

ANNUAL REPORT 2012/2013



An Agency of the Ministry of **Science,
Technology, Energy and Mining**

USF...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.”



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CHAIRMAN'S MESSAGE



We are delighted to have, once again, advanced the provision of Internet access to a wider community during the year 2012/2013. Indeed, the 47 community access points completed during the year represent a record for any one year in our short history.

At year end, there were 113 community access point facilities commissioned throughout the country, and we pay tribute to our various community organisations which have worked tirelessly to establish these facilities and keep them operational for the benefit of members of the communities. We also commend our primary partners, the Social Development Commission, the National Housing Trust, and the Church community, without whose collaboration, our community access points performance would not have been so successful.

Our landmark event was, however, the commissioning of our one hundredth community access point in Spanish Town on Wednesday February 20. The thirty-eight computers at this facility represent the largest number of computers at any of our community facilities to date. We look forward to commissioning the two hundredth community facility during the next year.

The most significant development during the year, however, was the amendment of the Telecommunications Act, which took effect on June 1, 2012. Resulting from this statutory amendment, the wholly-owned government limited liability company, the Universal Access Fund gave way to a new Statutory Body, the Universal Service Fund. Consequent on this amendment, the new Body was accorded greater latitude in pursuing the mandate of ensuring that the provision of broadband access to all Jamaican residents was accelerated.

We also continued with the development work on the islandwide broadband network, and at year end, we had connected 114 schools, 34 libraries, and 57 post offices. We finalised plans to connect select hospitals and health centres, and select public offices to the network to improve their operational efficiencies. Our collaboration with the University of the West Indies to upgrade all of their ten Open Campus facilities, and the deployment of a campus-wide Wi-Fi network at Mona is a source of pride, although the associated works will extend into next year.

While the past year was fairly successful, we will not rest on our laurels, and look forward to improved delivery of services during the ensuing year.

Bishop Wellesley Blair

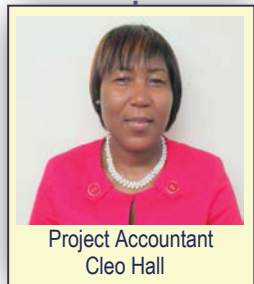
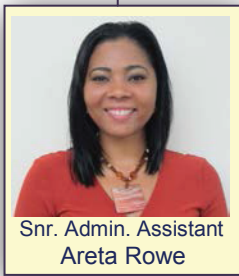
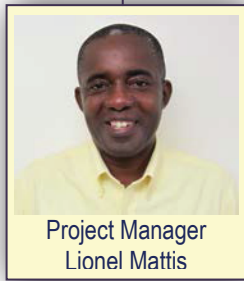


BOARD OF MANAGEMENT

BOARD OF MANAGEMENT

- Bishop Wellesley Blair, CHAIRMAN
- Mrs. Sheree Martin, VICE CHAIR
- Mr. Hugh Cross, CHIEF EXECUTIVE OFFICER
- Ms. Dianne Edwards, CORPORATE SECRETARY
- Miss Sekayi Campbell, DIRECTOR
- Miss Dania Bennett, DIRECTOR
- Mrs. Cheryl Sylvester-James, DIRECTOR (MOF Representative)
- Dr. Mark Broomfield, DIRECTOR
- Mr. Norman Perry, DIRECTOR
- Mr. Everton McFarlane, DIRECTOR (PIOJ Representative)
- Mr. Cecil McCain, DIRECTOR (MSTEM Representative)
- Miss Rochelle Cameron, DIRECTOR (LIME Representative)
- Mr. Andrew Lee, DIRECTOR (Flow Representative)
- Mr. Richard Fraser, DIRECTOR (Digicel Representative)

ORGANISATIONAL STRUCTURE



Audit Services

Public Relations Services

Legal Services

CHIEF EXECUTIVE OFFICER'S REPORT 2012/2013



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**PERFORMANCE OF THE
UNIVERSAL SERVICE FUND
FOR FINANCIAL YEAR 2012/2013**

1.0 INTRODUCTION

The most significant development during the year was the passage of the Telecommunications (Amendment) Act 2012, which took effect on June 1, 2012. The amendment, among other things, established the USF and provided it with greater latitude in discharging its mandate. As a consequence, the former limited liability company, the Universal Access Fund Company Limited was wound up and its assets transferred to the USF.

The Universal Service Fund (USF) continued to pursue its mandate throughout fiscal year 2012/2013. 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 community access points, numerous consultations were held and visits made to locations islandwide to assess the suitability of proposed communities for the establishment of sustainable facilities. During the year, strong collaboration continued between the USF, the Social Development Commission, and the National Housing Trust to identify qualified communities for the establishment of community Internet facilities. In addition, work continued on the island-wide broadband network, resulting in the connection of additional targeted institutions.

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 analyse, 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 USF continued to pursue its mandate through programmes delineated in the Corporate Plan and anticipates an increase in the number of projects during next year, owing especially to the expanded latitude. The resources of the organisation were directed toward fulfilling the universal service obligation mandate and discharging the core functions which are summarised as follows:

- *Collecting the universal telecommunications services obligations levy from telecommunications companies;*
- *Analysing projects of a universal service obligation nature and making recommendations to Cabinet for approval of funding;*
- *Disbursing funds for the implementation of approved initiatives;*
- *Judiciously investing available funds in accordance with investment policy;*
- *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 USF are:***

- Provisioning of an islandwide broadband network that will allow high speed interconnectivity for high schools, public libraries, post offices and any other agency approved by the Board of Management, and providing access to the information superhighway.
- 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:***

- Monitoring the construction of the islandwide high speed data network to provide broadband connectivity to all high schools, public libraries, post offices and other selected institutions and completing user acceptance testing to confirm that required specifications have been met.
- Collaborating with the Jamaica Library Services 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 tertiary institutions to ensure the deployment of facilities to provide greater access to tertiary academic programmes in more geographically dispersed locations throughout the country.
- 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 2012/2013

- 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 USF remained resolute in ensuring that the levy payments were remitted on time despite the challenges encountered. Total levy collection for the year amounted to \$1.131 billion, up from \$0.953 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, which had been suspended, was restored on December 24, 2012 and that carrier resumed delivering inbound international traffic. Legal action was initiated against another delinquent carrier to recover a long overdue balance of \$19,761,482.21. That matter is being pursued through the courts and resolution is anticipated during the financial year 2013/2014.
- Prepared the accounting schedules to facilitate the commencement of the external audit fieldwork.
- Collaborated, once again, in providing information for mounting a defence against foreign agencies that continued their challenges against the levy regime.
- Commissioned forty-seven (47) community access points islandwide, including the launch of the 100th facility in Spanish Town on February 20, 2013.
- Completed and submitted the Corporate and Operating Plans for financial year 2012/2013.
- Completed user acceptance testing and connected 114, 34, and 57 high schools, public libraries, and post offices, respectively, to the islandwide broadband network.
- Completed the upgrade of three tertiary open campuses at Port Antonio, Morant Bay, and Brown's Town.
- Provided a Braille embosser and
- Provided funding to the Jamaica Library Service for the procurement of four hundred additional computers.
- Provided funding to the National Library to further upgrade its facilities and digitise its archival content for online access.
- Relocation of the administrative offices to more suitable accommodation on the fourth floor of the Petroleum Corporation of Jamaica Resource Centre, 36 Trafalgar Road.

6.0 HUMAN RESOURCES

6.1 Administration/Staffing

Approval was secured for marginally increasing the staff numbers by recruiting two project officers, one internal auditor, one receptionist, and one clerical assistant. One project officer had so far been recruited and we were in the process of recruiting a temporary receptionist.

6.2 Training and Development

The programme of exposing our employees to appropriate training courses continued and during the year training courses were completed as detailed in the table below.

Table I – Training and Development

Employee	Programme/Trainer	Date
Cleo Hall, Accountant	IFRS Seminar – Improving Business Reporting Standards (New Trends, Opportunities and Rules) – Institute of Chartered Accountants of Jamaica (ICAJ) /Jamaica Stock Exchange	2012/07/19

7.0 FINANCIAL PERFORMANCE FOR 2012/2013

For the financial year 2012/2013, USF established a revenue target of \$.85 billion comprising:

• Access Fees	\$.85 billion
• Interest Income	-
	<u>\$.85 billion</u>

7.1 Allocation of Revenue (Budget)

Table 2: Budget

Budget	\$M
Recurrent	51.789
Capital	5.000
Projects	610.000
Total	666.789

7.2 Revenue Target

For the financial year, revenue exceeded target by approximately 18.8% as shown in the table below:

Table 3: Revenue

Revenue	Budget \$M	Actual \$M
Service Fee	850.00	928.01
Warrants	0.00	3.27
Interest Income	0.91	21.75
Exchange gains		58.10
Total	850.91	1,011.13

7.3 Service Fees

Service fees collected during the financial year amounted to \$1.13 billion, distributed by month as detailed in table 4 below. Resulting from the statutory amendment, the requirement for remitting access fees to the Accountant General ended on May 31. Between April 1 and May 31 access fees were, however routinely remitted to the Accountant General immediately upon collection for depositing into the special Consolidated Fund accounts as detailed in table 4 below.

Table 4: Monthly Remittances to the Consolidated Fund Accounts.

MONTH	JA\$	US\$	TOTAL ¹ JA\$
April	17,796,655.02	232,548.03	38,034,728.70
May	18,445,001.19	426,867.25	55,622,337.94
June	25,261,826	1,508,422.49	158,223,684.26
July	9,401,541.97	288,700.00	34,983,104.62
August	28,661,656.34	1,334,489.28	147,579,182.86
September	4,665,340.09	611,343.56	59,246,108.93
October	18,915,171.11	560,234.81	69,482,587.70
November	15,291,516.70	1,007,253.54	106,912,894.49
December	7,216,527.80	487,149.40	52,200,487.80
January	3,407,706.74	531,476.28	59,412,238.00
February	11,218,948.85	2,145,256.36	211,932,263.94
March	17,340,031.60	1,234,226.73	138,103,566.10
TOTAL	177,621,923.41	10,367,967.73	1,131,733,185.34

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.

Monthly revenue collections are detailed in figures 1a, 1b and 1c below.

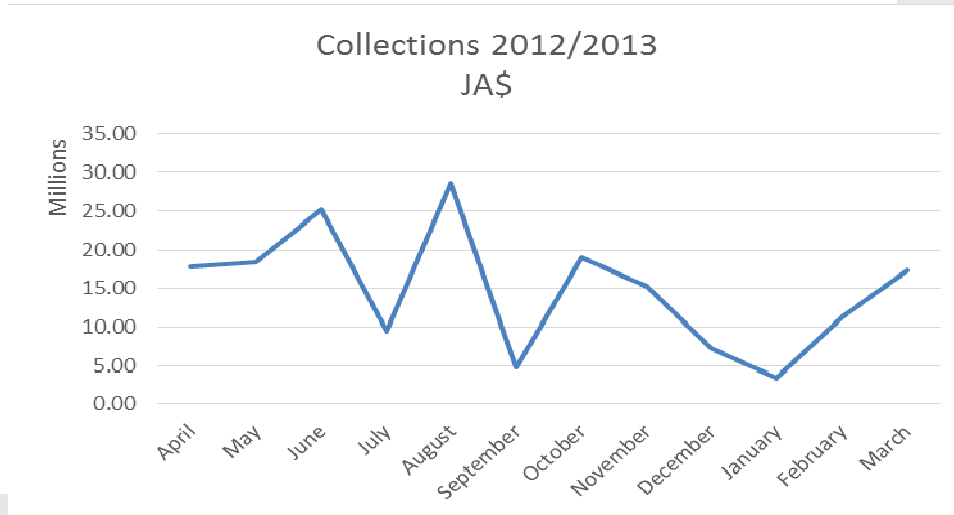


Figure 1a - Collections 2012/2013 JA\$

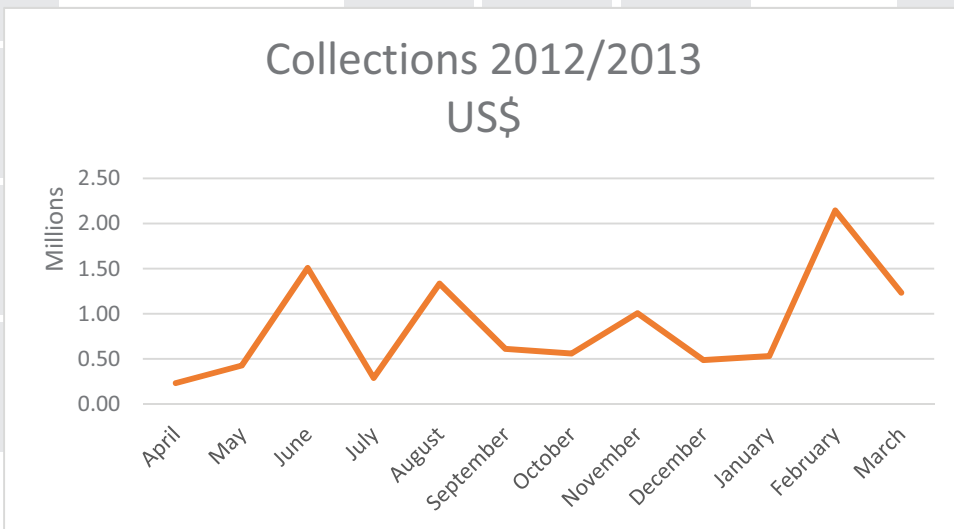


Figure 1b - Collections 2012/2013 US\$

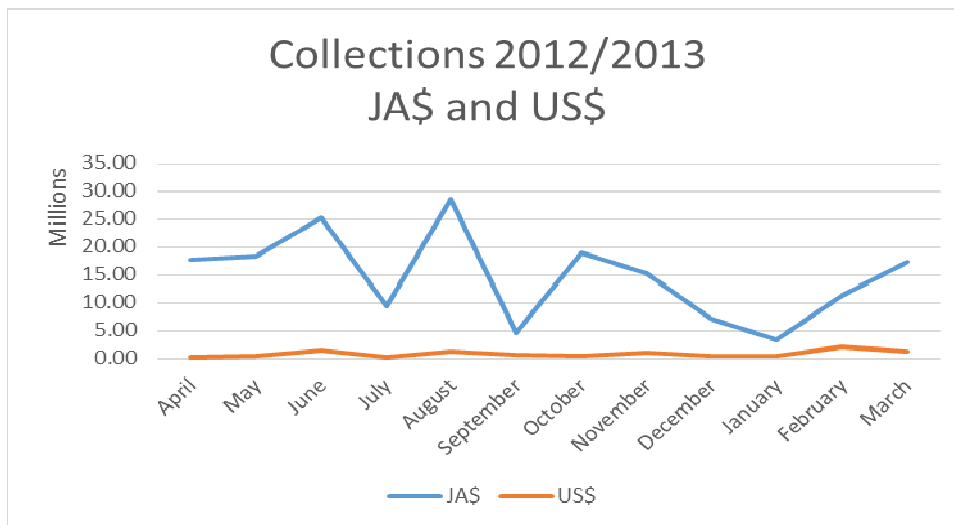


Figure 1c - Collections 2012/2013 JA\$ and US\$

The challenges encountered throughout the year continued to be:

- Persistent late payment of levy obligations by the carriers.
- Voice over IP Protocol and other bypass techniques that have, once again, combined to negatively impact billable inbound international voice traffic volumes.
- Continued diminution of levy receivables due to – Voice Over Internet services.

7.4 **Interest Income**

Interest income, in the amount of \$21.75 million, superseded budget by \$20.85 million.

7.5 **Collections to Date**

The gross collection at year end amounted to \$9.880 billion. Net trade receivables amounted to \$455.94 million; provision for bad debt amounted to \$126.32 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 synchronised with inveterate contracts between terminating carriers and international carriers. The distribution of collections by years is provided in table 5 below.

Table 5: Gross Collections by year

<i>Financial Year</i>	<i>Actual Collection \$B</i>
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
2012/2013	1.131
Total	9.880

7.6 **Expenditure**

The total expenditure (less depreciation and bad debts) for the financial year 2012/2013 amounted to \$397.70 million. Of this amount, operating and project expenses totaled, \$38.75 million and \$358.95 million, respectively.

Internal operating expenditure of \$38.75 million represents 75% of the budgeted allocation of \$51.79 million for the year; capital expenditure of \$.44 million represents 9% of the budgetary allocation of \$5.00 million.

8.0 PROJECT EXECUTION

Prior to the 2012/2013 financial year, sixty-six community access points had been commissioned into service. At the beginning of the year, there were thirty-six unfinished community access point projects under development at a budgeted cost of \$109,978,956.21. During the year the Finance and Projects Committee approved fifty-one additional community access point projects islandwide at an estimated cost of \$164,039,142.29. Forty-seven community access point projects were completed and commissioned to service during the year at a gross cost of \$131,341,074.08; as a consequence, there were one hundred and thirteen community access points in service at year end. Also at year end, there were thirty nine unfinished projects budgeted to cost \$118,414,119.95 with \$24,596,405.94 disbursed against these unfinished projects. Project details at year end are summarised in tables 7, 8 and 9 below.

Table 6: Summary of CAPs Approved and Completed April 1, 2012 — March 31, 2013

MONTH	APPROVED	VALUE (JA\$)	COMPLETED	FINAL COST (JA\$)
April (2012)	6	18,434,130.00	4	9,702,717.64
May	7	20,963,440.00	3	7,405,002.91
June	6	22,469,860.00	5	14,202,433.72
July	-		1	2,549,479.76
August	-		2	3,639,188.87
September	7	19,864,500.00	6	19,438,435.81
October	-		1	2,511,362.54
November	-		1	3,436,928.00
December	-		5	14,158,103.11
January (2013)	14	52,097,532.29	10	25,906,374.57
February	-		5	16,073,790.31
March	11	30,263,680.00	4	12,317,261.84
TOTAL	51	164,093,142.29	47	131,341,261.84

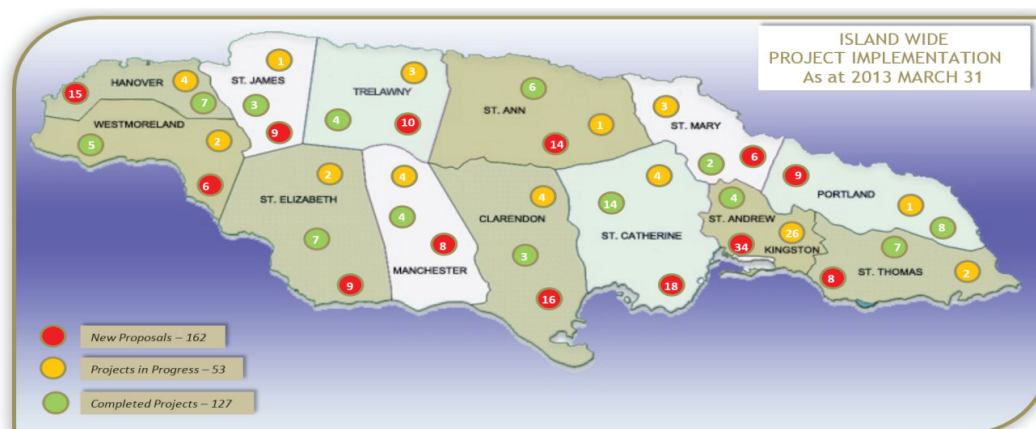


Figure 2: Islandwide Project Implementation (CAPs) as at 2013 March 31

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Table 7: Community Access Point Projects Approved 2012-2013

#	Project Title	Parish	Date Approved	Amount Approved
1	Point Hill Centre	St. Catherine	04/04/2012	3,429,000.00
2	St. Ann Resource Centre Internet Café	St. Ann	04/04/2012	2,878,450.00
3	Woodlands CDC Centre	Hanover	04/04/2012	3,429,000.00
4	Heartease Benevolent Society Centre	St. Thomas	04/04/2012	2,522,320.00
5	Cave Island Citizens Association Centre	Trelawny	04/04/2012	2,746,360.00
6	Cacoon Community Development Centre	Hanover	04/04/2012	3,429,000.00
7	Eastwood Park Centre	Kingston & St. Andrew	09/05/2012	3,070,340.00
8	Waltham Park New Testament	Kingston & St. Andrew	09/05/2012	3,509,600.00
9	Mid Town Parenting Association	Kingston & St. Andrew	09/05/2012	3,979,920.00
10	Port Antonio DAC Computer Centre	Portland	09/05/2012	2,949,260.00
11	Boscobel Heights Citizens Association	St. Mary	09/05/2012	2,081,880.00
12	Molynes Gardens CDC	Kingston & St. Andrew	09/05/2012	3,070,340.00
13	Somerset Community Resource Centre	St. Thomas	09/05/2012	2,302,100.00
14	Spanish Town DAC Centre	St. Catherine	12/06/2012	6,467,040.00
15	Fairview Open Bible Centre	St. Catherine	13/06/2012	3,449,760.00
16	Angels Grove Centre	St. Catherine	13/06/2012	3,933,000.00
17	Constitution Hill Centre	Kingston & St. Andrew	13/06/2012	3,406,680.00
18	Port Royal Centre	Kingston & St. Andrew	13/06/2012	2,239,100.00
19	YMCA Spanish Town Centre	St. Catherine	13/06/2012	2,974,280.00
20	Gaining Our Dominion Centre	Kingston & St. Andrew	12/09/2012	2,239,100.00
21	Rockfort Research & Resource Centre	Kingston & St. Andrew	12/09/2012	2,459,320.00
22	Gayle Seventh Day Adventist Centre	St. Mary	12/09/2012	2,239,100.00

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23	St. Paul's United Church	Kingston & St. Andrew	12/09/2012	2,239,100.00
24	Majesty Gardens Centre	Kingston & St. Andrew	12/09/2012	3,485,280.00
25	JSDN Computer Training Centre	Kingston & St. Andrew	12/09/2012	3,853,000.00
26	JSDN-St. Davids Educational Centre	St. Thomas	12/09/2012	3,349,600.00
27	Palmers Cross Container Project	Clarendon	14/01/2013	3,199,600.00
28	Windsor Heights Combined Citizens Assoc.	St. Catherine	14/01/2013	3,943,000.00
29	Escarpment Road New Testament Church	Kingston & St. Andrew	14/01/2013	3,439,600.00
30	Youth with Vision/McGregor Gardens Centre	Kingston & St. Andrew	14/01/2013	4,243,000.00
31	St. Catherine-Spanish Town NCYD	St. Catherine	14/01/2013	4,111,479.79
32	Clarendon-May Pen NCYD	Clarendon	14/01/2013	4,111,479.79
33	South Manchester Partners for Learning	Manchester	14/01/2013	2,849,242.71
34	Lowe River Computer Centre	Trelawny	14/01/2013	2,045,990.00
35	Tivoli Gardens Community Centre	Kingston & St. Andrew	14/01/2013	6,757,500.00
36	Spring Gardens CDC Centre	Trelawny	14/01/2013	3,864,000.00
37	Chudleigh CDC	Manchester	14/01/2013	3,864,000.00
38	Harmons Valley Centre	Manchester	14/01/2013	3,025,280.00
39	Brandon Hill Centre	Kingston & St. Andrew	14/01/2013	2,377,120.00
40	Miracle Tab Foundation Centre	Kingston & St. Andrew	14/01/2013	4,266,240.00
41	Maverley Primary & Junior High	Kingston & St. Andrew	13/03/2013	5,172,540.00
42	Rosend Technological Network Centre	St. Mary	13/03/2013	2,289,100.00
43	Lawrence Tavern CDC	Kingston & St. Andrew	13/03/2013	3,021,280.00
44	Rose Town Benevolent Society	Kingston & St. Andrew	13/03/2013	3,021,280.00
45	Spanish Town Citizens Against Gun Violence	St. Catherine	13/03/2013	2,289,100.00

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46	HELP Jamaica	Kingston & St. Andrew	13/03/2013	3,041,280.00
47	JDF Echo Company	St. Mary	13/03/2013	2,055,990.00
48	JDF Charlie Company	Manchester	13/03/2013	2,055,990.00
49	Duhaney Park Information Centre	Kingston & St. Andrew	13/03/2013	3,339,520.00
50	Fruitful Vale Benevolent Society	Portland	13/03/2013	3,539,600.00
51	Swallowfield Primary & Junior High	Kingston & St. Andrew	13/03/2013	438,000.00
Total				164,093,142.29

Table 8: Community Access Point Projects Completed 2012-2013

#	Project Title	Parish	Completion Date	Amount Spent
1	Granville Computer Centre	Trelawny	02/04/2012	3,267,740.21
2	Content Gap	Kingston & St. Andrew	04/04/2012	2,398,148.51
3	S-Corner Centre	Kingston & St. Andrew	20/04/2012	2,409,999.87
4	Church of God of Prophecy	Kingston & St. Andrew	26/04/2012	1,626,829.05
5	Standpipe Homework & Resource Centre	Kingston & St. Andrew	04/05/2012	2,884,860.00
6	Hillside Christian Church	Kingston & St. Andrew	18/05/2012	2,517,376.04
7	Hear The Children Cry	Kingston & St. Andrew	24/05/2012	2,002,766.87
8	Women's Centre-Kingston	Kingston & St. Andrew	11/06/2012	3,518,149.47
9	Maverley Primary & Junior High	Kingston & St. Andrew	12/06/2012	4,832,405.21
10	Discovery Bay CDC	St. Ann	15/06/2012	2,364,471.14
11	Comfort Centre	Manchester	15/06/2012	1,078,197.90
12	St. Stephen's Centre	Kingston & St. Andrew	29/06/2012	2,409,210.00
13	Queensbury Centre	St. Elizabeth	21/07/2012	2,549,479.76
14	Jacks Hill Community Centre	Kingston & St. Andrew	14/08/2012	2,288,622.36
15	Oneness Ministries	Hanover	14/08/2012	1,350,561.51

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16	Greater Portmore Centre	St. Catherine	07/09/2012	3,666,233.15
17	Point Hill Centre	St. Catherine	11/09/2012	3,418,960.31
18	Source Centre-Sav-La-Mar	Westmoreland	12/09/2012	3,816,795.21
19	Praise Castle	Kingston & St. Andrew	16/09/2012	2,485,558.35
20	Eastwood Park Centre	Kingston & St. Andrew	16/09/2012	3,006,424.42
21	Waltham Park New Testament	Kingston & St. Andrew	16/09/2012	3,044,464.37
22	St. Ann Resource Centre Internet Café	St. Ann	12/10/2012	2,511,362.54
23	Fairview Open Bible Centre	St. Catherine	11/11/2012	3,436,928.00
24	Angels Grove Centre	St. Catherine	02/12/2012	3,090,628.49
25	NYCD - Possibilities Hostel -Goodwin Park	Kingston & St. Andrew	06/12/2012	1,093,313.42
26	Hannah Town Centre	Kingston & St. Andrew	10/12/2012	3,678,165.34
27	Mid Town Parenting Association	Kingston & St. Andrew	11/12/2012	3,873,557.86
28	Rockfort Research & Resource Centre	Kingston & St. Andrew	20/12/2012	2,422,438.00
29	Woodlands CDC Centre	Hanover	07/01/2013	2,984,859.08
30	Heartease Benevolent Society Centre	St. Thomas	08/01/2013	1,985,595.60
31	Cave Island Citizens Association Centre	Trelawny	08/01/2013	2,686,980.66
32	YMCA Spanish Town Centre	St. Catherine	09/01/2013	2,395,912.34
33	Port Royal Centre	Kingston & St. Andrew	09/01/2013	2,237,963.26
34	Gaining Our Dominion Centre	Kingston & St. Andrew	10/01/2013	2,153,385.17
35	Constitution Hill Centre	Kingston & St. Andrew	11/01/2013	3,393,928.85
36	Centre of Hope, Washington Gardens SDA	Kingston & St. Andrew	21/01/2013	3,606,223.65
37	Hampton Court	St. Thomas	21/01/2013	2,350,084.62
38	Gayle Seventh Day Adventist Centre	St. Mary	25/01/2013	2,111,441.34
39	Cheapside Youth & Community Centre	St. Elizabeth	19/02/2013	1,876,675.51

40	Spanish Town DAC Centre	St. Catherine	20/02/2013	4,573,702.53
41	Broughton Computer Centre	Westmoreland	20/02/2013	3,361,451.25
42	Port Antonio DAC Computer Centre	Portland	22/02/2013	2,906,088.27
43	Delacree Park Youth Club	Kingston & St. Andrew	27/02/2013	3,355,872.75
44	Whitehouse, Westmoreland	Westmoreland	05/03/2013	1,447,409.54
45	Chudleigh CDC	Manchester	08/03/2013	3,791,318.34
46	Miracle Tab Foundation Centre	Kingston & St. Andrew	14/03/2013	4,205,898.15
47	Cacoon Community Development Centre	Hanover	31/03/2013	2,872,635.81
Total				131,341,074.08

Table 9: Projects in Progress at Year End 2012-2013

	Project	Parish	Sum Approved(\$)	Disbursement (\$)
1	Jeffrey Town	St. Mary	1,660,000.00	315,099.67
2	Federal Gardens	St. Andrew	2,400,000.00	-
3	Bushy Park	Clarendon	3,095,250.00	2,838,412.42
4	Riversdale NCYD	St. Catherine	2,634,318.82	-
5	Santa Cruz NCYD	St. Elizabeth	5,360,923.55	-
6	Llandilo Community Centre	Westmoreland	1,615,860.00	-
7	Victoria Court	St. Andrew	2,400,130.00	1,848,388.18
8	St. Pius X Training Centre	St. Andrew	2,522,320.00	-
9	Covenant Moravian Church	St. Andrew	3,471,800.00	2,836,892.96
10	St. Matthews Church	St. Andrew	3,414,000.00	3,411,965.00
11	Boscobel Heights	St. Mary	2,081,880.00	-
12	Molynes Gardens CDC	St. Andrew	3,070,340.00	2,236,489.18
13	Somerset Resource Centre	St. Thomas	2,302,100.00	2,299,169.63
14	St. Paul's United Church	Kingston	2,239,100.00	463,382.00
15	Majesty Gardens	St. Andrew	3,485,280.00	-
16	JSDN Computer Centre	St. Andrew	3,853,000.00	-
17	St. David's Education Centre	St. Thomas	3,349,600.00	-
18	Palmer's Cross Centre	Clarendon	3,199,600.00	-
19	Windsor Heights Centre	St. Catherine	3,943,000.00	3,782,639.17
20	Escarpment Road Centre	St. Andrew	3,439,600.00	-
21	Youth with Vision Centre	St. Andrew	4,243,000.00	-
22	Spanish Town NCYD	St. Catherine	4,111,479.79	-
23	May Pen NCYD	Clarendon	4,111,479.79	-
24	South Manchester Partners	Manchester	3,249,520.00	2,761,224.78

25	Lowe River Computer Centre	Trelawny	2,045,990.00	1,802,742.95
26	Tivoli Gardens Centre	St. Andrew	6,757,000.00	-
27	Spring Gardens CDC Centre	Trelawny	3,864,000.00	-
28	Harmons Valley Centre	Manchester	3,025,280.00	-
29	Brandon Hill Centre	St. Andrew	2,377,120.00	-
30	Rosend Centre	St. Mary	2,289,100.00	-
31	Lawrence Tavern CDC	St. Andrew	3,021,280.00	-
32	Rose Town Centre	St. Andrew	3,021,280.00	-
33	Spanish Town Citizens Against Gun Violence	St. Catherine	2,289,100.00	-
34	HELP Jamaica	St. Andrew	3,041,280.00	-
35	JDF Echo Company	St. Mary	2,055,990.00	-
36	JDF Charlie Company	Manchester	2,055,990.00	-
37	Duhaney Park Centre	St. Andrew	3,339,520.00	-
38	Fruitful Vale Centre	Portland	3,539,600.00	-
39	Swallowfield Primary	St. Andrew	438,000.00	-
Total			118,414,111.95	24,596,405.94

During the period nine additional significant projects were approved to expand the accessibility of Internet services and provide improved opportunities for higher academic studies. Projects were also approved to improve the crime fighting efficiencies of the Jamaica Constabulary Force and provide them with connectivity to the islandwide broadband network to improve their administrative capacity. The Ministry of Health was also the beneficiary of an approved project to provide broadband connectivity for its main hospitals, health centres, and administrative offices.

These fifteen (15) projects are estimated to cost \$443,303,017.87 of which \$97,889,648.30 had been disbursed at year end, as detailed in table 10 below.

Table 10: Other Projects Approved April 1, 2012 – March 11, 2013

#	Project Title	Amount Approved	Amount Spent	Status
1	UWI Open Campus—Ocho Rios	13,224,202.00	-	In Progress
2	UWI Open Campus—Junction	4,942,480.00	-	In Progress
3	UWI Open Campus—Mandeville	5,731,883.00	-	In Progress
4	UWI Open Campus—Montego Bay	13,285,207.00	-	In Progress
5	UWI Open Campus—Savanna-la-Mar	8,044,145.00	-	In Progress
6	UWI Open Campus—Camp Road	14,815,212.00	-	In Progress
7	UWI Open Campus May Pen	16,365,701.00	-	In Progress

8	Central Sorting Office	4,159,960.00	-	In Progress
9	Jamaica Library Service	65,749,300.00	52,439,014.00	In Progress
10	Technology Upgrade and Campus-Wide WiFi Network UWI Mona	107,258,516.00	13,152,323.00	In Progress
11	Ministry of Health–Broadband Connectivity	26,000.00	-	In Progress
12	Jamaica Theological Seminary	8,869,811.87	1,532,212.00	In Progress
13	National Library of Jamaica	10,715,600.00	3,849,224.30	In Progress
14	Caribbean Maritime Institute–Phase I	135,000,000.00	26,916,875.00	In Progress
15	Jamaica Constabulary Force (US\$362,000)	35,114,000.00	-	In Progress
Total		443,302,017.87	97,889,648.30	

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

8.1 **Islandwide Broadband Project**

Construction work on the islandwide broadband network accelerated during the year, resulting in the connection of an additional one hundred and eighteen (118) of the population of two hundred and seventy-eight (278) during the period. All two hundred and seventy-eight (278) institutions plus an additional fifty-three (53) institutions are expected to be connected and commissioned to service during the second quarter of the ensuing financial year.

Negotiations with the service providers will also be concluded to connect additional institutions, namely, hospitals, health centres, and administrative offices to the islandwide broadband network during 2013/2014. Details of the connection status at year end are provided in table 11 below.

Table 11: Broadband Network Connection Status

INSTITUTIONS	CONNECTED 2012/2013	TOTAL IN SERVICE	TOTAL OUTSTANDING
SCHOOLS	67	114	46
LIBRARIES	28	34	6
POST OFFICES	23	57	21
TOTAL	118	205	73

9.0 FOCUS FOR 2013/2014 FINANCIAL YEAR

9.1 Completion of Projects

The USF will concentrate on completing all approved projects to ensure wider availability of broadband access across the country, consistent with its mandate. It is anticipated that the islandwide broadband network will be significantly advanced to allow connectivity to all planned high schools, public libraries, and select post offices. It is 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 organisational structure and seek to secure all the requisite resources appropriate for effectively discharging its expanded mandate. The USF will strengthen its relationship with challenged communities islandwide 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 planned custom built, state of the art mobile cyber-library for use by the Jamaica Library Service did not materialise during 2012/2013. Provisions will, once again, be made in the 2013/2014 budget for funding this facility 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 utilise this facility to schedule visits to selected communities throughout the island and provide them with library and Internet services.

- **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 USF has been collaborating with specialised 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 USF plans to identify at least 75 communities for the establishment of access points during 2013/2014. 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 USF will seek to establish two major model cyber centres in strategic locations in the cities of Kingston and Montego Bay. 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 USF to ensure sustainability and easy and reliable access to the information superhighway for our residents.

- **Broadband Network Expansion**

The USF will conclude an indepth 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**

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.

- **Public Wi-Fi**

The USF will consider the utility of establishing Wi-Fi networks at strategic locations across the country. Where it is deemed that such facilities will be beneficial to a wider audience, the USF will establish them under controlled circumstances to ensure that national security is not impeded.

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 organisational structure and secure all the requisite resources appropriate for effectively discharging its expanded mandate. The USF will strengthen its relationship with challenged communities 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.

UNIVERSAL SERVICE FUND
FINANCIAL STATEMENTS
31 MARCH 2013



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31 MARCH 2013

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Administrative Expenses



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INDEPENDENT AUDITORS' REPORT

To the Members of
 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 2013 and the statements of comprehensive income, changes in equity and cash flows for the period 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 Fund'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 Bay, Mandeville and Ocho Rios

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

To the Directors of
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 period. 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 \$928,005,680 recognized for the period. Any adjustment, as might have been deemed necessary in this regard, would affect the total comprehensive income of \$613,331,300 for the period and the accounts receivable of \$455,268,924 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 2013, and of its financial performance, changes in equity and its cash flows for the period 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 dark ink, appearing to be 'BDO', is written over a light blue rectangular stamp.

Chartered Accountants

18 July 2013

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UNIVERSAL SERVICE FUND

STATEMENT OF COMPREHENSIVE INCOME

TEN MONTHS ENDED 31 MARCH 2013

	<u>Note</u>	<u>2013</u> <u>\$'000</u>
INCOME:		
Service fee levy		928,006
Government subventions		<u>3,274</u>
		<u>931,280</u>
EXPENSES:		
Universal service projects		358,948
Administrative expenses (page 27)		<u>38,184</u>
		<u>397,132</u>
OPERATING SURPLUS BEFORE OTHER INCOME		534,148
Other income	6	<u>79,856</u>
SURPLUS BEFORE TAXATION	7	614,004
Taxation	8	<u>(902)</u>
NET SURPLUS FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME		<u>613,102</u>

UNIVERSAL SERVICE FUND

STATEMENT OF FINANCIAL POSITION

31 MARCH 2013

	<u>Note</u>	<u>2013</u> <u>\$'000</u>
<u>ASSETS</u>		
NON-CURRENT ASSETS:		
Property, plant and equipment	9	5,503
Due from Consolidated Fund	10	<u>8,637,210</u>
		<u>8,642,713</u>
CURRENT ASSETS:		
Receivables	11	455,942
Taxation recoverable		4,735
Cash and cash equivalents	12	<u>1,091,536</u>
		<u>1,552,213</u>
		<u>10,194,926</u>
<u>RESERVES AND LIABILITIES</u>		
RESERVES:		
Capital contribution	13	9,570,709
Accumulated surplus		<u>613,102</u>
		<u>10,183,811</u>
NON-CURRENT LIABILITIES:		
Deferred tax liability	14	<u>902</u>
CURRENT LIABILITIES:		
Payables	15	<u>10,213</u>
		<u>10,194,926</u>

Approved for issue by the Board of Directors on 18 July 2013 and signed on its behalf by:


Bishop Wellesley Blair - Chairman


Hugh Cross - Director

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UNIVERSAL SERVICE FUND

STATEMENT OF CHANGES IN EQUITY

TEN MONTHS ENDED 31 MARCH 2013

	<u>Capital Contribution</u> <u>\$'000</u>	<u>Accumulated Surplus</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Capital contribution	9,570,709	-	9,570,709
Total comprehensive income	<u>-</u>	<u>613,102</u>	<u>613,102</u>
Balance at 31 March 2013	<u>9,570,709</u>	<u>613,102</u>	<u>10,183,811</u>

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UNIVERSAL SERVICE FUND

STATEMENT OF CASH FLOWS

TEN MONTHS ENDED 31 MARCH 2013

	<u>2013</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net surplus for the period	613,102
Adjustments for:	
Depreciation	102
Taxation expense	<u>902</u>
	614,106
Operating cash flows before movements in working capital	
Change in operating assets and liabilities:	
Receivables	(455,942)
Payables	10,213
Taxation recoverable	<u>(4,735)</u>
Net cash provided by operating activities	<u>163,642</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property, plant and equipment	(5,605)
Consolidated Fund	<u>(8,637,210)</u>
Net cash used in investing activities	<u>(8,642,815)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Capital contribution	<u>9,570,709</u>
Net cash provided by financing activities	<u>9,570,709</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,091,536</u></u>

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

Universal Service Fund (“Fund”) was established by the Telecommunications Act (Universal Service Fund) (Commencement of Provisions) Order, 2012 dated 31 May 2012 issued by the Minister of Science, Technology, Energy and Mining pursuant to Section 24 of the Telecommunications (Amendment) Act, 2012 which amended the Telecommunication Act 2000 (“principal Act”). The principal Act levied a fixed universal service charge (“service levy”) per minute on all international incoming calls terminating on networks of local carriers which is to be managed by the Fund. The Fund is domiciled in Jamaica and its principal place of business is located at 36 Trafalgar Road, Kingston 10.

The Fund took over the operations of the previous company, Universal Access Fund Company Limited, and commenced operations on June 1, 2012.

The objectives of the Fund shall be to support the implementation of the obligation to provide universal service, as approved by the Minister, in accordance with the principles set out in section 39(2) and the use specified in section 42A of the principal Act.

The principal activities 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.

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”). Except where indicated to be otherwise, financial information presented are shown in thousands of Jamaican dollars.

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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 2013

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 2013

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 12 'Income taxes', (effective for annual periods beginning on or after 1 January 2012) currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40; "investment property". This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes-recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21.

IFRS 7 (Amendment), Financial instruments. The amendments encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans (effective for annual periods beginning on or after 1 July 2011).

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 2013

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 - Amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012).

IAS 32 (Amended), Financial Instruments - amendments to application guidance on the off-setting of financial assets and financial liabilities (effective for annual reporting periods beginning on or after 1 January 2014).

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 SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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 $\frac{1}{3}$ %
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 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 SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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.

(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.

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UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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 end of the reporting period, 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 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 end of the reporting period, 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 SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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 Fund 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.

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NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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.

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.

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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

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

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.

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.

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UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

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

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

(i) Credit risk (cont'd) -

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.

(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.

UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013

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 Fund manages its foreign exchange risk by holding foreign currency balances. The statement of financial position at year end includes net foreign assets of US\$5,972,644.

(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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

UNIVERSAL SERVICE FUND
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2013

4. FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**(b) Fair value estimation (cont'd)**

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.

	<u>2013</u> <u>\$'000</u>
Directors' emoluments -	
Fees	677
Remuneration	6,498
Gratuity payable	<u>1,295</u>

6. OTHER INCOME:

	<u>2013</u> <u>\$'000</u>
Interest income	21,753
Gain on foreign exchange	<u>58,103</u>
	<u>79,856</u>

7. SURPLUS BEFORE TAXATION

Surplus before taxation is stated after charging -

	<u>2013</u> <u>\$'000</u>
Directors' emoluments -	
Fees	677
Remuneration	6,498
Auditors' remuneration	830
Staff costs (note 16)	29,091
Depreciation	<u>102</u>

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

8. 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:-

	<u>2013</u> <u>\$'000</u>
Income tax 25%	-
Deferred income tax	<u>902</u>
Taxation charge in income statement	<u>902</u>
Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge.	
	<u>2013</u> <u>\$'000</u>
Surplus before taxation	<u>614,004</u>
Tax calculated at 25%	153,501
Adjusted for the effects of:	
Expenses not deducted for tax purposes	(152,599)
Taxation charge in income statement	<u>902</u>

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

9. PROPERTY, PLANT AND EQUIPMENT:

	<u>Office & Computer Equipment \$'000</u>	<u>Furniture & Fixtures \$'000</u>	<u>Motor Vehicle \$'000</u>	<u>Total \$'000</u>
At cost:				
Transfers	748	1,037	3,383	5,168
Additions	<u>437</u>	<u>-</u>	<u>-</u>	<u>437</u>
	<u>1,185</u>	<u>1,037</u>	<u>3,383</u>	<u>5,605</u>
Depreciation:				
Charge for the period	<u>37</u>	<u>9</u>	<u>56</u>	<u>102</u>
31 March 2013	<u>37</u>	<u>9</u>	<u>56</u>	<u>102</u>
Net Book Value:				
31 March 2013	<u>1,148</u>	<u>1,028</u>	<u>3,327</u>	<u>5,503</u>

10. DUE FROM CONSOLIDATED FUND:

This represents service fee levy forwarded to the Accountant General by the previous company and later transferred to the Government's Consolidated Fund.

11. RECEIVABLES:

	<u>2013 \$'000</u>
Service levy receivable	580,963
Provision for doubtful debts	(126,322)
Net trade receivables	454,641
Prepayments	137
Deposit on office equipment	<u>1,164</u>
	<u>455,942</u>

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

11. RECEIVABLES (CONT'D):

The aging of trade receivables is as follows:

	<u>2013</u> <u>\$'000</u>
0-30 days	508,671
31-60 days	21,576
61-90 days	14,866
90 days and over	<u>35,850</u>

580,963

Movement in allowance for doubtful debts:

	<u>2013</u> <u>\$'000</u>
Impairment losses recognized	<u>126,322</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.

12. CASH AND CASH EQUIVALENTS:

	<u>2013</u> <u>\$'000</u>
Cash at bank and in hand	260,683
Deposit and short-term instruments	<u>830,853</u>
	<u>1,091,536</u>

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

12. CASH AND CASH EQUIVALENTS (CONT'D):

(a) Included in deposits and short term instruments is interest receivables of \$2,812,046. These deposits have an average maturity of 62 days.

(b) Deposit and short term instruments are interest bearing.

(c) Interest rate exposure

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

	<u>2013</u>
Cash at bank (US\$ account)	1.00%
Deposit and short-term instruments - US\$	3.64%
Deposit and short-term instruments - J\$	<u>6.25%</u>

13. CAPITAL CONTRIBUTION:

This represents the net of assets and liabilities transferred to Universal Service Fund on the commencement of operations.

14. DEFERRED TAXES:

Deferred income taxes are calculated in full temporary differences under the liability method using a principal tax rate of 25%. The movement in deferred tax assets is as follows:

	<u>Accelerated Tax Depreciation \$'000</u>	<u>2013 \$'000</u>
Charged to income statement	<u>902</u>	<u>902</u>

UNIVERSAL SERVICE FUND

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2013

15. PAYABLES:

2013
\$'000Gratuity payable
Other payables5,744
4,46910,213

16. STAFF COSTS:

2013
\$'000Salaries
Statutory contribution
Staff welfare and allowances
Other19,214
1,095
4,533
4,24929,091

The number of persons employed at the end of the year was 7.



INDEPENDENT AUDITORS' REPORT

To the Members of
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 period ended 31 March 2013, 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.

A handwritten signature in black ink, appearing to read 'BDO', is written over a faint, light gray grid pattern.

Chartered Accountants

18 July 2013

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UNIVERSAL SERVICE FUND

ADMINISTRATIVE EXPENSES

TEN MONTHS ENDED 31 MARCH 2013

	<u>2013</u> <u>\$'000</u>
Salaries and other staff costs	29,091
Directors' fees	677
Board/committee meetings	294
Audit and accounting fees	1,670
Rent	183
Legal fees	462
Consultancy and other professional fees	179
Motor vehicle expenses	368
Insurance	49
General office expenses	2,858
Stationery and office supplies	421
Travel - local and overseas	18
Advertisement and public relations	2,345
Repair and maintenance	13
Bad debts	(673)
Subscriptions	89
Bank charges	38
Depreciation	<u>102</u>
	<u>38,184</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	2012/2013	6,596,714.	3,357,719	1,269,532	-	146,763	-	11,370,728
Director of Projects	2012/2013	3,727,660	142,714	1,051,116	-	146,763	-	5,068,253
Financial Controller	2012/2013	3,853,463	146,282	1,051,116	-	141,225	-	5,192,080

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	17,000	-	-	-	17,000
Director 1	63,000	-	-	-	63,000
Director 2	8,500	-	-	-	8,500
Director 3	60,000	-	-	-	60,000
Director 4	34,000	-	-	-	34,000
Director 5	80,500	-	-	-	80,500
Director 6	34,000	-	-	-	34,000
Director 7	59,500	-	-	-	59,500
Director 8	85,000	-	-	-	85,000
Director 9	32,500				32,500
Director 10	58,500				58,500
Director 11	32,375				32,375
Total	676,875	-	-	-	676,875

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.

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An Agency of the Ministry of **Science,
Technology, Energy** and **Mining**