Information and Communications Technology Authority

Financial Statements

30 June 2013

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

FINANCIAL STATEMENTS
30 June 2013

Table of Contents

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Information & Communications Technology Authority

Information and Communications Technology Authority
Statement of Responsibility for Financial Statements

June 30, 2013

These financial statements have been prepared by the Information and Communications Technology Authority in accordance with the provisions of the *Public Management and Finance Law (2012 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2012 Revision)*.

As Chairman and Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Information and Communications Technology Authority.

As Chairman and Managing Director, we are responsible for the preparation of the Information and Communications Technology Authority financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, financial performance and cash flows for the financial year ended June 30, 2013.

To the best of our knowledge we represent that these financial statements:

(a) completely and reliably reflect the financial transactions of the Information and Communications Technology Authority for the year ended June 30, 2013;

(b) fairly reflect the financial position as at 30 June 2013 and comprehensive income for the year ended 30 June 2013; and

(c) comply with International Financial Reporting Standards under the responsibility of International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Mr. Dale Crighton
Chairman

Date: Oct. 31st 2013

Mr. David Archbold
Managing Director

Date: 31 Oct 13

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Information and Communications Technology Authority

I have audited the accompanying financial statements of the Information and Communications Technology Authority which comprise the statement of financial position as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 20 of the *Information and Communications Technology Authority Law (2011 Revision)* , and Section 60(1)(a) of the *Public Management and Finance Law (2012 Revision).*

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and 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.

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Information and Communications Technology Authority as of 30 June 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
October 31, 2013

Information and Communications Technology Authority
Statement of Financial Position
As at 30 June 2013
(in Cayman Islands dollars)

	Notes	2013	2012
CURRENT ASSETS			
Cash and cash equivalents	3,12	$ 1,475,768	$ 1,437,400
Accounts receivable	4,7,12	386,280	362,239
Prepaid expenses		66,147	58,558
		1,928,195	**1,858,197**
NON-CURRENT ASSETS			
Property, plant and equipment	5	96,626	75,230
TOTAL ASSETS		**$ 2,024,821**	**$ 1,933,427**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	$ 146,599	$ 158,083
EQUITY			
Contributed capital		887,500	887,500
General reserve	8	864,000	804,000
Accumulated surplus		126,722	83,844
		1,878,222	**1,775,344**
TOTAL LIABILITIES AND EQUITY		**$ 2,024,821**	**$ 1,933,427**

Approved on behalf of the Board of Directors on the 31st of October 2013

Mr. Dale Crighton
Chairman

Mr. David Archbold
Managing Director

The accompanying notes form an integral part of these financial statements.

Information and Communications Technology Authority
Statement of Comprehensive Income
For the year ended 30 June 2013
(in Cayman Islands dollars)

	Notes	2013	2012
INCOME			
Regulatory fees		$ 1,065,025	$ 1,049,561
Services provided to Government	7	340,091	339,526
Radio licences		137,709	123,736
Licensing fees		152,520	154,162
Other income		5,330	6,844
		1,700,675	**1,673,829**
EXPENSES			
Salaries and employee benefits	7, 9	1,008,190	974,361
Legal and professional fees		153,710	121,353
Domain administration		93,799	93,799
Lease of office space	10	73,663	73,663
Directors' fees		45,300	43,200
Utilities		29,432	30,152
Travel		37,679	25,401
Miscellaneous expenses		19,118	16,108
Insurance		14,163	15,153
Computer maintenance		12,110	13,658
Subscriptions		11,066	12,066
Bank charges		9,157	8,953
Depreciation and amortisation	5	4,398	7,080
Supplies and materials		2,168	5,999
		1,513,953	**1,440,946**
NET COMPREHENSIVE INCOME FOR THE YEAR		**$ 186,722**	**$ 232,883**

The accompanying notes form an integral part of these financial statements.

Information and Communications Technology Authority
Statement of Changes in Equity
For the Year Ended 30 June 2013
(in Cayman Islands dollars)

	Notes	Contributed capital	General reserve	Accumulated (deficit) surplus	Total equity
Balance at June 30, 2011		$ 887,500	$ 720,000	$ (65,039)	$ 1,542,461
Net comprehensive income for the year		-	-	232,883	232,883
Transfer to general reserve	8	-	84,000	(84,000)	-
Balance at June 30, 2012		**$887,500**	**$804,000**	**$83,844**	**$1,775,344**
Net comprehensive income for the year				186,722	186,722
Transfer to general reserve	8		60,000	(60,000)	-
Payment to Government				(83,844)	(83,844)
Balance at June 30, 2013		**$ 887,500**	**$ 864,000**	**$ 126,722**	**$ 1,878,222**

The accompanying notes form an integral part of these financial statements.

Information and Communications Technology Authority
Statement of Cash Flows
For the year ended 30 June 2013
(in Cayman Islands dollars)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net comprehensive income for year		$ 186,722	$ 232,883
Adjustment for non-cash transactions:			
Depreciation and amortisation	5	4,398	7,080
		191,120	239,963
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable		(24,041)	574,395
Prepaid expenses		(7,589)	(4,575)
Accounts payable and accrued liabilities		(11,484)	(138,156)
Net cash provided by operating activities		148,006	671,627
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(25,794)	-
Net cash used in investing activities		(25,794)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment to government		(83,844)	-
Net cash used in financing activities		(83,844)	-
Net increase in cash and cash equivalents during the year		38,368	671,627
Cash and cash equivalents at beginning of year		1,437,400	765,773
CASH AND CASH EQUIVALENTS AT END OF YEAR		**$ 1,475,768**	**$ 1,437,400**

The accompanying notes form an integral part of these financial statements.

1. Establishment and principal activities

The Information and Communications Technology Authority ("ICTA" or "Authority") is an independent Statutory Authority that was created on 17 May 2002 by the Information and Communications Technology Authority Law, 2002. The Authority reports to the Legislative Assembly of the Cayman Islands on its operations through the Ministry of District Administration, Works, Lands and Agriculture of the Cayman Islands Government.

The ICTA is responsible for the regulation and licensing of telecommunications, broadcasting, and all forms of radio transmission that includes ship, aircraft, mobile and amateur radio in the Cayman Islands. The ICTA oversees the administration and management of the ".ky" domain, and also has a number of responsibilities under the Electronic Transactions Law, 2000.

The Cayman Islands Government appoints the Chairman and Members to the Authority's Board of Directors.

As at 30 June 2013, the ICTA had 9 employees, (2012: 9). The ICTA is located at 85 North Sound Way, 3rd floor of Alissta Tower, P.O. Box 2502 George Town, Grand Cayman, KY1-1104, Cayman Islands.

2. Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The significant accounting policies adopted by the ICTA in these financial statements are as follows:

(a) Basis of preparation

The financial statements of the ICTA are presented in Cayman Island dollars and are prepared on the accruals basis under the historical cost convention.

(b) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

(c) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statements date. Revenue and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of comprehensive income.

2. Significant accounting policies (continued)

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(e) Accounts receivable

Accounts receivable are recognised initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collectible by the Authority according to the agreed terms a provision for bad debt is established.

(f) Property, plant and equipment/depreciation and amortisation

Property, Plant and Equipment are stated at cost less accumulated depreciation and amortisation, and any impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the property, plant and equipment except for leasehold improvements which are amortised over the life of the lease.

The estimated useful lives of the property, plant and equipment are as follows:

Office equipment and furniture	4 - 12 Years
IT equipment	3 Years
Leasehold improvements	5 Years

Management reviews the depreciation and amortisation method and useful life periodically to ensure that they are consistent with the expected economic benefits from property, plant and equipment.

(g) Revenue recognition

Services provided to Cabinet are recognised when the services agreed in the purchase agreement are performed and the Government is invoiced. Services are billed at cost to the Government (see also Related Party Note 7).

Regulatory and licensing fees are recognised as revenue when they are due to the Authority. Radio licence fees are recognised when received by the Authority. Application and licence fees are non-refundable.

(h) Operating lease

Lease payments are recognised as an expense on a straight-line basis over the lease term.

(i) Financial instruments

(i) Classification

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets are comprised of cash and cash equivalents and receivables.

2. Significant accounting policies (continued)

(i) Financial Instruments (continued)

(i) Classification (continued)

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are comprised of accounts payables and accrued expenses.

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statement of comprehensive income.

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

(iv) Derecognition

A financial asset is derecognised when the Authority realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expired.

(j) Provisions and Contingencies

Provisions are recognised when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but are disclosed in the financial statements when an inflow of economic benefits is probable.

(k) Employee Benefits

Employee entitlements such as, annual leave, long service leave, retiring leave and other similar benefits are recognised in the statement of comprehensive income when they are earned by employees. Employee entitlements to be settled within one year following the year end outstanding at that date are reported as current liabilities at the amount expected to be paid.

Retirement benefits are provided to employees through a defined contribution plan, as well as a defined benefit plan.

2. Significant accounting policies (continued)

(k) Employee Benefits (continued)

Defined Contribution Plan
The Authority participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Public Service Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 12%, whereby the employer pays both the employer and employee contributions. In addition, the Authority is also required to contribute to the Public Service Pension Plan, an extra 1% of each employee's monthly salary. This 1% is a Past Service Liability (PSL) cost to cover a deficiency in the Fund.

Contributions are also made to Silver Thatch Pension Plan on behalf of one employee who, having already attained the age of 60, is ineligible to participate in the Public Service Pension Fund. This is also a defined contribution fund. The Authority pays both the employer and the employee contributions amounting to 12% of the employee's salary.

Defined Benefit Plan
The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each financial position date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Authority's defined obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability comprises the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(l) Subsequent Events

Post-year-end events that provide additional information about the Authority's position at the financial position date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed in the notes to the financial statements when material.

(m) Changes in International Financial Reporting Standards

Several new standards and amendments effective January 2013. However, they do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

IAS 1 Clarification of the requirement for comparative information (Amendment)
The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

2. Significant accounting policies (continued)

(m) Changes in International Financial Reporting Standards (continued)

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. This standard does not have an impact on the Authority's financial statements.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the financial statements for the Authority, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. This standard do not have an impact on the Authority's financial statements.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Authority is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Authority.

2. Significant accounting policies (continued)

(n) Changes in International Financial Reporting Standards (continued)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the financial statements of the Authority.

3. Cash and cash equivalents

	2013	2012
Checking account	$ 1,003,168	$ 966,056
Fixed deposits	472,600	471,344
	$ 1,475,768	$ 1,437,400

4. Accounts receivable

Management estimates that accounts receivable of $386,280 as of 30 June 2013 are fully collectible. During the year, there were no bad debts written off (2012: Nil).

5. Property, plant and equipment

	As at 30 June 2013			
	Office Equipment and Furniture	IT Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	$ 90,954	$ 161,485	$ 231,907	$ 484,346
Additions	-	25,794	-	25,794
Disposals	-	-	-	-
Balance at end of year	90,954	187,279	231,907	510,140
Accumulated depreciation and Amortisation				
Balance at beginning of year	76,308	100,901	231,907	409,116
Charge for year	3,326	1,072	-	4,398
Disposals				
Balance at end of year	79,634	101,973	231,907	413,514
Net Book Value At 30 June 2013	**$ 11,320**	**$ 85,306**	**$ -**	**$ 96,626**

5. Property, plant and equipment (continued)

	As at 30 June 2012			
	Office Equipment and Furniture	IT Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	$ 90,954	$ 161,485	$ 231,907	$ 484,346
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at end of year	90,954	161,485	231,907	484,346
Accumulated depreciation and Amortisation				
Balance at beginning of year	71,806	98,372	231,858	402,036
Charge for year	4,502	2,529	49	7,080
Disposals	-	-	-	-
Balance at end of year	76,308	100,901	231,907	409,116
Net Book Value At 30 June 2012	**$ 14,646**	**$ 60,584**	**$ -**	**$ 75,230**

6. Accounts payable and accrued liabilities

	2013	2012
Accounts payable	$ 96,743	$ 109,861
Accruals	49,856	48,222
	$ 146,599	$ 158,083

7. Related party balances and transactions

The following balances and transactions occurred during the period between the Authority and Cayman Islands Government.

	2013	2012
Accounts Receivable – Government	$170,046	$169,762
Services provided to Cabinet	$340,091	$339,526
	$ 510,027	$ 509,288

During the year, the Cayman Islands Government engaged the Authority to provide, a number of information and communications technology ("ICT") related services. The provision of these services (or "Outputs") is formalised in a purchase agreement which includes the collection and verification of royalties paid by ICTA Licensees, policy advice on ICT matters and drafting instructions for ICT legislation and regulations. Additionally, in lieu of subsidies, the Government pays the Authority for services such as the management of the Electromagnetic Spectrum.

As part of the services provided to Government, the Authority collected, verified and remitted the 6% Royalty Fee from ICTA Licensees, as follows.

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2013	2012
Balance at beginning of period	$ -	$ -	$ -	$ -	$ -	$ -
Amount collected	1,821,785	1,877,100	2,056,208	1,788,361	7,543,454	7,669,975
Amount paid	(1,821,785)	(1,877,100)	(2,056,208)	(1,788,361)	(7,543,454)	(7,669,975)
Balance at end of period	$ -	$ -	$ -	$ -	$ -	$ -

7. Related party balances and transactions (continued)

As detailed in Note 9, the Authority on behalf of its eligible employees paid contributions of $80,839 to the Public Service Pensions Plan during the period (2012: $77,806).

Salaries and other short-term employee benefits for four (4) key management of $641,497 (2012: $609,219) are included within salaries and employee benefits.

8. General reserve

Section 18 of the ICTA Law (2010) requires the Authority to maintain a reserve fund; the management of such fund being at the discretion of the Authority. The Law requires the fund to be applied only for the purposes of the Authority. The current reserve account represents approximately six times the monthly operating requirements (2012: 6 months).

For the year ended 30 June 2013 $60,000 was transferred to the General Reserve Fund (2012: $84,000).

9. Pensions

Contributions to Public Service Pensions Plan
During the current year, the Authority recognised pension expenses under salaries and employee benefits of $80,839 (2012: $77,806) paid to the Public Service Pensions Fund.

Contributions to Silver Thatch Pension Plan
During the year, the Authority recognised pension expense (under salaries and employee benefits) of $18,152 (2012: $18,152), for one employee.

Public Service Defined Benefit Plan
The Authority has one employee who is an active participant in the Public Service defined benefit plan.

10. Lease commitments

The Authority leases the third floor of Alissta Towers under an operating lease. The Lease payments are $6,139 per month. Future lease commitments are:

Period	Amount
1 July 2013 to 30 November 2013	$30,695

At the termination of the lease, unless agreed between the Landlord and the Authority in writing, the Authority is to remove at its cost and expense any partitions, structures, additions or improvements erected by the Authority and shall reinstate the premises to the condition they were in at the commencement of the term.

11. Financial risk management objectives and policies

The Authority's principal financial assets are comprised of cash and cash equivalents and accounts receivables. Financial liabilities are solely Accounts payable and other liabilities. The Authority's Board of Directors has overall responsibility for the establishment and oversight of its risk management policies which are designed to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

11. Financial risk management objectives and policies (continued)

Risk management policies and systems are periodically reviewed to reflect changes in market conditions and Authority's activities. The most important types of financial risk to which the Authority is exposed are market risk, credit risk, liquidity risk and interest rate risk.

a) Market Risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority did not hold any financial instrument that was subject to market risk at June 30, 2013.

b) Credit Risk
Credit risk for the Authority is the risk that counterparty will not meet its obligation under a financial instrument, leading to a financial loss. The Authority is exposed to credit risk primarily from its receivables from licensees, and from its various deposits in its bank. The Authority does not have the flexibility in refusing to transact with a licensee in accordance with the laws.

At year-end, the Authority evaluates the financial capability of its licensees to determine any issues with collectability that can result in a financial loss. The Authority also continues to monitor the financial soundness of its banking institution, and currently believes that there are no issues impacting the bank's ability to repay amounts in accordance with the respective terms of various deposits.

The Authority's accounts receivable balance does not have any significant credit risk exposure to any single licensee, but is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Authority's licencees include well-established local telecommunication and media companies and, at 30 June 2013, there have been no indications of any insolvency in those entities that impacts their ability to pay the Authority. On the other hand, the Authority's deposits are concentrated in a single banking institution based locally.

The maximum exposure to credit risk at June 30, 2013, is as follows:

	2013	2012
Cash and cash equivalents	$ 1,475,768	$ 1,437,400
Accounts receivable	386,280	362,239
	$1,862,048	$1,799,639

c) Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk management process ensures that the Authority is able to honour all of its financial commitments when due. The Authority manages liquidity risk by ensuring that it has sufficient cash on demand to meet expected operational expenses and servicing of financial obligations.

d) Interest Rate Risk
The Authority is subject to interest rate risk on the cash placed with a local bank which attracts interest. Interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The total interest earned during the year ended 30 June 2013 was $1,235 (2012: $1,016).

12. Financial instruments

Fair values. The carrying amount of cash deposits, prepayments, accounts receivable and accounts payables and accrued liabilities approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.