,320.00 | - |
| 12 | Hear The Children Cry | St. Andrew | 2,081,880.00 | - |
| 13 | Standpipe Centre | St. Andrew | 2,961,920.00 | 1,994,797.50 |
| 14 | Oneness Ministries | Hanover | 1,661,740.00 | - |
| 15 | Hampton Court | St. Thomas | 2,400,130.00 | - |
| 16 | Greater Portmore Centre | St. Catherine | 3,843,600.00 | 1,228,345.00 |
| 17 | Content Gap | St. Andrew | 3,069,760.00 | - |
| 18 | Granville Computer Centre | Trelawny | 4,712,540.00 | - |
| 19 | Broughton Centre | Westmoreland | 3,843,600.00 | - |
| 20 | Delacree Park | St. Andrew | 3,843,600.00 | - |
| 21 | Victoria Court | St. Andrew | 2,400,130.00 | 108,564.25 |
| 22 | Women's Centre | St. Andrew | 3,518,600.00 | - |
| 23 | The Source Savanna-la-Mar | Westmoreland | 4,902,800.00 | - |
| 24 | Llandilo Community Centre | Westmoreland | 1,615,860.00 | - |
| 25 | CSO Post Office | Kingston | 4,159,960.00 | - |
| 26 | Santa Cruz Centre | St. Elizabeth | 5,360,923.55 | - |
| 27 | Goodwin Park Centre | St. Andrew | 2,894,263.84 | - |
| 28 | Riversdale Centre | St. Catherine | 2,634,318.82 | - |
| 29 | Praise Castle Centre | St. Andrew | 2,520,000.00 | - |
| 30 | Discovery Bay Centre | St. Ann | 2,520,000.00 | - |
| 31 | Bushy Park | Clarendon | 3,095,250.00 | 2,838,412.42 |
| 32 | Hannah Town | Kingston | 3,721,950.00 | 3,678,165.34 |
| 33 | Federal Gardens | St. Andrew | 2,400,000.00 | - |

| | | | | |
|---|---|---|---|---|
| 34 | UWI – Denbigh | Clarendon | 9,424,756.00 | 9,424,756.00 |
| 35 | UWI – Morant Bay | St. Thomas | 9,941,389.04 | 9,941,389.04 |
| 36 | Whitehouse | Westmoreland | 2,782,000.00 | 1,438,016.54 |
| 37 | Jeffrey Town | St. Mary | 1,660,000.00 | 315,099.67 |
| 38 | St. Matthew's (KCDI) Centre | St. Andrew | 3,414,000.00 | 3,411,965.00 |
| 39 | Jamaica Library Service Mobile Library | Islandwide | 27,000,000.00 | - |
| 40 | Jamaica Library Service Access Points | Islandwide | 65,749,300.00 | - |
| **TOTAL** | | | **222,094,401.25** | **38,238,212.82** |

### *8.1 Islandwide Broadband Project*

Cabinet gave approval for the award of contracts to Cable and Wireless (LIME) and Columbus Communications (Flow) for the provision and maintenance of an integrated islandwide broadband network to provide high-speed connectivity to schools under the e-Learning project and to libraries and post offices. The contract awarded to LIME 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 18 months of contract signing. Total project cost over the initial five years of the contract is projected to be $550 million. Intense contract negotiations commenced in April, culminating with contract signings with both Flow and LIME on September 26, and November 10, 2011, respectively. Construction work commenced during the third fiscal quarter and all institutions are expected to be connected to the broadband network by May 2013.

## 9.0 Focus for 2012/2013 Financial Year

### *9.1 Completion of Projects*

It is anticipated that the islandwide broadband network will be significantly advanced to allow connectivity to additional high schools, public libraries, and select post offices. It is also expected that the infrastructural upgrade of the Postal Corporation will be extended to equip an additional 10 post offices islandwide with public Internet facilities, at a projected cost of $25 million.

The USF will develop a new organizational structure and secure all the requisite resources appropriate for effectively discharging its expanded mandate. The USF will strengthen its relationship with the challenged community to ensure that adequate facilities are provided for them to properly participate in all aspects of modern existence facilitated by information and communications technological evolutions.

## *9.2 New Projects*

- **Jamaica Library Service**
  The collaboration with the Jamaica Library Service will continue in order to expand Internet access at their facilities, especially where demand has outstripped supply and the physical accommodation is available, at a gross cost of approximately $65.75 million. In addition, the UAFCL plans to fund a custom-built, state-of the-art mobile cyber-library for use by the Jamaica Library Service at a cost of approximately $27 million. This facility will be designed to utilize high speed Internet connectivity primarily based on wireless technology and will be equipped with modern multimedia equipment. The Jamaica Library Service will utilize this facility to schedule visits to selected communities throughout the island and provide them with library and Internet services.

- **National Library**
  The leadership at the National Library has indicated that the commissioned Information Commons at East Street, which was funded by the UAFCL, has come under extreme pressure as the demand has now outstripped the supply. Consideration will be given toward expansion of the existing facility to improve the availability of Internet services. In addition, consideration will be given to funding an upgrade of the library's administrative capacity and digitization of its invaluable content to provide easier and wider access to external researchers through online facilities.

- **Postal Corporation of Jamaica**
  Work will continue, in collaboration with the Postal Corporation to extend Internet services to an additional 10 post offices islandwide.

- **Community Access Points**
  The UAFCL has been collaborating with specialized agencies to assist in identifying suitable communities islandwide for the establishment of community access points. The National Housing Trust, the Social Development Commission, and the Church Community will continue to be important partners in this regard. The UAFCL plans to identify at least 75 communities for the establishment of community access points during fiscal 2012/2013. Consistent with our mandate for national coverage, every effort will be made to ensure the widest possible distribution of these access points across the country.

  In addition to the normal community access point facilities, the UAFCL will seek to establish three major model cyber centres in strategic locations in the cities of Kingston and Montego Bay and within the town of Mandeville. These will be special centres, fully equipped with adequate quantities of the requisite State-of the-Art ICT infrastructure and operated under the auspices of the UAFCL to ensure sustainability and easy and reliable access to the information superhighway for our residents.

- **Broadband Network Expansion**
  The UAFCL will conclude an in-depth analysis of the broadband network with a view to upgrading it, as deemed necessary to provide connectivity for additional governmental institutions such as the three hundred and twenty-four (324) hospitals and health centres islandwide.

- **Academic Support**
  Funding will be provided to furnish computing facilities at select primary and early childhood schools. The USF will strengthen its support for academic pursuits through the awarding of substantial annual postgraduate scholarships in Information and Communications Technologies, tenable at Jamaican universities.

### *9.3 External Auditing Services*

The external auditors, BDO Marwilmac Partners, completed the audit for 2011/2012 and submitted their report on 2013 January 07. The corresponding Annual Reports will be printed and submitted for tabling in Parliament during 2013.

# UNIVERSAL ACCESS FUND COMPANY LIMITED

## FINANCIAL STATEMENTS

## 31 MARCH 2012

UNIVERSAL ACCESS FUND COMPANY LIMITED

# UNIVERSAL ACCESS FUND COMPANY LIMITED

## FINANCIAL STATEMENTS

## 31 MARCH 2012

## INDEX

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Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jamaica

## INDEPENDENT AUDITORS' REPORT

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 set out on pages 3 to 25, which comprise the statement of financial position as at 31 March 2012 and the statements of comprehensive income, changes in equity 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.

Partners: R.L. McFarlane, K.A. Wilson, S.M. McFarlane
Offices in Montego Day, Mandeville and Ocho Rios
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**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Directors of
Universal Access Fund Company Limited

*Basis for Qualified Opinion*

The company 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 $976,312,123 (2011 - $1,243,748,991) recognized for the year. Any adjustment, as might have been deemed necessary in this regard, would affect the total comprehensive income of $311,205,636 (2011 - loss of $135,778,935) for the year and the accounts receivable of $477,213,032 (2011 - $351,312,310) 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 company's financial position at 31 March 2012, and of its financial performance, changes in equity 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.

BDO

**Chartered Accountants**

18 December 2012

UNIVERSAL ACCESS FUND COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2012

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| INCOME: | | | |
| Government subventions | | 698,456,175 | 155,246,088 |
| EXPENSES: | | | |
| Universal service projects | | 329,846,656 | 163,188,998 |
| Administrative expenses (page 27) | | 57,392,598 | 128,103,055 |
| | | 387,239,254 | 291,292,053 |
| SURPLUS/(DEFICIT) BEFORE TAXATION | 6 | 311,216,921 | (136,045,965) |
| Taxation | 7 | ( 11,285) | 267,030 |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | | 311,205,636 | (135,778,935) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) | | 311,205,636 | (135,778,935) |

UNIVERSAL ACCESS FUND COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

31 MARCH 2012

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 8 | 2,624,069 | 3,571,778 |
| Deferred tax asset | 9 | 174,237 | 185,522 |
| | | 2,798,306 | 3,757,300 |
| CURRENT ASSETS: | | | |
| Receivables | 10 | 477,213,032 | 351,312,310 |
| Taxation recoverable | | - | 522 |
| Cash and cash equivalents | 11 | 243,696,643 | 30,614,343 |
| | | 720,909,675 | 381,927,175 |
| | | 723,707,981 | 385,684,475 |
| **EQUITY AND LIABILITIES** | | | |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | | 10,000 | 10,000 |
| Accumulated surplus/(deficit) | 12 | 283,417,090 | ( 27,788,546) |
| | | 283,427,090 | ( 27,778,546) |
| NON-CURRENT LIABILITIES: | | | |
| Subsidiary Consolidated Fund | 13 | 426,679,356 | 403,621,521 |
| CURRENT LIABILITIES: | | | |
| Payables | | 13,601,407 | 9,841,500 |
| Taxation payable | 14 | 128 | - |
| | | 13,601,535 | 9,841,500 |
| | | 723,707,981 | 385,684,475 |

Approved for issue by the Board of Directors on 14 December 2012 and signed on its behalf by:

Bishop Wellesley Blair - Chairman

Hugh Cross - Director

UNIVERSAL ACCESS FUND COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2012

| | Share Capital $ | Accumulated Surplus/(Deficit) $ | Total $ |
|---|---|---|---|
| Balance at 31 March 2010 | 10,000 | 107,990,389 | 108,000,389 |
| Total comprehensive loss | - | (135,778,935) | (135,778,935) |
| Balance at 31 March 2011 | 10,000 | ( 27,788,546) | ( 27,778,546) |
| Total comprehensive income | - | 311,205,636 | 311,205,636 |
| Balance at 31 March 2012 | 10,000 | 283,417,090 | 283,427,090 |

## UNIVERSAL ACCESS FUND COMPANY LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED 31 MARCH 2012

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net surplus/(deficit) for the year | 311,205,636 | (135,778,935) |
| Adjustments for: | | |
| Depreciation | 1,080,050 | |
| 1,666,192 | | |
| Tax credit | 11,285 | ( 266,814) |
| Loss on disposal of assets - | - | 39,064 |
| Operating cash flows before movements in working capital | 312,296,971 | (134,340,493) |
| Change in operating assets and | (125,900,722) | 116,642,392 |
| liabilities: | 3,759,907 | 1,726,841 |
| Receivables | 650 | (23,270,812) |
| Payables | | |
| Taxation | 190,156,806 | (39,242,072) |
| Net cash provided by/(used in) operating activities | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchase of property, plant and equipment | ( 132,341) | ( 2,310,920) |
| Net cash used in investing activities | ( 132,341) | ( 2,310,920) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Subsidiary Consolidated Fund | 23,057,835 | 16,833,869 |
| Net cash provided by financing activities | 23,057,835 | 16,833,869 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | 213,082,300 | (24,719,123) |
| Cash and cash equivalents at beginning of year | 30,614,343 | 55,333,466 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 243,696,643 | 30,614,343 |

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

Universal Access Fund Company Limited ("company") was incorporated in Jamaica on 18 May 2005 and commenced operations on 1 June 2005. The company is a wholly-owned subsidiary of Spectrum Management Authority Limited, a company incorporated in Jamaica. 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 1 June 2005, with the administration of the Universal Service Fund ("Fund"), established by 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 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.

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.

Staff costs and other administrative 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.

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, has been treated as a Subsidiary Consolidated Fund Account and has become a line item on the budget of the Office of the Prime Minister (OPM).

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES (CONT'D):

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 company.

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 company operates ("the functional currency").

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting polices 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 company 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:

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

(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 company is dependent on information provided by the carriers to determine the amounts payable and these are usually not remitted to the company 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.

(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 company 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.

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

(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 company.

(v) Fair value of financial assets

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

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 company 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 (Amendment) Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). The standard was amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments.

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

Standards, Interpretations and amendments to published standards effective in the reporting period (cont'd)

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

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 company are as follows:

- 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 2015). This was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

- IFRS 13 Fair Value Measurement - replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements (effective for annual periods beginning on or after 1 January 2013).

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 ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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 company'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 comprehensive income.

(d) Financial instruments -

A financial instrument is any contract that gives rises 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 ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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

Financial liabilities

The company'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.

(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 company 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.

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(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 comprehensive income.

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 comprehensive income.

(i) Taxation -

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges. Current and deferred taxes are recognised as income tax expense or benefit in the statement of comprehensive income except where they re late 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.

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Taxation (cont'd) -

(ii) Deferred income taxes (cont'd)

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 comprehensive income for all interest bearing instruments on an accrual basis unless collectability is doubtful.

Subvention

Government subventions are recognized on the accruals basis.

(k) Leases -

Leases of property, where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance charges are expensed in the statement of comprehensive income 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 comprehensive income on the straight line basis over the period of the lease.

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

4. FINANCIAL AND CAPITAL RISK MANAGEMENT:

**(a) Financial risk factors -**

The company 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 company is exposed to risks that arise from its use of financial instruments. This note describes the company'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 company'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.

**Principal financial instruments**

The principal financial instruments used by the company, 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 company'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 company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

**UNIVERSAL ACCESS FUND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2012**

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

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

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the company'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.

Accounts receivables

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

The company does not hold collateral against its accounts receivable.

Allowances for losses:

The company 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.

UNIVERSAL ACCESS FUND COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2012

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

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

(i) Credit risk (cont'd) -

Write-off policy:

The company 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 company would suffer if all counterparties to which the company 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.

(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 company has no significant interest bearing assets or liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates. The company's interest rate risk arises from deposits and short term instruments.

(iii) Market risk

Market risk arises from the company'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 company is currently not exposed to any price risk.

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

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

(iii) Market risk (cont'd)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The company 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 (2011 - US$6,286).

(iv) Liquidity risk

Liquidity risk is the risk that the company 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 company manages this risk by maintaining sufficient cash and cash equivalents.

There has been no change to the company'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 company's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

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

(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.

## 5. RELATED PARTY BALANCES AND TRANSACTIONS:

The following transactions were carried out with related parties.

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Directors' emoluments - | | |
| Fees | 346,625 | 511,900 |
| Remuneration | 6,675,687 | 6,587,471 |
| Gratuity payable | 1,656,196 | 1,452,804 |

## 6. SURPLUS/(DEFICIT) BEFORE TAXATION

Surplus/(deficit) before taxation is stated after charging -

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Auditors' remuneration | 900,000 | 825,000 |
| Staff costs (note 15) | 34,143,800 | 29,222,972 |
| Depreciation | 1,080,050 | 1,666,192 |

**UNIVERSAL ACCESS FUND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2012**

7. **TAXATION:**

(a) The service levy received by the Fund on inbound international telephone calls has 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) Taxation is based on the profit for the year, adjusted for taxation purposes and comprises:-

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Income tax 33 1/3% | - | - |
| Deferred income tax | 11,285 | ( 267,030) |
| Taxation charge/(credited) in income statement | 11,285 | ( 267,030) |

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

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Surplus/(deficit) before taxation | 311,216,921 | (136,045,965) |
| Tax calculated at 33 1/3% | 103,738,974 | ( 45,348,655) |
| Adjusted for the effects of: | | |
| Expenses not deducted for tax purposes | (103,727,689) | 45,081,625 |
| Taxation charge/(credited) in income statement | 11,285 | ( 267,030) |

**UNIVERSAL ACCESS FUND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2012**

## 8. PROPERTY, PLANT AND EQUIPMENT:

| | Leasehold Improvement $ | Office & Computer Equipment $ | Furniture & Fixtures $ | Motor Vehicle $ | Total $ |
|---|---|---|---|---|---|
| At cost: | | | | | |
| 1 April 2011 | 707,407 | 6,263,956 | 1,603,511 | 3,764,216 | 12,339,090 |
| Additions | - | 19,839 | 112,502 | - | 132,341 |
| | 707,407 | 6,283,795 | 1,716,013 | 3,764,216 | 12,471,431 |
| Depreciation: | | | | | |
| 1 April 2011 | 707,407 | 3,867,536 | 428,254 | 3,764,115 | 8,767,312 |
| Charge for year | - | 918,599 | 161,451 | - | 1,080,050 |
| 31 March 2012 | 707,407 | 4,786,135 | 589,705 | 3,764,115 | 9,847,362 |
| Net Book Value: | | | | | |
| 31 March 2012 | - | 1,497,660 | 1,126,308 | 101 | 2,624,069 |
| 31 March 2011 | - | 2,396,420 | 1,175,257 | 101 | 3,571,778 |

## 9. 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 $ | 2012 $ | 2011 $ |
|---|---|---|---|
| Balance at beginning of year | 185,522 | 185,522 | ( 81,508) |
| (Charged)/credited to income statement | ( 11,285) | ( 11,285) | 267,030 |
| Balance at end of year | 174,237 | 174,237 | 185,522 |

**UNIVERSAL ACCESS FUND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2012**

10. **RECEIVABLES:**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Service levy receivable | 504,125,702 | 481,061,420 |
| Provision for doubtful debts | (143,729,193) | (129,840,249) |
| Net trade receivables | 360,396,509 | 351,221,171 |
| Prepayments | 116,523 | 91,139 |
| Subventions receivable | 116,700,000 | - |
| | 477,213,032 | 351,312,310 |

The aging of trade receivables is as follows:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| 0-30 days | 188,086,872 | 277,777,943 |
| 31-60 days 61- | - | 43,786,522 |
| 90 days | 31,951,700 | 11,820,000 |
| 90 days and over | 284,087,130 | 147,676,955 |
| | 504,125,702 | 481,061,420 |

Movement in allowance for doubtful debts:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Balance at the beginning of the year | 129,840,249 | 54,068,068 |
| Impairment losses recognized | 13,888,944 | 75,772,181 |
| Balance at the end of year | 143,729,193 | 129,840,249 |

In determining the recoverability of a receivable, the company 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.

**UNIVERSAL ACCESS FUND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2012**

11. **CASH AND CASH EQUIVALENTS:**

| | 2012 $ | 2011 $ |
|---|---|---|
| Cash at bank and in hand | 243,696,643 | 30,614,343 |

Interest rate exposure

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

| | 2012 | 2011 |
|---|---|---|
| Cash at bank (US$ account) | 1% | 1% |

12. **SHARE CAPITAL:**

| | 2012 $ | 2011 $ |
|---|---|---|
| Authorized, issued and fully paid - 100 Ordinary shares of no par value | 10,000 | 10,000 |

13. **SUBSIDIARY CONSOLIDATED FUND:**

| | 2012 $ | 2011 $ |
|---|---|---|
| Balance brought forward | 403,621,521 | 386,787,652 |
| Service levy billed | 976,312,123 | 1,243,748,991 |
| Interest income | - | 2,934 |
| Taxation | ( 650) | ( 216) |
| Transfers to Consolidated Fund | (953,253,638) | (1,226,917,840) |
| | 426,679,356 | 403,621,521 |

**UNIVERSAL ACCESS FUND COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2012**

14. **PAYABLES:**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Gratuity payable | 6,730,185 | 5,614,550 |
| Other payables | 6,871,222 | 4,226,950 |
| | 13,601,407 | 9,841,500 |

15. **STAFF COSTS:**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Salaries | 30,803,292 | 26,486,849 |
| Statutory contribution | 1,282,638 | 1,231,102 |
| Other | 2,057,870 | 1,505,021 |
| | 34,143,800 | 29,222,972 |

The number of persons employed at the end of the year was 7 (2011 - 7).

16. **SUBSEQUENT EVENT:**

Arising from the passage of the Telecommunications (Amendment) Act 2012, The Universal Service Fund has now been established as a statutory body effective 1 June 2012, and will assume operations of the Universal Access Fund Company Limited. Consequently, the operations of the Universal Access Fund Company Limited will be wound up.

INDEPENDENT AUDITORS' REPORT

To the Members of
Universal Access Fund Company Limited

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 2012, 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.

BDO

**Chartered Accountants**

18 December 2012

# UNIVERSAL ACCESS FUND COMPANY LIMITED

## ADMINISTRATIVE EXPENSES

## YEAR ENDED 31 MARCH 2012

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Salaries and other staff costs | 34,143,800 | 29,222,972 |
| Directors' fees | 346,625 | 511,900 |
| Board/committee meetings | 153,588 | - |
| Audit and accounting fees | 2,133,530 | 1,048,104 |
| Rent | 570,250 | 461,711 |
| Training | - | 25,000 |
| Legal fees | 625,689 | 349,395 |
| Consultancy and other professional fees | 162,373 | 470,778 |
| Motor vehicle expenses | 538,578 | 600,200 |
| Insurance | 70,365 | 66,027 |
| General office expenses | 2,592,445 | 2,832,865 |
| Stationery and office supplies | 607,332 | 911,834 |
| Travel - local and overseas | 52,313 | 226,991 |
| Advertisement and public relations | 91,421 | 112,110 |
| Repair and maintenance | 181,936 | 109,517 |
| Bad debts | 13,888,944 | 75,772,181 |
| Subscriptions | 83,958 | 72,307 |
| Bank charges | 69,401 | 48,700 |
| Tax - interest and penalty | - | 13,555,207 |
| Loss on disposal of assets | - | 39,064 |
| Depreciation | 1,080,050 | 1,666,192 |
| | 57,392,598 | 128,103,055 |

## 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 | 2011/2012 | 6,210,790 | 464,897 | 538,578 | - | 146,763 | - | 7,361,028 |
| Director of Projects | 2011/2012 | 4,061,197 | 1,901,649 | 796,500 | - | 146,763 | - | 6,906,109 |
| Financial Controller | 2011/2012 | 4,072,356 | 1,939,500 | 796,500 | - | 141,225 | - | 6,949,581 |

***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 | 80,000 | - | - | - | 80,000 |
| Vice Chair | 24,000 | - | - | - | 24,000 |
| Director 1 | 22,500 | - | - | - | 22,500 |
| Director 2 | 10,625 | - | - | - | 10,625 |
| Director 3 | 8.500 | - | - | - | 8,500 |
| Director 4 | 12,000 | - | - | - | 12,000 |
| Director 5 | 2,000 | - | - | - | 2,000 |
| Director 6 | 39.500 | - | - | - | 39,500 |
| Director 7 | 41,500 | - | - | - | 41,500 |
| Director 8 | 10,500 | - | - | - | 10,500 |
| Director 9 | 12,000 | - | - | - | 12,000 |
| Director 10 | 17,000 | - | - | - | 17,000 |
| Director 11 | 12,000 | - | - | - | 12,000 |
| Director 12 | 3,500 | - | - | - | 3,500 |
| Director 13 | 8,500 | - | - | - | 8,500 |
| Director 14 | 8,500 | - | - | - | 8,500 |
| Director 15 | 8,500 | - | - | - | 8,500 |
| Director 16 | 8,500 | - | - | - | 8,500 |
| Director 17 | 8,500 | - | - | - | 8,500 |
| Director 18 | 8,500 | - | - | - | 8,500 |
| Sub-Total | 346,625 | - | - | - | 346,625 |
| Board Expenses | 153,588 | - | - | - | 153,588 |
| TOTAL | 500,213 | - | - | - | 500,213 |

***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.*

# Notes

# ANNUAL REPORT
2011/2012

UNIVERSAL ACCESS
FUND COMPANY LIMITED

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