

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

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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."



# UNIVERSAL SERVICE FUND ANNUAL REPORT 2013/2014



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s the entire world advances and citizens accept the realization that access to the Internet is an indispensable tool for personal and national development, the Universal Service Fund is delighted to continue the pursuit of its mandate to provide such access to a wider community in our beloved country. The digital divide is one differentiator that we are determined to significantly reduce, if not completely eliminate; our Jamaican citizens deserve nothing less.

During the year, we continued to provide easy and reliable Internet access through the establishment of an additional one hundred and thirty-five Community Access Points in strategic locations across the country. At the end of the year there were one hundred and ninety such facilities for the benefit of our citizens, facilitated by strong collaboration with our partners and inspired community-based organizations. In the new year, we

will continue to work assiduously to evaluate the increasing interest from additional communities, and provide additional facilities where the established criteria are satisfied.

We are especially excited about the prospect of revolutionizing our teaching and learning experiences at thirty-eight pilot schools where tablet computers will be provided for every teacher and student. Funding for this project will be provided by the USF and this development is, perhaps, the greatest revolution in our educational system. We look forward to the success of this project and the extension to all other schools.

The Internet portends even greater revolutionary developments in the lives and behaviours of citizens of the entire planet. Jamaicans are known to be early adopters and mobile money and crypto-currency are just two of the developments that are on our doorsteps that may be embraced. The USF is determined to ensure that these, and other innovations, will be accessible to our citizens across the country.

Unfortunately, the access that we provide may be used for nefarious purposes and we need to strenuously guard against that. We totally detest the use of technology for immoral purposes and abhor the various incipient scams that seem to have developed. The access that the USF provides is intended for ethical and positive purposes.

During the new year, we will continue to seek new ways of extending access to our communities and will be analyzing the possibility of utilizing the unused broadcast television frequencies for such purposes. We feel confident that this strategy has the potential of reaching our more remote communities in a cost efficient manner.

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

#### **Bishop Wellesley Blair**



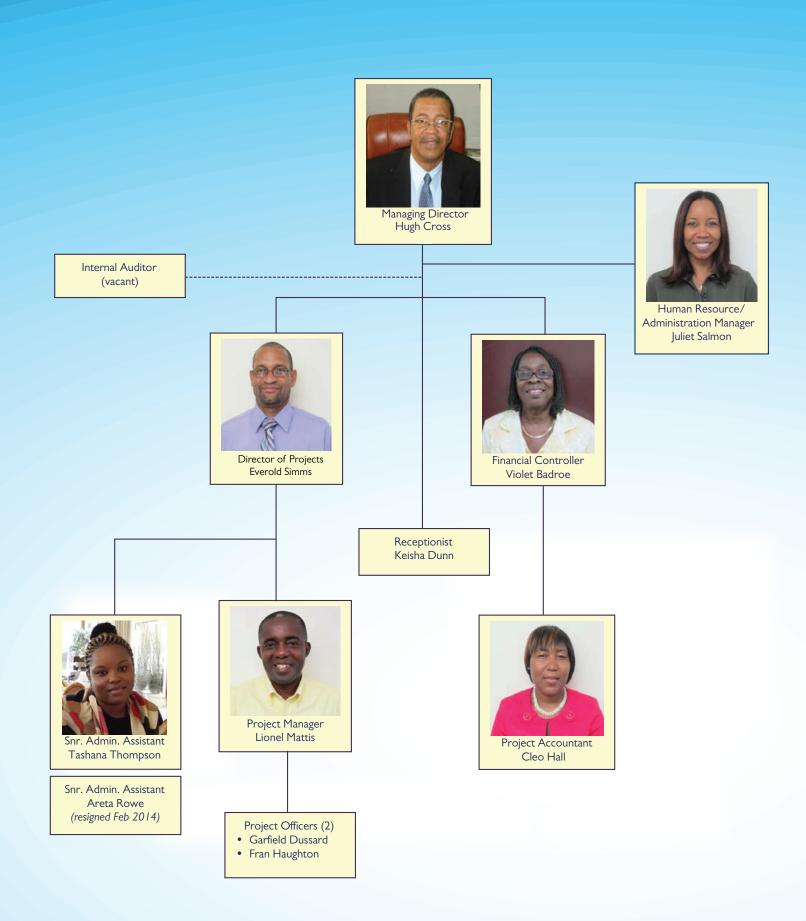


# **BOARD OF MANAGEMENT**

- 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





# CHIEF EXECUTIVE OFFICER'S REPORT 2013/2014



# PERFORMANCE OF THE UNIVERSAL SERVICE FUND FOR FINANCIAL YEAR 2013/2014

#### 1.0 INTRODUCTION

The Universal Service Fund (USF) continued to pursue its mandate throughout fiscal year 2013/2014. The customary challenges, which have become a hallmark of our operations, were once again evident. Efforts were, once again, directed toward circumventing the difficulties encountered in order to deliver acceptable results. In nominal terms, the revenue from the service charge exceeded the previous year but there was no real growth as this increase was influenced by a deterioration in the exchange rate. Bypass operations and the use of other techniques for completing international telephony calls continued to negatively impact revenues. Revenues were positively impacted by interest generated by receivables held in the Consolidated Fund.

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 islandwide broadband network, resulting in the connection of additional targeted institutions.

The USF was required to manage substantial cash holdings over and above the planned amount owing to delays in planned projects, specifically, the Tablet in Schools project. Expectations are that this excess cash will be liquidated as the projects advance toward completion during the next year. Cash holdings are managed in accordance with the Treasury Management Policy.

Despite tremendous effort, we were unsuccessful in winding up the now defunct Universal Access Fund Company Limited. One condition precedent to the winding up is the transfer of all assets and liabilities of the company to its successor, the USF. All assets and liabilities have been transferred save and except for a Toyota Land Cruiser owned by the company; this transfer has been held up owing to the requirement for approval from the Ministry of Finance and Planning. It is anticipated that this outstanding matter will be concluded during the next fiscal year.

#### 2.0 MISSION

The Mission of the organization 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 organization'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 and diversity of projects during next year, owing especially to the expanded latitude resulting from the amendments to the Telecommunications Act. The resources of the organization were directed toward fulfilling the universal service obligation mandate and discharging the core functions which are summarized as follows:-

- Collecting the universal telecommunications services obligations levy from telecommunication companies;
- Analyzing 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, health facilities, and any other agency approved by the Board of Management, and providing those institutions with access to the information superhighway.
- Ensuring the prompt collection of the service charge levy through the terminating carriers.
- Identifying and executing 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 expansion of the islandwide high speed data network to provide broadband connectivity to all high schools, public libraries, post offices, health facilities, and other selected institutions, and completing user acceptance testing to confirm that required specifications have been met.
- 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 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 collaboration with the e-Learning Jamaica Company Limited to transform the learning experience in secondary schools, teacher's colleges and other "special" educational institutions.

## 5.0 PHYSICAL ACHIEVEMENTS FOR FINANCIAL YEAR 2013/2014

- 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 that, once again, persisted. Total levy collection for the year amounted to \$1.191 billion, up from \$1.130 billion the previous year. Our strategy, once again, included repeated telephone calls to terminating carriers to ensure that levy remittances were timely and delinquency was kept to a minimum.
- There were two delinquent carriers, one of which entered an agreement with the USF to liquidate its delinquent balance during next year, by way of monthly instalments; at year end the outstanding balance owed by that carrier was \$19,502,350.89. Unfortunately, the other delinquent carrier made no effort to liquidate its outstanding balance and, consequently, legal action was initiated to recover the long overdue balance of \$19,671,482.21. That matter remained before the courts at the end of the financial year and a final judgment in favour of the USF is anticipated during 2014/2015.
- Completed the preparation of 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-nine community access points facilities islandwide.
- Completed and submitted the Corporate and Operating Plans for financial year 2014/2015.
- Completed user acceptance testing and connected eighty-seven, seven, twelve, and fifty-seven high schools, public libraries, post offices and health facilities, respectively, to the islandwide broadband network.
- Redesigned and relaunched the Corporate website.

 Completed and sold a Request for Proposal for Wi-Fi networks in support of the Tablets in Schools project.

#### 6.0 HUMAN RESOURCES

# 6. I Administration/Staffing

Filling approved vacancies presented some challenges as suitable candidates were difficult to find for the positions available. We were fortunate to have identified and recruited a second Project Officer in September 2013. Unfortunately, our Senior Administrative Officer resigned in February 2014; the resultant vacancy was filled by internal promotion and transfer. As a consequence, we recruited a Receptionist in February to fill the vacancy resulting from the internal transfer. Our desire to fill the vacancy of Internal Auditor did not materialize because terms and conditions of employment were not agreed in time between the Ministry of Finance and Planning and ourselves. Our anticipation is that this critical vacancy will be filled early in the new year.

Consistent with our policy for exposing students to the working world and to assist them with funding for their academic pursuits, we employed four tertiary students for tenures of five weeks during the summer holidays.

### 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
Areta Rowe, Senior Administrative Assistant	Principles and Practices of Project Management (36 Hours) – Mona School of Business and Management, University of the West Indies, Mona.	2013 June 22 to July 27
Juliet Salmon, Executive Assistant	<b>Pension Administration</b> – HR Dynamix	2013 November 27-28
Cleo Hall, Accountant	Inspire Tour – Sage ACCPAC Seminar	2013 November 07

#### 7.0 FINANCIAL PERFORMANCE FOR 2013/2014

#### 7.1 Revenue

For the financial year 2013/2014, The Universal Service Fund established a revenue target of \$996.20 million. Service fees of \$1.133 billion exceeded the budget of \$980 million by \$153.00 million representing a 15.60% increase, primarily due to positive adjustments made to previously billed invoices. Interest income of \$49.67 million was \$33.47 million over budget owing to delays in funded projects execution; Other Income realized of \$163.13 million, for which there was no budgetary provision, resulted from accumulated interest on balances held in the Consolidated Fund. At year end, the Consolidated Fund balances were J\$1.223 billion, and US\$78.44 million, respectively.

Exchange gains were significant, owing to the movement of the exchange rates during the year, and amounted to \$1.11 billion. Revenue details are shown in table 2 below.

Table 2: Revenue Details 2013-2014

REVENUE	BUDGET (\$)M	ACTUAL (\$)M
Service Fee	980.00	1,132.75
Interest Income	16.20	49.67
Other Income	-	163.13
Exchange Gains	-	1,109.84
Total	996.20	2,455.39

The US dollar (US\$) amount held in the Consolidated Fund was revalued at the prevailing exchange rate at year end (108.9943/1) resulting in a Jamaican dollar gain of \$972.62 million as shown below:

<b>EXCHANGE GAINS</b>	AMOUNT (\$)M
Other (Investments)	137.22
Consolidated Fund	972.62
Total	1,109.84

The Other Investments gain category represents positive adjustments upon the maturity of United States dollar investments placed with local brokers.

#### 7.2 Collections

During the financial year, service fees collected totaled \$1.191 billion as shown by month in table 3 on page 16.

Table 3: Monthly Access Fees Summary - April 2013 - March 2014

MONTH	JAMAICAN \$	UNITED STATES \$	GROSS - JAMAICAN
April	12,365,387	464,365	58,161,126
May	21,713,039	460,718	67,151,588
June	11,084,766	1,003,727	111,576,913
July	13,525,928	900,757	104,523,616
August	49,339,767	450,845	95,028,876
September	12,435,186	1,012,205	116,204,777
October	39,961,101	65,773	46,826,790
November	42,923,163	697,744	115,951,511
December	15,586,174	611,737	80,130,487
January	31,025,810	194,503	51,740,328
February	17,114,106	2,093,701	242,366,917
March	37,408,194	594,472	101,835,051
Total	304,482,621	8,550,547	1,191,497,980

Monthly Jamaican dollar amounts plus United States dollar amounts converted at the exchange rate at the time of deposit.

Collections for the year surpassed budget by 40.67%.

Challenges were, once again, experienced in collecting the levy receivables throughout the year. Continual communication continued to be a requirement to ensure serious delinquencies did not develop.

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.

# 7.3 Expenditure

Total expenditure (less depreciation, bad debts and corporation tax) amounted to \$790.23 million. Of this amount, project and operating expenses totaled \$734.85 and \$55.38 million, respectively.

Internal operating expenditure of \$55.38 million represents 82% of the budgeted allocation of \$67.40 million for the year; Capital expenditure of \$9.84 million exceeded the budgetary allocation by \$8.68 million.

#### 7.4 Collections to Date

At year end, gross collections since the inception of the funding regime on June I 2005 amounted to \$11.07 billion. Collection for the year 2013/2014 exceeded collections for each of the two prior years but, nonetheless, represents the third lowest annual collection since the establishment of the regime. The annual collection distribution by year is shown in table 4 below.

Table 4: Annual Gross Collections by Year 2005/2006 - 2013/2014.

Financial Year	Collection (JA\$) Billions
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	1.130
2013/2014	1.191
Total	11.070

Trade receivables amounted to \$335.42 million at year end. 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 grandfather contracts between terminating carriers and international carriers.

#### 7.5 Investments

In keeping with the organization's Treasury Management Policy, funds were invested in sales and repurchase agreements to ensure insignificant risk of changes in their fair value. Legitimate financial institutions were utilized and investment periods not exceeding ninety (90) days were adopted.

As at 2014 March 31 total investments amounted to \$1.643 billion, distributed as shown in the table 5 below:

Table 5: Investment Portfolio at March 31, 2014

BROKER	JA\$	US\$	TOTAL JA\$ <sup>2</sup>
Scotia Investments	10,107,291	-	10,107,291
NCB Capital Markets	-	4,624,021	503,991,883
Proven Wealth	-	4,708,395	513,188,268
Jamaica Money Market Brokers	-	4,093,504	446,168,618
Sagicor Investments	-	1,551,024	169,052,757
Total	10,107,291	14,976,944	1,642,508,817

<sup>2</sup> United States Dollars converted at the exchange rate prevailing at the investment date.

# 8.0 PROJECT EXECUTION

# 8.1 Community Access Point Facilities

During the year, the Finance and Projects Committee approved sixty-six additional community access point projects islandwide at an estimated cost of \$270,386,844.00. Of the approved Community Access Point projects, including thirty-two carried forward from the prior year, forty-nine were completed during the year at a cost of \$142,877,494.97; as a consequence, there were one hundred and sixty-six CAP facilities in service at year end. Also at year end, there were forty-nine unfinished CAP projects budgeted to cost \$181,779,113.82, with \$57,086,702.87 disbursed against these unfinished projects. Project details at year end are summarized in tables 6, 7, 8, and 9.

Table 6: Summary of CAP Projects Approved and Completed April 1, 2013 - March 31, 2014

MONTH	APPROVED	VALUE (JA\$)	COMPLETED	FINAL COST (JA\$)
April (2013)			8	24,140,131.09
May	14	44,774,790.00	5	8,442,939.62
June	П	37,135,210.00	2	6,559,756.86
July			6	22,268,238.44
August	9	30,461,240.00	5	11,365,564.63
September			4	9,569,506.11
October			I	2,503,436.54
November	10	31,902,680.00	5	16,511.46
December			0	0.00
January (2014)	13	90,891,000.00	4	9,810,309.75
February	9	35,221,924.00	3	10,659,823.08
March			6	21,066,089.39
TOTAL	66	270,386,844.00	49	142,877,494.97

Table 7: Details of Community Access Point Projects Approved 2013-2014

#	Project Title	Parish	Date Approved	Approved Value (\$)
I	Newcombe Valley Primary IT Centre	St. Elizabeth	8/05/2013	3,375,520.00
2	Potsdam Community Resource and Homework Centre	St. Elizabeth	8/05/2013	2,566,430.00
3	Braes River Community Council Centre	St. Elizabeth	8/05/2013	3,837,840.00
4	Aberdeen Computer Centre	St. Elizabeth	8/05/2013	3,184,360.00
5	Bull Savannah Primary Information Technology Centre	St. Elizabeth	8/05/2013	4,282,000.00
6	KSAC Poor Relief Department Computer Centre	Kingston & St. Andrew	8/05/2013	2,566,430.00
7	Fearon Community Youth Project	Clarendon	8/05/2013	2,309,100.00

#	Project Title	Parish	Date Approved	Approved Value (\$)
8	Wembley Centre of Excellence Community Project	Clarendon	8/05/2013	3,569,600.00
9	Portmore Area Renewal Empower- ment Nurturing Transformation Services (P.A.R.E.N.T.S)	Kingston & St. Andrew	8/05/2013	3,375,20.00
10	Community Policing Management Committee (CPMC)	Kingston & St. Andrew	8/05/2013	2,101,990.00
II	Church of God of Prophecy, Maxfield Avenue	Kingston & St. Andrew	8/05/2013	3,579,600.00
12	Sharing Miracles In Loving Everyone (SMILE) Outreach Ministries	St. Catherine	8/05/2013	3,579,600.00
13	National Centre for Youth Development (NCYD) – Portland	Portland	8/05/2013	3,375,520.00
14	Gregory Park Community Resource Centre	St. Catherine	8/05/2013	3,071,280.00
15	Granville Progressive Youth Club	St. James	13/06/2013	3,447,520.00
16	Albion Computer Resource Centre	St. James	13/06/2013	3,447,520.00
17	Visions Academy – St. James	St. James	13/06/2013	2,614,430.00
18	Coral Gardens Citizen's Association	St. James	13/06/2013	3,649,600.00
19	Lethe Community Learning path and Technology Centre	St. James	13/06/2013	3,248,360.00
20	Jamaica Defence Force, 3rd Battalion, Delta Company	St. James	13/06/2013	2,103,990.00
21	Spanish Town Skills Training Centre	St. Catherine	13/06/2013	4,378,000.00
22	Treadways Community Development Association	St. Catherine	13/06/2013	3.131,280.00
23	Jones Town Primary School	Kingston & St. Andrew	13/06/2013	3,925,840.00

#	Project Title	Parish	Date Approved	Approved Value (\$)
24	Good Samaritan Inn	Kingston & St. Andrew	13/06/2013	4,574,240.00
25	Mall Road Citizens' Association	Kingston & St. An- drew	13/06/2013	2,614,430.00
26	Hill Top Citizen's Association	Manchester	21/08/2013	3,649,600.00
27	Devon Computer Resource Centre	Manchester	21/08/2013	3,447,520.00
28	Life Centre Church of God of Prophecy	St. Catherine	21/08/2013	3,447,520.00
29	Independence City Computer & Resource Centre	St. Catherine	21/08/2013	4,378,000.00
30	Top Mountain Computer and Internet Access Point	St. Catherine	21/08/2013	3,697,520.00
31	Pike Community Information Technology Centre	Manchester	21/08/2013	3,213,280.00
32	Jamaica Defence Force, 3rd Battalion	Kingston & St. Andrew	21/08/2013	2,239,100.00
33	Jacques Road Parenting Association	Kingston & St. Andrew	21/08/2013	3,929,600.00
34	Yallahs Baptist Church	St. Thomas	21/08/2013	2,349,100.00
35	Airy Castle Primary – St. Thomas	St. Thomas	27/11/2013	3,808,160.00
36	Bath Community (Primary) Community Computer Centre – St. Thomas	St. Thomas	27/11/2013	4,811,000.00
37	Seivwright Gardens Community Development Committee	Kingston & St. Andrew	27/11/2013	3,665,280.00
38	Tavern Joy Community Organization	Kingston & St. Andrew	27/11/2013	2,931,100.00
39	Olympic Gardens CDC Benevolent Society	Kingston & St. Andrew	27/11/2013	4,165,680.00

#	Project Title	Parish	Date Approved	Approved Value (\$)
40	University of the West Indies Centre for Disabilities Studies	Kingston & St. Andrew	27/11/2013	4,545,000.00
41	Franklyn Town Community Development Project Internet Café	Kingston & St. Andrew	27/11/2013	4,645,360.00
42	Westchester Citizens' Association Community Centre	St. Catherine	27/11/2013	2,931,100.00
43	Rio Cobre Juvenile Correctional Centre	St. Catherine	27/11/2013	140,000.00
44	Clarendon Association for Street People (CLASP)	Clarendon	27/11/2013	260,000.00
45	Jamaica Agricultural Society	Kingston & St. Andrew	15/01/2014	7,000,000.00
46	Court, Management Services	Kingston & St. An- drew	15/01/2014	44,086,000.00
47	Miracle Tab Foundation	Kingston & St. Andrew	15/01/2014	1,791,425.07
48	New Testament Church of God, Escarpment Road	Kingston & St. Andrew	15/01/2014	746,305.15
49	Jamaica Fire Brigade, Waterford	St. Catherine	15/01/2014	4,538,600.00
50	Cavalier All-Age School	Kingston & St. Andrew	15/01/2014	4,165,680.00
51	Oberlin High School	Kingston & St. Andrew	15/01/2014	5,199,320.00
52	Red Hills Basic School	Kingston & St. Andrew	15/01/2014	4,511,000.00
53	Rock Hall All-Age School	Kingston & St. Andrew	15/01/2014	3,779,520.00
54	Joy Town Community Development Foundation	Kingston & St. Andrew	15/01/2014	4,165,680.00

#	Project Title	Parish	Date Approved	Approved Value (\$)
55	Top Range Development Organization	Kingston & St. Andrew	15/01/2014	3,196,430.00
56	Ajar Education Centre	Kingston & St. Andrew	15/01/2014	3,545,360.00
57	Inverness Primary School	St. Ann	15/01/2014	4,165,680.00
58	Glendevon CDC Benevolent Society	St. James	19/02/2014	4,165,680.00
59	Flankers Resource Centre	St. James	19/02/2014	3,779,520.00
60	Bethel New Testament Church of God (Rosseau Road)	Kingston & St. Andrew	19/02/2014	3,196,430.00
61	Drewsland computer Centre/Internet Café	Kingston & St. Andrew	19/02/2014	3,962,440.00
62	Hear the Children Cry – St. Andrew	Kingston & St. Andrew	19/02/2014	95,064.00
63	Glengoffe Community Development and Capacity Building Centre	St. Catherine	19/02/2014	4,989,320.00
64	Commodore Skills Training Centre	St. Catherine	19/02/2014	3,196,430.00
65	Bayside Education and Community Outreach Network	St. Catherine	19/02/2014	5,999,560.00
66	Victory Open Bible	St. Catherine	19/02/2014	5,837,480.00
	TOTAL			270,386,844.00

Table 8: Community Access Point projects completed 2013-2014

#	Project Title	Parish	Completed	Cost \$
I	Bushy Park IT Resource Centre	Clarendon	April 2013	2,838,412.42
2	Spanish Town Citizens' Against Violence	St. Catherine	April 2013	1,991,361.18
3	Palmer's Cross Container Project	Clarendon	April 2013	3,199,600.00
4	Boscobel Heights Citizens' Association	St. Mary	April 2013	2,062,613.86
5	Youth With Vision/McGregor Gardens	St. Andrew	April 2013	4,111,794.62
6	Escarpment Road New Testament Church of God	St. Andrew	April 2013	3,304,467.13
7	Windsor Heights Combined Citizens Association	St. Catherine	April 2013	3,782,639.17
8	South Manchester Partners for Learning	Manchester	April 2013	2,849,242.71
9	Victoria Court Cyber Centre	St. Andrew	May 2013	1,848,388.18
10	Swallowfield Primary and Junior High	St. Andrew	May2013	428,093.93
Ш	Duhaney Park Information Centre	St. Andrew	May 2013	2,688,530.27
12	Lowe River Computer Centre	Trelawny	May 2013	1,936,681.92
13	St. Paul's United Church	Kingston	May 2013	1,521,245.32
14	Wembley Centre of Excellence	Clarendon	June 2013	3,568,734.40
15	Covenant Moravian Centre – Unitas	St. Andrew	June 2013	2,991,022.46
16	Molynes Gardens Centre	St. Andrew	July 2013	3,069,896.98
17	Tivoli Gardens Community Centre	Kingston	July 2013	6,748,159.32
18	Lawrence Tavern CDC Centre	St. Andrew	July 2013	2,899,315.40
19	KSAC Poor Relief Computer Centre	Kingston	July 2013	1,955,687.81
20	Maxfield Avenue Church of God	St. Andrew	July 2013	3,550,125.19
21	Spanish Town Skills Training Centre	St. Catherine	July 2013	4,045,053.74
22	JDF – 3rd Battalion – Delta Company	St. James	August 2013	1,731,623.50

#	Project Title	Parish	Completed	Cost \$
23	Visions Academy	St. James	August 2013	2,382,965.56
24	Fearon Community Computer Centre	Clarendon	August 2013	1,949,168.49
25	JDF – 3rd Battalion – Charlie Company	Manchester	August 2013	1,724,954.90
26	SMILE Outreach Ministries	St. Catherine	August 2013	3,576,852.18
27	Community Policing Management Committee	St. Andrew	September 2013	2,009,821.94
28	Gregory Park Baptist Church	St. Catherine	September 2013	2,855,240.25
29	HELP Jamaica	St. Andrew	September 2013	2,975,212.89
30	JDF – 3rd Battalion – Echo Company	St. Mary	September 2013	1,729,231.03
31	Lethe Primary School	St. James	October 2013	2,503,456.54
32	Top Mountain Internet Access Point	St. Catherine	November 2013	3,510,637.22
33	Rose Town Benevolent Society	St. Andrew	November 2013	3,007,687.93
34	Potsdam Community Resource Centre	St. Elizabeth	November 2013	2,414,152.41
35	Bull Savannah Primary School IT Centre	St. Elizabeth	November 2013	4,139,201.90
36	Albion Computer Resource Centre	St. James	November 2013	3,440,000.00
37	Yallahs Baptist Church	St. Thomas	January 2014	2,307,517.96
38	JDF – 3rd Battalion – Curphey Barracks	St. Andrew	January 2014	2,131,647.10
39	Somerset Community Resource Centre	St. Thomas	January 2014	2,299,169.63
40	Newcombe Valley Primary IT Centre	St. Elizabeth	January 2014	3,071,975.06
41	Jacques Road Parenting Association	St. Andrew	February 2014	3,294,853.00
42	Coral Gardens Citizens' Association	St. James	February 2014	3,514,467.70
43	Jones Town Primary School Centre	St. Andrew	February 2014	3,850,502.38
44	Pike Community IT Centre	Manchester	March 2014	2,757,275.54
45	Braes River Community Centre	St. Elizabeth	March2014	3,804,215.44

#	Project Title	Parish	Completed	Cost \$
46	National Centre for Youth Development	Portland	March 2014	3,064,639
47	Ajar Educational Centre	St. Andrew	March 2014	3,177,889.88
48	Waterford Fire Station – Jamaica Fire Brigade	St. Catherine	March 2014	4,364,838.37
49	Franklyn Town Community Internet Café	St. Andrew	March 2014	3,897,231.16
	TOTAL			142,877,494.97

Table 9: Community Access Point Projects in progress at Year End 2013-2014

#	Project	Parish	Sum Approved (\$)	Disbursement (\$)
I	Jeffrey Town	St. Mary	1,660,000.00	315,099.67
2	Riversdale (NCYD) Centre	St. Catherine	2,634,318.82	-
3	Santa Cruz (NCYD) Centre	St. Elizabeth	5,360,923.55	3,073,061.19
4	Central Sorting Office	St. Andrew	4,159,960.00	-
5	Llandilo Community Centre	Westmore- land	1,615,860.00	853,505.00
6	Bayside Education & Community Outreach Network	St. Catherine	5,999,560.00	-
7	St. Matthews Church	St. Andrew	3,414,000.00	3,411,965.00-
8	Top Range CDC Centre	St. Andrew	3,196,430.00	-
9	Victory Open Bible Church	St. Catherine	5,837,480.00	-
10	Court Management Services	Kingston	44,086,000.00	-
П	Glendevon CDC Benevolent Society	St. James	4,165,680.00	-
12	Flankers Resource Centre	St. James	3,779,520.00	-
13	Bethel New Testament Church	St. Andrew	3,196,430.00	-
14	Drewsland Computer Centre	St. Andrew	3962,440.00	-

#	Project	Parish	Sum Approved (\$)	Disbursement (\$)
15	Glengoffe CDC Benevolent Society	St. Catherine	4,989,320.00	-
16	Commodore Skills Training Centre	St. Catherine	3,196,430.00	-
17	Majesty Gardens	St. Andrew	3,485,280.00	-
18	JSDN Computer Centre	St. Andrew	3,853,000.00	-
19	St. David's Education Centre	St. Thomas	3,349,600.00	-
20	Joy Town CDF Centre	St. Andrew	4, 165,680.00	-
21	Spanish Town NCYD	St. Catherine	4,111,479.79	4,100,168.38
22	May Pen NCYD	Clarendon	4,111,479.79	4,111,479.79
23	Spring Gardens CDC Centre	Trelawny	3,864,000.00	-
24	Harmons Valley Centre	Manchester	3,025,280.00	2,747,950.22
25	Brandon Hill Centre	St. Andrew	2,377,120.00	-
26	Inverness Primary and Infant School	St. Ann	4,165,680.00	-
27	Rosend Centre	St. Mary	2,289,100.00	2,163,391.00
28	Fruitful Vale Centre	Portland	3,539,600.00	3,499,034.45
29	Aberdeen Computer Centre	St. Elizabeth	3,184,360.00	2,905,953.24
30	P.A.R.E.N.T.S Centre	St. Catherine	3,375,520.00	2,829,952.57
31	Rio Grande Cloud Computing Project	Portland	2,351,500.00	-
32	Granville Progressive Youth Club	St. James	3,447,520.00	-
33	Treadways CDA Centre	St. Catherine	3,131,280.00	2,503,594.97
34	Good Samaritan Inn Centre	Kingston	4,574,240.00	2,619,774.32
35	Mall Road Citizens' Association	St. Andrew	2,614,430.00	-
36	Top Hill Citizens' Association	Manchester	3,649,600.00	-

#	Project	Parish	Sum Approved (\$)	Disbursement (\$)
37	Devon Computer Resource Centre	Manchester	3,447,520.00	3,344,337.02
38	Life Centre Church of Prophecy	St. Catherine	3,447,520.00	-
39	Independence City Centre	St. Catherine	4,378,000.00	4,205,874.26-
40	Airy Castle Primary School	St. Thomas	3,808,160.00	3,507,153.35
41	Rock Hall All-Age School	St. Andrew	3,779,520.00	3,674,270.20
42	Seivwright Gardens CDC Centre	St. Andrew	3,665,280.00	-
43	Tavern Joy Community Organization	St. Andrew	2,931,100.00	-
44	Westchester Citizens' Association	St. Catherine	2,931,100.00	-
45	Bath Primary and Junior High School	St. Thomas	4,811,000.00	4,426,363.82
46	Olympic Gardens Benevolent Society	St. Andrew	4,165,680.00	-
47	Cavaliers All-Age School	St. Andrew	4,165,680.00	-
48	Oberlin High School	St. Andrew	5,199,320.00	-
49	Red Hills Primary/Basic School	St. Andrew	4,511,000.00	4,496,014.60
ТОТ	AL		81,779,113.02	57,086,702.87

Execution of the Community Access Point projects necessitated one hundred and sixty-one site visits covering all fourteen parishes.

# 8.2 Islandwide Broadband Project

Construction work on the islandwide broadband network accelerated during the year, resulting in the connection of an additional one hundred and sixty-three (163) of the population of three hundred and eighty-five (385) during the period. All three hundred and eighty-five (385) institutions plus an additional seventy-three (73) 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, Ministry of Health's hospitals, health centres and administrative offices and select Jamaica Constabulary Force offices to the islandwide broadband network during 2014/2015.

Details of the connection status at year end are provided in table 10 see on page 29.

UNIVERSAL SERVICE FUND - 2014

**Table 10: Broadband Network Connection Status** 

INSTITUTIONS	2013/2014	TOTAL IN SERVICE	TOTAL OUTSTANDING	
SCHOOLS	87	206	41	
LIBRARIES	7	41	0	
POST OFFICES	12	67	10	
HEALTH FACILITIES	57	57	3	
TOTAL	163	371	14	

# 8.3 Tablets in Schools Project

This project will be executed primarily by the e-Learning Jamaica Company Limited through funding provided by the USF. Thirty-eight schools islandwide will be targeted under the initial pilot project. The USF will be required to provide Internet connectivity and campuswide wireless access at all the select schools. It is anticipated that the requisite services will be completed in time for the delivery of tablets to teachers and students at the start of the 2014/2015 school year.

## 8.4 Corporate Website

During the year, our website was redesigned to provide more relevant information to the general public and was launched on December 23, 2013.

#### 8.5 Public Wi-Fi Service

During the year, arrangements were made to provide public Wi-Fi service at the Petroleum Corporation Building at 36 Trafalgar Road Kingston 10. The service is scheduled to be launched during the first quarter of next year and will be available throughout the building.

### 8.6 Other Projects

During the year nine additional significant projects were undertaken to expand the accessibility of Internet services and provide improved opportunities for higher academic studies.

The technology upgrade project to provide campus-wide Wi-Fi coverage at the University of the West Indies, Mona Campus was completed at a total cost of \$85,866,915.65. As a consequence of this project, administrators, faculty, students, employees and visitors are now able to enjoy broadband connectivity wherever they are on the campus. Coverage has also been extended to persons within close proximity to the campus borders.

Technological upgrades to an additional four University of the West Indies' Open Campuses were advanced during the year and were scheduled to be completed by the third quarter of next year at a cost of \$44,956,941. Three campuses had been previously completed at a cost of \$29,447,911.36.

Technological upgrading of the Jamaica Theological Seminary to provide improved access to learning and teaching resources was advanced through the provision of computers and appropriate software at a gross expenditure to date of \$5,915,599.08. This project will be completed during the third quarter of next year.

During the year, fifty-seven (57) hospitals, health centres and administrative offices of the Ministry of Health were connected to the islandwide broadband network to provide them with interconnectivity and Internet access. These connections were intended to improve the operational efficiency of that Ministry including facilitating integrated information systems.

These nine (9) projects are estimated to cost \$485,116,057, of which \$117,255,793 had been disbursed at year end, as detailed in table 11 below.

**Table 11: Summary of Other Projects** 

PROJECT DESCRIPTION	APPROVED VALUE (\$)	DISBURSEMENT (\$)	STATUS
Technology Upgrade and Campus- Wide Wi-Fi Network – UWI Mona	107,258,516	85,866,915.65	Complete
Technology upgrade – 7 UWI Open Campuses	76,408,830	44,956,941.00	3 completed
Technology upgrade at Jamaica Theological Seminary	8,869,811	5,915,599.08	In Progress
Infrastructure upgrade – Caribbean Maritime Institute	135,000,000	102,703,494.92	In Progress
Jamaica Constabulary Force – Technology upgrade	35,114,000	35,114,000.00	Complete
Jamaica Constabulary – Broadband Connectivity	20,000,000	-	In Progress
Ministry of Health – Broadband Connectivity - 60	26,000,000	-	57 completed
UWI Centre for Disability Studies	4,545,000	250,000.00	In Progress
Jamaica Agricultural Society	7,000,000	-	In Progress
TOTAL	420,196,157	274,806,950.65	

#### 9.0 FOCUS FOR 2014/2015 FINANCIAL YEAR

Subject to the availability of the requisite resources, the USF will undertake new projects, as detailed below, during the next 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 delayed connection of the select Jamaica Constabulary Force offices will materialize in the new year. It is also anticipated that additional libraries will be connected.

The USF will again review its organizational structure and seek to secure all the requisite human resources appropriate for more effectively discharging its mandate. The USF will continue to 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 branch library facilities, especially where demand has outstripped supply and the physical accommodation is available. The connection of additional libraries to the islandwide broadband network will be pursued on a priority basis.

#### • Community Access Points

The USF has been collaborating and will continue to, collaborate 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 USF plans to identify at least 75 communities for the establishment of access points during fiscal year 2014/2015. 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.

#### • Broadband Network Expansion

To the greatest extent possible, the USF will connect additional health facilities, libraries and select constabulary offices to the broadband network in an effort to further enhance their operational efficiencies and to expose a wider Jamaican audience to Information and Communication Technologies.

## • Academic Support

The USF will continue its support for academic pursuits through the awarding of substantial annual postgraduate scholarships in Information and Communication Technologies, tenable at the three primary Jamaican universities.

#### Public Wi-Fi

The USF will provide public Wi-Fi service at the Office of the Prime Minister and will continue to consider the utility of establishing Wi-Fi networks at other 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 compromised.

# TV White Space Technology

The USF will explore the utilization of TV White Spaces (the unused guard frequencies between television channels) to deploy broadband Internet services to select communities across the country. A pilot project will be implemented during the new year to confirm the efficacy of using this technology to accelerate the deployment of broadband services islandwide.

# FINANCIAL STATEMENTS 31 MARCH 2014



# **UNIVERSAL SERVICE FUND**

# FINANCIAL STATEMENTS

# 31 MARCH 2014

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### FINANCIAL STATEMENTS - 31 MARCH 2014



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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 30, which comprise the statement of financial position as at 31 March 2014 and the statements of profit or loss and other comprehensive income, changes in reserves and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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 Telecommunications (Amendment) Act 2012 and the Public Bodies Management and Accountability (Amendment) Act 2014 and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## 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.

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



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

To the Members 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 year. Furthermore, there are international carriers who remit service fees indirectly to the Fund, through local carriers, and the timing of remittances by the carriers involved are not predictable. We are, therefore, unable to verify the completeness of income from service fees of \$1,132,749,244 recognized for the year. Any adjustment, as might have been deemed necessary in this regard, would affect the total comprehensive income of \$1,588,082,643 for the period and the accounts receivable of \$335,432,955 at the statement of financial position date.

### 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 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Telecommunications (Amendment) Act 2012 and the Public Bodies Management and Accountability (Amendment) Act 2014.

Report on additional requirements of the Telecommunications (Amendment) Act 2012 and the Public Bodies Management and Accountability (Amendment) Act 2014

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 are in agreement therewith, and give the information required by the Telecommunications (Amendment) Act 2012 and the Public Bodies Management and Accountability (Amendment) Act 2014 in the manner so required.

**Chartered Accountants** 

26 September 2014

# UNIVERSAL SERVICE FUND

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

# YEAR ENDED 31 MARCH 2014

	Note	(12 months) <u>2014</u> <u>\$'000</u>	(10 months)  2013  \$'000
REVENUE	6	1,132,749	931,280
Direct costs - Universal service projects		( <u>734,850</u> )	(_358,948)
		397,899	572,332
Other operating income	7	1,322,639	79,856
Administrative expenses (Page 31)		(118,576)	( <u>38,184</u> )
PROFIT BEFORE TAXATION		1,601,962	614,004
Taxation	9	(13,880)	(902)
NET PROFIT, BEING TOTAL COMPREHENSIVE INCOME		<u>1,588,082</u>	613,102

# UNIVERSAL SERVICE FUND

# STATEMENT OF FINANCIAL POSITION

# 31 MARCH 2014

	<u>Note</u>	<u>2014</u> <u>\$'000</u>	<u>2013</u> \$'000
<u>ASSETS</u>			
NON-CURRENT ASSETS:		40.422	F 502
Property, plant and equipment	10	12,632	5,503
Due from Consolidated Fund	11	9,772,898	8,637,210
Deferred tax assets	15	92	
		9,785,622	8,642,713
CURRENT ASSETS:			
Receivables and prepayments	12	335,682	455,942
Taxation recoverable		1,874	4,735
Cash and cash equivalents	13	1,799,419	<u>1,091,536</u>
		2,136,975	1,552,213
		11,922,597	10,194,926
RESERVES AND LIABILITIES RESERVES:			
Capital contribution	14	9,570,709	9,570,709
Accumulated surplus		2,201,184	613,102
		11,771,893	10,183,811
NON-CURRENT LIABILITIES:			
Deferred tax liability	15		902
CURRENT LIABILITIES:			
Payables	16	150,704	10,213
		11,922,597	<u>10,194,926</u>

Approved for issue by the Board of Directors on 26 September 2014 and signed on its behalf by:

Bishop Wellesley Blair - Chairman

Hugh Cross - Director

# FINANCIAL STATEMENTS – 31 MARCH 2014

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# UNIVERSAL SERVICE FUND

# STATEMENT OF CHANGES IN RESERVES

# YEAR ENDED 31 MARCH 2014

	Capital Contribution \$'000	Accumulated Surplus \$'000	<u>Total</u> <u>\$'000</u>
Capital contribution	9,570,709	-	9,570,709
Total comprehensive income		613,102	613,102
Balance at 31 March 2013	9,570,709	613,102	10,183,811
Total comprehensive income		1,588,082	1,588,082
Balance at 31 March 2014	9,570,709	2,201,184	11,771,893

# UNIVERSAL SERVICE FUND

# STATEMENT OF CASH FLOWS

# YEAR ENDED 31 MARCH 2014

	(12 months) <u>2014</u> \$'000	(10 months) <u>2013</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES: Net profit	1,588,082	613,102
Items not affecting cash resources:  Depreciation Interest income Taxation expense Exchange gain on foreign balances	2,715 ( 212,742) 13,880 ( <u>1,109,842</u> )	102 ( 21,753) 902 ( 58,103)
	282,093	534,250
Change in operating assets and liabilities: Receivables Payables Taxation (paid)/recovered	120,260 140,491 ( <u>12,013</u> )	( 455,942) 10,213 ( 4,735)
Cash provided by operating activities	530,831	83,786
CASH FLOWS FROM INVESTING ACTIVITIES: Additions to property, plant and equipment Interest received Consolidated Fund	( 9,844) 49,671 	( 5,605) 21,753 ( <u>8,637,210</u> )
Cash provided by/(used in) investing activities	39,827	(8,621,062)
CASH FLOWS FROM FINANCING ACTIVITIES: Capital contribution	<u></u>	9,570,709
Cash provided by financing activities		9,570,709
	570,658	1,033,433
Exchange gain on foreign cash balances	137,225	58,103
NET INCREASE IN CASH AND CASH EQUIVALENTS	707,883	1,091,536
Cash and cash equivalents at beginning of year	<u>1,091,536</u>	
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,799,419</u>	1,091,536

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

#### 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:

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which the Fund operates ("functional currency"). These financial statements are presented in Jamaican dollars, which is considered the Fund's functional and presentation currency.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

#### 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.

Amounts are rounded to the nearest thousand unless otherwise stated.

### (a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the fund's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Amendments to published standards effective in the current year that is relevant to the fund's operations

IAS 1 (Amendment), 'Presentation of Financial Statements' (effective for annual periods beginning on or after 1 July 2012). This amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. In particular, items of other comprehensive income are required to be classified into those that will and will not be reclassified to profit or loss. As the amendment only affects presentation, there is no effect on the fund's financial statements.

### NOTES TO THE FINANCIAL STATEMENTS

## 31 MARCH 2014

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

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

Amendments to published standards effective in the current year that is relevant to the fund's operations (cont'd)

IAS 1 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2013). This amendment clarifies the disclosure requirements for comparative information when an entity provides a third statement of financial position. When an entity produces an additional statement of financial position as required by IAS 8, the statement of financial position should be as at the date of the beginning of the preceding period, that is, the opening position. No notes are required to support this statement of financial position. When management provides additional comparative information voluntarily, for example, statement of profit or loss, statement of financial position, it should present the supporting notes to these additional statements. The adoption of this standard has no significant impact on the fund's financial statements.

IAS 32 'Financial instruments: Presentation' (effective for annual periods beginning on or after 1 January 2013). This amendment clarifies the treatment of income tax relating to distributions and transaction costs. The treatment is in accordance with IAS 12. Therefore, income tax related to distributions is recognized in the statement of comprehensive income, and income tax related to the costs of equity transactions is recognized in equity. This amendment has no significant impact on the fund's financial statements.

IFRS 13, 'Fair Value Measurement', (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in IFRS 7, 'Financial instruments: Disclosures', but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The adoption of this standard has no significant impact on the fund's financial statements.

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Fund

IAS 32 (Amendment), 'Financial instruments: Presentation' (effective for annual periods beginning on or after 1 January 2014). Amendments relating to the offsetting of assets and liabilities.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

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

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

Standards and amendments to published standards that are not effective and have not been early adopted by the Fund (cont'd)

IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2015). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost at fair value. The revised standard now includes guidance on classification and measurement of financial liabilities designated at fair value through surplus or deficit and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and derecognition of financial assets and financial liabilities.

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.

### (b) Property, plant and equipment -

Items of property, plant and equipment are recorded at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line basis at such 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%

### NOTES TO THE FINANCIAL STATEMENTS

## 31 MARCH 2014

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

### (c) Impairment of non-current assets -

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (d) Financial instruments -

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

#### Financial assets

### (i) Classification

The fund classifies its financial assets in the following categories: loans and receivables and available-for-sale. 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.

### 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 are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The fund's loans and receivables comprise trade and other receivables and cash and cash equivalents.

### NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

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

(d) Financial instruments (cont'd) -

Financial assets (cont'd)

(i) Classification (cont'd)

#### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

### (ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the fund commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the fund has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with fair value gains or losses being recorded in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Translation differences and changes in the fair value of non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized as other comprehensive income are recycled to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss as part of other operating income when the fund's right to receive payments is established.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

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

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

### Finanical liabilities

The fund's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following item was classified as financial liabilities: payables.

# (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 and short term deposits with original maturity of 90 days or less.

### (f) Trade receivables -

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the fund will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

#### (g) Trade and other payables -

Trade payables are stated at amortized cost.

### NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

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

### (h) Foreign currency translation -

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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 profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in equity.

# (i) Current and deferred income taxes -

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The fund's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

### UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

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

## (i) Current and deferred income taxes (cont'd) -

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

Deferred income tax liabilities are not recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries as such amounts are permanently reinvested and are not subject to tax.

### (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.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## (a) Critical judgements in applying the fund's accounting policies -

In the process of applying the fund's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

## (b) Key sources of estimation uncertainty -

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 assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below:

#### (i) Fair value estimation

A number of assets and liabilities included in the fund's financial statements require measurement at, and/or disclosure of, at fair value.

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. Market price is used to determine fair value where an active market (such as a recognized stock exchange) exists as it is the best evidence of the fair value of a financial instrument.

The fair value measurement of the fund's financial and non financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

- 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):
  - (b) Key sources of estimation uncertainty (cont'd)-
    - (i) Fair value estimation (cont'd)

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

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

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

The fair of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the reporting date. The quoted market price used for financial assets is the current bid price.

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

- (i) The face value, less any estimated credit adjustments, or financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, receivables and payables.
- (ii) The fair value of unquoted equity instruments could not be determined as there is no active market for it.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

- 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):
  - (b) Key sources of estimation uncertainty (cont'd) -
    - (ii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The fund applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

#### 5. FINANCIAL RISK MANAGEMENT:

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

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the fund's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the fund's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the fund and the methods used to measure them.

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.

# (i) 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 payables

# NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

# 5. FINANCIAL RISK MANAGEMENT (CONT'D):

# (ii) Financial instruments by category

### Financial assets

	Loans and Receivables	
	2014 \$'000	2013 <u>\$'000</u>
Cash and cash equivalents Trade receivables	1,799,419 335,433	1,091,536 454,641
Total financial assets	<u>2,134,852</u>	<u>1,546,177</u>

### Financial liabilities

	Financial liabilities at amortised cost 2013 2012 \$'000 \$'000	
Payables	<u>150,704</u>	10,213
Total financial liabilities	150,704	<u>10,213</u>

# (iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, receivables and payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables approximates their fair value.

### NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

## 5. FINANCIAL RISK MANAGEMENT (CONT'D):

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

The Board of directors 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 fund's finance function. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

The overall objective of the Board is to set polices 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:

### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables and cash and bank balances.

### 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.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

### FINANCIAL RISK MANAGEMENT (CONT'D):

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

# Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

## Trade receivables that are past due but not impaired

As at 31 March 2014, trade receivables of \$81,780,071 (2013 - \$63,710,148) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

### Trade receivables that are past due and impaired

As of 31 March 2014, the fund had trade receivables of Nil (2013 - \$126,321,625) that were impaired. The amount of the provision was Nil (2013 - \$126,321,625). These receivables were aged over 90 days.

Movements on the provision for impairment of trade receivables are as follows:

	<u>2014</u> <u>\$'000</u>	2013 \$'000
At 1 April Provision for receivables impairment Bad debts recovered, previously provided for	126,322 - ( 65,842)	- 126,322 -
Receivables written off during the year as uncollectible	( <u>60,480</u> )	
At 31 March	<u> </u>	126,322

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

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

- (iv) Financial risk factors (cont'd) -
  - (b) 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.

Currency risk arises from US dollar cash and bank balances. The fund manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The fund further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets.

### Concentration of currency risk

The fund is exposed to foreign currency risk in respect of US dollar cash and bank balances amounting to \$1,667,957,072 (2013 - \$768,227,071).

## Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, and adjusts their translation at the year-end for 10% (2013 - 1%) depreciation and a 1% (2013 - 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

		Effect on		Effect on
		Profit before		Profit before
	% Change in	Tax	% Change	Tax
	<b>Currency Rate</b>	31 March	<b>Currency Rate</b>	31 March
	2014	2014	2013	2013
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Currency:				
USD	-10	166,794	-1	8,546
USD	<u>+1</u>	( <u>16,679</u> )	<u>+1</u>	( <u>8,546</u> )

### NOTES TO THE FINANCIAL STATEMENTS

### 31 MARCH 2014

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

- (iv) Financial risk factors (cont'd) -
  - (b) Market risk (cont'd)

Currency risk (cont'd)

#### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. As the fund does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

#### Cash flow and fair value 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.

Floating rate instruments expose the fund to cash flow interest rate risk, whereas fixed rate instruments expose the fund to fair value interest rate risk.

Short term deposits are the only interest bearing assets within the Fund. The Fund's short term deposits are due to mature within 3 months of the reporting date.

#### Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

### (c) Liquidity risk

Liquidity risk is the risk that the fund will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

### NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

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

- (iv) Financial risk factors (cont'd) -
  - (c) Liquidity risk (cont'd)

Liquidity risk management process

The fund's liquidity management process, as carried out within the fund and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on a regular basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

### (v) Capital management -

The fund's objectives when managing capital are to safeguard the fund's ability to continue as a going concern in order to provide benefits for its stakeholders. The fund also maintains a strong capital base to support the development of its business.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the fund is subject.

# 6. **REVENUE:**

	(12 months) <u>2014</u> <u>\$'000</u>	(10 months) <u>2013</u> <u>\$'000</u>
Service fee levy Government subventions	1,132,749 	928,006 <u>3,274</u>
	<u>1,132,749</u>	931,280

# **UNIVERSAL SERVICE FUND**

# NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

# 7. OTHER OPERATING INCOME:

	(12 months) <u>2014</u> \$'000	(10 months) <u>2013</u> <u>\$'000</u>
Interest income	49,671	21,753
Gain on foreign exchange	1,109,842	58,103
Interest in consol fund	163,071	<u>.</u>
Other	55	
	1,322,639	<u>79,856</u>

Interest on consolidated fund represents accumulated interest earned on fund held at Accountant General department.

# 8. EXPENSES BY NATURE:

Surplus before taxation is stated after charging -

	(12 months) 2014	(10 months) <u>2013</u>
	\$'000	\$'000
Direct cost on projects	734,850	358,948
Directors and board expenses	1,230	971
Auditors' remuneration	872	830
Staff costs (note 17)	41,379	29,091
Depreciation	2,715	102
Bad debts	60,480	( 673)
Others	11,900	7,863
	<u>853,426</u>	397,132

# NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

### 9. 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:-

	(12 months) <u>2014</u> <u>\$'000</u>	(10 months) <u>2013</u> <u>\$'000</u>
Income tax 25%	10,059	-
Prior year underprovision	4,815	
Deferred income tax	( <u>994</u> )	902
Taxation charge in income statement	<u>13,880</u>	<u>902</u>

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

	(12 months) <u>2014</u> \$'000	(10 months)  2013  5'000
Surplus before taxation	<u>1,601,962</u>	<u>614,004</u>
Tax calculated at 25%	400,490	153,501
Adjusted for the effects of:  Expenses not deducted for tax purposes	( <u>386,610)</u>	(152,599)
Taxation charge in income statement	<u>13,880</u>	902

# NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

# 10. PROPERTY, PLANT AND EQUIPMENT:

11.

	Leasehold	Office & Computer	Furniture	Motor	
	Improvements	Equipment	& Fixtures	Wotor Vehicle	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
	<del>4 333</del>	<u> </u>	<del>+ 333</del>	4 333	<del>4 333</del>
At cost:					
1 April 2013	-	1,185	1,037	3,383	5,605
Additions	<u>1,656</u>	<u>1,722</u>	286	6,180	9,844
	<u>1,656</u>	2,907	<u>1,323</u>	9,563	15,449
Danwasiation					
Depreciation: 1 April 2013	_	37	9	56	102
Charge for the year	ır 103	672	_131	1,809	2,715
charge for the yea	<u>105</u>	<u> </u>	<u> 131</u>	1,007	2,713
31 March 2014	103	709	140	<u>1,865</u>	2,817
					·
Net Book Value:					
31 March 2014	<u>1,553</u>	<u>2,198</u>	<u>1,183</u>	<u>7,698</u>	<u>12,632</u>
24.44		4.440	4 020	2 227	F F02
31 March 2013		<u>1,148</u>	<u>1,028</u>	<u>3,327</u>	<u>5,503</u>
DUE FROM CONSOLID	ATED FUND				
	71125151151		20	014	2013
				000	\$'000
Opening balance			8,637,	210	-
Transferred from pre	vious company		-		8,637,210
Interest	_		163,		-
Foreign exchange gai	n		<u>972,</u>	01/	

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

<u>9,772,898</u>

<u>8,637,210</u>

# FINANCIAL STATEMENTS – 31 MARCH 2014

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# UNIVERSAL SERVICE FUND

# NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

12.	RECEIVABLES AND PREPAYMENTS:
-----	------------------------------

13.

	<u>2014</u> <u>\$'000</u>	<u>2013</u> \$'000
Service levy receivable	335,433	580,963
Provision for doubtful debts		(126,322)
Net trade receivables	335,433	454,641
Prepayments	140	137
Deposit on office equipment	109	1,164
	335,682	455,942
The aging of trade receivables is as follows:		
	2014	2013
	<u>\$'000</u>	<u>\$'000</u>
0-30 days	253,653	390,932
31-60 days	11,515	21,576
61-90 days	18,325	14,866
90 days and over	51,940	<u>153,589</u>
	<u>335,433</u>	<u>580,963</u>
CASH AND CASH EQUIVALENTS:		
SASTI AND SASTI EQUITALENTS.	2014	2013
	\$'000	\$'000
Cash at bank and in hand	152,481	260,683
Deposit and short-term instruments	<u>1,646,938</u>	830,853
	<u>1,799,419</u>	<u>1,091,536</u>

# UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

# 13. CASH AND CASH EQUIVALENTS (CONT'D):

- (a) Included in deposits and short term instruments is interest receivables of \$4,429,312 (2013 \$2,812,046). These deposits have an average maturity of 62 days (2013 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:

	2014	2013
Cash at bank (US\$ account) Deposit and short-term instruments - US\$	1.00% 3.64%	1.00% 3.64%
Deposit and short-term instruments - J\$	<u>6.25%</u>	<u>6.25%</u>

### 14. CAPITAL CONTRIBUTION:

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

### 15. **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:

	Accelerated Tax <u>Depreciation</u> \$'000	2014 \$'000	2013 \$'000
Opening balance	902	902	-
Charged to income statement	( <u>994</u> )	( <u>994</u> )	902
Closing balance	( <u>92</u> )	( <u>92</u> )	<u>902</u>

# **UNIVERSAL SERVICE FUND**

# NOTES TO THE FINANCIAL STATEMENTS

# 31 MARCH 2014

16.	PAYABLES:		
		2014 \$'000	<u>2013</u> <u>\$'000</u>
	Gratuity payable	6,293	5,744
	Other payables	144,411	4,469
		150,704	10,213
17.	STAFF COSTS:		
		(12 months)	(10 months)
		<u>2014</u>	2013
		<u>\$'000</u>	<u>\$'000</u>
	Salaries	26,211	19,214
	Statutory contribution	1,787	1,095
	Staff welfare and allowances	7,182	4,533
	Other	6,199	4,249
		41,379	29,091

The number of persons employed at the end of the year was 10 (2013 - 7).

# 18. RELATED PARTY BALANCES AND TRANSACTIONS:

The following transactions were carried out with related parties.

	(12 months) <u>2014</u> \$'000	(10 months)  2013  \$'000
Directors' emoluments -		
Fees	713	677
Remuneration	6,846	6,498
Gratuity payable	<u>1,726</u>	<u>1,295</u>

#### FINANCIAL STATEMENTS - 31 MARCH 2014



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### **INDEPENDENT AUDITORS' REPORT**

To the Directors of Universal Service Fund

The supplementary information presented on page 32 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 2014, upon which we have issued a qualified opinion.

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

**Chartered Accountants** 

26 September 2014

# **ADMINISTRATIVE EXPENSES**

# YEAR ENDED 31 MARCH 2014

	(12 months) <u>2014</u> <u>\$'000</u>	(10 months) 2013 \$'000
Salaries and other staff costs	41,379	29,091
Directors' fees	713	677
Board/committee meetings	517	294
Audit and accounting fees	1,180	1,670
Rent	266	183
Legal fees	95	462
Consultancy and other professional fees	914	179
Motor vehicle expenses	1,447	368
Insurance	90	49
General office expenses	5,275	2,858
Stationery and office supplies	856	421
Travel - local and overseas	127	18
Advertisement and public relations	2,224	2,345
Repair and maintenance	41	13
Bad debts	60,480	( 673)
Subscriptions	179	89
Bank charges	78	38
Depreciation	<u>2,715</u>	<u>102</u>
	<u>118,576</u>	<u>38,184</u>





### ANNUAL REPORT - 2013/2014

# **SENIOR EXECUTIVES COMPENSATION**

Position of Senior Executive	Year	Salary (\$)	Gratuity or Per- formance Incentive (\$)	Travelling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retire- ment Benefits (\$)	Other Allowances (Meal Allowance) (\$)	Non- Cash Benefits (\$)	Total (\$)
Chief Executive Officer	2013 /2014	6,095,143	3,205,772	2,661,600	-	147,173	-	12,109,688
Director of Projects	2013 /2014	4,074,177	1,858,263	975,720	-	147,173	-	7,055,333
Financial Controller	2013 /2014	4,253,602	1,922,111	975,720	-	141,655	-	7,293,088

### 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 bequantified 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	96,000	-	-	-	96,000
Vice Chair	41,000	-	-	-	41,000
Director I	66,500	-	-	-	66,500
Director 2	19,000	-	-	-	19,000
Director 3	3,500	-	-	-	3,500
Director 4	34,000	-	-	-	34,000
Director 5	42,500	-	-	-	42,500
Director 6	56,500	-	-	-	56,500
Director 7	3,500	-	-	-	3,500
Director 8	80,500	-	-	-	80,500
Director 9	79,750				79,750
Director 10	72,000				72,000
Director II	94,000				94,000
Director 12	24,000				24,000
Total	712,750	-	-	-	712,750

# Notes

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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