



**UNIVERSAL  
SERVICE FUND**

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



**ANNUAL**  
*Report* 2018/2019



# ANNUAL REPORT

2018/2019

# USF

**[WWW.USF.GOV.JM](http://WWW.USF.GOV.JM)**

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





**TECHNOLOGY  
ADVANCEMENT  
PROGRAMME**

POWERED BY THE UNIVERSAL SERVICE FUND

**#TapintoTAP**





# 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.

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# 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.

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.



**Minister of Science, Energy and Technology Hon. Fayval Williams is joined by Minister of Finance and the Public Service Nigel Clarke, CEO of the USF Daniel Dawes and the Principal and students of the Maverley Primary School for the launch of the institution's Community Access Point established by the USF.**

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





# 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](mailto:info@usf.com)  
Website: [www.usf.gov.jm](http://www.usf.gov.jm)

## AUDITORS

BDO  
28 Beechwood Avenue  
Kingston 5, Jamaica W.I.

## ACTING CORPORATE SECRETARY

Trishann Brown  
(Legal Officer)

## BANKERS

**Bank of Nova Scotia**  
82-84 Half Way Tree Road  
Kingston 10

## National Commercial Bank

1 Knutsford Boulevard  
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 Boulevard  
Kingston 5

## SENIOR OFFICERS

Daniel Dawes  
Chief Executive Officer

Kwan Wilson  
Director of Projects

Violet Badroe  
Financial Controller

Juliet Salmon  
Human Resource/ Administration  
Manager



# CORPORATE GOVERNANCE

**T**he 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.

## BOARD SIZE AND COMPOSITION

At the beginning of the 2018/2019 financial year, the Board was comprised of nine (9) members who were brought forward from the 2017/2018 financial year.

The Board in March 2018 was given a directive to continue their management until further notice was provided by the Ministry for the appointment of the full Board by Cabinet.

This Board has since expired based on the provisions of schedule 3 of the Telecommunications Act which states inter alia that "...a selected member of the Board shall hold office for a period not exceeding three years and each such member shall be eligible for reappointment."

Additional changes to the Board were as a result of Ms. Carolyn Warren resigning from the Board in August 2018 and the Chief Executive Officer,



Ms. Suzette Buchanan separating from the Agency also in August.

A new CEO, Mr. Daniel Dawes was appointed in January 2019.

Notwithstanding the reduction and changes in its membership, the outgoing Board doubled its efforts to ensure that its oversight of the USF did not waiver.

There are five 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 area of operation and to provide regular updates to the Board at its monthly board meeting. In order to account for the vacancies the following adjustments were made to the Projects committees: Director O'Meally was assigned as the chairperson of the Projects Committee and Director Forrest was appointed to sit on the Projects Committee.

The committees and their membership as at March 31, 2019 are as follows:

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

#### **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.

#### **Audit Committee Members:**

- Mr. James Stewart — Chairman (PIOJ)
- Ms. Marcelle Smart (tTech)
- Mrs. Simone Ramsay-Knight (IIA) (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 functions 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 joins with the Audit Committee to ensure that the annual audit statement is properly prepared and accurately reflects the financial standings of the entity.

#### **Finance Committee Members:**

- Mr. Robert Lawrence — Interim Chairman
- Mr. Cecil McCain (MSET)
- Ms. Monica O'Meally (MOFPS)
- Mr. Daniel Dawes (CEO, USF)

#### **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.

#### **Projects Committee Members:**

- Ms. Monica O'Meally — Chairperson (MOFPS)
- Mr. Trevor Forrest (ICT Consultant)
- Mr. Daniel Dawes (CEO, USF)

#### **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.

#### Strategic Planning & Corporate Governance Committee Members:

- Mr. Robert Lawrence – Chairman
- Mr. Trevor Forrest (ICT Consultant)
- Ms. Sherine Grant (Consultant)
- Ms. Marcelle Smart (tTech)
- Mr. Daniel Dawes (CEO,USF)

#### Procurement Committee

The entity's Procurement Committee has been established to review all procurement which require the final approval of the Head of Entity, according to the established thresholds. The lower limit of this threshold being \$1.5M. The Committee ensures the transparency of the entity's procurement process in keeping with GOJ standards and practices.

#### Procurement Committee Members:

- Ms. Sherine Grant – Chairperson (Consultant)
- Mr. Cecil McCain (MSET)

Below are the details of attendance for the meetings of the Board and its Committees.

	Board	Projects	Audit	Strategic Planning	Finance	Procurement
Directors	13 Meetings	3 Meetings	4 Meetings	10 Meetings	10 Meetings	4 Meetings
Mr. Robert Lawrence	13			10	10	
Ms. Sherine Grant	12			9		4
Ms. Marcelle Smart	12		3	6		
Mr. Trevor Forrest	11	2		9		
Mr. Daniel Dawes**	3			3	2	
Ms. Suzette Buchanan*	6	1		3	4	
Mr. Cecil McCain	11				9	4
Ms. Monica O'Meally	12	2			9	
Ms. Carolyn Warren***	3	1				
Mr. James Stewart	7		4			
Trishann Brown (Acting Corporate Secretary) ****	12			7	9	

\*\*\*\* Trishann Brown appointed in May 2018

\*Suzette Buchanan separated from the entity in Aug 2018

\*\*Daniel Dawes appointed as CEO January 2019

\*\*\*Carolyn Warren resigned from the Board in August 2018

\*\*\*\* Trishann Brown appointed in May 2018



# Message

from Minister of Science, Energy  
and Technology  
**Hon. Fayval Williams, MP**



**S**pecial commendations to the Universal Service Fund (USF) on the publication of its 2018/2019 Annual Report.

As Minister with responsibility for information and communications technology, I am pleased to see the progress that has been made and the hard work that the USF has done over this period. I believe that this publication is significant as it not only shares with our stakeholders the achievements of the USF, but it also adds to the system of accountability and transparency to which we subscribe as a Ministry.

The USF is a vital part of our transition to a digital and knowledge-based society. It is through your work, that we will make the necessary inroads to ensure that all individuals, including our most vulnerable, have equal and equitable access to technology.

Access to knowledge must touch the corners of every unserved and underserved community.

It must reach the palms, eyes and ears of every adult and child and it must be within reach for those of us at our hospitals, schools, police stations and other Government institutions.

The future is digital, and it is the goal of the Government to have 100% Broadband Internet connectivity by the year 2030. Connectivity of our rural communities must be brought on par with that of our urban counterparts. Older members of our population must become ICT literate to efficiently function in today's society.

Our youth must be carefully directed to maximize on the exponential possibilities that can be nurtured with purposeful use of the technology and all must be able to navigate the cyber threats and risks that abound.

We are committed to creating a technology enabled society in which all our citizens are connected to the information superhighway.

My commendations once again on a job well done and I wish you all the best as you continue on the path to connect Jamaica and bridge the technology divide.



**Hon. Fayval Williams, MP**

Minister of Science, Energy and Technology



# BOARD OF MANAGEMENT'S REPORT

**USF ANNUAL REPORT 2018/2019**



**T**he Board of Management takes great pleasure in presenting the 2018/2019 Annual Report on behalf of the Universal Service Fund. The current Board was appointed by Cabinet on May 13, 2019, with a tenure of two years. The Board would like to express its appreciation to the outgoing Board of Management under the leadership of Mr. Robert Lawrence, for the contribution it has made to nation building during its tenure at the USF. We acknowledge the challenges which the Board encountered throughout the period and its resilience in the face of these challenges. It is our desire to build on the work commenced by the outgoing Board as we seek to ensure continuous oversight of the entity.

We are living in an era where access to information and communication technology is no longer a want but rather a basic human right. Jamaica was ranked number 23 of 36 countries in the Americas on the ICT Development Index created by the International Telecommunications Union

(ITU). This ranking indicated that there is still much work to be done, but USF is perfectly poised to make an impact on the development of ICT in Jamaica.

The Board of Management is committed to working with the entity to achieve the goals of the Government of Jamaica to secure technological advancement for the Jamaican citizenry. Great emphasis will be placed on enabling education through technology, providing internet connectivity in high traffic public spaces and using Information and Communication Technology to empower members of the disabled community.

With the diverse mix of board membership from both the private and public sectors in areas of Information and Communication Technology, Human Resource Management, Law and Finance, the USF will benefit from a wide range of expertise from individuals committed to fostering further growth and development for the entity.

The Board recognises the important mandate given to it by the Minister of Science, Energy and Technology and commits itself to fulfilling this mandate without fear or favour and play our part in advancing the cause of the USF and by extension the growth of technology throughout Jamaica. We stand ready and willing to serve.

**Dr. Gunjan Mansingh**

Chairperson

Universal Service Fund Board of Management



# Message

Chief Executive Officer's



**W**ith a mandate to connect Jamaica and a team of hardworking, talented and dedicated staff, the Universal Service Fund over the period April 2018 to March 2019 set out to positively impact the lives of all Jamaicans through the execution of strategic Information and Communication Technology.

While our efforts in the last year touched the lives of individuals from all walks of life, special emphasis was placed on initiatives aimed at improving the quality of life of the most vulnerable among us.

These efforts are not only guided by the Telecommunications Act (2012) under which we were established, but by international paradigms that speak to the impact that access to the internet can have on marginalized persons.

According to the United Nations 'ICT is the single transformative force with the power to catalyze development at all levels across all sectors'.

We can also, each by looking at our daily routines, attest to the fact that Technology has significantly changed our world – almost everything we do has a technological component.

It's therefore incumbent on the USF to put in place projects and programmes to ensure all Jamaicans can reap the full benefits of today's digital reality.

During the period the Agency worked assiduously to achieve the Government of Jamaica's vision of creating a knowledge-based society by:

1. Commissioning eight (8) new Community Access Points into Service to provide

Jamaicans in underserved and unserved communities with internet access;

2. Installing Solar Systems at fifty five (55) Community Access Points thereby increasing their sustainability and their ability to serve their respective communities;
3. Establishing the Agency's seventh Free Public Wi-Fi hot spot.

But perhaps the Agency's crowing achievement for the period was the successful execution of the Technology Advancement Programme (TAP), an initiative that set out to impact the lives of 1,000 young persons island-wide through training in ICT and practical work experience.

Under the programme, 894 young persons aged 18–35 were exposed to training in ICT with 75% receiving certification from the Caribbean Maritime University. The successes of TAP however extend beyond certification or even the work experience garnered. For many participants, this life changing programme laid the foundation for them formalizing their respective contributions to national development. TAP empowered many participants to open their first bank accounts, to get their first forms of national identification and in some cases even tax registration numbers.

There have already been scores of heartwarming stories, from young men and women who grasped the opportunities presented through TAP with both hands and are now enjoying a better quality of life. We look forward to hearing even more stories of their continued success.

For the 2019/20 Financial Year the Universal Service Fund will redouble its efforts to make Jamaica a knowledge-based society by engaging individuals at all levels through technology.

We will seek to increase our network of free public Wi-Fi hot spots, to strengthen the management of our community access points, to find new ways to support the disabled community and to creatively sensitize both the young and young at heart.

We are on a mission and reiterate our resolve not to become complacent as we look forward to achieving even greater levels of success in the ensuing year.



**Daniel Dawes**  
Chief Executive Officer





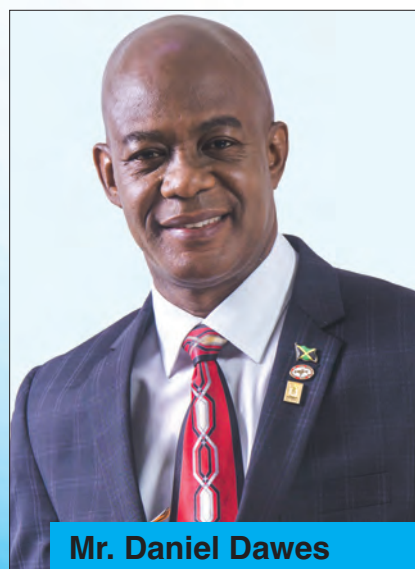
# BOARD OF MANAGEMENT



**Mr. Robert Lawrence**  
Chairman



**Mr. Trevor Forrest**  
Deputy Chairman



**Mr. Daniel Dawes**  
Director/CEO



**Ms. Monica O'Meally**  
Director



**Mr. Cecil McCain**  
Director



**Ms. Sherine Grant**  
Director



**Mr. James Stewart**  
Director



**Ms. Marcelle Stewart**  
Director



**Ms. Trishann Brown**  
Legal Officer & Company  
Secretary





# CORPORATE PERFORMANCE

**USF ANNUAL REPORT 2018/2019**

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**Minister of Science, Energy and Technology Hon. Fayval Williams (left), Chairman of the USF Board of Management Robert Lawrence and Director of Sales - Government, Enterprise & IT Solutions at FLOW Carol Robertson connect to the USF's Emancipation Park Free Wi-Fi hot spot during the launch of the solution in March 2019.**

## Overview

**A**t the core of the Universal Service Fund is the mandate laid down in the Telecommunications (Amendment) Act 2012, which is 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.

Financial year 2018/19 saw the Universal Service Fund, paying keen attention to its flagship programme, the Community Access Points (CAP). This focus expanded to the solar project—an initiative that aims to provide Community Access Points with solar systems in an effort to offset energy costs associated with the running of the facility and to make the centre's operations more efficient and environmentally friendly. Through these efforts the USF is seeking to improve the sustainability of its CAPs.

The USF took a holistic approach to revitalising and invigorating interest and access to the Community Access Points island-wide; in

doing so, the organization commissioned an extensive evaluation of these facilities to ascertain the true nature of their functionality, as well as their sustainability and operational practices.

The Agency also continued to focus on its major foundational project initiatives such as deploying fixed and wireless broadband services, 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 targeted 1,000 young persons to equip them with skills to enable them to participate in the global digital economy.

## 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 2018/2019, a total of twenty (20) CAPs, illustrated in the table below, were commissioned into service at a total cost of J\$168,549,914.31, compared to sixteen CAP's at a cost of J\$71,653,243.18 in

#### Community Access Points Completed April 1, 2018 – March 31, 2019

Community Access Points Completed April 1, 2018 – March 31, 2019			
	Name of Project	Parish	Cost J\$
1	Alpha Boys School	Kingston and St. Andrew	\$7,962,525.09
2	Grace & Truth Apostolic Church Internet Café Centre	St. Catherine	\$8,694,153.40
3	Bethlehem All Age & Infant School Computer Lab	St. Elizabeth	\$8,070,456.60
4	Cheapside Primary School	St. Elizabeth	\$6,810,936.83
5	Claremont All Age School Upliftment Information Technology Centre	Hanover	\$9,570,083.55
6	Daniel Town All Age Community Learning Centre	Trelawny	\$7,705,390.58
7	Effortville Community Development Committee	Clarendon	\$8,726,310.01
6	Family & Parenting Centre	St. James	\$9,434,327.14
7	Friendship Primary School	St. Catherine	\$11,030,995.48
8	Gayle Primary School Centre	St. Mary	\$5,158,943.94
9	Goodwill Primary & Infant School	St. James	\$9,235,752.23
10	Grace Baptist Church Care Training Centre	St. Mary	\$8,694,153.40
11	Maranatha Ministries International Youth For Change Programme	Kingston and St. Andrew	\$6,085,933.42
12	Maverley Primary & Junior High School	Kingston and St. Andrew	\$10,078,144.48
13	Moore Town Primary School	Kingston and St. Andrew	\$6,977,289.06
14	Naggo Head Primary School Learning & Homework Centre	St. Catherine	\$7,880,070.99
15	Paisley All-Age School	St. Mary	\$6,413,603.36
16	Pembroke Hall Primary School/ Lloyd Walker Junior Homework Programme	Kingston and St. Andrew	\$8,873,596.74
17	Richmond Development Committee Internet Café & Homework Centre	Kingston and St. Andrew	\$1,575,129.56
18	St. Jude's Primary School	Kingston and St. Andrew	\$6,987,204.67
19	Sydenham Community Resource Centre	St. Catherine	\$6,758,824.95
20	Negril United Church/ The Theodora Skills Training Centre	Westmoreland	\$5,826,088.83
<b>Total</b>			<b>\$168,549,914.31</b>

the previous financial year.

### **Solar Energy**

The Universal Service Fund continues to outfit its Community Access Points with solar energy equipment to guarantee their viability. This in turn, will ensure that the communities in which they operate, and by extension the country, continue to be served with access to the information superhighway and information communication technology equipment.

During the period 2018/2019, installation of alternative (solarisation) energy equipment were completed at forty-five (45) CAP sites.

### **Information and Communication Technology for Development (ICT4D) (Special) Projects**

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 ICT4D 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.

### **Technology Advancement Program (TAP)**

TAP is a technology engagement initiative geared at offering post-secondary training,

certification and job placement to one thousand (1,000) unattached participants, ages eighteen (18) to thirty-five (35). Participants were trained by the Caribbean Maritime University for three months and placed at entities within the private and public sectors to gain invaluable work experience. The first instalment of TAP ended on March 29, 2019. Overall, 894 participants were engaged in the programme.

In financial year 2018/2019, J\$514,898,562.58 was disbursed which aided the successful conclusion of the Technology Advancement Programme.

### **USF Connect JA (Public Wi-Fi)**

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 had rolled out six (6) free public Wi-Fi hot spots across the country – four (4) in Kingston and St. Andrew, one in Manchester and the final one in St. Elizabeth.

The current financial year saw the establishment of the 7th public Wi-Fi hot spot at Emancipation Park in St. Andrew. This public WiFi project was launched March 22, 2019.

The USF projects that for the coming financial year one hotspot will be completed each quarter.









# FINANCIAL MANAGEMENT

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**Ms. Violet Badroe**, Financial Controller

The Finance Department continues to work assiduously to meet its obligations and targets for the betterment of the Fund, despite the reduced staff compliment of two employees from three.

The department focussed mainly on its major functions such as;

- levy collection
- timely financial reporting
- timely budget preparation
- management of the Funds' investment portfolios

- timely and accurate processing of payables and receivables.

The Financial year 2018/2019 was one of the most challenging years for the Universal Service Fund. The Fund records a continued major decline in the Universal Service Levy, due to intense competition in the market where Voice Over Internet Protocols (VOIPs) such as WhatsApp, Skype, Facebook video chats etc, are dominantly being used by Jamaicans to communicate around the world.

### Fixed Assets

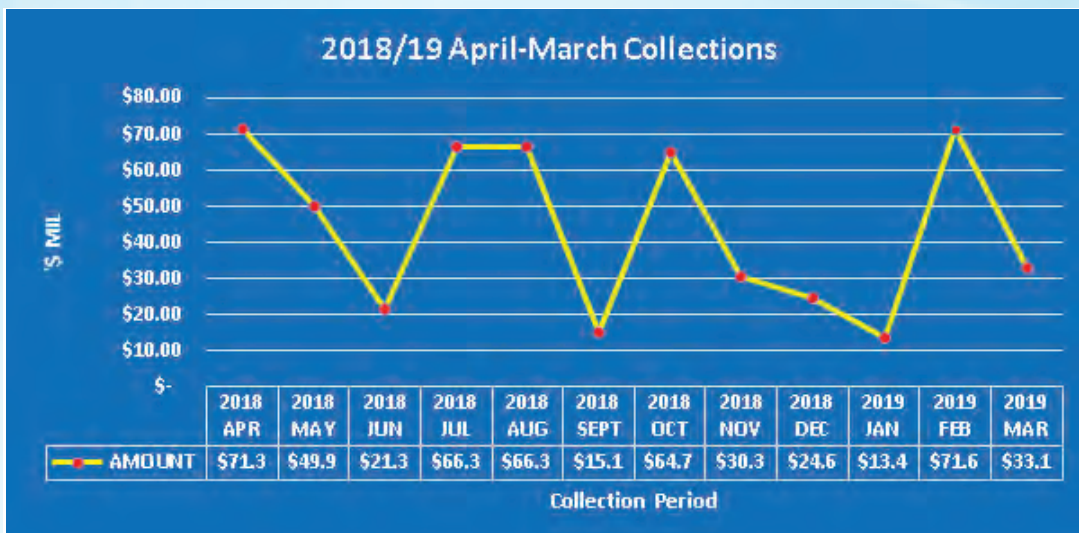
As at March 31, 2019 the Fund invested in a total of \$33.03 million worth of fixed assets. These included:

1. Computers (servers & laptops) \$11.68 million
2. Office equipment \$ 2.70 million
3. Furniture & fixtures \$ 0.73 million
4. Coaster bus \$11.69 million
5. Leasehold improvement \$6.23 million – retrofitting of newly acquired office space located at the Ardenne Emirates, Ardenne Road.

### Revenue Collection

During the Financial Year 2018/2019, the Fund experienced a significant decline in its receipts from the universal levy. There has been a 47% negative variance when actual collection of \$528.35 million is compared to a budget of \$1.00 billion.

The line graph below depicts collection for the financial year 2018/2019.



### Bank and Cash

The Fund recorded a rapid decline in its bank balances during the 2018–2019 financial period. Cash & bank balances as at March 31, 2018 was \$3.08 billion and rapidly declined by 48% as at March 31, 2019 to \$1.59 billion.

The strain on our resources was mainly due to the Technology Advancement Programme (TAP), which comprised of over eight hundred and seventy (870) participants who were paid fortnightly. A total of \$430 million was expensed for salaries.

Also, of great concern is the decline in the Fund's investment portfolio. The Fund commenced the financial year with total investment of \$2.98 billion. However, as at March 31, 2019 this amount declined by 49%, recording a balance of \$1.51 billion. Several of our invest4Wealth, and a portion of JMMB Investments funds were also withdrawn from NCB Capital Markets and First Global Bank.

### Accounts Receivable

A bad debt provision of \$72.57 million was made for Accounts Receivable from carriers over ninety (90) days past due. As such, the Fund recorded total accounts receivables of \$246.04 million. The finance department will continue to have constant dialog with carriers, written and oral, by telephone, emails and letters imploring the need for settlement of outstanding amounts.

### Service Fees

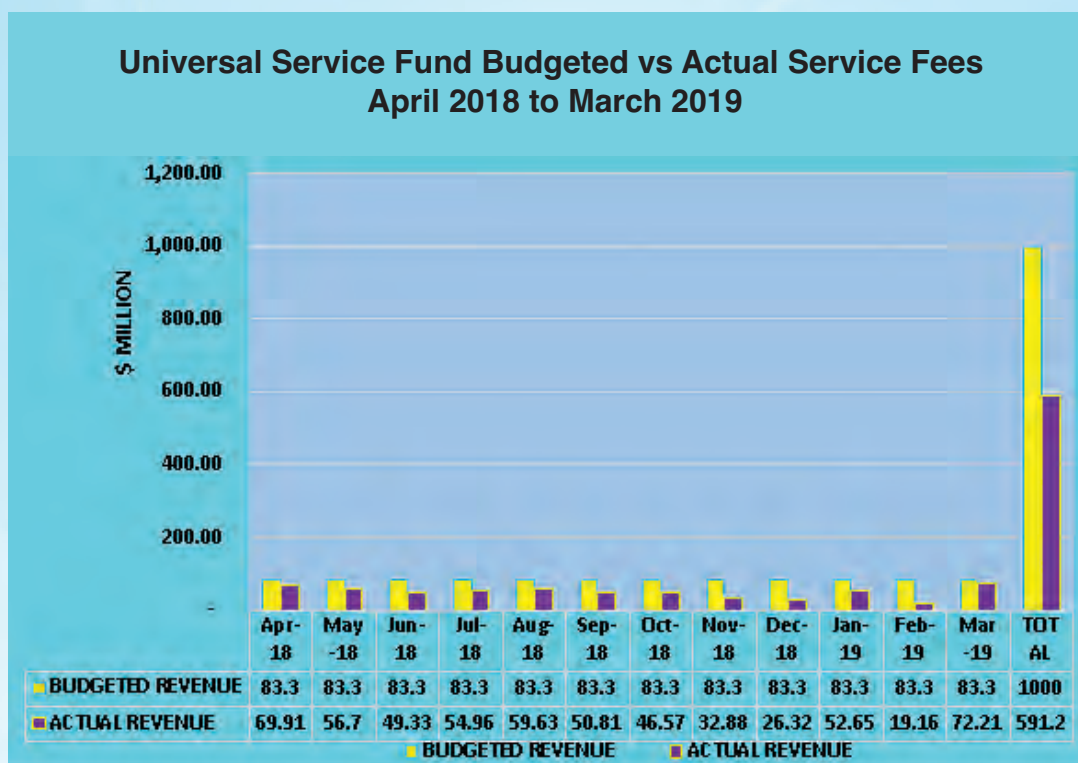
As at March 31, 2019, Service Fees of \$591.18 million represents 59% of the budgeted amount of \$1.00 billion.

Average Service Fees of \$49.27 million monthly fell below budget by \$34.06 million or 41%.

### Exchange Gain/Loss

As at February 2019, the Fund recorded an exchange gain of \$319.66 million. However, as at March 31, 2019 the difference on exchange

The graph below depicts the comparison of actual Service Fees billed versus budgeted Service Fees for the Financial Year 2018/2019.



was revalued on funds held at the Accountant General and Investments resulting in an exchange loss of \$63.00 million. The value of Jamaican to the US dollar was JA\$126.47 to US\$1.00

### Interest Income/Other Income

Interest income (mainly interest on investment) performed as forecasted, recording a total of \$58.29 million, 21% or \$10.29 million over its budget of \$48.00 million. Other income (interest from funds held by Accountant General) exceeded its budget of \$84.00 million by \$130.56 million or 155%.

### OPERATING EXPENDITURE

The Fund recorded a variance in its total operating expenditures of \$578.99 million when a budget of \$2,324.76 million is compared to actual expenditure of \$1,745.77 million. All expenditure categories fell below their budget.

### USF projects

Projects expenditure of \$767.41 million, when compared with the budget of \$1.277 billion was 60% of what was budgeted.

The Technology Advancement Programme (TAP) accounted for 67% or \$514.89 million of

the actual spent. This programme was introduced in the latter part of the 2017–2018 financial year and aimed to engage and empower approximately 1,000 unattached youths across the island in ICT training. Eight hundred and seventy-four (874) young persons benefitted from the programme. The participants received a weekly stipend of \$10,600 for one year.

The expansion of the islandwide broadband network accounted for 28% or \$217.65 million of total projects expenditure.

The Agency was unable to meet specific targets in relation to the execution of its projects due to inadequate human resources in that department. This understaffing and incompleteness of projects also correlates to underspending by the projects department.

### e-Learning Jamaica Limited

e-Learning Jamaica Limited received the full amount of \$700 million that was budgeted for the financial year 2018/2019 towards the Tablets in School (TIS) project.

#### Total spend on USF Projects during the period April 2018 to March 2019

	NAME OF PROJECT	BUDGET \$M	AMT. SPENT \$M	DIFFERENCE \$M
1.	Tablets in School Wi-Fi	170.00	-	170.00
2.	Tablets in School Internet	90.00	3.46	86.54
3.	ICT Special Projects	90.00	39.51	50.49
4.	CAPs	138.00	37.35	100.65
5.	Tertiary Institutions	110.00	-	110.00
6.	Disabled Community	25.00	-	25.00
7.	Alternative Energy	180.00	17.22	162.70
	<b>Total</b>	<b>803.00</b>	<b>97.54</b>	<b>705.38</b>



Other operating expenditure accounted for 80% or \$278.00 million of budget of \$346.98 million, approximately all items were under spent.

The main items that fell below budget were: Salaries and Wages, Corporate and Social Responsibilities, Professional Fees, Software License, Renewal and Computer Supplies.

### Salaries and Wages

The Agency spent \$105.53 on salaries, 53% of the \$197.5 allocated for the period. The variance in expenditure is attribute to:

- Delays in filling vacant positions — Project Officer, Project Manager, Internal Auditor, Project Accountant, IT and Systems Security Manager.

- Budgeted proposed salary revisions is still pending approval from the Ministry of Finance.

Of interest is the Marketing and Communication expenditure.

The Marketing Department embarked on several projects, heightening public awareness through various means. However, despite the various marketing activities, the Fund recorded actual expenditure of \$30.80 million, falling short of its budget of \$34.00 million by 9% or \$3.19 million.

### Directors Compensation (2018/2019)

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	339,125	-	-	-	339,125
T. Forest Vice Chair	196,005	-	-	-	196,005
C. McCain Director	188,650	-	-	-	188,650
J. Stewart Director	118,625	-	-	-	118,625
M. Smart Director	195,200	-	-	-	195,200
M. O'Meally Director	228,200	-	-	-	228,200
S. Grant Director	214,350	-	-	-	214,350
S. Ramsey Knight (Co-Opted)	48,250	-	-	-	48,250
C. Warren Director	60,250	-	-	-	60,250
<b>TOTAL</b>	<b>1,588,655</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>1,588,655</b>

## 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 - Suzette Buchanan	6,534,898	3,808,357	50,000	-	106,510	-	10,499,765
Daniel Dawes	1,932,026		30,000	-	47,023	-	2,009,049
<b>Sub-Total</b>	<b>8,466,924</b>	<b>3,808,357</b>	<b>80,000</b>	<b>-</b>	<b>153,533</b>	<b>-</b>	<b>12,508,814</b>
Director of Projects - Kwan Wilson	1,274,652	318,663	514,288	-	174,477	-	2,282,080
Financial Controller - Violet Badroe	4,847,976	1,533,224	1,542,864	-	184,769	-	8,108,833
Human Resource/ Administrator Manager - Juliet Salmon Rhoomes	3,180,191	1,138,536	1,542,864	-	184,769	-	6,046,360
<b>Total</b>	<b>17,769,743</b>	<b>6,798,780</b>	<b>3,680,016</b>	<b>-</b>	<b>697,548</b>	<b>-</b>	<b>\$28,946,087.00</b>

### OPERATING EXPENDITURE

The total Operating Expenditure of \$1,745.77 million resulted in a variance of \$578.99 million when compared to the budget of \$2,324.76 million.

The main components of this expenditure are:

- USF Projects \$767.41 million
  - e-Learning Project \$700.00 million
  - Other Expenditure \$278.36 million
- \$1,745.77 million**

### USF Projects

Projects expenditure of \$767.41 million, when compared with the budget of \$1.277 billion was 60% of what was budgeted.

Project expenditure includes:

- TAP \$514.89 million
- Islandwide Broadband \$217.65 million

- Others \$34.87 million
- Total \$767.41 million**

The Technology Advancement Programme (TAP) accounted for 67% or \$514.89 million of the actual spent. This Programme was introduced in the latter part of 2017–2018 financial year and aimed to engage and empower approximately 1,000 unattached youths across the island in ICT training. However, eight hundred and seventy-four (874) participants benefitted from the programme.

Also, island-wide broadband accounted for 28% or \$217.65 million of projects expenditure.

The shortfall in the budget is the result of planned projects not being implemented, and other projects only a minuscule amount was spent when compared to the budget.

The above points are illustrated in the table below

	NAME OF PROJECT	BUDGET \$M	AMT. SPENT \$M	DIFFERENCE \$M
1.	Tablets in School Wi-Fi	170.00	-	170.00
2.	Tablets in School Internet	90.00	3.46	86.54
3.	ICT Special Projects	90.00	39.51	50.49
4.	CAPs	138.00	37.35	100.65
5.	Tertiary Institutions	110.00	-	110.00
6.	Disabled Community	25.00	-	25.00
7.	Alternative Energy	180.00	17.22	162.70
	<b>Total</b>	803.00	97.54	705.38





Students enjoy an educational online game courtesy of the USF's Free Public Wi-Fi Hot Spot at Emancipation Park



# LOOKING AHEAD

**USF ANNUAL REPORT 2018/2019**

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



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 the Public Service and ensure all reports are completed on a timely basis.







Scenes from the USF's Technology Advancement Programme Orientation





Scenes from the USF's Technology Advancement Programme Orientation





# HUMAN RESOURCE MANAGEMENT

USF ANNUAL REPORT 2018/2019

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

**T**he Universal Service Fund continues to increase its capacity to fulfil its mandate by recruiting highly trained personnel, empowering its staff and motivating team members to accomplish the organization's vast project objectives.

The Human Resource/Administration Department also continued to anchor the Agency's organisational transformation by continuously assessing and improving its human capital management strategy; and provides the following highlights.

### **Staffing**

The responsibilities of the organization were avidly carried out by permanent employees with support from some temporary employees and interns from the Technology Advancement Programme. In addition, the organization provided work experience to twenty-six (26) high school and tertiary level students during the summer of 2018. The established staff complement for the organization stands at nineteen (19) positions, with the recent addition of a Director, Public Procurement and a Public Procurement Officer; as approved by the Ministry of Finance and the Public Service on January 30, 2019. The



**Ms. Juliet Salmon Rhoomes, Human Resource/  
Administration Manager**

Ministry of Finance and the Public Service also approved the addition of thirteen (13) temporary positions within the organization.



### Fixed-Term Contract Employees as at March 31, 2019

#	PERMANENT (Established Positions)	Post No.	#	TEMPORARY
1	Chief Executive Officer, <b>Daniel Dawes</b> * <i>Suzette Buchanan</i>	267746	1	Executive Assistant (CEO), <b>Loren Barrett</b>
2	Director of Projects, <b>Kwan Wilson</b>	267751	2	Project Coordinator, <b>Delroy Dobney</b>
3	Financial Controller, <b>Violet Badroe</b>	267749	3	Legal Officer, <b>Trishann Brown</b>
4	HR/Administration Manager, <b>Juliet Salmon Rhoomes</b>	267747	4	Assistant Internal Auditor, <b>Jahmar Gordon</b>
5	Marketing/PR Manager, <b>Deleen Powell</b>	301351	5	Procurement Officer, <b>Areta Rowe</b>
6	Internal Auditor	297816	6	Administrative Clerk, <b>Sandra Stewart</b>
7	Project Manager, <b>Lionel Mattis</b>	267752	7	Office Attendant, <b>Delores Kelly</b>
8	Procurement Officer, <b>Cornelia Shaw</b>	302190	8	Assistant Project Coordinator, <b>Alexander Beckford</b>
9	Project Officer, <b>Keith Slater</b>	297814	9	Assistant Project Coordinator, <b>Charles Reid</b>
10	Project Officer, <b>Gavin Rose</b>	302192	10	Driver/Bearer, <b>Al Graham</b>
11	Project Officer, <b>Calvin Jackson</b> * <i>Clayton Williams</i>	302193	11	Corporate Planner
12	Project Officer, <b>Fran Haughton</b>	297815	12	Communications Officer
13	Systems/Security Administrator, <b>Navarda Elliott</b>	302191	13	Human Resource Officer, <b>Denese Thomas</b>
14	Project Accountant, <b>Cleo Hall</b>	267748	TAP Interns & Summer Workers	
15	Project Administrator, <b>Tashanna Thompson</b>	302194	The team is supported by 7 TAP Interns who are deployed to work with the Projects, Accounts and Legal Departments. The team was also supported by 4 of our 26 Summer 2018 Workers (the other 22 were deployed to work at other organizations).	
16	Accounting Clerk, <b>Janice Johnson Scott</b>	302195		
17	Receptionist, <b>Kqewanda Hurge</b>	297817		
18	Director, Public Procurement	307753		
19	Public Procurement Officer	307754		
* Previous incumbent in the respective post				

### Acting Appointments

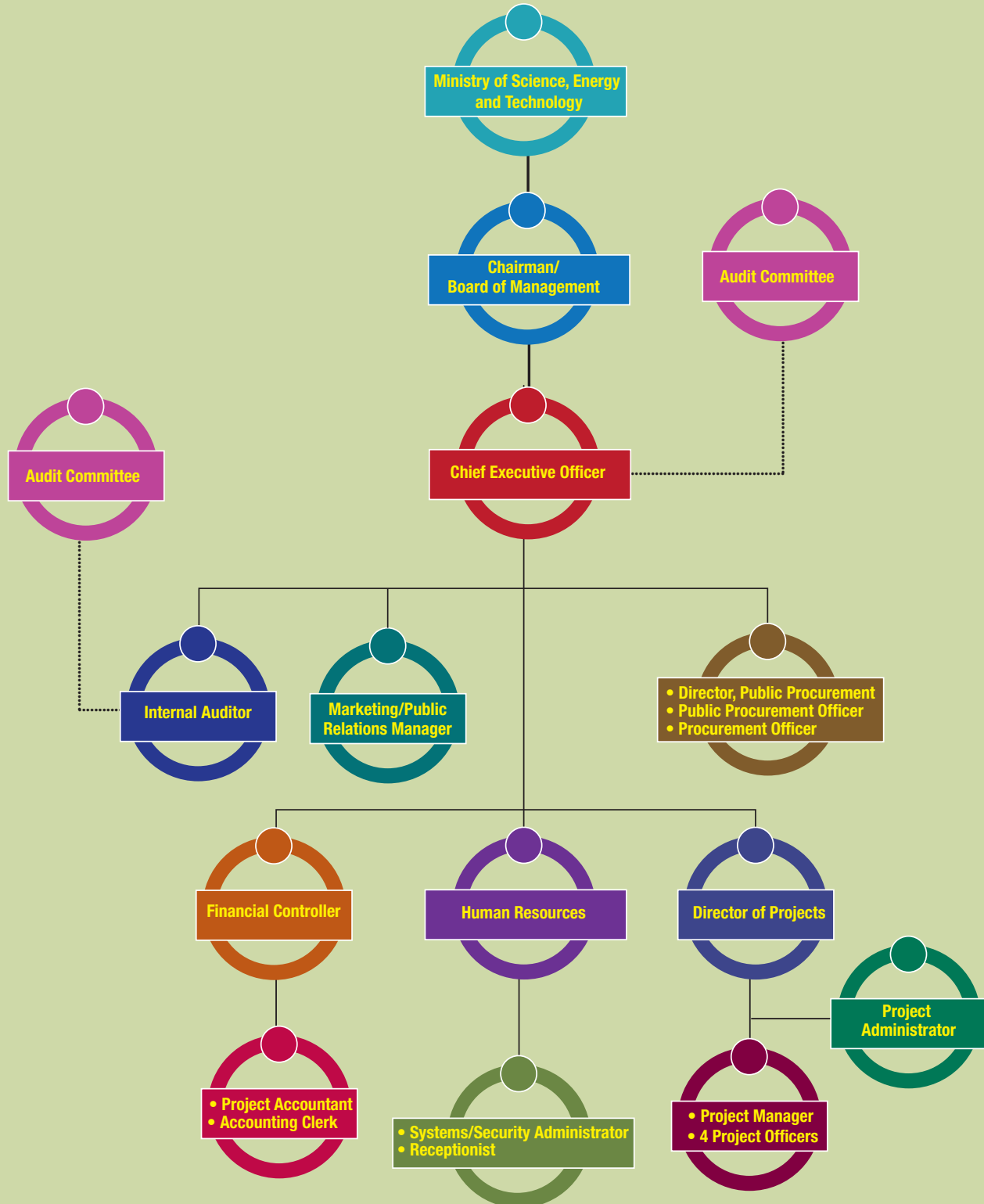
The following employees were appointed to act in vacant positions effective February 01, 2019.

#	Employee	Substantive Position	Acting Position
	Mr. Jahmar Gordon	Assistant Internal Auditor	Internal Auditor
	Mrs. Janice Johnson Scott	Accounting Clerk	Project Accountant

The current established posts are outlined on the current approved organizational chart shown below.

### USF Organisational Chart as at March 31, 2019

We strongly believe that good governance demands that the correct structure must be developed and adhered to, so that critical functions can be effectively executed to mitigate non-performance and non-compliance issues. The current established posts are outlined on the approved organizational chart shown below.





### Organizational Framework

The organizational framework, shown below, outlines the Universal Service Fund’s core functions carried out by each department. Our organizational framework allows us to clearly and credibly demonstrate the work we are mandated to do on behalf of the Government of Jamaica.

It outlines our core responsibilities, the programmes and projects undertaken by the organization as a

core function for each department, the outcomes we expect to achieve and the results indicators we will use to measure our performance.

We constantly reassess our structure and work process flow to determine efficiency and functionality based on our portfolio of projects and other responsibilities, to determine relevance and efficiency.

### UNIVERSAL SERVICE FUND FUNCTIONAL PROFILE AS AT MARCH 31, 2019

The Universal Service Fund, under the Telecommunications (Amendment) Act 2012, is mandated to discharge the Government of Jamaica’s Universal Service Fund Obligation to ensure that all Jamaican residents have access to the internet.

The organisation proposes to strategically transform the organisation to effectively promote and increase connectivity and access to the internet by Jamaican residents, particularly in unserved and undeserved 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 through Jamaica; and will provide funding facility 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 organisation’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 organisation to ensure the organisation 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. Members of this office include the Chief Executive Officer, Executive Assistant, and Corporate Planner.



## Human Resource Audit

The Universal Service Fund embraces the principles of self-audit, not just compliance with the relevant ordinances, but the complete ability to be accountable and be scrutinized without fear.

While the Universal Service Fund embraces the principles of self-audit, it also welcomes scrutiny from the relevant external parties to ensure compliance with the prescribed Government ordinances

The Agency facilitated representatives from the Ministry of Finance and the Public Service who were collecting data in support of an audit on employment in the public sector. The officers reviewed the Agency's staff complement and associated payroll registers and provided the HR department with valuable feedback.

## Training and Development

Embarking on the wider recognition of the importance and value of human resources, the organization developed a strategy to allocate necessary financial support to aid our human capital development thrust. Budgetary provisions were made to address training and development interventions throughout 2018/2019; and this funding support enabled staff participation in local short term courses offered by reputable training institutions. This important provision ensured the steadfast skills development of all employees to aligned individual growth and development to the organization's transformation vision, succession planning and overall performance.

It was reiterated throughout the year, that the rapid advances in our projects portfolio where





Highlights of the Universal Service Fund's Emancipation Park Wi-Fi launch





projects such as the provision of Wireless Hotspots in public spaces like public parks and town centres dictates that the performance of these duties would require a robust training and development strategy to strengthen of employees technical capabilities.

### **Staff Welfare**

The staff welfare activities are severely constrained by the Ministry of Finance and the Public Service (MOF) Circular restricting discretionary expenditure for staff functions, awards, and staff welfare to a maximum of \$5,000.00 per employee per annum. Notwithstanding, we continue our efforts to identify any low or no cost welfare activities to contribute to a wholesome work life for all our employees.

### **Compensation**

In keeping with the Heads of Agreement for the Contract Period April 01, 2017 to March 31, 2021, staff basic salary was increased by 5% as at April 01, 2017 and 2% as at April 01, 2018; with retroactive amounts due for 2017/2018 remitted to employees during 2018/2019 financial year.

Similarly, adjustments were also made to the applicable travelling allowances in keeping with MOF Circular No. 19 dated November 01, 2018. We also secured approval by letter dated March 13, 2019 to regularize our payment of uniform allowance to all eligible employees in the organisation; and implement increases to our lunch allowances for the 2017 to 2021 Contract period, with similar treatment of retroactive payments for 2017; to be implemented in the April 01, 2019.

### **Staff Participation in USF Programmes/Events**

The team remains committed to their various responsibilities and continued to perform admirably throughout 2018/2019. Notwithstanding their job titles and associated duties, their roles were enriched through the ad hoc responsibilities assigned in relation to the completion and commissioning of major projects and programmes. Their commitment is worthy of

praise in the execution of the awesome Technology Advancement Programme targeting basic technology training and employment of 1,000 youth ages 18 to 35 for a period of one year, to culminate in a graduation ceremony at the end of the programme on March 31, 2019. The nights and weekends of tremendous voluntary service to ensure the Universal Service Fund's programmes and events for 2018/2019 are executed completely and professionally, culminating with the major event of the Emancipation Park Public WiFi Launch on March 22, 2019; is commendable.

### **Structural Transformation**

The organization continue to work with our parent Ministry and the Ministry of Finance and the Public Service to complete the process to secure permanent approvals to establish and operate temporary and other positions outlined on our proposed organizational structure which would result in a total staff complement of forty-five (45). Accomplishing the organization's strategic objectives and priority projects and programmes presented in our four (4) year Corporate Plan is subjected to the availability of the requisite financial and human resources.

### **Human Resource/Administration Policy**

The Board of Management support in ensuring the completion and Board approval of the Human Resource and other policies allowed the department to prudently execute the various human resource responsibilities in keeping with the organization's documented guidelines. The policies were submitted to the Ministry of Finance and the Public Service on June 29, 2018 and we await their feedback.

### **Administration**

The wider administration functions of the Human Resource/Administration Department were carried out in keeping with the organization's General Administration Policy, which includes Procurement and Information Technology; as well as the Government of Jamaica Policies.





Clients of the Bethel Cyber Centre, one of the Universal Service Fund's Community Access Points established across the country



# INFORMATION TECHNOLOGY

**USF ANNUAL REPORT 2018/2019**

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

**A**s 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 technologies.

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.

One key factor in project sustainability is the post monitoring of projects. Consequently, the Agency is advanced in the acquisition of remote monitoring facilities where it can have real-time access to the operation of its' Public WiFi Hot spots. In addition, the USF is moving to implement GIS mapping of its Community Access Points and to make this information readily available to the public through its website to stimulate increased use of these facilities.

In seeking to fulfil its mandate to connect Jamaica the USF must ensure that it is readily

accessible to the public. To this end, the Agency in the 2018/19 financial year began the process of deploying an IP based telephone system to allow seamless communication between the public and members of staff, whether the officers are in the field or at the office. This process is to be completed within the 2019/20 financial year.

USF Website – **WWW.USF.GOV.JM** operates as the agency's online home and the hub of information on the Agency's projects, policies and programmes on the world wide web. A refresh of the Agency's website began in the 2018/19 and will be completed in the 2019/20 financial year. The updated website promises to be cutting edge and attractive with current and relevant information organized in a manner that makes it easy to use.

On the horizon are plans to infuse the use of ICT into all areas of the USF's daily operations, in a bid to create a digital workplace. To this end, digitization of the Agency's documents and processes will be undertaken in the 2019/20 Financial Year in an effort to create a paperless, green workplace.





Students of the Alpha Infant School enjoy free internet access at the launch of the USF's Emancipation Park Wi-Fi Hot Spot



# MARKETING & PUBLIC RELATIONS

**USF ANNUAL REPORT 2018/2019**

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





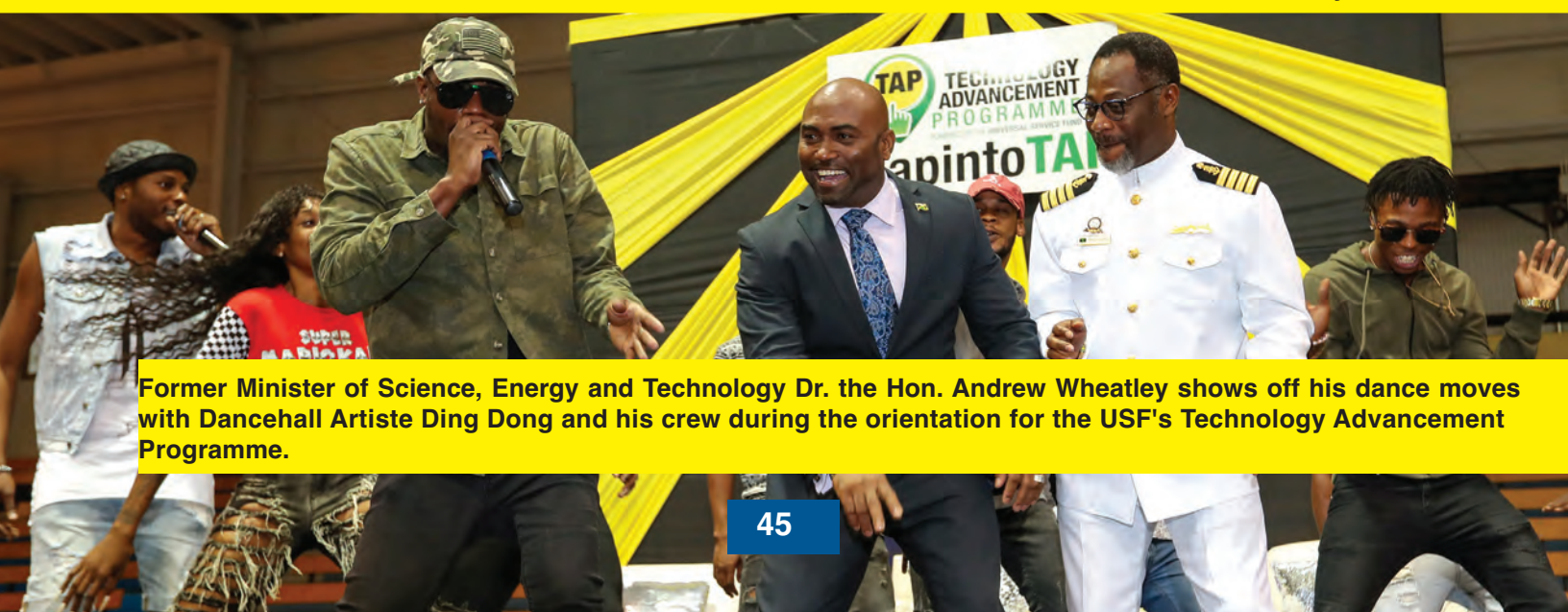
Minister of Science Energy and Technology Hon. Fayval Williams is joined by Minister of Finance and the Public Service Dr. the Hon. Nigel Clarke, CEO of the USF Mr. Daniel Dawes and Principal of the Maverley Primary School in opening the community computer lab established at the institution by the USF.



Former Minister of Science Energy and Technology Dr the Hon. Andrew Wheatley presents resident of the Homestead community Tarik Gordon with a certificate in recognition of his successful completion of a solar system maintenance course. Mr Gordon was equipped with the skills as part of the USF's solarization of community access points initiative.



Minister of Health and Wellness, Dr. the Hon. Christopher Tufton (second left) and the USF's Marketing and Public Relations Manager Ms. Deleen Powell pose with the winners in the Jamaica Moves Corporate Challenge, each of whom received smart watches courtesy of the USF.



Former Minister of Science, Energy and Technology Dr. the Hon. Andrew Wheatley shows off his dance moves with Dancehall Artist Ding Dong and his crew during the orientation for the USF's Technology Advancement Programme.



The Universal Service Fund continues to make significant investments in Jamaica's ICT infrastructure at the macro and micro levels with a special focus on impacting the most vulnerable in society. These special interest groups include children, persons with disabilities, the elderly and the financially challenged. As such, during the 2018/19 Financial Year, the Agency redoubled its efforts to not only impact the lives of its targeted publics but to build public awareness of its products and services.

To this end, The Agency engaged in several strategic activities aimed at building brand awareness among existing and potential stakeholders.

These activities included:

1. Supporting at least 4 Information and Communication Technology events.
2. Providing support to the Projects Department in the commissioning of its Community Access Points and Public WiFi Hot Spots.
3. Engaging the Media through facilitating interviews, and issuing captioned photos, media releases and advisories.
4. Producing and airing Public Service Announcements for Radio, Television and Social Media regarding the Agency's Projects (TAP, CAP Solarization, Public WiFi).
5. Arranging Speaking Opportunities for Senior Management and Preparing speaking notes for these events.
6. Monitoring the rhetoric surrounding the Agency and its officers in the public sphere and responding/providing clarity as needed.
7. Engaging the Agency's various publics through its social media platforms.

These efforts bore fruit as evidenced by earned public relations mentions through articles, news stories and photo releases.

Key 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 infomercials on the Agency's Technology Advancement Programme and CAP Solarization Project.
- Commissioning of the Agency's seventh Public Wi-Fi hot spot at Emancipation Park.
- Sponsorship of activities in relation to Girls in ICT Day and World Information Society Day.
- Partnership with the Ministry of Science Energy and Technology and the International Telecommunications Union in the staging of the Accessible Americas V Conference.

Additionally, the Agency's Facebook audience increased by over 100% during the 12-month period from 4,136 to 10,004. Informal surveys conducted in March 2019 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 2017/18 Financial year continued in 2018/19 with the redesign of signage for the Agency's Public Wi-Fi hot spots. 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 are properly documented for posterity.

The 2019/20 financial year will see the Agency continuing with these efforts and introducing new initiatives to engage community members and students such as a competition for the Best Community Access Points, a debate Competition for secondary school students and an ICT schools-based club initiative for institutions islandwide. The Agency also intends to have more robust media campaigns in support of its projects and to incorporate outdoor advertising into its marketing strategy.



USF CEO Mr. Daniel Dawes leads by example at the Agency's inaugural pre Valentine's Day blood drive, 'Are you my type?'



# CORPORATE SOCIAL RESPONSIBILITY

**USF ANNUAL REPORT 2018/2019**

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Internet Access for Everyone**



*“CSR isn't a particular programme, it's what we do every day, maximising positive impact and minimizing negative impact” – source unknown.*

The Universal Service Fund takes pride in serving Jamaica 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 ICT equipment to the Jamaica Cancer Society and Jamaica Reach to recovery. The Agency also provided Jamaicans in need from all walks of life with tablets, smartphones, laptops, and desktop computers through a partnership with Television Jamaica as part of its Smile Jamaica Christmas wish list initiative in December.

The USF Team provided fulsome support to the Sagicor Foundation's efforts to assist the nation's children as the staff participated in the 21st Anniversary staging of the Sagicor/Sigma Corporate Run. 2019 marked the second time that the USF was registering for the event on its own. Prior to 2018, USF Staff members 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 in 2017

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.

The 2018 staging of the event provided equal doses of information and inspiration to the over 100 persons in attendance who were treated to riveting presentations from Cancer survivor Kamala McWhinney and Dr. Michael Abrahams. Finally, the USF through its 'Tech Love' arm celebrated Valentine's Day by partnering with the National Blood Transfusion Service (NBTS) to host a blood drive and pre-Valentine's Day soiree. Titled 'Are you my Type', they received record support with 68 persons registering to donate blood — surpassing the target of 50 set by the NBTS. Of this amount, 37 were successful in their bid to donate blood, equating to 111 lives potentially being saved.

For the 2019/20 year, the Agency will continue to embark on discrete activities aimed at positively impacting the lives of its stakeholders while seeking to infuse the three P's of CSR i.e. paying attention to its impact on People, the Planet & its Profit — into its entire operations. Plans are afoot for the design of a USF Go Green programme to incorporate recycling and energy conservation to complement the Agency's existing CSR programmes and activities. While the Agency has been proactive and has drafted a CSR policy, it also continues to await the Government's CSR framework which will guide such activities in all Ministries, Departments and Agencies.





**A volunteer signs up for the USF's Pre Valentine's Day Blood Drive, 'Are you my type?'**



**Physician and Comedian Dr. Michael Abrahams addresses the attendees during the USF's second annual Positively Pink Midday Mingle on Breast Cancer.**



**Donors give the gift of life during the USF's Pre Valentine's Day Blood Drive.**



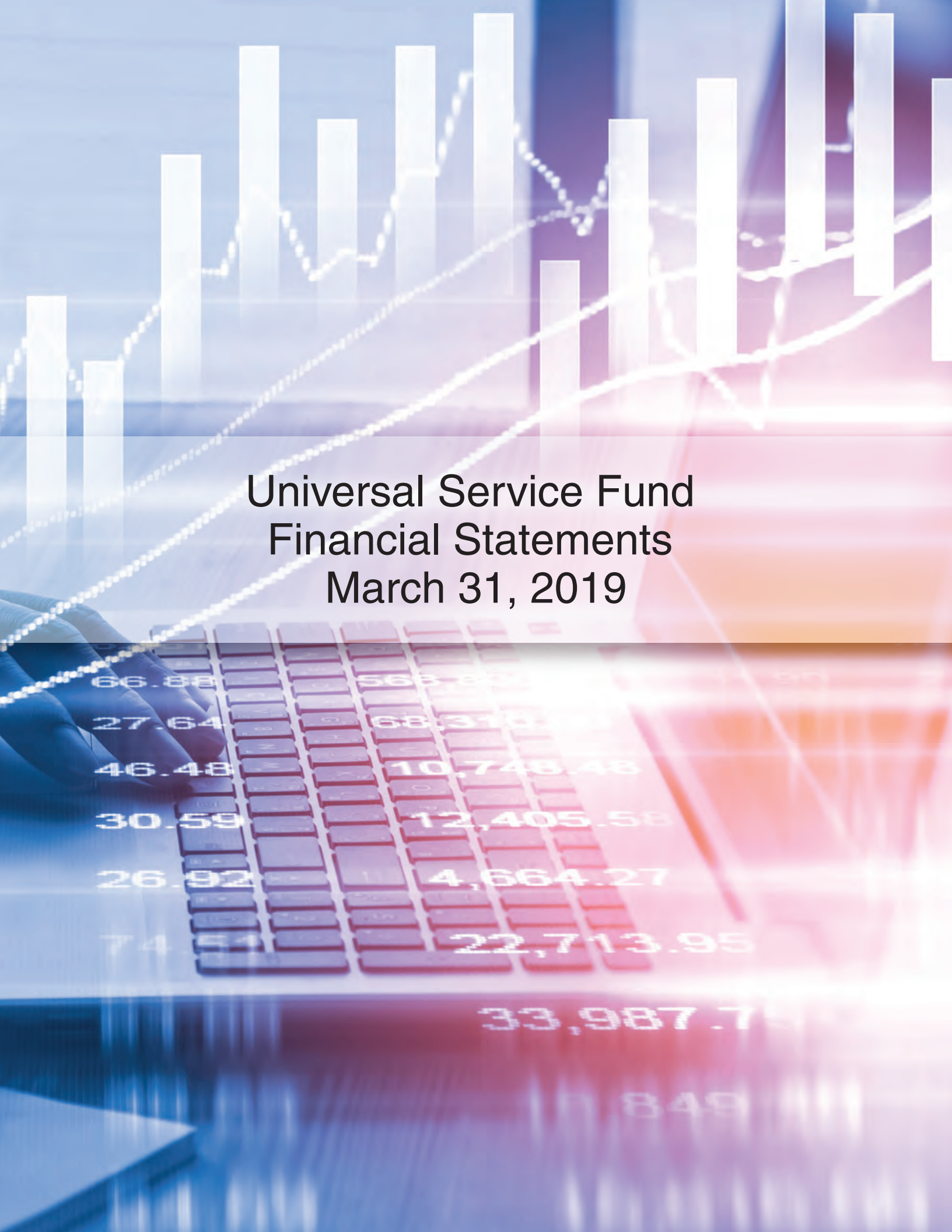






**CEO of the USF Daniel Dawes shows off his dance moves with dancer and artiste Chi Ching Ching during the Emancipation Park Public Wi-Fi launch Concert.**



The background of the slide is a composite image. At the top, there is a bar chart with several vertical bars of varying heights. Overlaid on this is a line graph with multiple lines, some solid and some dotted, showing fluctuating trends. In the lower half, a hand is visible typing on a calculator. The calculator's display shows several numbers in a grid-like fashion. The overall color palette is dominated by blues, purples, and oranges, with a semi-transparent white box containing the title text in the center.

# Universal Service Fund Financial Statements March 31, 2019

66.88

27.64

46.48

30.59

26.92

74.51

563.82

68.316

10,748.48

12,405.58

4,664.27

22,713.95

33,987.75

849

# UNIVERSAL SERVICE FUND

## FINANCIAL STATEMENTS

31 MARCH 2019

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## **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 34, which comprise the statement of financial position as at 31 March 2019, and the statements of income and expenditure and other 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 2019, 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.

#### **Material Uncertainty Related to Going Concern**

We draw attention to note 3(a) of the financial statements, which discloses that the Fund has sustained declining levels of revenue over recent years with the level of the service levy declining from \$1.551 Billion for the year ended 31 March 2016 to \$591 Million for the year ended 31 March 2019 (year ended 31 March 2017 - \$1.306 Billion, year ended 31 March 2018 - \$972 Million). Additionally, the Fund sustained deficit on its operations of \$967 Million for the year ended 31 March 2019 and \$525 Million for the previous year and the accumulated surplus and cash and cash equivalents are in decline as a result. If the trend in the use of alternative communication means continues, in all probability, the Fund will continue to experience a declining revenue stream and the impact of that on the operations would be deleterious.

Management is pursuing strategies to sustain the operations. The probability of success of the pursuits of revisions to policies, practices and programmes to restore adequate revenue stream gives rise to uncertainties that may cast significant doubt on the Fund's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of operations.



## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Universal Service Fund

### **Material Uncertainty Related to Going Concern (Cont'd)**

No adjustments have been made in the financial statements for any effects this uncertainty might have on the carrying values of the Fund's assets and liabilities as at the reporting date, and on the results of operations for the year then ended. Our opinion is not modified with respect to this matter.

### **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.

### **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.



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

To the Members of  
Universal Service Fund

**Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)**

- 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.

**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

19 July 2019

**UNIVERSAL SERVICE FUND**

**STATEMENT OF INCOME AND EXPENDITURE**

**AND OTHER COMPREHENSIVE INCOME**

**YEAR ENDED 31 MARCH 2019**

	<u>Note</u>	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
<b>REVENUE</b>	6	<u>591,185</u>	<u>972,894</u>
Direct costs - Universal service projects		( 252,510)	( 669,463)
- e-Learning projects		( 700,000)	( 449,407)
- Technology Advancement Programme		( 514,899)	( 55,654)
		(1,467,409)	(1,174,524)
		( 876,224)	( 201,630)
Other operating income	7	272,850	186,266
Administrative expenses	8	( 341,373)	( 494,253)
<b>DEFICIT BEFORE TAXATION</b>		( 944,747)	( 509,617)
Taxation	9	( 22,612)	( 15,745)
<b>NET DEFICIT, BEING TOTAL COMPREHENSIVE LOSS</b>		( 967,359)	( 525,362)

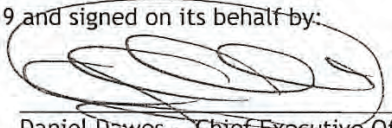


**UNIVERSAL SERVICE FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**31 MARCH 2019**

	<u>Note</u>	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	10	63,575	48,500
Funds held by Accountant General	11	<u>11,383,487</u>	<u>11,256,730</u>
		<u>11,447,062</u>	<u>11,305,230</u>
<b>CURRENT ASSETS:</b>			
Receivables	12	313,047	385,499
Taxation recoverable		-	8,695
Cash and cash equivalents	13	<u>1,594,245</u>	<u>3,092,550</u>
		<u>1,907,292</u>	<u>3,486,744</u>
		<u>13,354,354</u>	<u>14,791,974</u>
<b>RESERVES AND LIABILITIES</b>			
<b>RESERVES:</b>			
Capital contribution	14	9,570,709	9,570,709
Accumulated surplus		<u>3,345,682</u>	<u>4,313,041</u>
		<u>12,916,391</u>	<u>13,883,750</u>
<b>LONG TERM LIABILITIES:</b>			
Deferred tax liabilities	15	<u>2,578</u>	<u>3,176</u>
<b>CURRENT LIABILITY:</b>			
Payables	16	<u>435,385</u>	<u>905,048</u>
		<u>13,354,354</u>	<u>14,791,974</u>

Approved for issue by the Board of Management on 19 July 2019 and signed on its behalf by:

  
 Dr. Gunjan Mansingh - Chairman

  
 Daniel Dawes - Chief Executive Officer

**UNIVERSAL SERVICE FUND**

**STATEMENT OF CHANGES IN RESERVES**

**YEAR ENDED 31 MARCH 2019**

	<u>Capital Contribution</u> <u>\$'000</u>	<u>Accumulated Surplus</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b>BALANCE AT 1 APRIL 2017</b>	9,570,709	4,838,403	14,409,112
<b>TOTAL COMPREHENSIVE INCOME</b>			
Net deficit	-	( 525,362)	( 525,362)
<b>BALANCE AT 31 MARCH 2018</b>	9,570,709	4,313,041	13,883,750
<b>TOTAL COMPREHENSIVE INCOME</b>			
Net deficit	-	( 967,359)	( 967,359)
<b>BALANCE AT 31 MARCH 2019</b>	<u>9,570,709</u>	<u>3,345,682</u>	<u>12,916,391</u>



**UNIVERSAL SERVICE FUND**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED 31 MARCH 2019**

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net deficit	( 967,359)	( 525,362)
Items not affecting cash resources:		
Depreciation	18,641	10,258
Interest income	( 272,849)	( 186,266)
Taxation expense	22,612	15,745
Exchange loss on foreign balances	63,012	317,106
Loss on sale of property plant & equipment	<u>20</u>	<u>-</u>
	(1,135,923)	( 368,519)
Change in operating assets and liabilities:		
Receivables	72,452	( 43,791)
Payables	<u>( 469,663)</u>	<u>374,019</u>
	(1,533,134)	( 38,291)
Taxation paid	<u>-</u>	<u>( 18,380)</u>
Cash used in operating activities	<u>(1,533,134)</u>	<u>( 56,671)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property, plant and equipment	( 33,736)	( 32,485)
Proceeds from sale of property, plant & equipment	-	-
Interest received	<u>270,162</u>	<u>62,073</u>
Cash provided by investing activities	<u>236,426</u>	<u>29,588</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,296,708)	( 27,083)
Exchange loss on foreign cash balances	( 201,597)	( 66,364)
Cash and cash equivalents at beginning of year	<u>3,092,550</u>	<u>3,185,997</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>1,594,245</u>	<u>3,092,550</u>

# UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

### 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

Universal Service Fund (“Fund”) was established by the Government of Jamaica under 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 1 June 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 and evaluation 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****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2019****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.

**Going concern**

The preparation of the financial statements in accordance with IFRS assumes that the Fund will continue in operational existence for the foreseeable future. This means, inter alia, that the statement of financial position and the statement of profit or loss and other comprehensive income assume no intention or necessity to liquidate the Fund. This is commonly referred to as the going concern basis, however, this basis, may not be appropriate in the preparation of the financial statements.

The revenue of the Fund is derived principally 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, those are, international calls terminating in Jamaica. In recent years the Fund has experienced significant decline in receipts from the service levy due to the various changes in the technological landscape impacting international communication. The level of service levy has declined from \$1.551 Billion for the year ended 31 March 2016 to \$591 Million for the year ended 31 March 2019. Additionally, the Fund sustained deficit on its operation of \$967 Million for the year ended 31 March 2019 and \$525 Million for the previous year and the accumulated surplus is in decline as a result. If the trend continues, in all probability, the Fund will continue to experience a declining revenue stream and the impact of that on the operations would be unfavourable. Continuation as a going concern is dependent on the policy makers and those charged with governance pursuing policy and practice changes which will ensure revenue streams to support the operations.

Substantial doubt about an entity's ability to continue as a going concern is considered to exist when aggregate conditions and events indicate that it is probable that the entity will be unable to meet obligations when due within one year of the date that the financial statements are issued or are available to be issued.

Currently, the Fund has been meeting its obligations as they become due, however, management would need to identify other revenue sources to sustain the Fund's level of operations.

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

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

##### Going concern (cont'd)

Based on the strategies being pursued to sustain the operations, the directors have maintained the going concern assumption in the preparation of these financial statements. This basis of preparation assumes that the Fund will be able to realize its assets and discharge its liabilities in the ordinary course of business, and thus these financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Fund be unable to continue as a going concern.

##### 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 for 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.

**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 (see note 19).



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

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

**New, revised and amended standards and interpretations that became effective during the year (cont'd)**

**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 (see note 19).

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

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

**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 2018. 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 this standard will have on the financial statements when it is adopted.

## (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

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

##### (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 surplus or deficit 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 surplus or deficit.

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

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

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 asset 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 - Classification, recognition and derecognition and measurement

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.



## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

- (e) **Financial instruments - Classification, recognition and derecognition and measurement**

##### **Financial instruments**

##### **Policy Applicable from 1 April 2018**

##### **Recognition and measurement**

The Fund adopted IFRS 9, with effect from 1 April 2018 and classifies its financial assets as amortised cost based on the business model used for managing the financial assets and the asset's contractual terms.

##### **Amortised cost**

These assets arise principally from the provision of services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Any gain or loss arising on derecognition is recognized directly in the surplus or deficit. Impairment losses are presented as a line item in the income statement.

The Fund's financial assets measured at amortised cost comprise receivables, funds held by Accountant General and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents include cash at bank and in hand.

##### **Impairment**

Impairment losses of financial assets are recognized using the expected credit loss (ECL) model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred considering past events and current conditions as well as reasonable and supportable forecasts collectability. A substantial portion of the ECL would arise from variations between actual remittances from the telecom carriers and recorded revenues /receivables derived from estimations based on traffic reports provided by the telecom carriers.

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

**31 MARCH 2019**

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

- (e) **Financial instruments - Classification, recognition and derecognition and measurement (cont'd)**

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

##### **Policy Applicable from 1 April 2018 (cont'd)**

##### **Derecognition**

A financial asset is primarily derecognized when the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flow from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either the fund has transferred substantially all the risks and rewards of the asset, or the fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

##### **Policy Applicable up to 31 March 2018**

- (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

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

- (e) **Financial instruments - Classification, recognition and derecognition and measurement (cont'd)**

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

#### **Policy Applicable up to 31 March 2018 (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**

In both the current and prior period, the Fund's financial liabilities net of transactions costs are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, payables were classified as financial liabilities.

- (f) **Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Initially trade and other payables are recognized at fair value and subsequently stated at amortized cost.

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

## (g) Current and deferred income taxes

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

Current tax charges are based on taxable surplus for the year, which differ from the surplus before tax reported because taxable surplus 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 surplus 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 accrual 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 and the telecom traffic reports provided to the Fund periodically. The monthly accruals based on estimates are adjusted when the actual service levy for the respective months is 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 surplus or deficit as an adjustment to the accumulated service levy and correspondingly, accounts receivable.



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

## (h) Revenue recognition

*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 regarding 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 of 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 as coordinated with the telecom traffic reports provided periodically 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**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2019**

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

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

**(ii) Fair value estimation**

Some 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 FVOCI (2018 -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 values 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

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

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

##### (v) Impairment losses on financial assets

##### **Expected credit loss allowance under IFRS 9 from 1 April 2018**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost requires the use of significant assumptions about future economic conditions and credit behaviour such as the likelihood of members' defaulting and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of ECL.
- Establishing the number and relative weights of forward looking scenarios.
- Establishing groups of similar financial assets for the purpose of measuring ECL.

Further details of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5.

##### **Impairment losses under IAS 39 up to 31 March 2018**

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

#### 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

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

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

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.

## (a) 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

## (b) Financial instruments by category

## Financial assets

	Amortised Cost	Loans and Receivables
	<u>2019</u>	<u>2018</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents	1,594,245	3,092,550
Service levy receivables	<u>246,044</u>	<u>245,930</u>
<b>Total financial assets</b>	<u><b>1,840,289</b></u>	<u><b>3,338,480</b></u>

## Financial liabilities

	Financial liabilities at amortised cost	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Payables	<u>423,645</u>	<u>898,093</u>
<b>Total financial liabilities</b>	<u><b>423,645</b></u>	<u><b>898,093</b></u>



**UNIVERSAL SERVICE FUND****NOTES TO THE FINANCIAL STATEMENTS****31 MARCH 2019****5. FINANCIAL RISK MANAGEMENT (CONT'D):****(c) 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.

**(d) 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.

**Cash and bank balances**

Cash and bank balances 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.

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

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

##### (a) Credit risk (cont'd)

##### Maximum exposure to credit risk

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

##### (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 other 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 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 bank balances amounting to \$11,375,795,370 (2018 - \$12,393,562,301).



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

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

## (b) Market risk (cont'd)

## Foreign currency sensitivity

The following table indicates the sensitivity of deficit 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% (2018 - 4%) depreciation and a 2% (2018 - 2%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency Rate <u>2019</u>	Effect on Deficit before Tax 31 March <u>2019</u> \$'000	% Change Currency Rate <u>2018</u>	Effect on Deficit before Tax 31 March <u>2018</u> \$'000
Currency:				
USD	-4	455,032	-4	495,742
USD	<u>+2</u>	<u>(227,516)</u>	<u>+2</u>	<u>(247,871)</u>

## 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

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

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

##### (b) Market risk (cont'd)

##### Price risk (cont'd)

##### Cash flow and fair value interest rate risk (cont'd)

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.



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

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

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

## (c) Liquidity risk (cont'd)

## Cash flows of financial liabilities

The maturity profile of the Funds financial liabilities, based on contractual undiscounted payments is as follows:

	<u>Within 1 Year</u> <u>\$'000</u>	<u>Within 1 Year</u> <u>\$'000</u>
<b>31 March 2019/2018</b>		
Payables	<u>423,645</u>	<u>898,093</u>
<b>Total financial liabilities (contractual dates)</b>	<u><u>423,645</u></u>	<u><u>898,093</u></u>

## (e) Capital management

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

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

## 6. REVENUE:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Service levy	<u>591,185</u>	<u>972,894</u>

## 7. OTHER OPERATING INCOME:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Interest income	58,289	67,937
Interest from Funds held by Accountant General	<u>214,561</u>	<u>118,329</u>
	<u>272,850</u>	<u>186,266</u>

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

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

## 8. EXPENSES BY NATURE:

Total direct and administrative expenses:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Direct cost on projects (1)	1,467,409	1,174,524
Administrative expenses:		
Directors and board expenses	2,708	2,672
Auditors' remuneration	1,296	1,220
Staff costs (note 17)	105,827	96,995
Depreciation	18,641	10,258
General, stationery and office expense	5,404	3,938
Motor vehicle and travelling	6,233	4,015
Repairs and maintenance	252	328
Subscription	123	135
Office lease and maintenance	12,726	5,311
Legal and professional fees	3,926	4,140
Advertising and public relations	31,606	32,982
Software licence	5,949	2,286
Corporate social responsibility	2,781	4,126
Loss on foreign exchange	63,012	317,106
Others	<u>80,889</u>	<u>8,741</u>
	<u>341,373</u>	<u>494,253</u>
	<u>1,808,782</u>	<u>1,668,777</u>

- (1) Project costs consist primarily of expenditure on the e-Learning activities involving the Tablet in School project, the Technology Advancement Programme, the implementation of Community Access Points and the establishment of Public WiFi.



**UNIVERSAL SERVICE FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

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**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, but is remitted.
- (b) Taxation is computed on the deficit for the year, adjusted for tax purposes, and comprise income tax at 25%.

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Current taxation	10,693	15,875
Withholding tax written off	12,517	-
Deferred taxation (note 15)	( 598)	( 130)
	<u>22,612</u>	<u>15,745</u>

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

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Deficit before taxation	(967,359)	( 509,617)
Tax calculated at applicable tax rate	(241,840)	( 127,404)
Adjusted for the effects of:		
Withholding tax written off	12,517	-
Other charges and credits	<u>206,711</u>	<u>143,149</u>
	<u>22,612</u>	<u>15,745</u>

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

## 10. PROPERTY, PLANT AND EQUIPMENT:

	<u>Leasehold Improvements</u> <u>\$'000</u>	<u>Office &amp; Computer Equipment</u> <u>\$'000</u>	<u>Furniture &amp; Fixtures</u> <u>\$'000</u>	<u>Motor Vehicle</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At cost:					
1 April 2017	2,181	15,826	2,717	17,030	37,754
Additions	<u>4,302</u>	<u>15,785</u>	<u>2,600</u>	<u>9,798</u>	<u>32,485</u>
31 March 2018	6,483	31,611	5,317	26,828	70,239
Additions	6,237	15,045	767	11,687	33,736
Elimination	<u>-</u>	<u>( 662)</u>	<u>( 41)</u>	<u>-</u>	<u>( 703)</u>
31 March 2019	<u>12,720</u>	<u>45,994</u>	<u>6,043</u>	<u>38,515</u>	<u>103,272</u>
Depreciation:					
1 April 2017	665	4,343	728	5,745	11,481
Charge for the year	<u>395</u>	<u>5,953</u>	<u>341</u>	<u>3,569</u>	<u>10,258</u>
31 March 2018	1,060	10,296	1,069	9,314	21,739
Charge for the year	673	11,817	555	5,596	18,641
Elimination	<u>-</u>	<u>( 663)</u>	<u>( 20)</u>	<u>-</u>	<u>( 683)</u>
31 March 2019	<u>1,733</u>	<u>21,450</u>	<u>1,604</u>	<u>14,910</u>	<u>39,697</u>
Net Book Value:					
31 March 2019	<u>10,987</u>	<u>24,544</u>	<u>4,439</u>	<u>23,605</u>	<u>63,575</u>
31 March 2018	<u>5,423</u>	<u>21,315</u>	<u>4,248</u>	<u>17,514</u>	<u>48,500</u>

## 11. FUNDS HELD BY ACCOUNTANT GENERAL:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Opening balance	11,256,730	11,383,279
Interest	214,561	118,329
Foreign exchange loss	<u>( 87,804)</u>	<u>( 244,878)</u>
	<u>11,383,487</u>	<u>11,256,730</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\$80,768,526 (2018 - US\$79,247,515). Interest is earned at the rate of 3% and 1.5% (2018 - 3% and 0.076%) on the Jamaican and United States dollar balances respectively.



## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

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## 12. RECEIVABLES:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Service levy receivable	318,615	245,930
Provision for doubtful debts	( 72,571)	-
Financial asset other than cash and cash equivalent classified as amortised cost	246,044	245,930
Staff Loans	501	1,291
Deposits	64,651	136,703
Prepayments	1,211	1,575
Other receivables	<u>640</u>	<u>-</u>
	<u>313,047</u>	<u>385,499</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.

The Fund does not hold any collateral as security for trade receivables.

The Fund applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on credit risk and aging.

The expected loss rates are based on the Fund's historical credit losses experienced over the period prior to period end. Based on the nature of its operations, there is no history of default, hence the expected credit loss calculated is only indicative. Provision for doubtful debts represents balances not collected for over 120 days.

The aging of trade receivables is as follows:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
0-30 days	205,072	174,932
31-60 days	15,937	9,033
61-90 days	13,243	9,978
91 days and over	<u>84,363</u>	<u>51,987</u>
	<u>318,615</u>	<u>245,930</u>

**UNIVERSAL SERVICE FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2019**

**12. RECEIVABLES (CONT'D):**

**Trade receivables that are past due but not impaired**

As at 31 March 2019, trade receivables of \$84,363,283 (2018 - \$51,986,859) were past due but not impaired. These relate to independent telecom carriers for whom there is no recent history of default.

**13. 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>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Cash at bank and in hand	1,594,245	3,092,550

At 31 March 2019, the Fund had short term deposits amounting to \$1,509,116,289 (2018 - \$2,995,873,800). Interest receivable on short term investments amounted to \$2,688,209 (2018 - \$6,834,754).

The weighted average interest rate on short term deposits denominated in Jamaican dollars and United States dollars was 4.74% and 2.27%, respectively (2018 - 4.74% and 2.27%, respectively) and these deposits mature within 60 days (2018 - 60 days).

**14. CAPITAL CONTRIBUTION:**

The capital contribution represents the net of assets and liabilities of a predecessor entity, Universal Access Fund Company Limited, transferred to Universal Service Fund by the Government of Jamaica, on the commencement of operations of the Fund.

**15. 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 offset 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>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Deferred tax liabilities	( 2 578)	(3,176)

## UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

## 15. DEFERRED TAX (CONT'D):

The movement in deferred tax account is as follows:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Balance at start of year	(3,176)	(3,306)
Charge for the year	<u>598</u>	<u>130</u>
Balance at end of year	<u>(2,578)</u>	<u>(3,176)</u>

Deferred tax is due to the following temporary differences:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Accelerated capital allowances	<u>(2,578)</u>	<u>(3,176)</u>

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

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Accelerated capital allowances	<u>598</u>	<u>130</u>

## 16. PAYABLES:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Gratuity payable	6,469	8,490
Projects	416,250	888,412
Other payables	<u>12,666</u>	<u>8,146</u>
	<u>435,385</u>	<u>905,048</u>

Projects represent accruals for approved expenditure to carry out the mandate of the Fund.

## 17. STAFF COSTS:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Salaries	62,282	57,162
Statutory contribution	4,657	4,032
Staff welfare, training and allowances	30,801	27,372
Gratuity	<u>8,087</u>	<u>8,429</u>
	<u>105,827</u>	<u>96,995</u>



**UNIVERSAL SERVICE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**17. STAFF COSTS (CONT'D):**

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

	<u>2019</u>	<u>2018</u>
Permanent	17	14
Temporary	<u>15</u>	<u>13</u>
	<u>32</u>	<u>27</u>

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

The following transactions were carried out with related parties.

**(a) Transaction between the Fund and related party**

During the year, the Fund disbursed \$700,000,000 (2018 - \$449,407,000) to E-Learning Jamaica to fund its projects.

**(b) Key management compensation**

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Directors' emoluments -		
Fees	1,589	1,651
Expense	<u>5</u>	<u>34</u>
CEO's emoluments -		
Remuneration	8,467	7,761
Gratuity payable	<u>446</u>	<u>1,748</u>

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

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Due from related party -		
Funds held by Accountant General (note 11)	<u>11,383,487</u>	<u>11,256,730</u>

# UNIVERSAL SERVICE FUND

## NOTES TO THE FINANCIAL STATEMENTS

**31 MARCH 2019**

### 19. CHANGES IN ACCOUNTING POLICIES:

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue Recognition on the Fund's financial statements.

#### (a) Impact on financial statements

The Fund adopted IFRS 9 and IFRS 15 for the financial year ended 31 March 2019 which resulted in a change in the Fund's accounting policies. As explained in note 3, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position at 31 March 2019. No adjustment was necessary to the opening accumulated surplus on 1 April 2018.

#### (b) IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 'Financial Instruments' from 1 April 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 3 above. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

There was no impact on the Fund's retained earnings as at 1 April 2018. In addition, there are no changes to the classification of financial assets under IFRS 9.

#### (c) Impairment of financial assets

The Fund's trade receivables and certain related party balances are subject to IFRS 9's new expected credit loss model.

The Fund was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. There was no material impact on the opening accumulated surplus associated with this change.

While cash and cash equivalents are also subject to the impairment requirement of IFRS 9, there was no identified impairment loss.

#### Trade receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There was no impact on loss allowance on 1 April 2018.

## UNIVERSAL SERVICE FUND

### NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2019

#### 19. CHANGES IN ACCOUNTING POLICIES (CONT'D):

##### (d) IFRS 15 Revenue Recognition

IFRS 15 replaces the provisions of IAS 18 that relate to revenue recognition. IFRS 15 introduces the principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price.

The adoption of IFRS 15 Revenue Recognition from 1 April 2018 resulted in changes in accounting policies. The accounting policies under IAS 18 and IFRS 15 are set out in note 3 above. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.



