



UNIVERSAL
SERVICE FUND

BRIDGING THE INFORMATION GAP... INTERNET ACCESS FOR EVERYONE

ANNUAL REPORT 2017 /2018



OUR MISSION

To positively impact Jamaica's socio-economic development by enabling a knowledge-based society through universal access to the Internet and digital inclusion.

OUR VISION

The Universal Service Fund, a purpose driven and solutions oriented employer of choice, has enabled a knowledge-based society with universal access to the Internet and digital inclusion, thereby fueling rapid socio-economic growth and development for Jamaica.



CORE VALUES

TEAM WORK

Various arms of the organization working together to achieve common objectives.

ACCOUNTABILITY

Taking ownership of, being answerable for and facing the consequences for failing to achieve objectives set and activities assigned.

RESPECT

Treating others equally while being mindful of others' time, effort and feelings.

INTEGRITY

Being truthful in actions, words, deeds and intent.

KINDNESS

*Being unselfish in one's words, thoughts and actions.
Giving love and care to each other while being compassionate to the needs of others.*

TABLE OF CONTENTS

OUR MISSION	4	FINANCIAL MANAGEMENT	19
OUR VISION			
CORE VALUES		LOOKING AHEAD	23
	6		
CORPORATE PROFILE		HUMAN RESOURCES MANAGEMENT	25
	7		
CORPORATE INFORMATION		INFORMATION TECHNOLOGY	28
	8		
MESSAGE FROM MINISTER OF SCIENCE AND TECHNOLOGY DR THE HON ANDREW WHEATLEY		MARKETING AND PUBLIC RELATIONS	29
	10		
CHAIRMAN'S REPORT		CORPORATE SOCIAL RESPONSIBILITY	31
	11		
CHIEF EXECUTIVE OFFICER'S MESSAGE		YEAR IN PICTURES	32
	12		
BOARD OF MANAGEMENT		USF IN NUMBERS	34
	13		
CORPORATE GOVERNANCE		AUDITED FINANCIAL STATEMENTS	35
	14		
BOARD SIZE AND COMPOSITION			
	17		
CORPORATE PERFORMANCE			

CORPORATE PROFILE



The Universal Service Fund (USF), is an Agency of the Ministry of Science, Energy and Technology, mandated to ensure access to information and communication tools in order to further Jamaica's plans towards development. In 2005, the USF began operations as the Universal Access Company Limited, following a Ministerial Order which posited that all domestic telecommunications providers, are obligated to collect a universal service levy on all inbound telephone calls. This levy has been imposed on all international calls terminating on local networks. Calls terminating on fixed lines, incur a levy of US\$0.03 and US\$0.02 on mobile lines.

Since 2005 the USF has worked tirelessly towards fulfilling its mandate of providing universal access to all Jamaicans regardless of age, class or geographic location. The USF is committed to ensuring that one of the greatest developmental tools in the world is available to all Jamaicans in order to create a complete knowledge-based society.

On June 1, 2012, the USF was ushered in through the passing of the Telecommunications (Amendment) Act 2012 replacing the former 2005 Universal Access Fund Company Limited. This amended Act, resulted in an expansion of the mandate of the entity to serve Jamaica in a more wholesome way.

The Telecommunications Act as amended, states that "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"; this objective provides the driving force behind the Universal Service Fund as we contribute daily towards building a better Jamaica.

In keeping with this overall mandate, the USF undertakes its core functions in an effort to provide the Fund with the requisite guidance that it needs to function daily. These functions include:

- Collecting the universal telecommunications services obligations levy from telecommunications companies;
- Analyzing projects which are within our mandate and making the necessary recommendations for the approval of funding;
- Disbursing funds for the implementation of approved initiatives;
- Monitoring the implementation of projects;
- Managing and accounting for funds collected and disbursed; and
- Providing an island-wide broadband network that will allow public access to the information super-highway through high schools, public libraries, post offices and any other institutions approved by the Board of Directors.

CORPORATE INFORMATION



REGISTERED OFFICE

Universal Service Fund

4th Floor, PCJ Building,
36 Trafalgar Road, Kingston 10,
Jamaica, W.I.

Tel: **876-926-1727**

Telefax: **876-960-8981**

Email: **info@usf.com**

Website: **www.usf.gov.jm**

AUDITORS

BDO

28 Beechwood Avenue
Kingston 5, Jamaica W.I.

BANKERS

Bank of Nova Scotia

82-84 Half Way Tree Road
Kingston 10

National Commercial Bank

1 Knutsford Blvd
Kingston 5

First Global Bank

2 St. Lucia Avenue
Kingston 5

Proven Wealth

26 Belmont Road
Kingston 5

Sagicor Investments

85 Hope Road
Kingston 6

Jamaica Money Market Brokers

11 Knutsford Blvd
Kingston 5

SENIOR OFFICERS

Suzette Buchanan

Chief Executive Officer

Navarda Elliott

Acting Director of Projects

Violet Badroe

Financial Controller

Juliet Salmon

Human Resource/
Administration Manager

MESSAGE FROM MINISTER OF SCIENCE ENERGY AND TECHNOLOGY DR THE HON ANDREW WHEATLEY



This has been a tremendous year in the history of the Universal Service Fund as it continues on its mission to create a knowledge based, digital society by facilitating internet access for all Jamaicans.

Even as it maintains a healthy pace in building out community access points right across the island, the USF team

has been buoyed by the testimonials of those, especially from rural communities, who view the newfound access to the internet as a shining light where once there was only eerie, empty darkness.

Much has been said about the bread and butter programmes and projects implemented by the USF since inception, along with their impact on the lives of Jamaicans who are now able to almost literally reach out and touch opportunities that their peers and colleagues in developed countries have perhaps been taking for granted for years.

I say that to use this year's message to highlight the success of the USF in implementing the Technology Advancement Programme, known nationally by the appropriate 21st century descriptor, TAP 1000.

TAP 1000 aims to provide approximately one thousand youth with training and practical experience in using Information and Communication Technology.

From the moment hundreds of unattached youth between 18 and 35 years flocked to the TAP 1000 orientation session at the National Indoor Sports Centre, it was apparent that the USF had seized on a winner.

The overwhelming feeling among the participants at that juncture was that this programme would enable them to outfit themselves with skills above the usual high school and tertiary level certification that so many employers had become almost tired of seeing on the resumes flooding their inbox on a monthly basis.



TAP 1000 promised to give participants that extra 'something' that could set them apart from the crowd and afford them the real chance of emulating the 'Zuckerbergs', 'Spiegels' and others gracing the Forbes list of under 40 technology billionaires.



No praise can be too high for the team at the USF which has executed the programme, in this, its guinea pig year, with aplomb.

I have read and heard first hand the accounts of several participants in the programme who've hailed it for giving them the confidence to end their boycott of the job market. Indeed I was moved by how many youngsters were telling me that before the TAP 1000 programme they had all but given up on finding a job largely due to the sameness in the qualifications held by themselves and many of their peers resulting in them not appearing attractive enough for a potential employer.

The decision to offer TAP 1000 through the Caribbean Maritime University, CMU is now, in hindsight, a brilliant one, given how the new, enhanced profile of the institution has served to enrich the offerings to participants under the programme.

In looking at the success of the programme I am reminded of the quote from the great former British Prime Minister, Sir Winston Churchill who in a radio broadcast to the British people on March 21, 1943, said, 'there is no finer investment for any community than putting milk into babies'.

The USF and its staff, management, board and associates is that community looking to put the milk of digital literacy, access, knowledge and inclusivity into the youngsters participating in TAP 1000 along with their peers in communities throughout the island using the



Community Access Points to do homework, research, reading, networking or fine tuning the next big idea in technology.

Dr the Hon. Andrew Wheatley
Minister of Science Energy and Technology

CHAIRMAN'S REPORT



I am pleased to present a review of the operations of the USF for the FY 2017/2018, on behalf of the Board of Management (the Board). The Board is proud of the bold steps undertaken by the entity in carrying out its projects this year, despite the many challenges such as understaffing which is actively being addressed with the Ministry of

Finance. A total of \$710.13 million was allocated towards the execution of the Fund's projects.

Among the projects undertaken this FY were:

1. the continuation of the Islandwide Broadband Programme,
2. the continuation of the Fixed and Wireless Broadband Programmes to support the Tablet in school programme
3. Special ICT Development Projects within the Education sector
4. A total of sixteen (16) Community Access Points were commissioned and an additional twenty (25) were approved to be commissioned within the new FY.
5. Installation of Solar systems at 40 community access points (to ensure sustainability of new and existing sites. This falls within the goals of the Government of Jamaica's Vision 2030 National Development Plan.
6. The Technology Advancement Programme (TAP). This programme trains and employs one thousand (1000) unattached youth 18-35 across the island in

the area of ICT, digitization and data collection. This project will have a short, medium and long-term contribution in making Jamaica a knowledge-based ICT driven society.

This FY, the USF earned \$972,894 million in service fees which represents a decline of \$333.665 million or 26% when compared to the previous year. This decline is attributed to a multiplicity of factors, including bypass devices, the use of Over the Top Technologies (OTT's) such as WhatsApp, Skype and Magic Jack etc) and a fluctuation in overseas call rates, all of which cause a reduction in call minutes associated with traditional voice calling methods. The government is looking to establish an independent monitoring and reporting platform to provide accurate reconciliation.

The entity continues to build its brand by highlighting the work that it has been doing through extensive marketing and public relations. It is our belief that the citizenry must be made aware of the work that the USF is doing so that they can feel embolden that the country is trying to positively impact their ICT infrastructure and bring Jamaica on par with global ICT standards.

In closing, the Board would like to thank the hardworking staff under the management of our resilient CEO, for buying into the vision of the organisation and working endlessly to achieve the successes that we can boast today. The Board also wishes to express thanks to Dr. the Hon Andrew Wheatley and his team at MSET, who continue to lend their support and encouragement to the entity as we continue to make bold steps in advancing Jamaica's ICT infrastructure.

The Board pledges to stand behind the USF as we work together to build a better Jamaica.

Robert Lawrence
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE



With 12 months of achievements and groundbreaking projects under our belt, it is my absolute pleasure to present the Universal Service Fund's Annual Report for the 2017/18 Financial Year. It was a period fraught with challenges and a myriad of opportunities, each of which the Agency sought to take full advantage of in the fulfilling of its mandate.

The USF is a firm believer in providing service from the heart. To this end, the Agency has bolstered its Corporate Social Responsibility activities by initiating interventions to sensitize the public about diseases such as Breast Cancer and HIV/AIDS and providing technological support to those who have been touched by these ailments. In 2017/18 the Agency also supported the CSR activities of other organizations through its participation in the Sagcor/ Sigma Corporate run.

But perhaps the most impactful project of the Universal Service Fund to date is the Technology Advancement Programme, TAP – an initiative which targets unattached youth aged 18-35 with the objective of equipping them with ICT skills. Through TAP, 1,000 young persons island-wide are being equipped with skills in digitization and data collection as well as certification from the Caribbean Maritime University and nine-months of work experience, all while receiving a weekly stipend from the USF. The impact of this programme so far has been tremendous and we look forward to receiving additional success stories from young people who through TAP have been granted a second chance at self-actualization.

The USF continued its bold mission to ensure increased access to and use of Information and Communication Technology among all Jamaicans, particularly the most vulnerable.

Milestones along this mission include the expansion of the Agency's network of Community Access Points and the solarization of these facilities, thereby removing the burden of energy costs from CAP Administrators.

The USF also embarked on a strategic, multifaceted marketing and public relations campaign to strengthen the Agency's brand and ultimately create greater awareness of the fund, so it can become more accessible to those in need.

Sixteen communities, particularly in rural sections of the island were introduced to the transformative power of the USF through the commissioning of 16 Community Access Points at a total cost of \$71.65 million. The Agency also executed special projects which saw improvements in the ICT infrastructure of several institutions including The Jamaica Constabulary Force, The Jamaica Fire Brigade and the UWI Centre for Disability Studies.

As we look to the future, the USF remains passionate in its drive to deepen community impact, improve the country's ICT infrastructure, increase access to and use of ICT's and empower Jamaicans with the skills needed to meaningfully participate in the global digital economy. Such efforts will lay the technological foundation for Jamaica to become a knowledge-based society that is the place of choice to live, work, do business and raise families in keeping with Jamaica's Vision 2030 National Development Plan.

Suzette Buchanan
Chief Executive Officer

BOARD OF MANAGEMENT



Mr Robert Lawrence
CHAIRMAN



Mr. Trevor Forrest
DEPUTY CHAIRMAN



Ms. Suzette Buchanan
DIRECTOR/CEO



Mr. Cecil McCain
DIRECTOR



Ms. Sherine Grant
DIRECTOR



Ms. Marcelle Smart
DIRECTOR



Mr. James Stewart
DIRECTOR



**Ms. Monica
O'Meally**
DIRECTOR



**Ms. Carolyn
Warren**
DIRECTOR



**Ms Rochelle
Cameron,**
DIRECTOR

CORPORATE GOVERNANCE



The Board of Management remains resolute in its duty of maintaining good corporate governance, in its management of the USF. The Board's charter continues to stand as a reminder to the Board, of its guiding principles, which ensures: transparency in all its duties, the upholding of the integrity of the Board and the re-affirmation of its high ethical standards.

The Board and Management work relentlessly to ensure that the USF continues to fulfil its mandate of providing universal access, while also fulfilling its corporate social responsibility to the nation. In carrying out these responsibilities, the Board considers its primary functions to include the following:

- **Management planning and oversight** - Selecting, evaluating and compensating the Managing Director and planning for CEO succession; providing counsel and oversight in the selection, evaluation and compensation of, and succession planning for, other members of senior management; and approving the appointment and compensation of executive officers.

- **Strategic and operational planning** - Reviewing, understanding and approving long-term strategic plans and annual operating plans, and monitoring the implementation and execution of those plans.

- **Major corporate actions** - Reviewing, understanding and approving significant financial and business transactions and other major corporate actions.

- **Financial reporting** - Reviewing, understanding and approving financial statements and reports, and overseeing the establishment and maintenance of controls, processes and procedures to ensure accuracy, integrity and clarity in financial and other disclosures.

- **Governance, compliance and risk management** - Establishing and maintaining governance and compliance processes and procedures to ensure that USF is managed with the highest standards of responsibility, ethics and integrity.

- **General advice to management** - Providing general advice and counsel to the Chairman, the Chief Executive Officer and senior management in connection with issues arising during the course of managing USF's business.

The committees are as follows:

- Audit Committee
- Finance Committee
- Projects Committee
- Strategic Planning & Corporate Governance Committee

BOARD SIZE AND COMPOSITION

At the start of the 2017/2018 Financial Year, The Board was comprised of 14 members of diverse backgrounds who ably assisted in guiding the USF on its path of continued growth. Since that time, for varied reasons, the composition of the Board has now been reduced to 9 members. Among the reasons for the reduction in the composition of the Board are: the death of Mr. Owen Palmer who served the Board steadfastly since 2016 and the resignation of Ms. Maia Wilson from the telecommunications industry.

There are four board committees which are commissioned to ensure the smooth running of key areas of operation within the USF. These committees are responsible for the closer monitoring of their respective areas, to lend their expertise to the particular area of operation and to provide regular updates to the Board at its monthly board meeting.

Audit Committee

The Audit Committee has been charged with the responsibility of providing guidance to the Board of Management in fulfilling its responsibilities with regards to the integrity of the organization's financial statements and all other financial documents provided to the various stakeholders. The Committee also provides oversight as it relates to internal controls, compliance, independent auditing, risk management and legal requirements with regards to ethical considerations and joins with the Finance Committee to ensure that the annual audit statement is properly prepared and accurately reflects the financial standings of the entity.

COMMITTEE MEMBERS:

- **Mr. James Stewart - Chairman**
- **Ms. Marcelle Smart**
- **Mrs. Simone Ramsay-Knight**
(co-opted)



Finance Committee

The Finance Committee is responsible for the overall governing of the finances of the USF. The Committee's main focus surrounds the recommendations of financial policies that support the mandate of the USF. One of its core function includes overseeing the corporate finances of the organization through reviewing the preparation of the annual budget and financial statements of the entity. Though the Committee acts somewhat as an independent agent, all its undertakings must first be vetted and approved by the Board of Management. The Finance Committee join with the Audit Committee to ensure that the annual audit statement is properly prepared and accurately reflects the financial standings of the entity.

COMMITTEE MEMBERS:

- **Mr. Robert Lawrence - Interim Chairman**
- **Mr. Cecil McCain**
- **Ms. Monica O'Meally**
- **Ms. Suzette Buchanan**

Projects Committee

The projects committee has been delegated the responsibility by the Board to assist in the fulfilment of USF's project management goals. The committee's vision is to create an effective, efficient and customer focused Public Body, that is guided by a policy framework, which provides for its effective oversight in order to ensure that the USF operates at the highest level of competence, transparency and governance for optimum performance across the public sector.

COMMITTEE MEMBERS:

- **Mr. Robert Lawrence - Chairman**
- **Mr. Trevor Forrest**
- **Ms. Sherine Grant**
- **Ms. Marcelle Smart**
- **Ms. Maia Wilson**
- **Ms. Rochelle Cameron**
- **Ms. Suzette Buchanan**

Strategic Planning & Corporate Governance Committee

The Strategic Planning & Corporate Governance Committee of the Board, has been charged with assisting the Board in fulfilling its responsibilities for evaluating and monitoring the Fund's long and short-term strategic goals as presented by management to the Board. Additionally, the committee serves as a catalyst for the evaluation, monitoring, and implementation of the Fund's business strategies.

COMMITTEE MEMBERS:

- **Ms. Carolyn Warren - Chairman**
- **Ms. Suzette Buchanan**
- **Ms. Rochelle Cameron**
- **Ms. Maia Wilson**
- **Ms. Danielle Terrelonge Irons**
- **Mr. Owen Palmer**

DIRECTORS	BOARD	PROJECTS	AUDIT	STRATEGIC PLANNING	FINANCE
	12 MEETINGS	6 MEETINGS	3 MEETINGS	5 MEETINGS	10 MEETINGS
Mr. Robert Lawrence - Chairman	12			5	10
Ms. Sherine Grant	12			5	
Ms. Suzette Buchanan	12	6		5	9
Ms. Monica O'Meally	11				8
Mr. Trevor Forrest	10			3	
Mr. Cecil McCain	10				9
Ms. Carolyn Warren	10	6			
Ms. Marcelle Smart	8		3	3	
Mr. Owen Palmer**	6	5			
Ms. Rochelle Cameron	6	3		3	
Ms. Danielle Terrelonge Irons*	5	1			
Mr. James Stewart	4		3		
Ms. Maia Wilson***	3	1		1	

**Danielle Terrelonge Irons resigned in Dec 2017*

***Owen Palmer deceased March 2018*

****Maia Wilson resigned in July 2017*

CORPORATE PERFORMANCE

OVERVIEW OF THE USF'S FIXED AND BROADBAND PROGRAMMES

The Universal Service Fund is mandated under the Telecommunications Act (2012) to accelerate the discharge of the Government of Jamaica's (GOJ) Universal Service Obligation (USO) - to ensure that all Jamaican residents have access to the internet.

In financial year 2017/18, the Universal Service Fund, continued to focus on its major foundational project initiatives such as deploying fixed and wireless broadband services, establishing Community Access Points (CAPs), and Special (Information and Communication Technology (ICT) Development) projects. The USF continues to position itself as a leader in Jamaica's ICT sector, by implementing new projects aimed at developing and strengthening the local ICT infrastructure and creating a digitally inclusive society. One such initiative is the Technology Advancement Program (TAP) through which the USF is equipping 1,000 young persons with skills to enable them to participate in the global digital economy. The redesign of the Tablets in Schools programme to accommodate students who bring their own devices and the installation of solar systems at community access points are two other innovations that reflect how the Agency is responding to the changing needs of the public it serves.

COMMUNITY ACCESS POINTS (CAPS)

Community Access Points are internet service facilities established in collaboration with community organizations particularly in underserved areas and funded by the USF.

Computers and associated equipment along with internet access are provided to allow Jamaican residents access to the World Wide Web and ICT devices at a low or no cost. These community computer labs are established in underserved areas to facilitate research, bill payments, educational development, communication, business marketing and social networking.

During the financial year 2017/2018 a total of sixteen

(16) CAPs were commissioned into service at a cost of J\$71,653,243.18 compared to eight CAP's at a cost of \$30,580,732.63 in the previous financial year.

COMMUNITY ACCESS POINTS COMMISSIONED INTO SERVICE APRIL 1, 2017 – MARCH 31, 2018

No.	Community Access Point	Parish	Cost J\$
1	Ridgemount United Church Learning Centre	Manchester	4,250,786.76
2	Mount Salem Police Youth Club Training and Resource Centre	St. James	4,479,658.99
3	Brandon Hill Internet Café and Computer Lab	St. Andrew	2,361,571.50
4	Drewsland Internet Café and Computer Lab	St. Andrew	3,861,519.35
5	Annotto Bay Computer and Resource Centre	St. Mary	3,417,384.64
6	Top Hill Primary School Resource Centre	St. Elizabeth	2,817,889.09
7	Mayfield All Age School Community Resource Centre	St. Elizabeth	4,458,957.77
8	Rockfort Community Resource Centre	St. Andrew	2,942,581.98
9	Alpine Mennonite Church Cyber Centre	St. Andrew	5,138,395.56
10	Stella Maris Foundation Training Centre	St. Andrew	8,614,990.64
11	Coley Mountain Computer Centre	Manchester	3,191,806.42
12	Woodford Community Action Group Computer Centre	St. Andrew	2,916,823.42
13	Allied Health Care Institution of the Caribbean	Clarendon	3,906,318.51
14	Hampstead Park Community IT Resource Centre	St. Andrew	7,660,857.51
15	Homestead Citizens for Action Benevolent Society	St. Catherine	7,169,388.29
16	McCooks Pen Citizens Association Computer Centre	St. Catherine	4,464,312.75
Total			71,653,243.18

Additionally, Sixty-seven (67) additional Community Access Point projects have been approved at a grand total of \$577,710,076.00 and are currently in advanced stages of implementation.

SOLAR ENERGY

Community Access Points (CAPs) have been the flagship project of the USF, however, in recent times several of the facilities have encountered sustainability challenges due to energy costs. To ensure that these facilities continue to serve the public, and in furtherance of the objectives of Jamaica's National Energy Policy to mitigate against the country's ballooning energy bill, the USF commenced the implementation of solar systems at one hundred (100) existing CAPs and in all new CAPs.

The major objectives of this initiative are to

- (a) Guarantee the viability of the CAPs;
- (b) Aid the development of Jamaica's renewable energy industry and;
- (c) Support Jamaica's goals of realizing its energy resource potential through the development of renewable energy sources and enhances its international competitiveness, energy security whilst reducing its carbon footprint.

During the period 2017/2018, solar systems were commissioned at twenty-one (21) CAP sites.

INFORMATION AND COMMUNICATION TECHNOLOGY FOR DEVELOPMENT

These projects target and promote the development of the local Information and Communication Technology infrastructure in both the private and public sectors. The USF partners with the beneficiaries of ICTD funding with the view of:

- transforming Jamaica and Jamaicans from being mere consumers of technology to actual innovators
- promoting content development;
- facilitating lifelong learning,
- utilizing new and emerging technologies in both the local and global arena.

During the last financial year the USF invested \$363,080,303.22 on eight (8) Special ICTD projects.

During the last financial year the USF invested \$363,080,303.22 on eight (8) Special ICTD projects.

TECHNOLOGY ADVANCEMENT PROGRAM (TAP)

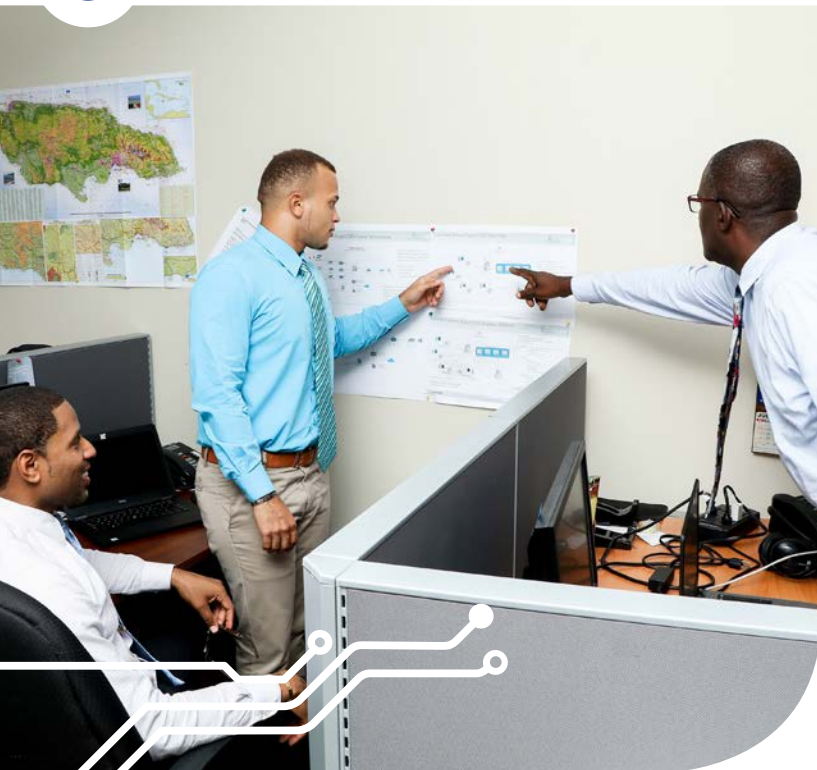
Launched in December, TAP is a technology engagement initiative geared at offering training, certification and employment experience to one-thousand (1000) unattached Jamaicans, aged eighteen (18) to thirty-five (35). The USF partnered with the Caribbean Maritime University to train and certify participants in principles and practices of information communication technology data gathering, digitization, as well as in personal development.

The program, which began in March, runs for one year during which the participants receive a stipend from the USF. TAP includes 3 months of training and 9 months of on the job experience as participants will be placed across the private and public-sector. Most importantly, TAP provides youngsters with a second chance at self actualisation and with a once in a lifetime opportunity to prepare themselves to participate meaningfully in the global digital economy.

USF CONNECT JA AND WIFI PROJECTS

Connect JA aims to establish free WiFi in strategic locations across the country. These areas include but are not limited to parks, town centres and even high traffic stretches of roadway. The USF currently has 6 free public Wi-Fi Hotspots across the country – four (4) in Kingston and St. Andrew, one in Manchester and the final one in St. Elizabeth. The 2017/18 financial year was spent refining the public WiFi model to include mechanisms for the remote monitoring and management of the service by the Universal Service Fund. This will enable the Agency to be made aware of issues such as service disruptions in real-time, so a solution can be developed and executed quickly and seamlessly. Such capabilities have also been extended to the public broadband network and the Tablets in Schools programme which is executed by E-Learning Jamaica but fully financed by the USF.

FINANCIAL MANAGEMENT



The Finance Department is an integral part of any organization. The department continues to meet its obligations and discharges its functions in a meaningful way by its contribution to the socio-economic growth and national development by:

- (1) Collecting the Universal Service obligation service levy from telecommunication companies
- (2) Investing any funds not immediately required for approved projects, in approved financial institutions.
- (3) covers a wide range of activities from basic accounting to providing information to assist management in making strategic decisions.

The responsibility of preparing financial reports including monthly Financial Statements falls within the ambit of the Finance Department.

Of paramount importance to the department is Cash Management, whereby the team ensures that the organization has funds available to fulfil all its financial obligations on a timely basis.

One of the major roles of the department is to produce the annual Budget as required by the due date. In the Financial year 2017/2018, the department with other managers worked together and succeeded in the compilation of the Budget which was presented to the Finance Ministry by the due date on November 30, 2017.

The Financial year 2017/2018 was a very challenging one for the organization due to the intense competition in the market place. Jamaicans have equipped themselves with smart phones, making use of various other applications/ways to conduct their calls viz skype, WhatsApp etc., thus initiating a reduction in the service levy USF would have earned.

The Board of Management and the parent Ministry, Ministry of Science Energy and Technology are aware of the declining Service Fees and are seriously considering ways to alleviate the situation.

Debate over the Universal Service Fund has consistently involved the scope of the funding, which technology types and companies should fund the program, which groups should be eligible for benefits, as well as to ensure that there is no waste and fraud in the program. Proposals/Suggestions have been made to increase the number of sources from which universal service fund is collected. Sources could include expanding contributions to include regional/interparish telephone services, voice over IP (computer-to-computer calls), and information services such as broadband, and increasing contribution requirements from wireless communication providers..

REVENUE

For the Financial Year 2017/2018, the Universal Service Fund earned Service Fees of \$972,894 Million, a decline of \$333,665 Million; under \$1,306,559 million earned in Financial Year 2016/2017.

The financial year 2017/2018 culminated with \$972.89 Million of Service Fees, producing an overall negative variance of \$327.11 Million when compared with the established revenue target of \$1300.00 Million.

The variance being experienced can be attributed to the rapid changes in regional and international telecommunications markets which has quickly and unpredictably bring about changes in USF funding levels. One prominent development pertaining to the Jamaican Market that has been witnessed by USF is the steady decline of revenues from our Telecommunication partners.

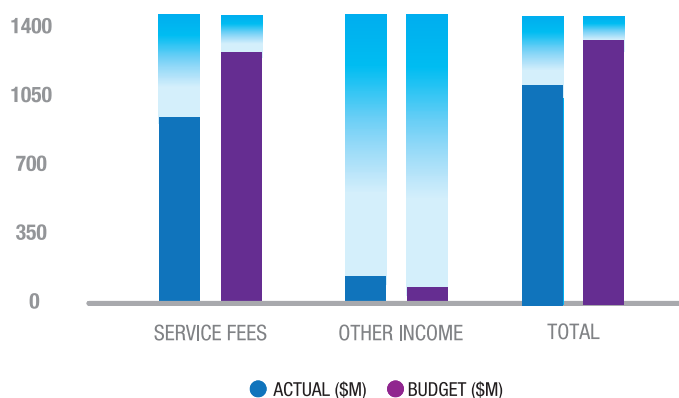
While the expenditures of the USF have increased since its inception, in part due to funding paid to beneficiaries of the fund, the revenues on which contributions are made i.e. international telecommunications revenues have become increasingly more difficult for contributors to identify because of evolution of Voice over IP (VOIP) services offered (e.g. WhatsApp, Skype etc.).

The table below depicts The Total Revenue for Financial Year 2017/2018

Total Revenue for Financial Year 2017/2018

REVENUE	ACTUAL(\$M)	BUDGET (\$M)	VARIANCE (\$M)
Service Fees	972.89	1300.00	(327.11)
Other Income	186.27	64.20	122.07
Total	1159.16	1364.20	(205.04)

TOTAL REVENUE FINANCIAL YEAR 2017/2018



INTEREST INCOME & OTHER INCOME

The combined figure of \$186.27 million exceeded target of \$64.20 million by \$122.07 Million or 190% due to greater amounts earned on investments as demand for cash expenditure was lower than anticipated.

Investments in the newly assigned portfolio of National Commercial Bank and First Global Bank continue to attract competitive interest rate of approximately 2% on the US denominated accounts

Investments in the newly assigned portfolio of National Commercial Bank and First Global Bank continue to attract competitive interest rate of approximately 2% on the US denominated accounts.

COLLECTION

During the 2017/18 financial year the USF collected \$1,159.16 million from the island's service providers, as mandated under the Telecommunications Act (2012). This figure comprised service fees for the current period as well as amounts accrued from previous financial years.

The USF continues to witness the eroding impact of OTT's on its revenue, as evidenced by the continued decline in collections.

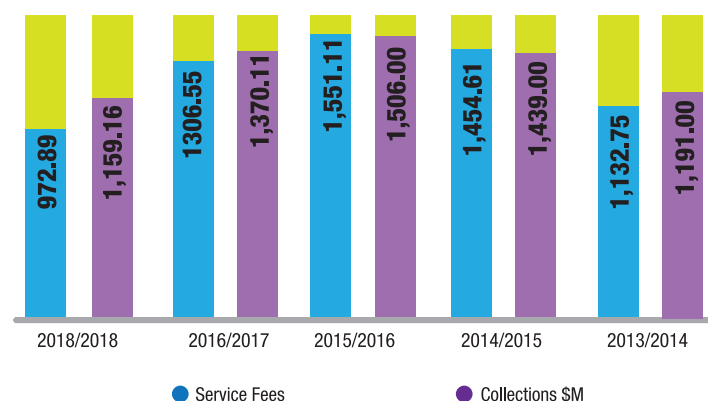
Service Fees for the year declined by \$327.11 million or 25% when compared to financial year 2016/2017.

Additionally, total collection fell short of the projected amount of \$1,300 million by \$140 million or 11%.

Table showing Comparison of Current Service Fees to Total Collections

SERVICE FEES BILLED		SERVICE FEES COLLECTED	
Year	\$M	Year	\$M
2017/2018	972.89	2017/2018	1,159.16
2016/2017	1,306.55	2016/2017	1,370.11
2015/2016	1,551.11	2015/2016	1,506.00
2014/2015	1,454.61	2014/2015	1,439.00
2013/2014	1,132.75	2013/2014	1,191.00

SERVICE FEES & COLLECTIONS 5 YEARS PERIOD



EXPENDITURE

An amount of \$1,174.52 million was expensed for Projects as follows:

PROJECTS	AMOUNT (\$)M
Universal Service Fund	681.76
eLearning	449.41
Technology Advancement Programme	55.65
Total	1174.52

Table showing USF Projects Budget for 2017/2018

Universal Service Fund Projects

The following expenditures were covered:

- Broadband Internet
- Community Access Points
- CAP Internet
- Solar Installation
- TV White Space

eLEARNING PROJECTS

For the financial year 2017/2018 the Tablets in Schools (TIS) programme administered by eLearning Jamaica experienced delays in its implementation. As a result, of the \$450.00 million allocated, only \$176.75 million was spent, with the remaining \$273.25 yet to be disbursed.

TECHNOLOGY ADVANCEMENT PROGRAMME

An amount of \$55.65 million was spent for the Technology Advancement Programme (TAP), which was introduced in the latter part of the financial year 2017/2018. The programme has been established to engage and empower approximately 1000 unattached youths throughout the 14 parishes across the island.

OPERATING EXPENDITURE

Actual expenditure less depreciation, less loss on Foreign Exchange was \$166.89 Million against the budgeted amount of \$271.26 Million, falling short by \$104.37 Million.

For the financial year 2017/2018, some items under Operating Expenditure fell below the targeted amount. Salaries & Wages and Professional Fees were the major ones; while Marketing & Communication (Advertising) surpassed its budget.

SALARIES & WAGES

Salaries fell below budget by \$11.81 Million of the

forecasted amount of \$110.84 Million primarily due to approved budgeted positions not filled.

PROFESSIONAL FEES

Of the \$96.2 Million budgeted, \$5.36 Million was expensed. A delay in the implementation of the Traffic Verification System accounted for the underspend.

MARKETING & COMMUNICATION

A total of \$24.14 Million was budgeted for the Financial year, however, \$36.89 Million was spent. This increased spend is due to intense media advertising to heighten awareness of the USF's Jamaica 55 promotion, The Agency's year in review television and print features, and the production of the Agency's five minute TV Feature - Tech Tales, among other initiatives.

EXCHANGE LOSS

Exchange Losses were significant, owing to the movement of the exchange rates during the year and amounted to \$317.11 Million.

At the end of March 2018, the exchange rate was JA\$124: US\$1.00 in comparison to the previous year of JA\$127: US\$1.00

The depreciation/devaluation of the rate negatively affected both the US dominated currency held by the Accountant General as well as the US Dollar investments.

OTHER MATTERS

SALARIES & WAGES

In keeping with the agreement reached between the Government of Jamaica and the Confederation of trade Unions a 5% increase in salary was paid, in March 2018, retroactively for the period April 1, 2017 to March 31, 2018.

IT SYSTEMS

To produce a more efficient and reliable IT System, the organization embarked on the purchase of five new servers at a cost of \$15.00 Million. These have been commissioned into service, however suitable accommodation is to be acquired to house these servers.

eBANKING

The Universal Service Fund has started using the Bank of Nova Scotia's Business and e-Banking Platform. Since its inception disbursements for staff payroll and TAP Participants Payments have been conducted.

The eBanking facility is providing a more efficient and reliable way of making payments and at the same time reducing the ever-increasing bank charges.

BUDGET FOR FINANCIAL YEAR 2018/2019

PRINCIPAL PERFORMANCE AREAS	TARGET \$M	KEY PERFORMANCE INDICATOR (KPI)
COLLECTION		
Service Fees	1000.00	90% of target
Interest Income	36.00	90% of target
REVENUE		
Service Fees	1000.00	90% of target
Interest Income	48.00	100% of target
Other Income	84.00	100% of target
EXPENDITURE		
USF Project	1277.71	100% of target
eLearning	700.00	100% of target
Administrative	346.98	90% of target

The Universal Service Fund 2018/2019 financial year budget and key performance indicators are as follows:

SUMMARY OF PRINCIPAL PERFORMANCE TARGETS LOANS TO MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) & STAFF

The USF has allocated \$300 Million in the 2018/2019 budget to assist with the financing of various ICT Technological innovation-based projects and to assist MSME businesses in the ICT Sector. These funds are geared towards the growth of technology-based ventures by providing sustainable financing of projects. An additional \$10 Million is budgeted for staff loan to provide financial assistance to USF members of staff.

LOOKING AHEAD



Chief Executive Officer, Ms Suzette Buchanan (Centre) shares a light moment with students and staff of the Promise Learning and Training Centre.

Universal Service Fund will be instrumental in focusing on the following areas as stated below:

1. Continue to improve policies and processes to deliver quality services to customers.
2. Continue to improve on the collection of the universal

service levy on a timely basis from carriers as mandated by the Telecommunications Act, 2016

3. Maintain accounts receivables below \$300 Million
4. Work closely with MSET, the Ministry of Finance and Public Service and ensure all reports are completed on a timely basis.

DIRECTORS' COMPENSATION (2017/2018)

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 (\$)
R. Lawrence - Chairman	299,125	-	-	-	299,125
T. Forest - Vice Chair	144,688	-	-	-	144,688
C. McCain	193,150	-	-	-	193,150
D. Terrelong-Irons	55,000	-	-	-	55,000
J. Stewart	81,250	-	-	-	81,250
M. Wilson	49,650	-	-	-	49,650
M. Smart	74,572	-	-	-	74,572
M. O'Meally	170,850	-	-	-	170,850
M. Barnes	5,550	-	-	-	5,550
R. Cameron	99,300	-	-	-	99,300
S. Grant	198,850	-	-	-	198,850
S. Ramsey Knight	18,038	-	-	-	18,038
C. Warren	174,000	-	-	-	174,000
O. Palmer	86,887	-	-	-	86,887
Total	1,650,910	-	-	-	1,650,910

SENIOR EXECUTIVES' COMPENSATION

Position of Senior Executive	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 (\$)
Chief Executive Officer	6,993,756	1,748,439	2,170,000		767,551		11,679,746
Director of Projects	4,012,992	1,067,704	1,341,624		521,998		6,944,318
Financial Controller	4,113,317	1,091,479	1,341,624		184,738		6,731,158
Human Resource/ Admin. Manager	3,117,834	826,591	1,341,624		724,738		6,010,787
Total	18,237,899	\$4,734,213	\$6,194,872		\$2,199,025		\$31,366,009

HUMAN RESOURCES MANAGEMENT

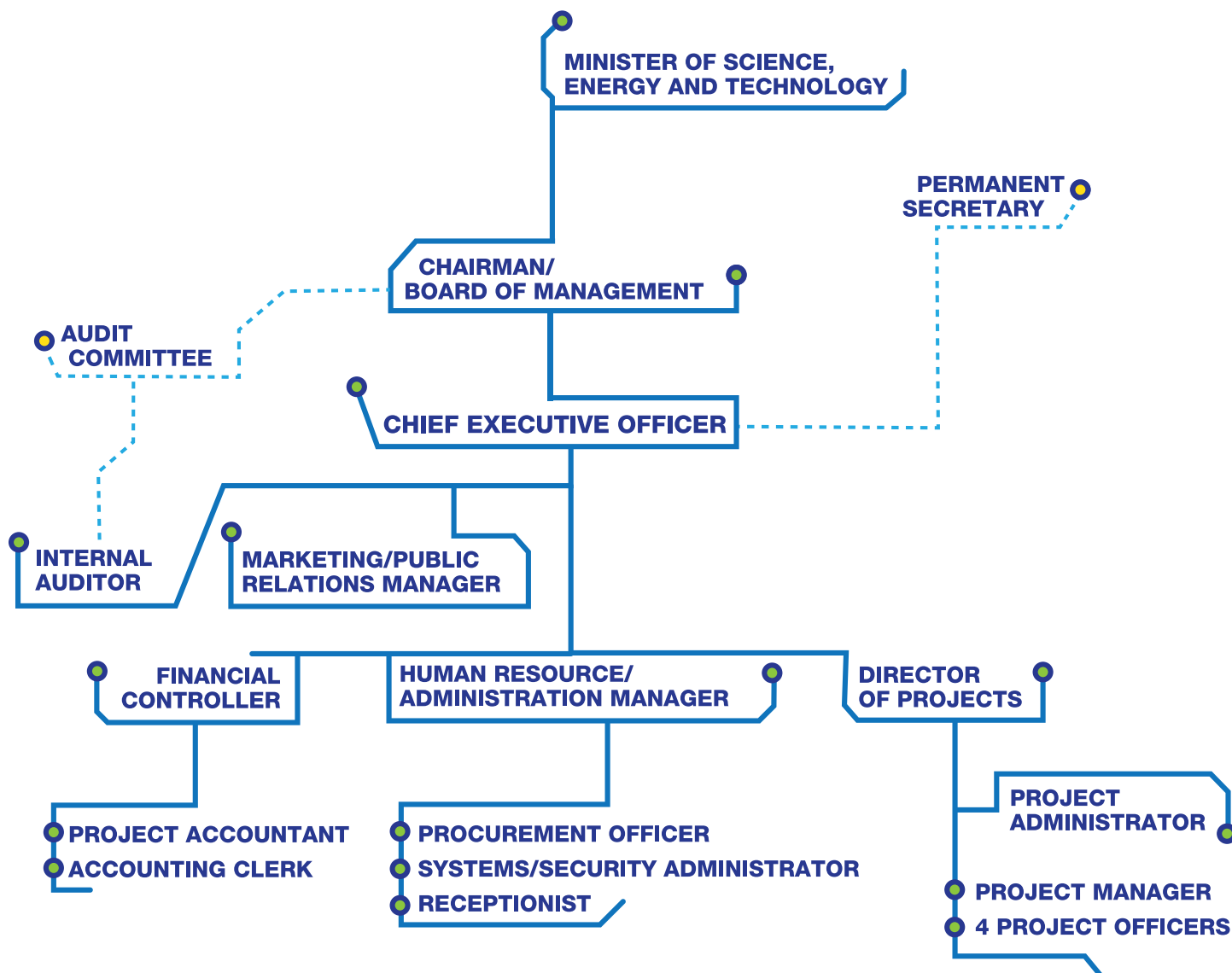
The Human Resource/Administration Department provided critical support to the organization; with responsibilities related to staffing, talent management, training and development, performance management, office administration, and procurement management. The organization's work processes have evolved to the point of grouping core jobs into departments.

Good governance demanded that the correct structure was in place to carry out the critical functions and mitigate non-performance issues. This structure would

allow the organization to clearly and credibly perform its mandated responsibilities through the satisfactory completion of its various programmes/projects.

These programmes/projects required a pointed reassessment of the organization's performance, business processes, work flow, structure, and other resources to determine efficiency and functionality. The approved permanent staff positions remains at seventeen (17) with fourteen (14) posts filled and three (3) vacant as at 31 March 2018.

USF ORGANIZATIONAL CHART AS AT 2018 MARCH 31



The organization's proposed organizational structure to support the organization's Strategic Transformation Plan 2018/2022, which would see an increase in the established positions from seventeen (17) to thirty-one (31) was not approved. However, to allow for the effective commencement and implementation of the organizations new strategic initiatives, temporary help was secured from time to time for periods up to one year. The Departments of the Universal Service Fund are outlined in the Functional Profile below:

FUNCTIONAL PROFILE AS AT 2018

The Universal Service Fund under the Telecommunications (Amendment) Act 2012, is mandated to discharge the Government of Jamaica's Universal Service Obligation to ensure that all Jamaican residents have access to the internet. The organization proposes to strategically transform the country to effectively promote and increase

connectivity and access to the internet by Jamaican residents, particularly in unserved and underserved communities across the island.

The USF will provide funding support for ICT programmes which specifically target vulnerable groups including low income households, the elderly, the youth and disabled persons. The USF will provide access points and multi-function telecentres; fund connectivity services and support the provision of infrastructure to facilitate the use of ICT at public schools, public libraries, post offices, police stations, public health facilities, Parliament and the Courts throughout Jamaica: and will provide funding facilities for small and medium sized ICT innovators to stimulate the expansion of Jamaica's ICT sector: and support efforts to make Jamaica into the Logistics Hub and ICT mecca within the Caribbean.

**PORTFOLIO MINISTRY –
MINISTRY OF SCIENCE, ENERGY AND TECHNOLOGY**
Responsible Minister
Permanent Secretary

BOARD OF MANAGEMENT
Strategic Planning Committee
Projects Committee
Finance Committee Audit Committee

CHIEF EXECUTIVE OFFICER

The Chief Executive Officer (CEO) is responsible for the success of the Universal Service Fund (USF), as far as possible, in prudently discharging the objectives mandated by the Government of Jamaica under the Telecommunications Act. Guided by the Board of Management, the CEO shall assure the organization's good governance, image and relevance to Jamaica. The CEO has day to day operating responsibility and accountability for the USF (projects, personnel, financial and other resources, and results); and is expected to strategically manage the organization to ensure it achieves its vision, mission and goals. The CEO has the full authority to carry out these functions in accordance with the parent Ministry's and the Board's direction and the policies and guidelines established by the Government of Jamaica.

PROJECTS

The Projects Department performs the core function of the organization to assess, design, plan, implement, evaluate and monitor USF projects consistent with the mandate of the organization.

CURRENT STAFF:

- Project Manager
- Project Manager
- Project Officers (4)
- Project Administrator

TEMPORARY:

- Project Coordinators (2)

FINANCE

The Finance Department manages the entire accounting processes of the organization and ensures timely collection of the levy and prudent investment and expenditure of the financial resources of the Fund.

CURRENT STAFF:

- Financial Controller
- Project Accountant
- Accounting Clerk

AUDIT

The Audit Department examines and reports on the agency's operations and makes recommendations for organizational improvements to ensure compliance with applicable laws regulations, guidelines, policies and procedures.

CURRENT STAFF:

- Internal Auditor
- TEMPORARY:**
- Assistant Internal Auditor

HUMAN RESOURCES/ ADMINISTRATION

The Human Resources/ Administration Department manages and develops the organization's human capital, and is also responsible for ensuring all administration functions are effectively executed.

CURRENT STAFF:

- Human Resources/ Administration Manager
- TEMPORARY:**
 - Human Resource Assistant

PUBLIC RELATIONS/ MARKETING

The Public Relations/ Marketing Department is responsible for curating the Agency's brand through the effective and efficient execution of strategic creative campaigns and corporate communication activities aimed at sensitizing both the Agency's internal and external publics. The Department also has operational responsibility for all Corporate Social Responsibility activities.

CURRENT STAFF:

- Marketing and Public Relations Manager
- TEMPORARY:**
 - Social Media Coordinator
 - Public Relations Clerk

PROCUREMENT

The Procurement Department is responsible for the acquisitions of goods and services in accordance with the GOJ Procurement Guidelines and any other applicable regulations.

CURRENT STAFF:

- Procurement Officer
- TEMPORARY:**
 - Assistant Procurement Officer
 - Administration Clerk

LEGAL

The Legal Department ensures the organization fully complies with all applicable legislation, policies, procedures and guidelines

CURRENT STAFF:

- TEMPORARY:**
 - Legal Officer

INFORMATION TECHNOLOGY

The Information Technology Department is responsible for the management and security of the ICT resources of the organization

CURRENT STAFF:

- Systems/ Security Administrator

TRAINING AND DEVELOPMENT

The training and development provisions were made throughout the year, allowing employees to participate in local short-term courses, to ensure the steadfast skills development of all employees; and to aligned employees growth and development to the organization's succession planning vision.

Unfortunately, much budgetary and other resource hesitations remain with regards to providing support to employees to participate in overseas training and development programmes and as such this limits the employees authority to a large extent on many subject matters to local experiences; and the critical networking strategy that is highly desired has not materialized.

It was, therefore, reiterated that the organization had

embarked on many exciting new programmes/projects across the island, where the employees were expected to performer greater and multifaceted duties; and this changed landscape dictates that the employees' successful performance of these duties would require extensive support to strengthen of their technical capabilities.

STAFF WELFARE

The staff welfare activities include the usual provision of a birthday gift to all members of staff, bun and cheese at Easter time and staff gift at Christmas time, celebratory or sympathy baskets and cards as well as staff socials and parties. Other staff welfare activities to include retreats, family fun days and/or sports days will be developed and implemented during the coming year; to help foster a wholesome working environment and experience.

INFORMATION TECHNOLOGY



As the Universal Service Fund seeks to develop ICT solutions for its stakeholders, The Agency must also employ cutting edge technology to ensure the efficient deployment and management of these solutions.

To this end, the USF is continually upgrading its infrastructure and training its staff to use this technology to ensure that no member of staff is left behind in the drive towards increased efficiency. Project officers have been issued with tablets to better enable them to document and report on their portfolios while in the field.

Additionally, the Agency has purchased project management software to better enable it to manage workflows and for all members of staff to be in the know about the execution of the Agency's projects.

The project to implement an intranet to act as the main catalyst for a digital workplace is also still underway to be completed within the 2018/19 fiscal year.

MARKETING AND PUBLIC RELATIONS



Bright smiles from young ladies who can now look forward to an even brighter future thanks to their participation in the Universal Service Fund's Technology Advancement Programme.

“The Universal Service Fund is committed to transforming the lives of all Jamaicans, particularly the most vulnerable, through Information Communication Technology. It's therefore critical that the USF becomes so entrenched in the Jamaican landscape that citizens can recognize the brand, are aware of its mandate and ultimately can access the transformative goods and services of the Agency which are available as gifts to the entire citizenry. “

The 2017/18 Financial Year saw the Universal Service Fund making significant strides towards raising awareness of the entity and ultimately becoming a household name. The Agency set specific targets related to an increased presence and promotion in a bid to further build brand awareness among existing and potential stakeholders.

These targets were surpassed through the tactical use of traditional media advertising, increased use of social and other non-traditional media as well as earned public relations mentions through articles, news stories and photo releases. Informal surveys conducted in March 2018 also revealed increased brand recognition and awareness of the Agency's mandate.

The rebranding and repositioning of the Universal Service Fund which began in the previous financial year with the

unveiling of new corporate and product logos, continued with the redesign of signage for the Agency's Community Access Points. Systems have also been instituted to ensure that special activities of the Agency such as the commissioning of Community Access Points and other special projects, the handing over of donations and sponsorship cheques, and the hosting of events is properly documented for posterity.

Throughout the year, the USF's robust promotions programme incorporated a multiplicity of strategic activities which served to increased synergies between the Agency and its stakeholders while promoting the USF brand. The Agency donated laptops, printers and other ICT equipment to basic and primary schools that expressed such needs to the entity. Beneficiaries included Laura's Basic School, Trinity Prep School and Alpha Infant School.

Jamaica's Independence celebrations provided the perfect platform for the Agency to interact with thousands of Jamaicans through a multimedia campaign that involved on the spot contests and giveaways island-wide, print, radio and television advertisements and the mounting of an exhibition at the Annual Independence Village. The USF agency also organized official commissioning

ceremonies for 6 Community Access Points completed during the year and was able to secure media coverage on tv and in print for each.

The Agency steadily increased its social media presence with the number of 'likes' on Facebook more than tripling from 1,206 on April 1, 2017 to 4,136 on March 31, 2018. Increases in following was also seen on Instagram and Twitter. The upsurge was mainly attributed to information being shared more frequently on the respective platforms and increased advertising.

Additional Marketing and Public Relations activities for the period included:

- Sponsorship of and participation in the BizTech Forum and Showcase hosted by the Jamaica Computer Society.

- Production and airing of the 5-minute Television Feature 'Tech Tales,' which showcases the projects, programmes and activities of the USF.
- Media Launch and Outside Broadcast in promotion of the Technology Advancement Programme.
- Production and airing of USF Year in Review Television Feature.

The 2018/19 financial year will see the Agency continuing with these efforts and introducing new initiatives such as live streaming of Q & A sessions on USF Projects and Programmes via social media and increased outdoor advertising. The Agency will also be sprucing up its online home – usf.gov.jm – to ensure its webpage is able to effectively serve its purpose as a hub for information on the Agency.



CORPORATE SOCIAL RESPONSIBILITY



“Next to doing the right thing, the most important thing is to let people know you are doing the right thing.”
- John D. Rockefeller

During the 2017/18 Financial Year the Universal Service Fund boosted the ICT capacity of individuals and institutions through the donation of scores of devices.

The Universal Service Fund takes pride in connecting Jamaica through service from the heart. As such, the USF believes that having a positive impact on Jamaica's social environment is just as important as developing the nation's ICT infrastructure. Acts of philanthropy are therefore in keeping with the core values of the Agency.

The USF made several donations of technological devices to individuals and organizations in need, to help them bridge the information divide. These include the donation of a Star Key hearing aid to a hearing impaired elderly gentleman, laptops to four children who lost their mothers to breast cancer and computer equipment to Prayer and Faith Apostolic Ministries - a church hoping to make a difference in its community. The Agency also provided 55 Jamaicans in need from all walks of life with tablets, smartphones, laptops and bluetooth speakers as part of its Jamaica 55 celebratory activities in August.

The USF Team provided fulsome support to the Sagikor Foundation's efforts to assist the nation's children as the staff participated in the 20th Anniversary staging of the Sagikor/Sigma Corporate Run. 2018 marked the first time that the USF was registering for the event on its own. USF Staff members had previously participated in the run as part of the Spectrum Management Authority's team.

With statistics indicating that more Jamaican women are being diagnosed with breast cancer each year and at a younger age, the USF thought it important to sensitize Jamaica about the importance of early detection in the fight against the disease. From this need the event 'Positively Pink' was born – a midday par chockful of information for those seeking to lessen their chances of developing the disease and support for those already touched by cancer.

Finally, the USF in playing its role to raise awareness regarding HIV/AIDS organized a social media competition and created videos to inform the public about the virus, how they can prevent themselves from contracting it, and how technology can assist persons with HIV in managing the disease.

2017 also saw the Agency taking a more structured approach to its Corporate Social Responsibility activities through the establishment of its 'Tech Love' brand – the philanthropic arm of the entity. Plans are also afoot to create a Corporate Social Responsibility statement and policy to guide all the Agency's philanthropic efforts in keeping with the Government of Jamaica's Corporate Governance Framework.



THE YEAR IN PICTURES





USF IN NUMBERS

**\$972
MILLION**

EARNED IN SERVICE FEE LEVY



**\$577.7
MILLION**

APPROVED FOR COMMUNITY ACCESS POINTS



**\$363
MILLION**

INVESTED IN SPECIAL ICT INFRASTRUCTURE
IMPROVEMENT PROJECTS



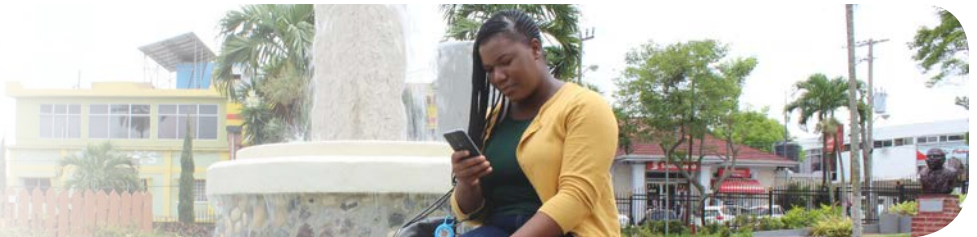
1000

JAMAICANS AGED 18-35
TRAINED IN TECHNOLOGY



16

COMMUNITY ACCESS
POINTS COMMISSIONED





AUDITED FINANCIAL STATEMENTS MARCH 31, 2018

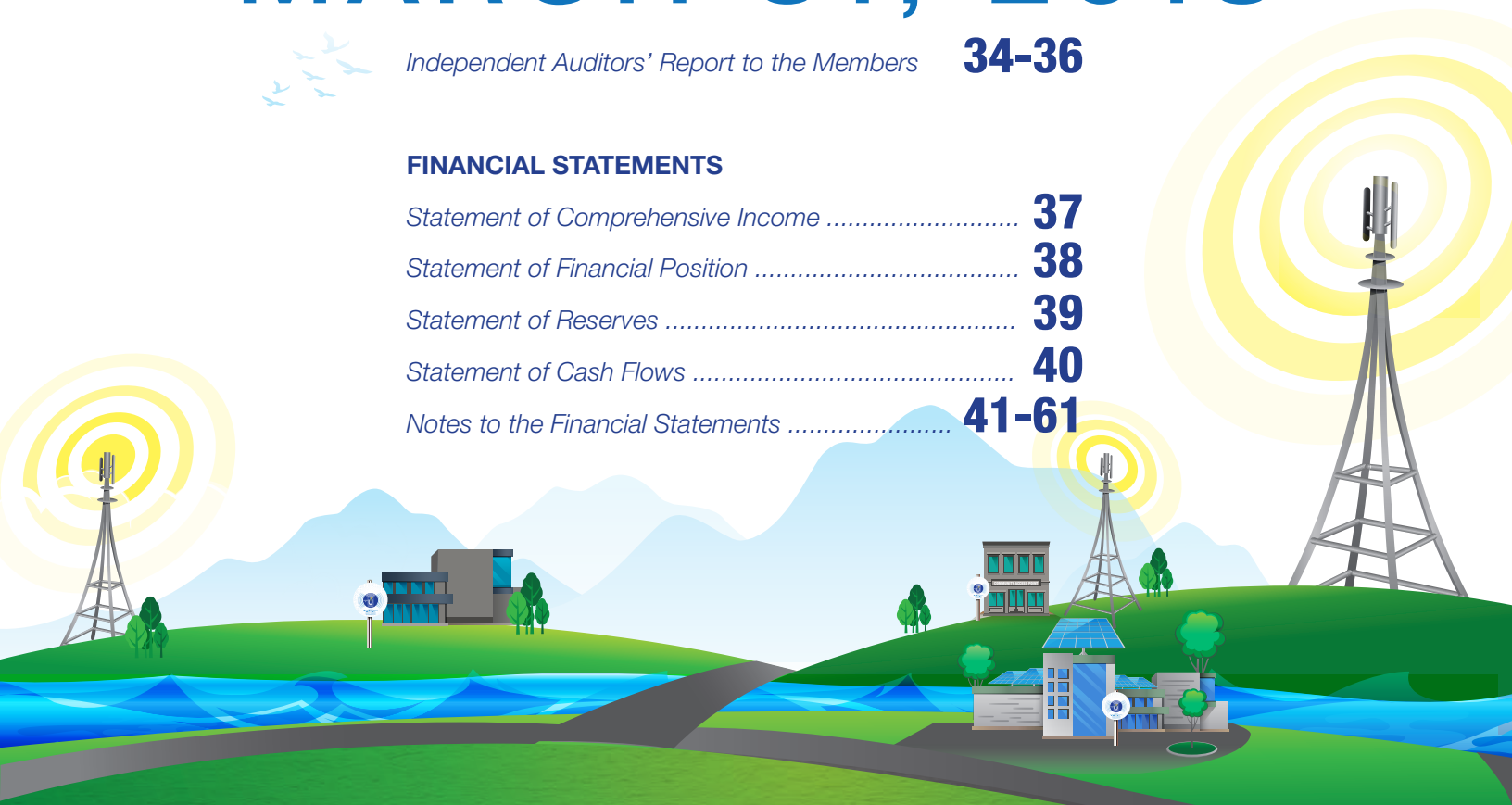


Independent Auditors' Report to the Members

34-36

FINANCIAL STATEMENTS

<i>Statement of Comprehensive Income</i>	37
<i>Statement of Financial Position</i>	38
<i>Statement of Reserves</i>	39
<i>Statement of Cash Flows</i>	40
<i>Notes to the Financial Statements</i>	41-61





UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



Tel: (876) 926-1616/7, 926-4421
Fax: (876) 926-7580
www.bdo.com.jm

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

Page 1

INDEPENDENT AUDITORS' REPORT

To the Members of
Universal Service Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Universal Service Fund ("the Fund") set out on pages 4 to 28, which comprise the statement of financial position as at 31 March 2018, and the statements of comprehensive income, changes in reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Telecommunications Act 2000 and its Amendment 2012 and the Public Bodies Management and Accountability (Amendment) Act 2014.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the Telecommunications Act 2000 and its Amendment 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Management is responsible for overseeing the Fund's financial reporting process.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Universal Service Fund

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Universal Service Fund

Report on additional matters as required by the Telecommunications Act 2000 and its Amendment 2012 and the Public Bodies Management and Accountability (Amendment) Act 2014

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Telecommunications Act 2000 and its Amendment 2012 and the Public Bodies Management and Accountability (Amendment) Act 2014 in the manner required.

Chartered Accountants

26 July 2018

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
REVENUE	6	<u>972,894</u>	<u>1,306,560</u>
Direct costs - Universal service projects		(669,463)	(778,866)
- e-Learning projects		(449,407)	(150,000)
- Technology Advancement Programme		(55,654)	-
	8	<u>(1,174,524)</u>	<u>(928,866)</u>
		(201,630)	377,694
Other operating income	7	186,266	774,337
Administrative expenses	8	<u>(494,253)</u>	<u>(142,394)</u>
(DEFICIT)/SURPLUS BEFORE TAXATION		(509,617)	1,009,637
Taxation	9	<u>(15,745)</u>	<u>(17,918)</u>
NET (DEFICIT)/SURPLUS, BEING TOTAL COMPREHENSIVE INCOME		<u>(525,362)</u>	<u>991,719</u>




UNIVERSAL SERVICE FUND ANNUAL REPORT


AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

	<u>Note</u>	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	48,500	26,273
Funds held by Accountant General	11	<u>11,256,730</u>	<u>11,383,279</u>
		<u>11,305,230</u>	<u>11,409,552</u>
CURRENT ASSETS:			
Receivables	13	385,499	341,708
Taxation recoverable		8,695	6,190
Cash and cash equivalents	14	<u>3,092,550</u>	<u>3,185,997</u>
		<u>3,486,744</u>	<u>3,533,895</u>
		<u>14,791,974</u>	<u>14,943,447</u>
RESERVES AND LIABILITIES			
RESERVES:			
Capital contribution	15	9,570,709	9,570,709
Accumulated surplus		<u>4,313,041</u>	<u>4,838,403</u>
		<u>13,883,750</u>	<u>14,409,112</u>
LONG TERM LIABILITIES:			
Deferred tax liabilities	12	<u>3,176</u>	<u>3,306</u>
CURRENT LIABILITY:			
Payables	16	<u>905,048</u>	<u>531,029</u>
		<u>14,791,974</u>	<u>14,943,447</u>

Approved for issue by the Board of Management on 26 July 2018 and signed on its behalf by:


 Robert Lawrence - Chairman


 Suzette Buchanan - Chief Executive Officer

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



	<u>Capital Contribution</u> <u>\$'000</u>	<u>Accumulated Surplus</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
BALANCE AT 1 APRIL 2016	9,570,709	3,846,684	13,417,393
TOTAL COMPREHENSIVE INCOME			
Net surplus	<u>-</u>	<u>991,719</u>	<u>991,719</u>
BALANCE AT 31 MARCH 2017	9,570,709	4,838,403	14,409,112
TOTAL COMPREHENSIVE INCOME			
Net deficit	<u>-</u>	<u>(525,362)</u>	<u>(525,362)</u>
BALANCE AT 31 MARCH 2018	<u>9,570,709</u>	<u>4,313,041</u>	<u>13,883,750</u>



UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (deficit)/surplus	(525,362)	991,719
Items not affecting cash resources:		
Depreciation	10,258	5,004
Interest income	(186,266)	(133,049)
Taxation expense	15,745	17,918
Exchange loss/(gain) on foreign balances	317,106	(605,218)
Loss on sale of property plant & equipment	<u>-</u>	<u>77</u>
	(368,519)	276,451
Change in operating assets and liabilities:		
Receivables	(43,791)	54,302
Payables	<u>374,019</u>	<u>102,751</u>
	(38,291)	433,504
Taxation paid	<u>(18,380)</u>	<u>(16,501)</u>
Cash (used in)/provided by operating activities	<u>(56,671)</u>	<u>417,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(32,485)	(21,967)
Proceeds from sale of property, plant & equipment	-	829
Interest received	<u>62,073</u>	<u>77,201</u>
Cash provided by investing activities	<u>29,588</u>	<u>56,063</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(27,083)	473,066
Exchange (loss)/gain on foreign cash balances	(66,364)	106,824
Cash and cash equivalents at beginning of year	<u>3,185,997</u>	<u>2,606,107</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>3,092,550</u>	<u>3,185,997</u>

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



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 access to telecommunications services, 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 Telecommunications (Amendment) Act 2012.

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.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. 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. They are also prepared in accordance with requirements of the Jamaican Companies Act.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

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.

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Fund has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards, interpretations and amendments are relevant to its operations.

Amendments to IAS 7, 'Statement of Cash Flows'(effective for accounting periods beginning on or after 1 January 2017), requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

Amendment to IAS 12, 'Income Taxes' (effective for accounting periods beginning on or after 1 January 2017). The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments confirm that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period, an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit, where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type and that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, amendments and interpretation not yet effective and not early adopted

The following new standards, amendments and interpretation, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Fund's future financial statements:

IFRS 9, *Financial Instruments*, (effective for annual reporting periods beginning on or after January 1, 2018), The standard address the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

IFRS 15, 'Revenue from contracts with Customers', (effective for annual periods beginning on or after 1 January 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces IAS 18. "Revenue" and IAS 11 "Construction Contracts" and related interpretations.

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). The standard primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2017. The standard will result in almost all leases being recognised on the statement of financial position, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change.

The Fund is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) 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.

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 surplus or deficit.

(c) 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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%

Gain and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(d) 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 is separately identified cash flows.

(e) 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 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.

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 obligation of carriers under the principal Act to pay a service levy to the Fund (e.g. service levy receivable), the provision of services to customers and also incorporate other types of contractual monetary asset.

The Fund's loans and receivables comprise service levy receivable and cash and cash equivalents. They are included in current assets.

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 three months or less.



UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(e) Financial instruments (cont'd)

Financial assets (cont'd)

(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. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For loans and receivables impairment provisions are recognized when there is objective evidence that the Fund will not collect all of the amounts due under the terms of the receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For service levy receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in surplus or deficit. On confirmation that the service levy receivable is uncollectible, it is written off against the associated allowance. Subsequent recoveries of amounts previously written off are credited to surplus or deficit.

Financial 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.

(f) Trade and other payables

Trade payables are stated at amortized cost.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Current and deferred income taxes

Taxation expense in the surplus or deficit comprises current and deferred tax charges.

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.

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 surplus or deficit, 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.

(h) Revenue recognition

Service levy

Revenue is derived from the collection of the universal telecommunications services obligations levy ("service levy") from telecommunications companies. The service levy is received by the Fund on inbound international telephone calls and is recognized on the accruals basis. The Fund is dependent on information provided by local carriers for the determination of service levy to be recognized for the year. The international carriers remit service levy indirectly to the Fund, through local carriers. The timing of remittances by the carriers involved are not predictable. The monthly accruals for service levy is measured based on the average of the previous actual collections. The monthly accruals based on estimates are adjusted when the actual service levy for the respective months are received. The adjustment is recorded in the month in which the remittance of the actual service levy is received and this is generally within five months of the end of the month to which the service levy relates. At the end of each reporting period and at the statement of financial position date, tests are done to ensure the fairness of the amount accrued for service levy and any adjustment to estimated service levy considered appropriate is immediately recognized in profit or loss as an adjustment to the accumulated service levy and correspondingly, accounts receivable.



UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(h) Revenue recognition (cont'd)

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.

(i) 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

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) Service levy income

In the absence of monitoring facilities available to the Fund, estimates are required in determining the service levy income of the Fund. The timing of remittances by carriers are not predictable hence the average of the previous three to five months collections is used to determine the monthly income. Where the final receipt differs from the amount previously recorded, an adjustment is made in the month of receipt.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) Key sources of estimation uncertainty (cont'd)

(ii) 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- 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.

(iii) 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 surplus or deficit through impairment or adjusted depreciation provisions.

(iv) Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The fund recognizes liabilities for possible tax 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 originally recorded, such differences will impact income tax and deferred tax provisions in the period in which such determination is made.



UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

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 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.

(i) Principal financial instruments

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

- Service levy receivables
- Cash and cash equivalents
- Payables

(ii) Financial instruments by category

Financial assets

	<u>Loans and Receivables</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	3,092,550	3,185,997
Service levy receivables	<u>245,930</u>	<u>341,436</u>
Total financial assets	<u>3,338,480</u>	<u>3,527,433</u>

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



5. FINANCIAL RISK MANAGEMENT (CONT'D):

(ii) Financial instruments by category (cont'd)

Financial liabilities

	Financial liabilities at amortised cost	
	2018	2017
	\$'000	\$'000
Payables	905,048	531,029
Total financial liabilities	905,048	531,029

(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.

(iv) Financial risk factors

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 receives monthly reports from the Financial Controller 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 the findings to the Audit Committee.

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

(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.



UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial risk factors (cont'd)

(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.

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.

The aging of trade receivables is as follows:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
0-30 days	174,932	285,114
31-60 days	9,033	7,472
61-90 days	9,978	18,528
91 days and over	<u>51,987</u>	<u>30,322</u>
	<u>245,930</u>	<u>341,436</u>

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



5. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial risk factors (cont'd)

(a) Credit risk (cont'd)

Trade receivables that are past due but not impaired

As at 31 March 2018, trade receivables of \$51,986,859 (2017 - \$30,321,653) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

(b) Market risk

Market risk arises from the Fund's use of interest bearing, tradeable 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 market factors (other price risk).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

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 receivables and cash and bank balances amounting to \$12,393,562,301 (2017 - \$13,023,167,434).

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

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

(iv) Financial risk factors (cont'd)

(b) Market risk (cont'd)

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 4% (2017 - 6%) depreciation and a 2% (2017 - 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

Foreign currency sensitivity (cont'd)

	% Change in Currency Rate 2018	Effect on Profit before Tax 31 March 2018 \$'000	% Change Currency Rate 2017	Effect on Profit before Tax 31 March 2017 \$'000
Currency:				
USD	-4	495,742	-6	781,390
USD	+2	(247,871)	+1	(130,232)

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.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



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

(iv) Financial risk factors (cont'd)

(b) Market risk (cont'd)

Cash flow and 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.

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.



UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

6. REVENUE:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Service fee levy	<u>972,894</u>	<u>1,306,560</u>

7. OTHER OPERATING INCOME:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Interest income	67,937	77,201
Gain on foreign exchange	-	641,288
Interest from Funds held by Accountant General	<u>118,329</u>	<u>55,848</u>
	<u>186,266</u>	<u>774,337</u>

Interest from Consolidated Fund represents accumulated interest earned on funds held at the Accountant General's Department.

8. EXPENSES BY NATURE:

(Deficit)/surplus before taxation is stated after charging -

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Direct cost on projects	<u>1,174,524</u>	<u>928,866</u>
Administrative expenses:		
Directors and board expenses	2,672	3,796
Auditors' remuneration	1,220	872
Staff costs (note 17)	96,995	76,857
Depreciation	10,258	5,004
General, stationery and office expense	3,938	2,910
Motor vehicle and travelling	4,015	3,136
Repairs and maintenance	328	313
Subscription	135	1,882
Office lease and maintenance	5,311	4,130
Legal and professional fees	4,140	5,469
Advertising and public relations	32,982	32,592
Software licence	2,286	-
Corporate social responsibility	4,126	-
Loss on foreign exchange	317,106	-
Others	<u>8,741</u>	<u>5,433</u>
	<u>494,253</u>	<u>142,394</u>
	<u>1,668,777</u>	<u>1,071,260</u>

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



9. TAXATION EXPENSE:

- (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 computed on the (deficit)/surplus for the year, adjusted for tax purposes, and comprise income tax at 25%.

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Current taxation	15,875	14,596
Deferred taxation (note 12)	(130)	<u>3,322</u>
	<u>15,745</u>	<u>17,918</u>

The tax on the (deficit)/surplus before taxation differs from the theoretical amount that would arise using the applicable tax rate of 25%.

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
(Deficit)/surplus before taxation	(509,617)	<u>1,009,637</u>
Tax calculated at applicable tax rate	(127,404)	252,409
Adjusted for the effects of:		
Other charges and credits	<u>143,149</u>	(234,491)
	<u>15,745</u>	<u>17,918</u>

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018

10. PROPERTY, PLANT AND EQUIPMENT:

	<u>Leasehold Improvements</u> \$'000	<u>Office & Computer Equipment</u> \$'000	<u>Furniture & Fixtures</u> \$'000	<u>Motor Vehicle</u> \$'000	<u>Total</u> \$'000
At cost:					
1 April 2016	1,883	5,630	2,326	9,563	19,402
Additions	298	10,428	391	10,850	21,967
Disposal	-	(232)	-	(3,383)	(3,615)
30 March 2017	2,181	15,826	2,717	17,030	37,754
Additions	4,302	15,785	2,600	9,798	32,485
31 March 2018	6,483	31,611	5,317	26,828	70,239
Depreciation:					
1 April 2016	466	2,546	483	5,691	9,186
Charge for the year	199	1,969	245	2,591	5,004
Disposal	-	(172)	-	(2,537)	(2,709)
31 March 2017	665	4,343	728	5,745	11,481
Charge for the year	395	5,953	341	3,569	10,258
31 March 2018	1,060	10,296	1,069	9,314	21,739
Net Book Value:					
31 March 2018	5,423	21,315	4,248	17,514	48,500
31 March 2017	1,516	11,483	1,989	11,285	26,273

11. FUNDS HELD BY ACCOUNTANT GENERAL:

	<u>2018</u> \$'000	<u>2017</u> \$'000
Opening balance	11,383,279	10,829,037
Interest	118,329	55,848
Foreign exchange (loss)/gain	(244,878)	498,394
	<u>11,256,730</u>	<u>11,383,279</u>

The opening balance represents service fee levy forwarded to the Accountant General's Department and placed in the Government's Special Consolidated Fund. Included in the amounts above are US dollar amount of US\$79,247,515 (2017 - US\$78,563,750). Interest is earned at the rate of 3% and 0.76% (2017 - 3.15% and 0.075%) on the Jamaican and United States dollar balances respectively.

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



12. DEFERRED TAX:

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred tax assets and liabilities are off set when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Deferred tax liabilities	(3,176)	(3,306)

The movement in deferred tax account is as follows:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Balance at start of year	(3,306)	16
Charge for the year	<u>130</u>	(3,322)
Balance at end of year	(3,176)	(3,306)

Deferred tax is due to the following temporary differences:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Accelerated capital allowances	(3,176)	(3,306)

Deferred taxation charged to surplus or deficit and other comprehensive income comprises the following temporary differences:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Accelerated capital allowances	<u>130</u>	(3,322)



UNIVERSAL SERVICE FUND ANNUAL REPORT **AUDITED FINANCIAL STATEMENTS** **MARCH 31, 2018**

13. RECEIVABLES:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Service levy receivable	245,930	341,436
Staff Loan	1,291	-
Deposit	136,703	-
Prepayments	<u>1,575</u>	<u>272</u>
	<u>385,499</u>	<u>341,708</u>

The Fund is dependent on information provided by local carriers for the determination of service fees to be recognized for the year, also there are international carriers who remit service fees indirectly to the Fund, through local carriers. The timing of remittances by the carriers involved are not predictable.

14. CASH AND CASH EQUIVALENTS:

For the purpose of the cash flow statement, cash and cash equivalent comprise cash at bank and in hand as follows:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Cash at bank and in hand	<u>3,092,550</u>	<u>3,185,997</u>

At 31 March 2018, the Fund had short term deposits amounting to \$2,995,873,800 (2017 - \$3,129,595,628). Interest receivable on short term investments amounted to \$6,834,745 (2017 - \$11,240,001).

The weighted average interest rate on short term deposits denominated in Jamaican dollars and United States dollars was 4.74% and 2.27%, respectively (2017 - 5.50% and 2.25%, respectively) and these deposits mature within 60 days (2017 - 60 days).

15. CAPITAL CONTRIBUTION:

The Fund is a Government of Jamaica operation and capital contribution represents the net of assets and liabilities transferred to Universal Service Fund on the commencement of operations.

16. PAYABLES:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Gratuity payable	8,490	11,408
Projects	888,412	503,168
Other payables	<u>8,146</u>	<u>16,453</u>
	<u>905,048</u>	<u>531,029</u>

UNIVERSAL SERVICE FUND ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2018



17. STAFF COSTS:

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Salaries	57,162	44,381
Statutory contribution	4,032	3,411
Staff welfare, training and allowances	27,372	19,745
Gratuity	<u>8,429</u>	<u>9,320</u>
	<u>96,995</u>	<u>76,857</u>

The number of persons employed at the end of the year was:

	<u>2018</u>	<u>2017</u>
Permanent	14	20
Temporary	<u>13</u>	<u>4</u>
	<u>27</u>	<u>24</u>

18. RELATED PARTY BALANCES AND TRANSACTIONS:

The following transactions were carried out with related parties.

(a) Transaction between the Fund and related company

During the year, the Fund disbursed \$449,407,000 (2017 - \$150,000,000) to E-Learning Jamaica to fund its projects.

(b) Key management compensation

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Directors' emoluments -		
Fees	1,651	1,912
Expense	<u>34</u>	<u>887</u>
CEO emoluments -		
Remuneration	7,761	6,060
Gratuity payable	<u>1,748</u>	<u>694</u>

(c) Year end balances arising from transactions with related parties

	<u>2018</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Due from related party -		
Funds held by Accountant General (note 11)	<u>11,256,730</u>	<u>11,383,279</u>



UNIVERSAL SERVICE FUND

4th Floor, PCJ Building,
36 Trafalgar Road, Kingston 10

Tel: **876-926-1727**

Fax: **876-960-8981**

Email: **info@usf.com**

Website: **www.usf.gov.jm**

