



ANNUAL REPORT

2021/2022





OUR MISSION

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

OUR VISION

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

CORE VALUES

TEAM WORK



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

ACCOUNTABILITY



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

RESPECT



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

INTEGRITY



Being truthful in actions, words, deeds, and intent.

KINDNESS



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

TABLE OF CONTENTS

OUR MISSION.....	3
OUR VISION.....	3
CORE VALUES.....	4
CORPORATE PROFILE.....	6
CORPORATE INFORMATION.....	7
MESSAGE FROM MINISTER OF SCIENCE AND TECHNOLOGY	
HON. DARYL VAZ, MP.....	8
BOARD OF MANAGEMENT REPORT.....	9
CHIEF EXECUTIVE OFFICER'S MESSAGE.....	10
CORPORATE GOVERNANCE.....	12
BOARD OF MANAGEMENT.....	15
SENIOR MANAGEMENT.....	17
CORPORATE PERFORMANCE.....	18
HUMAN RESOURCE MANAGEMENT.....	20
FINANCIAL MANAGEMENT.....	25
MARKETING AND PUBLIC RELATIONS.....	30
BOARD OF DIRECTOR'S COMPENSATION	36
UNIVERSAL SERVICE FUND FINANCIAL STATEMENTS.....	37



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 to further Jamaica's plans towards development. In 2005, the USF began operations as the Universal Access Company Limited, following a Ministerial Order which posited that all domestic telecommunications providers, are obligated to collect a universal service levy on all inbound telephone calls. This levy has been imposed on all international calls terminating on local networks. Calls terminating on fixed lines, incur a levy of US\$0.03 and US\$0.02 on mobile lines.

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

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

The Telecommunications Act as amended, states that "the objectives of the fund shall be to support the implementation of the obligation to provide

universal service, as approved by the Minister, in accordance with the principles set out in section 39 (2) and the use specified in section 42A"; this objective provides the driving force behind the Universal Service Fund as we contribute daily towards building a better Jamaica.

In keeping with this overall mandate, the USF undertakes its core functions 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 islandwide broadband network that will allow public access to the information super-highway through high schools, public libraries, post offices and any other institutions approved by the Board of Directors.



CORPORATE INFORMATION

REGISTERED OFFICE

Universal Service Fund
4th Floor, PCJ Building
36 Trafalgar Road, Kingston 10
Jamaica, W.I.
Tel: 876-926-1727
Telefax: 876-960-8981
Email: info@usf.com
Website: www.usf.gov.jm

AUDITORS

CR HYLTON & COMPANY
9 Millsborough Crescent
Kingston 6, Jamaica W.I.

ACTING CORPORATE SECRETARY

Latona Stewart
(Legal Officer)

BANKERS

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

National Commercial Bank

1 Knutsford Blvd.
Kingston 5

First Global Bank

2 St. Lucia Avenue
Kingston 5

Jamaica Money Market Brokers

11 Knutsford Blvd
Kingston 5

SENIOR OFFICERS

Daniel Dawes
Chief Executive Officer

Kwan Wilson
Director of Projects

Doranie Sergeant
Financial Controller

Melissa Taylor
Director, Public Procurement

Shanique Cornwall
Human Resource and
Administration Manager

Message from THE MINISTER OF SCIENCE, ENERGY AND TECHNOLOGY



Hon. Daryl Vaz, MP
Minister of Science, Energy and
Technology

vulnerable communities during the 2021/2022 financial year.

As the nation continued to grapple with the pandemic during the year and adhere to the social distancing protocols proven to fight the spread, the need to be connected while apart remained at the forefront.

Remote working, online schooling and virtual socialising were still common, resulting in an uptick in demand for reliable, high-speed and cost-effective internet access.

Recognising this critical need, the Ministry of Science, Energy and Technology (MSET), through the USF, committed to outfitting 189 communities across the island with free Wi-Fi hotspots. I would like to take this opportunity to commend the USF for pushing beyond the limits and delivering on their tasks. As of March 31, 2022, 105 free community Wi-Fi sites have been completed.

The USF further supported the Government's thrust to increase internet connectivity by establish-

As Minister with responsibility for information and communications technology, I am pleased with the progress and impact that, despite the hurdles imposed by the COVID-19 pandemic, the Universal Service Fund (USF) was able to increase its activities aimed at connecting some of Jamaica's most

ing five (5) new public Wi-Fi hotspots, thereby increasing its network of locations islandwide to 18.

In keeping with the Government's thrust of establishing a system of national communication that is aimed at contributing significantly to the continued education of our people, at all levels of society, the Public Broadcasting Corporation of Jamaica (PBCJ) was provided with \$20.5M support towards the establishment of a second educational channel.

For the upcoming financial year, 2022/2023, the USF will play a critical role in the continued build-out of the Government's National Broadband Network being spearheaded by the National Information and Communication Technology Advisory Council (NICTAC). This move is arguably the biggest economic enabler during the pandemic and will be key to Jamaica's post-pandemic recovery. When fully implemented, the national broadband backbone will contribute approximately \$800M annually to the economy.

The Ministry is proud of the work of the USF in bridging the information and communication technology divide and remains committed to creating a technology-enabled, knowledge-based society in which no one is left behind.

Heartiest congratulations to the USF for the impact made through their priority programmes and projects for the 2021/2022 financial year.

A handwritten signature in black ink, appearing to read 'Daryl Vaz'. The signature is stylized and fluid.

Honourable Daryl Vaz, MP
Minister of Science, Energy and Technology

BOARD OF MANAGEMENT REPORT



Mr. Justin Morin
Board Chair

The Board of Management takes great pleasure in presenting the 2021/2022 Annual Report on behalf of the Universal Service Fund. During the year, the Board remained committed to its charge of refocusing the priorities of the entity within the confines of its mandate and is indeed proud

of the concerted steps undertaken by it and management to ensure that the key strategies and initiatives planned for the period were executed.

In the face of declining revenues from the levy, and in recognition of the Government's policy to accelerate broadband throughout Jamaica, the Board oversaw the refocusing of the strategic direction of the organization, with specific emphasis being placed on launching of the initiative to examine the levy framework through the engagement of a consultant to perform the review and supporting the National Broadband Initiative (NBI) in the expansion of the national fibre optic and microwave infrastructure.

Further, considering the impact of the COVID-19 virus and the increased demand for reliable internet access across the island, the entity's projects and programmes were thoroughly examined to ensure alignment with the technological needs of the country and the Government's thrust to accelerate access to the internet and secure reliable connectivity, particularly to the unserved and underserved areas of Jamaica.

Consequently, the year in review saw the roll-out of the Community Wi-Fi Programme, in which the USF

was mandated by the Minister of Science, Energy & Technology, Hon. Daryl Vaz, to provide one hundred and eighty-nine (189) community Wi-Fi sites across the sixty-three (63) constituencies.

The achievement of the Fund's mandate was also realized through the funding of internet access in educational and public institutions under the NBI, and through the provision of Information Communication Technology (ICT) services in unserved and underserved communities under the Connect Jamaica & Community Wi-Fi Programmes. In addition, funding support was provided to the Court Administration Division (CAD) for the modernisation of the courts, and the Public Broadcasting Corporation of Jamaica (PBCJ) towards the establishment of a second channel dedicated to the distribution of educational content.

Notwithstanding the foregoing achievements of the Fund, the ability to execute some of the entity's projects within the prescribed timelines was impacted by profound disruptions in global supply chains brought about by the COVID-19 pandemic.

The Board of Management thanks the staff of the USF under the management of the CEO for working assiduously in their efforts to secure the implementation of the projects planned for financial year 2021/22 amidst the environmental, social and global challenges experienced throughout the period. Special thanks to our stakeholders for their resounding commitment and support in assisting the entity to deliver on its mandate of bridging the information gap through the expansion of ICT services that is **available, accessible, and affordable** to all Jamaicans.

A handwritten signature in black ink, appearing to read 'J. Morin', written over a horizontal line.

Mr. Justin Morin
Chairman

Universal Service Fund Board of Management

CHIEF EXECUTIVE OFFICER'S MESSAGE



Mr. Daniel Dawes, JP
CEO, Universal Service Fund

mandate towards creating free internet access to all Jamaicans.

Undoubtedly, we as a country have shifted our perspective on technology and have derived several benefits from keeping abreast with its evolving role in our society. We only need to reflect on how our educational and economic systems depended on technology to survive the harsh conditions of the pandemic, to understand its importance in all aspects of our lives. In fact, as we emerge from the restrictions, many of the changes brought on by the pandemic have become the new standard of operation in many sectors.

With this in mind, the work of the USF has never been more important. That is why our programmes and projects have not only focused on providing internet access but have also moved to train individuals on how to use technology for their educational, professional, and entrepreneurial advancement.

The USF has responded to the Government of Jamaica's charge to equip our citizens with the ICT resources they need to survive in the new technological

The Universal Service Fund in the 2021/2022 financial year was fueled by the need to respond to the growing needs for Jamaica to adapt to the global trajectory in technology. Despite the mounting challenges triggered by the COVID-19 pandemic, the USF has maintained and, in many cases, surpassed its targets within its

climate even after the pandemic. We have moved rapidly to increase the access to Community Wi-Fi hotspots in 105 communities islandwide so that students, entrepreneurs, and employees are able to keep pace amid the pandemic. We are slated towards 100% completion of the 189 Community Wi-Fi hotspots in the next financial year.

As we provide internet access, we also support the educational and professional development of citizens by providing them with ICT resources and training. We continued to award the top Primary Exit Profile (PEP) boy and girl from each parish with laptops. We remain resolute in securing Jamaica's future by equipping our youngest minds with the ICT resources they need to be digital natives thereby creating a digitally advanced society.

During the year, we were jubilant in the celebration of our graduates of the Technology Advancement Programme (TAP 2), which concluded in 2020 based on a partnership with HEART/NSTA Trust and Caribbean Maritime University. A series of long-awaited graduation ceremonies was held across the island where over 400 participants received their formal certificates.

In support of the refocused strategic direction of the USF, an allocation of **\$1.4B** was made towards the execution of projects during the year to include:

- i. provision of funding towards the NBI in support of the build out of the fibre outlay and microwave infrastructure across Jamaica to connect schools and public institutions;
- ii. continued expansion of the Islandwide Broadband Programme;
- iii. deployment of one hundred and five (105) community Wi-Fi sites;
- iv. deployment of five (6) new Connect Jamaica Wi-Fi locations in Port Maria, Morant Bay, Lucea, Savanna-la-Mar, Falmouth, and Black River;



A top PEP awardee collects her laptop from Min. Fayval Williams at an awards ceremony held on November 2021.

- v. funding support provided to the Court Administration Division (CAD) for modernization of the courts;
- vi. funding support provided to the Public Broadcasting Corporation of Jamaica (PBCJ) for the establishment of a second education channel dedicated to distributing educational content; and

- vii. provision of an ICT university research grant to the University of the West Indies, Mona (UWI).

The USF with its small and resilient staff looks toward continued progression in creating a digitally inclusive society as our formidable team works assiduously to meet our very ambitious targets.

Mr. Daniel Dawes, JP
CEO, Universal Service Fund



CORPORATE GOVERNANCE

The Board of Management remains resolute in its duty of maintaining good corporate governance in its management of the Universal Service Fund (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 continue to work relentlessly to ensure that the USF fulfills its mandate of providing universal access, while also fulfilling its corporate social responsibility to the nation. In carrying out these responsibilities, and in keeping with its charter, the Board considers its primary functions to include the following:

- **Management planning and oversight** - Selecting, evaluating, and compensating the Chief Executive Officer and planning for CEO succession and providing counsel and oversight in the selection, evaluation and compensation of and succession planning for other members of senior management.
- **Strategic and operational planning** - Reviewing, understanding, and approving long-term strategic and annual operating plans, in addition to 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; 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 the USF is managed with the highest standards of responsibility, ethics, and integrity.
- **General advice to management** - Providing general advice and counsel to the Chief Executive Officer, and senior management in connection with issues arising from the management of the USF's business.

BOARD SIZE AND COMPOSITION

During the 2021/2022 financial year, the Board was comprised of eleven (11) members of diverse professional backgrounds appointed by Cabinet on November 16, 2020. This diversity in the composition of the Board has enabled it to efficiently provide strategic leadership and oversight with respect to the management of the USF's business and affairs whilst actively participating in the development of the entity's strategic direction.

Four (4) committees assist the Board in fulfilling its advisory and oversight functions by providing close monitoring of the functional areas. Committees utilize their expertise to provide guidance to the Board on particular areas of operation and provide regular updates at monthly meetings.

The Broadband Negotiation Committee, which was previously established during financial year 2020/21 to lead the entity's negotiation of the terms of a broadband contract with the carriers was terminated in May 2021, since its role was subsumed by the National ICT Advisory Council (NICTAC).

The committees as of March 31, 2022, are as follows:

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

Audit Committee

Having been charged with the responsibility to assist the Board in ensuring the integrity of the entity's financial statements and other financial documents, the Audit Committee aims to enhance confidence in the USF's financial reporting and collaborates with the Finance Committee to ensure that the annual audited financial statements are properly prepared and accurately reflect the financial standing of the entity. The Committee also provides oversight with respect to the organization's internal control processes, risk management systems and legal requirements.

Audit Committee Members:

- Ms. Nyasha Garraway – Chairperson
- Ms. Joy Lowe
- Mrs. Simone Ramsay-Knight (Co-opted)

Finance Committee

The Finance Committee is responsible for the overall governance of the USF's finances. The Committee recommends financial policies, goals, and budgets to the Board for approval in support of the USF's mandate. One of its core functions includes overseeing the corporate finances of the organization through reviewing the preparation of the annual budget and financial statements. While the Committee acts as an independent agent, its undertakings are vetted and approved by the Board. The Finance Committee joins with the Audit Committee to ensure that the annual audited statements are properly prepared and accurately reflect the financial standings of the entity.

Finance Committee Members:

- Mr. Patrick Ellis - Chairman
- Mr. Daniel Dawes (CEO, USF)
- Mr. Cecil McCain
- Mr. Karl Williams

Projects Committee

The Projects Committee has been delegated the responsibility by the Board to assist in the fulfillment 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. Saffrey Brown - Chairperson
- Mr. Justin Morin (Board Chairman)
- Mr. Maurice Barnes (Board Deputy Chairman)*
- Mr. Daniel Dawes (CEO, USF)
- Mr. Michael Saunderson
- Mr. Cecil McCain
- Ms. Gabrielle Grant

* Resigned from the Committee effective December 9, 2021

Strategic Planning & Corporate Governance Committee

The Strategic Planning & Corporate Governance Committee of the Board assists the Board in fulfilling its responsibilities for evaluating and monitoring the Fund’s long and short-term strategic goals,

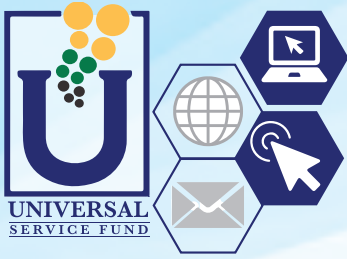
as presented by management. Additionally, the Committee serves as a catalyst for the evaluation, monitoring, and implementation of the Fund’s business strategies; and spearheads the review of the strategic business plan with recommendation to the Board for approval.

Strategic Planning & Corporate Governance Committee Members:

- Mr. Justin Morin - Chairman
- Mr. Daniel Dawes (CEO, USF)
- Mr. Karl Williams
- Mr. Cecil McCain
- Ms. Gabrielle Grant
- Ms. Saffery Brown

Table 1: Below are the details of attendance for the meetings of the Board and its Committees.

	Board	Projects	Audit	Strategic Planning	Finance
Directors	9 Meetings	9 Meetings	7 Meetings	5 Meetings	7 Meetings
Justin Morin	9	8		5	
Maurice Barnes	8	5			
Daniel Dawes	9	8		5	7
Gabrielle Grant	9	8		3	
Saffrey Brown	4	9		0	
Patrick Ellis	8				6
Michael Saunderson	5	3			
Karl Williams	7			5	7
Cecil McCain	8	8		5	7
Nyasha Garraway	6		7		
Simone Ramsey Knight (Co-opted)			7		
Joy Lowe	9		6		
	Board	Projects	Audit	Strategic Planning	Finance
Directors	9 Meetings	9 Meetings	7 Meetings	5 Meetings	7 Meetings
Latona Stewart (Acting Corporate Secretary)	9	9	6	5	7



BOARD OF MANAGEMENT



Chairman
Justin Morin



Deputy Chairman
Maurice Barnes



Chief Executive Officer
Daniel Dawes



Director
Saffrey Brown



Director
Cecil McCain



Director
Karl Williams



Director
Gabrielle Grant



Director
Patrick Ellis



Director
Michael Saunderson



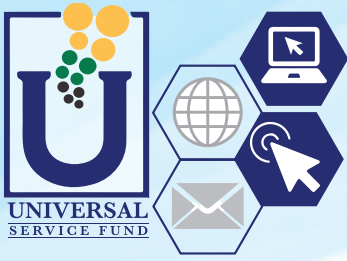
Director
Joy Lowe



Director
Nyasha Garraway



Acting Corporate Secretary
Latona Stewart



SENIOR MANAGEMENT



Financial Controller
Doranie Sergeant



Director of Projects
Kwan Wilson



Director, Public Procurement
Melissa Taylor



Human Resource and Administration Manager
Shanique Cornwall



CORPORATE PERFORMANCE

Overview

There is extensive recognition of the ubiquitous opportunities and potential benefits of providing access to the internet in Jamaica, as recognized by the Universal Service Fund’s mission and objectives. The Telecommunications (Amendment) Act 2012 includes the core mandate of the USF, which is to ensure that all Jamaican residents have access to the internet in accordance with the Government of Jamaica’s (GOJ) Universal Service Obligation (USO).

During Financial year 2021/2022, the Universal Service Fund continued to embark on our mission to make Jamaica a digitally inclusive society. Over the years, the Fund implemented programmes and projects using ICT to improve the nation’s social and economic development activities, resulting in a vastly improved quality of life for our citizens. During the year, the Fund initiated the Community Wi-Fi Programme, that includes projects designed to bring internet connection closer and accessible to Jamaicans at the community level.

With the advent of the COVID-19 pandemic and the growing need for connectivity to be established in unserved and underserved communities, the USF has prioritized the implementation of free Wi-Fi access to bridge the technology gap. Our citizens need internet access to participate in work, online schooling, and business activities which all changed digitally since 2020.

The Universal Service Fund continues to be a driving entity of change as a leader in Jamaica’s ICT sector. The Fund not only provides ICT infrastructure such as the public Wi-Fi programme, but also finances research and development projects that foster studies for newly introduced technologies through educational grants and Special

(ICT) Development projects. This year, the Fund awarded grants under the University Research Project to tertiary institution applicants and departments.

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 internet and ICT devices at a low or no cost. These community computer labs are established to facilitate research, bill payments, educational development, communication, business marketing, and social networking.

To ensure the most efficient use of these resources, the USF commissioned an audit of its Community Access Points to determine how many were still operational, how they are being used and what can be done to assist those in need of support. Of the eighty-six (86) CAPs audited; ten (10) are currently in progress, fifty-four (54) were non-functional and twenty-two (22) were upgraded from non-functional to functional.

Summary for Community Access Points

Current CAP Status	Total
New CAPs Assigned	0
In-Progress CAPs Assigned	10
Non-Functional CAPs Visited	54
CAPs upgraded from non-functional to functional	22

To strengthen the relationship between the Fund and CAP Administrators regular regional meetings were introduced and Senior Managers were assigned to monitor the performance of sites.

While strengthening the management of existing sites, the USF also worked towards extending the reach of the project. To this end, ten (10) CAPs were commissioned, at a total cost of **J\$65.8M**, compared to six (6) CAPs at a cost of **J\$48.09M** in the previous financial year.

Community Wi-Fi Programme

The Community Wi-Fi Programme is another avenue that the USF is undertaking to narrow the information access gap in Jamaica. With a budget of **\$472.5M**, the Fund is establishing one hundred and eighty-nine (189) community Wi-Fi sites across the island, three (3) in each constituency. The projects are designed with the intentions of improving the country's social and economic development through community social engagements, educational improvement, government, and business functions.

The cost of data services can be prohibitive and therefore hinder citizens from accessing the internet. The objective of the programme is to provide simultaneous free internet access to approximately 200 users daily in and around communities. The USF has completed infrastructure works at 105 sites and hosted commissioning ceremonies for 42 of the facilities.

USF Connect JA (Public Wi-Fi)

The Fund previously launched the Connect JA programme aimed at establishing free Wi-Fi in strategic public locations across the country. These areas include, however not limited to, parks, town centres, and high traffic stretches of roadway.

As of March 31, 2022, public Wi-Fi projects were completed in Morant Bay, Lucea, Savanna-la-Mar, Falmouth, Black River, Port Maria, and plans have been advanced to execute the Spanish Town Public Wi-Fi by November 2022.

Information and Communication Technology for Development-Special Projects

These projects target and promote the development of the local ICT infrastructure in both the private and public sectors with various beneficiaries with the view of:

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

For the 2021/22 financial year, the USF provided the Court Administration Division (CAD) with **J\$20.4M** for the procurement of equipment to improve the information and communication technology infrastructure in the courts.

The Fund also supported the establishment of a second educational channel through the Public Broadcasting Corporation of Jamaica (PBCJ) in the amount of **J\$20.25M**. Additionally, through the research grant initiative three research-based projects were funded by the USF in partnership with the University of the West Indies.

National Broadband Initiative

Through the initiative of the MSET in the establishment of the National ICT advisory Committee (NICTAC), the USF budgeted **\$500M**. The funding is expected to roll out of the national fiber backbone, support the establishment of the microwave backbone, and the provision of a centralized broadband facility at the e-Gov.



HUMAN RESOURCE MANAGEMENT

The Fund's Human Resource Management and Administration portfolio sought to improve its service and state of readiness to effect its functions/tasks in a seamless manner thereby contributing to the achievement of the organization's strategic goals and objectives for the 2021/2022 financial year, within the context of the COVID-19 pandemic. The main priority areas during the financial year centred on achieving optimum allocation and management of the Fund's human resources, including the continuation of a remote work environment to guarantee high levels of productivity, recruiting and training employees in the required competencies and skills needed to achieve the organization's mandate as well as instituting and monitoring infection control mechanisms to ensure the health and well-being of staff.

Organizational Framework

The Fund continued to operate across eight functional areas: Projects, Finance, Audit, Human Resource Management & Administration, Public Relations/Marketing, Procurement, Legal and Information Technology, under the day-to-day management of the Chief Executive Officer with oversight and support by the Board of Management. These functions are operated across two office facilities, which continue to be maintained by the Fund.

The organizational structure is a significant supporting pillar for the USF's strategic focus. The Fund's approved structure consists of nineteen (19) posts, with an additional fifteen (15) temporary posts in operation.

The approved structure in its present form, however, does not optimally support the strategic objectives of the Fund, primarily because of gaps in human resource at key levels within the organization.

Notwithstanding the submission of an organizational restructure request to the Ministry of Finance and the Public Service with the requisite justifications to strengthen the organizational structure of the Fund, the Ministry of Finance was unable to process the request during the financial year due to a lack of the requisite endorsement from the Ministry of Science, Energy and Technology.

Staffing

As at March 31, 2022, the staff complement was thirty-five (35) comprised of seventeen (17) permanent staff, thirteen (13) temporary employees and five (5) interns. There were four (4) vacancies-Marketing/ Public Relations Manager, Corporate Planner, Public Procurement Officer and Assistant Project Coordinator; with the recruitment process to conclude in the 2022/2023 financial year.

Human Resource Planning

Human resource development planning is the method by which the Fund designs a coherent framework of human capital policies, programmes, and practices to achieve a shared vision integrated with the strategic plan. The human resource planning activities for the 2022/2022 financial year was in keeping with the Fund's Strategic HRM Plan and the changes necessitated by the ongoing COVID-19 pandemic.

The effective implementation of the strategic human resource plan is a key step in ongoing efforts to build a highly effective, performance-based USF by recruiting, acquiring, motivating, training, retaining and rewarding a high-performing, top-quality workforce. The implementation of this plan was aimed at transforming the culture and operations of the organization. This saw the (i) revision of the human resource policy, (ii) revision of the Fund's recruitment and selection procedures,

(iii) implementation of MyHR+, a human resource management information system, (iv) streamlining of employee records, (v) implementation of a new hire orientation programme, (vi) implementation of the Fund's Disaster Preparedness Committee, (vii) monitoring of the performance management system and, (viii) implementation of human capital programmes and initiatives to bring the Fund one step closer towards becoming an employer of choice.

Compensation

In keeping with the Heads of Agreement for the Contract Period April 1, 2017 to March 31, 2021, basic salaries for staff were increased by 4% effective April 1, 2021.

Learning & Growth through enhanced Training and Development

The Strategic Training Plan implemented for the year focused on areas critical to the operations of the Fund. This included courses in public procurement, project management, administrative management, workforce training and development, information privacy, disaster preparedness and strategic financial management.



On June 25, 2021, employees of the USF participated in "Jersey Day" activities representing team Jamaica.

Staff Welfare & Engagement

The staff welfare activities continued to be 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, the USF maintained its efforts during the year to identify any low or no cost welfare activities to contribute to a wholesome work life for all employees, improve staff morale and build comradery and social engagement guided by the provisions of the Disaster Risk Management Act. The Fund also assisted employees in meeting personal demands through its employee assistance programme. The Fund continues to assist with its employee's welfare needs within the parameters available.



In March 2022, the USF team came to work proudly representing their "Champs" team.



The USF staff showed their creativity on “Crazy Hat Day” held during the month of May 2021.



Crazy Hat Day

USF ANNUAL REPORT 2021/2022

Bridging the Information Gap.
Internet Access for Everyone



The USF held its annual Breast Cancer Awareness Mingle on October 29, 2021.



USF ANNUAL REPORT 2021/2022

Bridging the Information Gap.
Internet Access for Everyone

Technology Advancement Programme

The Technology Advancement Programme (TAP III) is an initiative implemented and managed by the Fund which engages approximately 1600 unattached youth aged 18-35 over a period of twelve (12) months in training covering core skills, computer repairs, computer administration and digitization facilitated by the Caribbean Maritime University and the HEART/NSTA Trust, over two (2) phases. The Fund's second iteration of the programme concluded on September 30, 2020, with **four hundred and eighty-**

two (482) participants across the fourteen (14) parishes of Jamaica, however the restrictions attributed to the COVID-19 pandemic impacted the ability of the Fund to host a formal closing ceremony.

With the relaxation of the restrictions, the Fund hosted seven (7) closing ceremonies islandwide in November 2021 as a means of celebrating the participants who successfully completed the programme.



TAP 2 participants in the Kingston and St. Andrew cohort pose with Minister of Education and Youth, Hon. Fayval Williams (centre), USF CEO, Mr. Daniel Dawes, JP (centre), and Senior Programmes Director of HEART/NSTA Trust, Mr. Marlon Johnson (right) at their graduation ceremony held, October 2021.



FINANCIAL MANAGEMENT

USF ANNUAL REPORT 2021/2022

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

The Universal Service Fund is a fully self-financed entity that earns revenue from levy imposed on inbound internal calls at rates of USD0.03 and 0.02 on fixed and mobile calls.

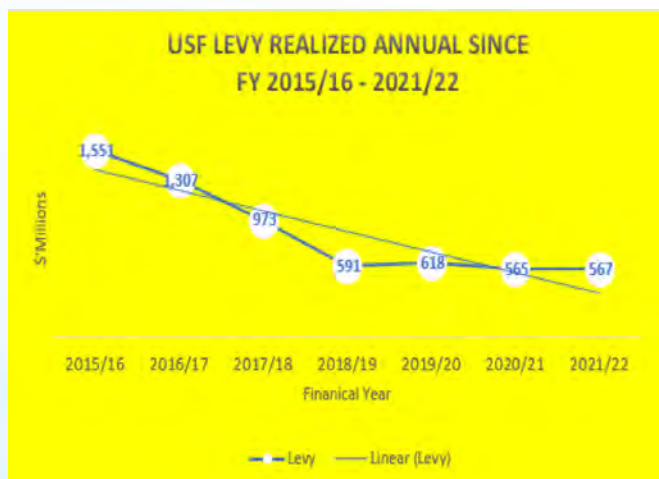
The 2021/22 financial year can be recapped as a transitioning period for the Finance and Accounting team despite the challenges and demands from both internal and external customers. Notwithstanding, the department achieved improved relationship with local Internet Service Providers (ISPs), over 95% online payments to vendors, the timely processing of payments, the effective management of the Fund’s tax obligations, effective management of the Fund’s resources and maximized returns on its financial investments

Financial Highlights

Figure 1. shows a declining trend in levy realized since financial year 2015/16, coming from a high of **\$1.55B** to a low of **\$567M**. The challenge this poses is reduced spending power and hence, a reduction in the number of projects/initiatives undertaken by the Fund. In addition, as we expand internet connectivity across each parish, this penetration has a direct correlation with reducing inbound calling minutes.

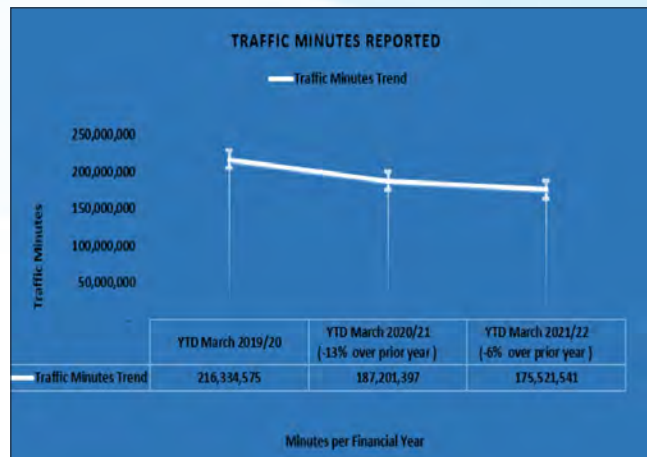
Levy realized being **\$567M** was 3% above budget of **\$552M**.

Figure (1) Levy since FY 2015/16



As can be seen also in Figure 2, the Fund has seen a combined 20% decline in traffic minutes since the 2019/20 financial year, averaging 10% per annum. If this trend continues, the financial viability of the Fund will be impacted.

Figure (2) Traffic Minutes



Having foreseen this potential problem, the management of the Fund, has engaged in the process of reviewing its revenue stream to identify new and alternate approaches to ensure our main stakeholders (the public) can still enjoy the 100% subsidized internet access in public spaces and vulnerable communities.

Collection for the year was unfavourable compared to budget as the Fund projected to collect **\$554M** but collected **\$447M**.

Balance Sheet Overview

Liquidity Position

As at March 31, 2022, the Fund recorded a current ratio of **2:1**. Accordingly, the Fund had enough cash to attend to current liabilities and this is a ratio we aim to maintain. The Fund does not engage in any borrowing or hold any long-term debt in its portfolio.

Fixed Assets

At the close of the financial year, the fixed asset net book value was **\$20.90M** (Table 1). There was no major acquisition during FY 2021 / 22 except for the following:

CUG phones	\$2.18
Office Furniture	\$0.20
Total	\$2.38

Table (1) – Fixed Assets Summary

Assets Category	\$
Computer	1.93M
Office Equipment	2.23M
Furniture & Fixtures	3.55M
Motor Vehicles	5.11M
Leasehold Improvement	8.08M

Cash and Cash Equivalent

The reported cash balance was **11% or \$47M** lower than prior year. Despite the declining minutes which impacted revenue earned and collected, management maintained a liquid balance sheet and controlled its spending within available cash to include investments. The Fund's Repo investments are in USD and held at First Global Bank, Jamaica Money Market Brokers, Barita Investment Limited and Sagicor Bank.

Cash & Cash Equivalent	\$
Regular Savings (JMD & USD)	24.89
REPO Investments	336.08
Total	360.97

Accounts Receivables

Total receivables as of March 31, 2022 was \$434M and is summarized as follows:

▪ Service Levy Receivables (Net)	\$ 434.35 M
▪ Staff loan	\$ 0.30 M
▪ Deposits	\$ 1.53 M
▪ Prepayments	\$ 5.61 M
▪ Other receivables	\$ 2.27 M
	\$ 444.06 M
▪ Less provision for bad debts	\$ 147.47 M
Total	\$ 296.59 M

A provision for bad debt of **\$147.47M** was made for Service Levy receivables over ninety (90) days past due. As such, the Fund recorded net service levy receivables of **\$296.59M**. The Finance Department will continue to have constant dialogue with carriers through written and oral communication to reiterate the need for settlement of all outstanding amounts. No provision was made for the financial year.

Exchange Gain/Loss

As at March 31, 2022, the Fund recorded an FX exchange gain of **\$690M**. This was realized from US Dollar investments at the following institutions:

- Barita Investments
- Jamaica Money Market Brokers
- NCB Capital Market
- First Global Bank
- Sagicor Bank

Interest Income

Interest income (mainly interest on investments) performed above projection recording a total of **\$11M**, which is 180% or **\$7M** above budget of **\$4M**.

e-Learning Jamaica Limited

The Tablets in School project was funded by the Ministry of Finance and the Public Service through the Ministry of Science Energy and Technology for the FY 2021/22.

USF Projects

A total of **\$2,617M** was budgeted for projects related expenses for the FY 2021/22 to include infrastructure and operating related costs. Of this budget only **\$634M** was realized to include commitments.

Table 2 provides a breakdown of projects related expenditure by category. The total budget expense including GCT is \$674M.

Table (2) – Project Category

Project Infrastructure & Operating Expenditure	Budget \$M	Actual \$M	Variance \$M
National Broadband Funding Support	500	44	456
Islandwide Broadband Expansion	250	24	226
Migration of Sites to GovNet	7	0	7
Connect Jamaica	103	42	61
Community Wi-Fi	302	206	96
Community Access Point	80	13	67
ICT Special Projects	50	20	30
Research Grant	60	24	36
Close Harbour	51	0	51
Total Infrastructure Projects	1,403	373	1,030
PROJECT RECURRING COST			
Schools, Libraries, Police Stations, Postal Agencies, Health Facilities, CAP Sites	514	261	253
Total Projects Operating Cost	514	261	253
Tablets in School Projects			
E-Learning Jamaica (Prior year payment)	700	0	700
	2,617	634	1,984

Project Variance

Project implementation was impacted by global supply chain challenges specific to the availability of key ICT equipment for the Fund’s Connect Jamaica, Community Wi-Fi, ICT Special Projects and Community Access Points. Additionally, procurement delays impacted the execution of the National Broadband initiative resulting in the need for approximately 9% (\$44M) drawdown request.

The University Research Grant project was impacted by logistic delays in the execution of key milestones by Researchers at the University of West Indies.

The Close Harbour project was not realized for the financial year 2021/22 due to procurement delays.

Administration Expense

Administration Expense comprised of salary expense and general other cost. Total administration expense was budgeted at \$60M with actual expenses being recorded at \$60M including GCT.

This is applaudable and shows that management was on target.

Salaries and Wages

The agency recorded \$157M for salaries and related costs for the period, which is \$9M budgeted amount of \$166M. This positive variance resulted from unfilled positions throughout the year.

Nine (9) Months Forecast and Projections as per FY 2022/23 Approved Budget

Project Infrastructure & Operating Expenditure	Budget \$M
Levy	381.10 ¹
Interest	3
Warrant	1791.07 ²
Total Infrastructure Projects	2,175.17
PROJECT & Admin.	
USF & National Broadband Projects	1,441.64 ³
Salary & Admin	180.31
Total Operating Cost	1,621.95
Net Operation	553.22

N.B.

1. Collection against receivables is projected to be **\$401M** within the first nine (9) months.
2. This will be spent on the National Broadband initiative (NBI) and e-learning. For the FY 2022/23 **\$1.82B** was earmarked to be spent as follows (as communicated by Ministry of Science Energy and Technology):
 - a. NBI 1,048.67M
 - b. e-Learning 770.00M
 - Total 1,818.67M**
- c. USF anticipate realization of NBI projects which is aim towards centralizing the data management of public institutions. This should result in public institutions whose internet/DIA recurring bills that are currently

paid by USF being removed from USF's expense line. Achieving this will allow for greater liquidity for the fund and hence, more projects can be target by the fund.

3. Of this **\$1,441.64M** in proposed project spent same is broken down as follows:
 - a. USF recurring project expense 307.50M
 - b. USF project implementation 307.55M
 - Total USF 617.64M**
 - c. E-Leaving 700.00M
 - d. NBI Project 124.00M
 - Total non-USF Projects 824.00M**
 - Total Project Spend 1,441.61M**

USF projects projected for the first nine (9) months in FY 2022/23

USF Projects (Proposed)	Comments
Connect Jamaica	The USF will be establishing an additional (5) five Connect Ja sites in major town centres. These are High speed, high capacity Public Wi-Fi facilities that will be made available to the Jamaicans once they are with the space. The five sites have been identified and initial scoping have been completed. The projects will be done in three batches.
Community Wi-Fi	The USF will be provided one additional Community Wi-Fi facility in each constituency which will total 63 new sites. The selection of the location will be collaborative effort with the MP based on the selection criteria provided by the USF. Submission of prospective sites and site selection is underway and will be carried out in two phases to be completed by end of financial year.
ICT Support	Based on the existing and new USF projects that require ICT funding support.
Educational & Research Funding	Continued support in the roll-out of the existing projects that were approved and granted in the last financial year to be completed in this financial year.
ISP Collaboration	Establishing a public private partnership with our ISP to deliver projects that meet the mandate of the USF. The identification of projects will be a collaborative effort with the ISP and will be executed over the financial year .
Technology Advancement Programme (TAP)	The roll out of TAP 3 will focus on Coding in which participants will be trained in requisite knowledge. Project is schedule to roll out in October 2022 and duration is 1 year.



Presentation of ICT Equipment to the Jamaica Fire Brigade by the USF and the Ministry of Science, Energy and Technology.



UNIVERSAL
SERVICE FUND



MARKETING & PUBLIC RELATIONS

Bridging the Information Gap.
Internet Access for Everyone

Approaching its 17th year of tangible investment in Jamaica's ICT infrastructure, the Universal Service Fund (USF) has built a foundation that ensures Jamaica is poised to become a knowledge-based, digitally literate society in keeping with vision 2030.

To support the implementation of its priority programmes and projects, the Agency seeks to design and execute robust marketing and public relations campaigns to sensitize the public about its offerings. Consequently, the campaigns executed during the period were centred on:

1. Launch event for 42 Community Wi-Fi hot spots across the island and the 14th Public Wi-Fi hotspot in St. Thomas which received significant traditional and new media coverage
2. Commissioning of five (5) Community Access Points at Brixton Hill Primary and Infant School and Garlogie Primary and Junior High in Clarendon, Tivoli Gardens Community Centre in Kingston, and Sir Howard Cooke Community Centre in St. Andrew
3. Commissioning ceremonies for three (3) special Community Access Points at McCam Child Care Development Centre, Salvation Army School for the Blind and Portmore Self Help Disability Organization
4. Coordinating the cheque handover to six (6) agencies including the Court Administration of Jamaica, Jamaica Reach to Recovery, the University of the West Indies, and the Public Broadcasting Commission of Jamaica
5. Engagement of the media through the facilitation interviews, and issuance of captioned photos, media releases, and advisories

6. Airing the Agency's jingle on five (5) national radio stations
7. Arranging speaking opportunities for senior management and preparing speaking notes for these events
8. Monitoring the rhetoric surrounding the agency and its officers in the public sphere and responding as needed
9. Engaging the agency's various publics through the expansion of its digital footprint across its four (4) social media platforms (Instagram, Twitter, Facebook, and LinkedIn).

The rebranding and repositioning of the Universal Service Fund continued in 2021/22 with the installation of signage featuring the USF's logo at its Community Wi-Fi Hot Spots, Public Wi-Fi Hot Spots and Community Access Points.

For the 2022/23 financial year the Agency will continue to find new ways to sensitize its target audience while getting meaningful feedback. Activities slated for the year include the continuation of the launches of Community Wi-Fi and Public Wi-Fi Hot Spots and Community Access Points.

For the 2022/2023 financial year the Agency will continue to find new ways to maximize its public relations efforts through the promotion of our programmes and their impact on the Jamaican people.



CEO of the Universal Service Fund, Mr. Daniel Dawes (centre) poses with Dr. Gunjan Mansingh of UWI, Mona (far left), Dr. Sean Thorpe, Head of School of Computing and Information Technology UWI, Mona and Former Managing Director of HEART/NSTA Trust, Dr. Janet Dyer (far right) at a hand over ceremony on December 14, 2021 where the USF donated a research grant valued at \$22.7 million to the University of the West Indies, Mona.



MARKETING & PUBLIC RELATIONS

Highlights

Bridging the Information Gap.
Internet Access for Everyone



From left: CEO, Mr. Daniel Dawes, Minister of Science, Energy, and Technology, Hon. Daryl Vaz, and Minister of Education Hon. Fayval Williams with top PEP students who attended an awards ceremony held by the USF in November 2021. The students were given laptops to further their academic development.



MARKETING & PUBLIC RELATIONS

Highlights

Bridging the Information Gap.
Internet Access for Everyone



Mr. Daniel Dawes, CEO of the Universal Service Fund (first left), Hon. Daryl Vaz Minister of Science, Energy and Technology (second left), and TAP graduate Mr. Shaquille Thompson, at a hand over ceremony where Mr. Thompson was awarded with a cheque to assist with tuition fee at the Northern Caribbean University.



MARKETING & PUBLIC RELATIONS

Highlights

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



Mr. Daniel Dawes (left), CEO of the Universal Service Fund (USF), and Ms. Shanique Cornwall, Human Resource and Administration Manager (right), presented new laptops to Delano Tucker (centre left) and his sister, Deneisha Tucker (centre right), at a presentation ceremony at Guy's Hill High School in St. Catherine on Tuesday, March 8, 2022.



MARKETING & PUBLIC RELATIONS

Highlights

Bridging the Information Gap.
Internet Access for Everyone

BOARD OF DIRECTORS' COMPENSATION

APRIL 1, 2021 – MARCH 31, 2022

Name of Director	Fees (\$)	Motor Vehicle Upkeep/ Travelling or Value of Assigned Motor Vehicle (\$)	Honoraria (\$)	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Justin Morin - Chairman	330,900	-	-	-	330,900
Maurice Barnes - Deputy Chairman ¹	124,000				124,000
Cecil McCain - Director	221,500	-	-	-	221,500
Karl Williams - Director	151,000	-	-	-	151,000
Nyasha Garraway - Director	141,500				141,500
Simone Ramsey Knight (Co-opted) - Director	45,500				45,500
Joy Lowe - Director	124,000				124,000
Michael Saunderson - Director	63,000				63,000
Patrick Ellis - Director	150,500				150,500
Saffrey Brown - Director	122,600				122,600
Gabrielle Grant - Director	168,500				168,500
Total	1,643,000	-	-	-	1,643,000

SENIOR EXECUTIVES' COMPENSATION

APRIL 1, 2021 – MARCH 31, 2022

Position of Senior Executive	Salary (\$)	Leave Pay (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assigned Motor Vehicle (\$)	Other Allowances (Meal Allowance) (\$)	Total (\$)
Chief Executive Officer Daniel Dawes	8,101,524	642,978	2,166,651	100,000	888,373	11,899,526
Financial Controller Doranie Sergeant	4,648,517	387,386	2,318,185	1,697,148	213,246	9,264,482
Director of Projects Kwan Wilson	4,648,517	472,402	1,266,491	1,719,807	596,943	8,704,160
Director of Public Procurement Melissa Taylor	4,647,840	456,012	2,343,621	1,697,148	213,246	9,357,867
Human Resource /Admin. Manager Shanique Cornwall	3,611,680	196,287	1,798,796	1,697,148	213,246	7,517,157
Total	25,658,078	2,155,065	9,893,744	6,911,251	2,125,054	46,743,192

¹* Resigned from the Projects Committee effective December 9, 2021



**Universal Service Fund
Financial Statements
31 March 2022**

**UNIVERSAL SERVICE FUND
ANNUAL REPORT**

**Universal Service Fund
Financial Statements**

31 March 2022



JAMAICA



C.R. Hylton & Co.

Universal Service Fund
Financial Statements
31 March 2022

Index

Independent Auditors' Report to the Directors	1 – 3
FINANCIAL STATEMENTS	
Statement of Income and Expenditure and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Reserves	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 – 30



10 Holborn Road, Kgn. 5, Ja., W.I.
Tel: (876) 926-4546, 926-6310, 631-8533 - Cell: (876) 386-2618
TeleFax: (876) 631-7555 - E-mail: crhylton@yahoo.com



INDEPENDENT AUDITORS' REPORT

To the Directors of Universal Service Fund

Report on the Audit of the Financial Statements Opinion

Opinion

We have audited the financial statements of Universal Service Fund ("the Fund"), which comprise the statement of financial position as at 31 March 2022, 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 2022, 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) in the financial statements, which indicates 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 \$565 Million for 31 March 2021.

As stated in note 3(a), these events or conditions, along with other matters as set forth in Note 3(a), indicate that a material uncertainty exists that may cast significant doubt on the Fund's ability to continue as a going concern. Our opinion is not modified in respect of 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 processes.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Directors of Universal Service Fund

Report on the Audit of the Financial Statements Opinion

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 skepticism throughout the audit. We also:

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Directors of Universal Service Fund

Report on the Audit of the Financial Statements Opinion

Report on additional matters as required by the Telecommunications Act and the Public Bodies Management and Accountability Act

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
July 29, 2022

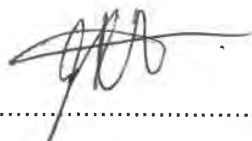
Universal Service Fund
Statement of Income and Expenditure and Other Comprehensive Income
Year Ended 31 March 2022

	Note	2022 \$'000	2021 \$'000
Revenue	6a	567,784	565,336
Project Warrant	6b	<u>218,050</u>	<u>-</u>
		785,834	565,336
Project costs			
- Universal service projects	8a	(634,043)	(220,341)
- E-Learning projects		-	(700,000)
- Technology Advancement Programme		<u>-</u>	<u>(119,009)</u>
		<u>(634,043)</u>	<u>(1,039,350)</u>
Net surplus (deficit) after project costs		151,791	(474,014)
Other operating income	7	676,337	1,032,939
Expenses			
Administrative expenses	8b	<u>(222,366)</u>	<u>(285,900)</u>
Surplus before taxation		605,762	273,025
Taxation	9	<u>-</u>	<u>744</u>
Net Surplus, being total comprehensive Income		<u>605,762</u>	<u>273,769</u>

Universal Service Fund
Statement of Financial Position
31 March 2022

	Note	2022 \$'000	2021 \$'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	10	20,903	30,191
Right of Use Asset	19	1,851	6,480
Funds held by Accountant General	11	13,989,277	13,353,878
		<u>14,012,031</u>	<u>13,390,549</u>
CURRENT ASSETS:			
Receivables	12	296,588	171,610
Cash and cash equivalents	13	360,966	407,532
		<u>657,554</u>	<u>579,142</u>
		<u>14,669,585</u>	<u>13,969,691</u>
RESERVES AND LIABILITIES			
RESERVES:			
Capital contribution	14	9,570,709	9,570,709
Accumulated surplus		4,788,708	4,182,946
		<u>14,359,417</u>	<u>13,753,655</u>
LONG TERM LIABILITIES:			
Lease liability	19	-	987
		<u>-</u>	<u>987</u>
CURRENT LIABILITIES:			
Payables	16	309,291	209,365
Lease liability	19	877	5,684
		<u>310,168</u>	<u>215,049</u>
		<u>14,669,585</u>	<u>13,969,691</u>

The financial statements were approved for issue by the board of directors on July 29, 2022 and signed on its behalf by:



Justin Morin – Chairman



Daniel Dawes – Chief Executive Officer

Universal Service Fund
Statement of Changes in Reserve
Year Ended 31 March 2022

	Capital Contribution \$'000	Accumulated Surplus \$'000	Total \$'000
Balance at 1 April 2020	9,570,709	3,909,177	13,479,886
Total Comprehensive Income			
Net surplus	-	273,769	273,769
Balance at 31 March 2021	9,570,709	4,182,946	13,753,655
Total Comprehensive Income			
Net surplus	-	605,762	605,762
Balance at 31 March 2022	9,570,709	4,788,708	14,359,417

**Universal Service Fund
Statement of Cash Flows
Year Ended 31 March 2022**

	2022	2021
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net surplus	605,762	273,769
Items not affecting cash resources:		
Depreciation (Notes 10)	11,665	17,745
Depreciation (Notes 19)	4,629	4,629
Interest income	(11,197)	(6,286)
Lease interest expense	326	443
Taxation expense	-	(744)
Foreign exchange difference on foreign balances	(665,140)	(1,026,653)
	(53,955)	(737,097)
Change in operating assets and liabilities:		
Receivables	(124,978)	68,961
Payables	99,926	(857,828)
Cash used in operating activities	(79,007)	(1,525,964)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment (Note 10)	(2,377)	(2,649)
Interest received	11,197	6,286
Cash (used in) provided by investing activities	8,820	3,637
CASH FLOWS FROM FINANCING ACTIVITIES:		
Lease expense (Note 19)	(6,110)	(4,881)
Cash used in financing activities	(6,110)	(4,881)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(76,297)	(1,527,208)
Exchange Gain on foreign cash balances	29,731	154,007
Cash and cash equivalents at beginning of year	407,532	1,780,733
CASH AND CASH EQUIVALENTS AT END OF YEAR	360,966	407,532

Universal Service Fund

Notes to the Financial Statements

Year Ended 31 March 2022

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. SUMMARY OF 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. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

(a) Statement of compliance

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for assets.

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 actions, 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 5.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(b) Basis of preparation (continued)

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.

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 \$565 Million for the year ended 31 March 2022. Additionally, the Fund sustained deficit on its operation of \$70.575 Million (excluding exchange gain and interest income) for the year ended 31 March 2022 and \$761.323 Million for the previous year, accumulated surplus however, increased as a result of the foreign exchange gain. During the current year a surplus was realized due to volatility in the exchange rate. 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 unfavorable. 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.

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.

(c) 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 (the functional currency). These financial statements are presented in Jamaican dollars, which is considered the Fund's functional and presentation currency.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(d) Amendments to IFRS that are mandatorily effective for the current year

New and revised Standards and Interpretations affecting the reported financial performance and/or financial position or disclosure

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2021, they did not have a material impact on the annual financial statements of the Company.

- ***Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16***

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss. The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

The amendments also include temporary relief from discontinuing hedging relationships and temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

These amendments are effective for annual periods beginning on or after January 1, 2021 and had no impact on the financial statements of the Company.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued):

(d) Amendments to IFRS that are mandatorily effective for the current year (continued)

New and revised Standards and Interpretations affecting the reported financial performance and/or financial position or disclosure (continued)

• **Amendments to IFRS 16 Covid-19 Related (Lease)**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification thereby accounting for any change in lease payments resulting from the Covid-19 related rent concession in the same way it would for changes under IFRS 16, if the change were not a lease modification. In March 2021 the IASB amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. With this amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided that the other conditions for applying the practical expedient are met. Lessees are required to apply the amendment retrospectively, recognizing the cumulative effect of initial application as an adjustment to the opening balance of retained earnings or other component of equity as appropriate.

The amendment applies to annual reporting periods beginning on or after April 1, 2021. This amendment is not expected to impact on the financial statements of the Company.

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

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

- **Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2023).** These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exists at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the company.
- **Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', (effective for accounting periods beginning on or after 1 January 2022).** This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

in fulfilling the contract. The adoption of these amendments is not expected to have a significant impact on the company.

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued))

(d) Amendments to IFRS that are mandatorily effective for the current year (continued)

New standards, amendments and interpretations not yet effective and not early adopted (continued)

- **Annual Improvements 2018-2020, (effective for accounting periods beginning on or after 1 January 2022).** The IASB issued its Annual Improvements to IFRSs 2018-2020 cycle amending a number of standards, of which the following are relevant to the company: IFRS 9, 'Financial Instruments' to clarify the fees that should be included in the 10% test for derecognition of financial liabilities; IFRS 16, 'Leases', in which illustrative example 13 was amended to remove the reimbursement of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

(e) Income taxes

The Fund is exempt from taxation on normal operating activities.

Deferred taxation is not recognised in these financial statements as a result of the Fund's exemption from taxation on normal operating activities and no significant temporary differences in respect of income subject to taxation.

(f) Income recognition

Revenue is recognised as performance obligations are satisfied, that is, over time or at a point in time. Where a customer contract contains multiple performance obligations, the transaction price is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer. A contract liability, representing amounts payable to customers, is recognised for advance consideration for which the related performance obligation has not yet been satisfied.

(i) 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 two 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
Year Ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(f) Income recognition (continued)

(ii) 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.

(g) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis at rates estimated to write off the carrying value of property, plant and equipment over the period of their expected useful lives. The expected useful lives are as follows:

Furniture and fixtures	10 years
Computers and equipment	3 years
Office equipment	5 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Fund. Major renovations are depreciated over the remaining useful life of the related asset.

(h) Leases

As Lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Fund.

Assets and liabilities arising from a lease are initially measured on a present value basis. lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- payments of penalties for terminating the lease, if the lease term reflects the Fund exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rates being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(i) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 levels for which there are separately identifiable cash flows.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with maturity dates of less than 365 days from the dates of acquisition including cash at bank and in hand and deposits held at call with banks.

(k) Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and are subsequently measured at amortised cost.

(l) Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

(m) Financial instruments

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

Financial assets

The Fund's financial assets comprise cash and cash equivalents, long-term receivables, related party balances and other receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial liabilities

The Fund's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. Financial liability on the statement of financial position comprise trade and other payables.

(i) Classification

Classification of the Fund's financial assets depends on the Fund's business model for managing such assets and the contractual terms of the cash flows. Subsequent to initial recognition the Fund classifies its financial assets as:

- those measured at fair value (either through other comprehensive income or profit and loss); and
- those measured at amortised cost.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(m) Financial instruments (continued)

Financial liabilities (continued)

(i) Classification (continued)

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt securities, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of Initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of the debt instruments depends on the business model for managing the assets and the cash flow characteristics of the assets. There are three measurement categories for classifying debt instruments:

- Amortised cost - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- Fair value through other comprehensive income (FVOCI) - Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in other operating Income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as separate line item in the statement of profit or loss.
- Fair value through profit and loss - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(m) Financial instruments (continued)

Financial liabilities (continued)

(iii) Measurement (continued)

Debt instruments (continued)

- As at the 31 March, all financial assets are classified as amortised cost as the Fund holds the assets to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(iv) Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its financial instruments. The impairment methodology applied depends on whether there has been a significant Increase in credit risk.

The assessment of credit risk of cash and cash equivalents, long-term receivables, related party balances and receivables requires estimations as to the likelihood of defaults occurring, of the associated loss ratios and of defaults correlations between counterparties. The Fund measures credit risk using Probability of Default (PO), Exposure at Default (EAD) and Loss Given Default (LGD).

3. FINANCIAL RISK MANAGEMENT:

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

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

In common with all other businesses, the Fund is exposed to risks that arise from its use of financial instruments. This note describes the Fund's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

a) Principal financial instruments

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

Receivables
Cash and cash equivalents
Payables

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

3. FINANCIAL RISK MANAGEMENT (Continued):

b) Financial instruments by category

Financial assets

	Amortised cost	
	2022	2021
	\$'000	\$'000
Cash and cash equivalents	360,966	407,532
Service levy receivables	296,587	163,973
Total financial assets	657,553	571,505

Financial liabilities

	Financial liabilities at amortised cost	
	2022	2021
	\$'000	\$'000
Financial lease liability	877	5,684
Payables	309,291	209,365
Total financial liabilities	310,168	215,049

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:

i) Credit risk

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

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

3. FINANCIAL RISK MANAGEMENT (Continued):

d) Financial risk factors

i) Credit risk (continued)

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 Management.

Accounts receivables

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

The Fund does not hold collateral against its accounts receivable.

Maximum exposure to credit risk

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

ii) 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 and Trade Receivables amounting to \$14,421,793,395 (2021: \$13,725,117,889).

Foreign currency sensitivity

The following table indicates the sensitivity of surplus 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 8% (2021: 6%) depreciation and a 2% (2021: 2%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

3. FINANCIAL RISK MANAGEMENT (Continued):

d) Financial risk factors (continued)

ii) Market risk (continued)

Foreign currency sensitivity (continued)

	% Change in Currency Rate 2022	Effect on Surplus Before tax 31 March 2022 \$'000	% Change Currency Rate 2021	Effect on Surplus before Tax 31 March 2021 \$'000
Currency:				
USD	-8	1,153,743	-6	823,507
USD	+2	(288,436)	+2	(274,502)

Price risk

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

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

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

Interest rate sensitivity

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

iii) 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.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

3. FINANCIAL RISK MANAGEMENT (Continued):

d) Financial risk factors (continued)

iii) Liquidity risk (continued)

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) Optimising cash returns on investments.

Cash flows of financial liabilities

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

	Within 1 year 2022 \$'000	Within 1 year 2021 \$'000
31 March 2022/2021		
Financial lease liability	877	5,684
Payables	<u>309,291</u>	<u>209,365</u>
 Total financial liabilities (contractual dates)	 <u>310,168</u>	 <u>215,049</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.

4. FAIR VALUE ESTIMATION:

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

The amounts included in the financial statements for cash and cash equivalents, other receivables and payables approximate fair values because of the short-term maturity of these instruments.

The fair value of the long-term receivables (net of impairment) approximates it's carrying value as it represents revolving loans that will again be on-lent when repaid.

**Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022**

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

(a) Critical judgements in applying accounting policies

In the process of applying the Fund's accounting policies, management has made judgements which it believes would have a significant impact on the amounts recognised in these financial statements.

(b) Key sources of estimation uncertainty

Management makes estimates and assumptions concerning the future. The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is disclosed below.

The measurement of expected credit loss allowance for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour such as the likelihood of borrowers 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 weightings of forward-looking scenarios
- 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 two 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.

6a. REVENUE:

	2022	2021
	\$'000	\$'000
Service levy	<u>567,784</u>	<u>565,336</u>
	<u><u>567,784</u></u>	<u><u>565,336</u></u>

The amount reported includes \$0.8M (2021: \$1.6M) received from Island Networks Limited under a court judgement awarded on June 20, 2016. The balance receivable under the judgement is \$16.9M.

6b. PROJECT WARRANT

A total of \$1.8B was approved as warrant funding by the Ministry of Finance and the Public Service (MOFPS) to the Universal Services Fund (USF) for the Financial Year 2021/22 to be expensed on USF broadband projects implementation to include aspect of the National Broadband Initiative infrastructure cost. Throughout the financial year, USF received the first drawdown of \$218.05M. The execution of most of USF's projects and a significant amount of the NBI tasks were impacted due to shortage of ICT equipment, hence, no additional funding was received.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

6b. PROJECT WARRANT (Continued)

The Community Wi-Fi projects is an initiative to address to immediate need on the internet connectivity issues primarily for students in underserved communities. Each constituent was earmarked to be provided with three (3) internet connecting hotspot as commissioned by the Agency's Minister in the 2021/21 budget presentation.

7. OTHER OPERATING INCOME:

	2022 \$'000	2021 \$'000
Interest income	11,197	6,286
Foreign exchange gain	665,140	1,026,653
	<u>676,337</u>	<u>1,032,939</u>

8a. EXPENSES BY NATURE:

Total direct expenses:

	2022 \$'000	2021 \$'000
Direct cost on projects	<u>634,043</u>	<u>1,039,350</u>
Schools	137,943	
Grant and Scholarship	24,233	
Comm. Wi-Fi Project	224,112	
Connect JA	135,832	
Public Institution	26,572	
Comm. Access Points	37,976	
National Broadband Initiative	27,259	
Others	<u>20,116</u>	
	<u>634,043</u>	

Project costs consist primarily of expenditure on the Community Access Points, the establishment of Public Wi-Fi, broadband connection (DIA for school, Postal Agencies, Police Stations, Public Libraries and Health Facilities) and Community Wi-Fi and National Broadband Project.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

8b. EXPENSES BY NATURE (Continued):

Total Administrative expenses:	2022	2021
	\$'000	\$'000
Administrative expenses:		
Directors and board expenses	1,953	2,208
Auditors' remuneration	2,601	1,093
Staff costs (note 17)	157,021	156,443
Depreciation (Note 10)	11,665	17,745
General, stationery and office expense	4,534	5,498
Motor vehicle and travelling	6,020	4,804
Repairs and maintenance	217	340
Subscription	138	144
Office lease and maintenance	4,692	7,847
Finance charge (Note 19)	326	443
Depreciation charge on right of use asset (Note 19)	4,629	4,629
Legal and professional fees	268	2,356
Advertising and public relations	10,137	4,062
Software license	2,784	4,068
Corporate social responsibility	2,655	2,986
Utilities	3,693	4,394
Others	4,664	3,111
GCT Withholding Tax Expense	53,738	43,729
Project Write-off	(49,368)	-
Increase in expected credit loss reserve	-	20,000
	<u>222,366</u>	<u>285,900</u>
Total expenditure	<u>856,409</u>	<u>1,325,250</u>

9. TAXATION EXPENSE:

- (a) The service levy received by the Fund on inbound international telephone calls has been exempted from income tax under Section 12(i) of the Income Tax Act. All other income, including income earned on investments are taxable.
- (b) Taxation is computed on the surplus for the year, adjusted for tax purposes and comprise income tax at 25%.

	2022	2021
	\$'000	\$'000
Current taxation	-	-
Deferred taxation (note 15)	-	(744)
	<u>-</u>	<u>(744)</u>

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

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

9. TAXATION EXPENSE (Continued):

	2022	2021
	\$'000	\$'000
Surplus before taxation	605,762	273,025
Tax calculated at tax rate of 25%	(151,441)	(68,256)
Adjusted for the effects of:		
Non taxable revenue	151,441	68,256
Other charges and credits	-	(744)
	<u>-</u>	<u>(744)</u>

10. PROPERTY, PLANT AND EQUIPMENT:

	Leasehold	Office &	Furniture	Motor	Total
	Improvements	Computer	& Fixtures	Vehicles	
	\$'000	Equipment	\$'000	\$'000	\$'000
At cost:					
1 April 2020	14,437	46,877	6,851	38,515	106,680
Additions	-	2,410	239	-	2,649
31 March 2021	14,437	49,287	7,090	38,515	109,329
Additions.	-	2,249	128	-	2,377
31 March 2022	14,437	51,536	7,218	38,515	111,706
Depreciation:					
1 April 2020	3,603	34,163	2,250	21,377	61,393
Charge for the year	1,376	9,201	701	6,467	17,745
Elimination	-	-	-	-	-
31 March 2021	4,979	43,364	2,951	27,844	79,138
Charge for the year	1,376	4,007	719	5,563	11,665
Elimination	-	-	-	-	-
31 March 2022	6,355	47,371	3,670	33,407	90,803
Net Book Value:					
31 March 2022	8,082	4,165	3,548	5,108	20,903
31 March 2021	9,458	5,923	4,139	10,671	30,191

11. FUNDS HELD BY ACCOUNTANT GENERAL:

	2022	2021
	\$'000	\$'000
Opening balance	13,353,878	12,481,232
Foreign exchange gain	635,399	872,646
Closing balance	<u>13,989,277</u>	<u>13,353,878</u>

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

11. FUNDS HELD BY ACCOUNTANT GENERAL (Continued):

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 \$83,308,809 (2021: \$82,308,809). During the current year these amounts were held interest free (2021: Interest free) on the Jamaican and United States dollar balances respectively.

12. RECEIVABLES:

	2022	2021
	\$'000	\$'000
Service levy receivable	434,353	311,446
Expected credit loss reserve	<u>(147,473)</u>	<u>(147,473)</u>
Financial asset other than cash and cash equivalent classified as amortized cost	286,880	163,973
Staff Loans	296	796
Deposits	1,531	1,531
Prepayments	5,610	2,939
Other receivables	<u>2,271</u>	<u>2,371</u>
	<u>296,588</u>	<u>171,610</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:

	2022	2021
	\$'000	\$'000
0-30 days	118,379	25,997
31-60 days	29,865	45,634
61-90 days	-	31,563
91 days and over	<u>286,109</u>	<u>208,252</u>
	<u>434,353</u>	<u>311,446</u>

Trade receivables that are past due but not impaired

As at 31 March 2022, trade receivables of \$138,636,591 (2021: \$60,779,000) were past due but not impaired. These relate to independent telecom carriers for whom there is no recent history of default.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

12. RECEIVABLES (Continued):

Movement analysis of allowance for expected credit losses on trade receivables

The movement on the allowance for expected credit losses for trade receivables is as follows:

	2022 \$'000	2021 \$'000
At 1 April	147,473	127,473
Allowance for expected credit losses recognized in year	<u>-</u>	<u>20,000</u>
At 31 March	<u>147,473</u>	<u>147,473</u>

The creation and release of allowance for expected credit losses have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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:

	2022 \$'000	2021 \$'000
Cash at bank an on hand	<u>360,966</u>	<u>407,532</u>

At 31 March 2022, the Fund had short term deposits amounting to \$336,680,000 (2021: \$378,374,583). Interest receivable on short term investments amounted to \$Nil (2021: \$Nil).

The weighted average interest rate on short term deposits denominated in Jamaican dollars and United States dollars was 3.1%, respectively (2021 – 2.5%, respectively) and these deposits mature within 90 days (2021 - 90 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:

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

15. DEFERRED TAX (Continued):

	2022	2021
	\$'000	\$'000
Deferred tax liabilities	-	-

The movement in deferred tax account is as follows:

	2022	2021
	\$'000	\$'000
Balance at start of year	-	(744)
Charge for the year (Note 9)	-	744
Balance at end of year	-	-

Deferred tax liability is due to the following temporary differences:

	2022	2021
	\$'000	\$'000
Accelerated capital allowances	-	-

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

	2022	2021
	\$'000	\$'000
Accelerated capital allowances	-	744

16. PAYABLES:

	2022	2021
	\$'000	\$'000
Gratuity payable	13,250	17,088
Projects	254,170	159,045
Other payables	41,871	33,232
	<u>309,291</u>	<u>209,365</u>

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

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

17. STAFF COSTS:

	2022	2021
	\$'000	\$'000
Salaries	84,992	87,122
Statutory contribution	9,761	4,651
Staff welfare, training and allowances	42,342	49,371
Gratuity	19,926	15,299
	<u>157,021</u>	<u>156,443</u>

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

	2022	2021
	\$'000	\$'000
Permanent	31	19
Temporary	6	19
	<u>37</u>	<u>38</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 of \$Nil to E-Learning Jamaica to fund its projects.

(b) Key management compensation

	2022	2021
	\$'000	\$'000
Directors' emoluments		
Fees	395	2,137
Expense	75	71
	<u>470</u>	<u>2,208</u>
Senior Executives emoluments		
Remuneration	36,849	33,432
Gratuity/Incentive	9,894	6,236
	<u>46,743</u>	<u>39,668</u>

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

19. LEASES:

Right-of use asset

	2022	2021
	\$'000	\$'000
	Building	Building
Cost		
At April 1	11,109	-
Addition	-	11,109
At March 31	<u>11,109</u>	<u>11,109</u>
Accumulated depreciation		
At April 1	4,629	-
Charge for the year	4,629	4,629
At March 21	<u>9,258</u>	<u>4,629</u>
Carrying amount	<u>1,851</u>	<u>6,480</u>

During the prior year the Fund entered into a new lease for premises used for carrying out its operations. The lease term is for five (2) years with an extension for another 2 years with the option to be exercised near the end of the lease term.

Lease Liability

Maturity analysis

	2022	2021
	\$'000	\$'000
Year 1	955	5,955
Year 2	-	995
	955	6,950
Less unearned interest	<u>(78)</u>	<u>(279)</u>
	<u>877</u>	<u>6,671</u>
<i>Analysed as:</i>		
Non-current	-	987
Current	<u>877</u>	<u>5,684</u>
	<u>877</u>	<u>6,671</u>

The Fund does not face a significant liquidity risk with regard the lease liability. The liability is monitored by management through cash flow planning.

The fair value of the lease liability on entering into the new lease was \$11.109 million which was recognised as the value of the right-of-use asset.

The weighted average lessee incremental borrowing rate applied to the lease liability recognised in the statement of financial position on is 6.61%. The leased premises is no. 7 and 9 Ardenne Road.

Universal Service Fund
Notes to the Financial Statements
Year Ended 31 March 2022

19. LEASES (CONTINUED):

Amounts recognised in surplus (deficit)

	2022	2021
	\$'000	\$'000
Depreciation expense on right-of-use asset	4,629	4,629
Interest expense on lease liability	326	443
Expense relating to short term leases	<u>4,718</u>	<u>4,438</u>

At 31 March 2022 the Fund is committed to \$1.102 million (2021: \$6.951 million) for long term leases.

Finance leases relate to rental of premises for carrying out its operation and are negotiated for an average of five years.

	2022	2021
	\$'000	\$'000
Operating lease expenses recognised in the year	<u>4,718</u>	<u>4,438</u>

20. IMPACT OF COVID - 19:

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. This resulted in disruption to a number of sectors.

In response to the pandemic, Management has adopted several measures specifically around improved operating efficiency, tighter fiscal management and prioritization of projects.

The overall impact of the pandemic on the Fund has been declined revenue and greater challenges with collecting outstanding receivables. The Fund projects rollout was also impacted by the aftermath of covid19. This resulted in short supply of ICT items such as Access Points, Routers, and internet switches. As a result, at the end of March 2022 only 50% of the Community Wi-Fi projects were completed because contractors encountered delays in sourcing equipment and materials needed to complete infrastructural work.

The world economy is however recovering from the effects of the pandemic and normalcy is being restored to all aspects of life and business. The economic impact on the Fund is not expected to continue much longer beyond this fiscal year.

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