

Information and Communications Technology Authority

Financial Statements

30 June 2011

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

FINANCIAL STATEMENTS 30 June 2011

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Information & Communications Technology Authority

Statement of Responsibility for Financial Statements

JUNE 30, 2011

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, (2010 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, (2010 Revision)*.

As Acting 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 Acting 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, statement of comprehensive income, statement of cash flows and statement of changes in equity for the financial year ended June 30, 2011.

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, 2011;
- (b) fairly reflect the financial position as at 30 June 2011 and comprehensive income for the year ended 30 June 2011; 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. Lyndhurst Bodden
Acting Chairman

Date: OCT 19 2011

Mr. Dave Archbold
Managing Director

Date: 19 OCT 2011

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 2011, 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 (2006 Revision)* , and Section 60(a)(ii) of the *Public Management and Finance Law (2010 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 qualified audit opinion.

Basis for Qualified Opinion

As disclosed in Note 7 of the financial statements, the Authority has one employee who is an active participant in the Public Service defined benefit plan. The Authority is not able to quantify and record the past service pension liability as at 30 June 2011 and to make the disclosures necessary to comply with International Accounting Standards 19 as an actuarial valuation has not been done.

Qualified Opinion

In my opinion, except for the possible effects of the adjustments necessary for recording the past service pension liability, these financial statements present fairly, in all material respects, the financial position of the Information and Communications Technology Authority as of 30 June 2011, and of its comprehensive income and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
19 October 2011

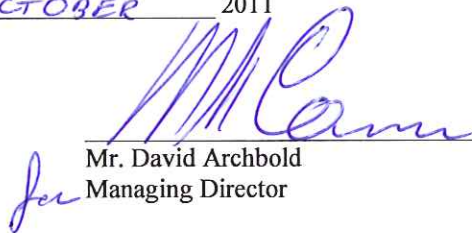
Information and Communications Technology Authority
Statement of Financial Position
As at 30 June 2011
(in Cayman Islands dollars)

CURRENT ASSETS	Notes	2011	2010
Cash and cash equivalents		\$ 765,773	\$ 880,293
Accounts receivables	3,5	936,634	600,510
Prepaid expenses		53,983	47,068
		<u>1,756,390</u>	<u>1,527,871</u>
NON-CURRENT ASSETS			
Property, plant and equipment	4	82,310	97,790
TOTAL ASSETS		<u>\$ 1,838,700</u>	<u>\$ 1,625,661</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 296,239	\$ 102,803
EQUITY			
Contributed capital		887,500	887,500
General reserve	6	720,000	720,000
Accumulated deficit		(65,039)	(84,642)
		<u>1,542,461</u>	<u>1,522,858</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 1,838,700</u>	<u>\$ 1,625,661</u>

Approved on behalf of the Board on the 19 of OCTOBER 2011



Mr. Lyndhurst Bodden
Acting 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 2011
(in Cayman Islands dollars)

INCOME	Notes	2011	2010
Regulatory fees		\$ 1,006,500	\$ 997,500
Services provided to Government	5	329,367	345,101
Radio licences		122,286	126,926
Licensing fees		101,954	64,900
Other income		6,046	5,631
		1,566,153	1,540,058
EXPENSES			
Salaries and employee benefits	7	859,221	953,160
Legal and professional fees		300,346	301,637
Domain administration		93,826	93,817
Lease of office space	8	73,663	72,048
Travel		63,290	16,800
Directors' fees		45,100	54,992
Utilities		30,298	28,002
Miscellaneous expenses		17,914	16,954
Insurance		15,929	16,412
Depreciation and amortisation	4	15,480	17,117
Computer maintenance		11,984	10,611
Subscriptions		9,161	9,615
Bank charges		8,555	8,048
Supplies and materials		1,783	2,536
		1,546,550	1,601,749
NET INCOME/(LOSS) FOR THE YEAR		\$ 19,603	\$ (61,691)

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 2011
(in Cayman Islands dollars)

	Notes	Contributed capital	General reserve	Accumulated deficit	Total equity
Balance at June 30, 2009		\$887,500	\$720,000	\$(22,951)	\$1,584,549
Net loss for the year		-	-	(61,691)	(61,691)
Transfer to general reserve	6	-	-	-	-
Balance at June 30, 2010		887,500	720,000	(84,642)	1,522,858
Net income for the year		-	-	19,603	19,603
Balance at June 30, 2011		\$887,500	\$720,000	\$(65,039)	\$1,542,461

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 2011
(in Cayman Islands dollars)

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net income/(loss) for year		\$ 19,603	\$ (61,691)
Adjustment for non cash transactions:			
Depreciation and amortisation	4	15,480	17,117
		35,083	(44,574)
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable	3	(336,124)	(363,840)
Prepaid expenses		(6,915)	63,224
Accounts payable and accrued liabilities		193,436	(7,249)
Net Cash used in operating activities		<u>(114,520)</u>	<u>(352,439)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	-	(60,253)
Net Cash used in investing activities		<u>-</u>	<u>(60,253)</u>
Net decrease in cash and cash equivalents during the year		(114,520)	(412,692)
Cash and cash equivalents at beginning of year		880,293	1,292,985
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>\$ 765,773</u></u>	<u><u>\$ 880,293</u></u>

The accompanying notes form an integral part of these financial statements

Information and Communications Technology Authority

Notes to the 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 30th June 2011, the ICTA had 9 employees, (2010: 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.

Information and Communications Technology Authority
Notes to the Financial Statements

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 and leasehold improvements are amortised over the life of the lease.

The estimated useful lives of the other fixed assets 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 5).

Regulatory and licensing fees are recognised as revenue when they are due to the Authority. Radio licence fees are recorded 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 prepayments.

Information and Communications Technology Authority

Notes to the Financial Statements

2. Significant accounting policies (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) Subsequent Events

Post-year-end events that provide additional information about the Authority's position at balance sheet 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.

(l) Changes in International Financial Reporting Standards

(i) Amendments to published standards effective January 1, 2010:

IAS 1 - Presentation of Financial Statements (amended and effective for periods beginning after January 1, 2010) – provides clarification that the potential settlement of a liability by an issue of equity is not relevant in classifying the liability as current or non-current. The adoption of the amendment did not have any impact on the financial position or comprehensive income of the Authority.

Information and Communications Technology Authority

Notes to the Financial Statements

2. Significant accounting policies (continued)

IFRS 2 – Share-based Payment (amended and effective for periods beginning January 1, 2010) – incorporates IFRIC 8, “Scope of IFRS 2” and IFRIC 11, “IFRS 2 – Group and treasury share transactions”, the amendments also expand on guidance in IFRIC 11 to address the classification of group arrangements. The adoption of the amendment did not have any impact on the financial position or comprehensive income of the Authority.

IFRS 5 – Non-current assets held for sale and discontinued operations (amended and effective for periods beginning after January 1, 2010) - specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. The adoption of the amendment did not have any impact on the financial position nor comprehensive income of the Authority.

IAS 24 – Related party disclosures (amended and effective for periods beginning after January 1, 2011) - simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The adoption of the amendment did not have any impact on the financial position or comprehensive income of the Authority.

(ii) Relevant standards and amendments issued prior to June 30, 2011, but not effective until future periods

IFRS 9 – Financial instruments (effective for periods beginning January 1, 2013) – addresses classification and measurement of financial instruments and replaces portions of IAS 39. Financial instruments can only be measured at amortised cost or fair value. Equity securities can only be recorded at fair value. An entity can record unrealised and realised gains or losses in other comprehensive income on an instrument by instrument basis and the election to do so is at initial recognition and this election is irrevocable. Dividend income on these equity securities can be recorded in profit and loss. Debt securities can only be recorded at amortised cost if the objective is to hold financial assets for the collection of contractual cash flows and the contractual cash flows represent solely payments of principal and interest, otherwise debt securities must be carried at fair value. An entity can still designate a financial instrument at fair value through profit and loss – however, this is an irrevocable election and the entity has to be consistent with this basis from year to year.

The Authority does not have any securities other than a term deposit and it would not be foreseen that it acquires any securities other than a term deposit in the future. The Authority is not in the business of investing in equities and, even though this is not applicable until 2013, this will not affect the Authority.

IFRIC 19 – “Extinguishing Financial Liabilities with Equity Instruments” (effective July 1, 2010) clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt. This interpretation is not expected to impact the Authority.

3. Accounts receivable

Management estimates that accounts receivable as of 30 June 2011 are fully collectible. During the year, there were no bad debts written off (2010: Nil).

Information and Communications Technology Authority
Notes to the Financial Statements

4. Property, plant and equipment

	2011			
	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	65,743	89,257	231,556	386,556
Charge for year	6,063	9,115	302	15,480
Disposals	-	-	-	-
Balance at end of year	71,806	98,372	231,858	402,036
Net Book Value At 30 June 2011	\$ 19,148	\$ 63,113	\$ 49	\$ 82,310

	2010			
	Office Equipment and Furniture	IT Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	\$ 90,954	\$101,232	\$ 231,907	\$ 424,093
Additions	-	60,253	-	60,253
Disposals	-	-	-	-
Balance at end of year	90,954	161,485	231,907	484,346
Accumulated depreciation and Amortisation				
Balance at beginning of year	59,583	78,602	231,254	369,439
Charge for year	6,160	10,655	302	17,117
Disposals	-	-	-	-
Balance at end of year	65,743	89,257	231,556	386,556
Net Book Value At 30 June 2010	\$ 25,211	\$ 72,228	\$ 351	\$ 97,790

5. Related party transactions

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

	2011	2010
Accounts Receivable – Government	\$674,468	\$345,101
Services provided to Cabinet	\$329,367	\$345,101

Information and Communications Technology Authority

Notes to the Financial Statements

5. Related party transactions (continued)

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 such services 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	2011	2010
Balance at beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount collected	1,791,233	1,814,942	2,169,682	1,818,227	7,594,084	7,725,289
Amount paid	(1,791,233)	(1,814,942)	(2,169,682)	(1,818,227)	(7,594,084)	(7,725,289)
Balance at end of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

As detailed in Note 7, the Authority on behalf of its eligible employees paid contributions of \$65,248 to the Public Service Pensions Plan during the period (2010: \$79,093).

Salaries and other short-term employee benefits for key management of \$440,001 (2010: \$483,064) are included within Staff Costs.

6. General reserve

Section 18 of the ICTA Law (2002) 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 (2010: 6 months).

For the year ended 30 June 2011, there was no transfer to the General Reserve Fund (2010: \$NIL).

7. Pensions

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. 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. During the current year, the Authority recorded pension expenses under salaries and employee benefits of \$65,248 (2010: \$79,093) to the Public Service Pensions 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. During the year, the Authority recorded pension expense (under salaries and employee benefits) of \$18,152 (2010: \$18,152), in relation to this employee.

Information and Communications Technology Authority

Notes to the Financial Statements

7. Pensions (continued)

The Authority has one employee who is an active participant in the Public Service defined benefit plan. The Authority is not able to quantify and record the past service pension liability as at 30 June 2011 as an actuarial valuation has not been done.

8. Lease commitments

The Authority leases the third floor of Alissta Towers under an operating lease. The lease term is for two years from period November 1, 2007 until October 31, 2009 with the option to renew the lease for further two years until November 30, 2011. The Lease payments are \$5,816 per month and are subject to an increase to \$6,139 per month until June 2011. Future lease payments are:

Period	Amount
1 July 2011 to 30 November 2011	\$30,693

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.

9. Financial risk management objectives and policies

The Authority's principal financial assets are comprised of cash and receivables. Financial liabilities are solely trade and other payables. 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. 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 have any financial instrument that was subject to market risk during the year ended June 30, 2011.

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 licensees include well-established local telecommunication and media companies and, at 30 June 2011, 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.

Information and Communications Technology Authority

Notes to the Financial Statements

9. Financial risk management objectives and policies (continued)

The maximum exposure to credit risk at June 30, 2011, is as follows:

	2011	2010
Cash and cash equivalents	\$ 765,773	\$ 880,293
Accounts receivable	936,634	600,510
	<u>\$1,702,407</u>	<u>\$1,480,803</u>

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 2011 was \$1,069 (2010: \$1,542).

10. 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.