

**Information and Communications
Technology Authority**

Financial Statements

30 June 2012

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

**FINANCIAL STATEMENTS
30 June 2012**

Table of Contents

Statement of Responsibility For Financial Statements	Page 1
Auditor General's Report	Page 2
Statement of Financial Position	Page 4
Statement of Comprehensive Income	Page 5
Statement of Changes in Equity	Page 6
Statement of Cash Flows	Page 7
Notes to the Financial Statements	Page 8-17



PO Box 2502
Grand Cayman KY1-1104
CAYMAN ISLANDS
Tel: (345) 946-ICTA (4282)
Fax: (345) 945-8284
Web: www.icta.ky

Information & Communications Technology Authority

Information and Communications Technology Authority Statement of Responsibility for Financial Statements

JUNE 30, 2012

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, financial performance and cash flows for the financial year ended June 30, 2012.

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, 2012;
- (b) fairly reflect the financial position as at 30 June 2012 and comprehensive income for the year ended 30 June 2012; 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.

Paul Tibbetts
Acting Chairman

Date: OCT 19 2012

Mr. Dave Archbold
Managing Director

Date: 19 OCTOBER 2012

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 2012, 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 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.



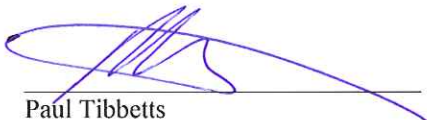
Alastair Swarbrick, MA (Hons), CPFA
Auditor General

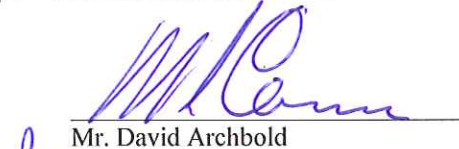
Cayman Islands
October 19, 2012

Information and Communications Technology Authority
Statement of Financial Position
As at 30 June 2012
(in Cayman Islands dollars)

CURRENT ASSETS	Notes	2012	2011
Cash and cash equivalents		\$ 1,437,400	\$ 765,773
Accounts receivables	3,5	362,239	936,634
Prepaid expenses		58,558	53,983
		<u>1,858,197</u>	<u>1,756,390</u>
NON-CURRENT ASSETS			
Property, plant and equipment	4	75,230	82,310
TOTAL ASSETS		<u>\$ 1,933,427</u>	<u>\$ 1,838,700</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 158,083	\$ 296,239
EQUITY			
Contributed capital		887,500	887,500
General reserve	6	804,000	720,000
Accumulated surplus (deficit)		83,844	(65,039)
		<u>1,775,344</u>	<u>1,542,461</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 1,933,427</u>	<u>\$ 1,838,700</u>

Approved on behalf of the Board of Directors on the 19TH of OCTOBER 2012


Paul Tibbetts
Acting Chairman


for 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 2012

(in Cayman Islands dollars)

INCOME	Notes	2012	2011
Regulatory fees		\$ 1,049,561	\$ 1,006,500
Services provided to Government	5	339,526	329,367
Radio licences		123,736	122,286
Licensing fees		154,162	101,954
Other income		6,844	6,046
		1,673,829	1,566,153
 EXPENSES			
Salaries and employee benefits	5, 7	974,361	859,221
Legal and professional fees		121,353	300,346
Domain administration		93,799	93,826
Lease of office space	8	73,663	73,663
Directors' fees		43,200	45,100
Utilities		30,152	30,298
Travel		25,401	63,290
Miscellaneous expenses		16,108	17,914
Insurance		15,153	15,929
Computer maintenance		13,658	11,984
Subscriptions		12,066	9,161
Bank charges		8,953	8,555
Depreciation and amortisation	4	7,080	15,480
Supplies and materials		5,999	1,783
		1,440,946	1,546,550
 NET COMPREHENSIVE INCOME FOR THE YEAR		\$ 232,883	\$ 19,603

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 2012
(in Cayman Islands dollars)

	Notes	Contributed capital	General reserve	Accumulated (deficit) surplus	Total equity
Balance at June 30, 2010		\$887,500	\$720,000	\$(84,642)	\$1,522,858
Net comprehensive income for the year		-	-	19,603	19,603
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	6	-	84,000	(84,000)	-
Balance at June 30, 2012		\$887,500	\$804,000	\$83,844	\$1,775,344

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 2012
(in Cayman Islands dollars)

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net comprehensive income for year		\$ 232,883	\$ 19,603
Adjustment for non-cash transactions:			
Depreciation and amortisation	4	7,080	15,480
		239,963	35,083
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable	3	574,395	(336,124)
Prepaid expenses		(4,575)	(6,915)
Accounts payable and accrued liabilities		(138,156)	193,436
Net Cash used in operating activities		<u>671,627</u>	<u>(114,520)</u>
Net increase (decrease) in cash and cash equivalents during the year		671,627	(114,520)
Cash and cash equivalents at beginning of year		765,773	880,293
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 1,437,400</u>	<u>\$ 765,773</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 30 June 2012, the ICTA had 9 employees, (2011: 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 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 5).

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.

Information and Communications Technology Authority

Notes to the Financial Statements

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.

Information and Communications Technology Authority

Notes to the Financial Statements

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 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.

(m) Changes in International Financial Reporting Standards

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the entity's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Authority's financial position or comprehensive income.

Information and Communications Technology Authority

Notes to the Financial Statements

2. Significant accounting policies (continued)

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

(i) Amendments to published standards effective January 1, 2011:

International Accounting Standards (IAS) 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or comprehensive income of the Authority.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Authority because the Authority does not have these types of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Authority is not subject to minimum funding requirements in Euroland, therefore the amendment of the interpretation has no effect on the financial position nor comprehensive income of the Authority.

Improvements to IFRSs

IFRS 7 Financial Instruments — Disclosures

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Authority reflects the revised disclosure requirements in Note 10.

IAS 1 Presentation of Financial Statements

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The adoption of the amendment did not have any impact on the comprehensive income of the Authority.

(ii) Relevant standards and amendments issued prior to June 30, 2012, but not effective until future periods

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued are those that the Authority reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

Information and Communications Technology Authority

Notes to the Financial Statements

2. Significant accounting policies (continued)

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

(ii) Relevant standards and amendments issued prior to June 30, 2012, but not effective until future periods (continued)

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Authority’s financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Authority had made a voluntary change in accounting policy to recognise actuarial gains and losses in OCI in the current period. The Authority is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Authority’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Authority will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Authority is currently assessing the impact that this standard will have on the financial position and comprehensive income. This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. Accounts receivable

Management estimates that accounts receivable as of 30 June 2012 are fully collectible. During the year, there were no bad debts written off (2011: Nil).

Information and Communications Technology Authority
Notes to the Financial Statements

4. Property, plant and equipment

	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

	As at 30 June 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

5. Related party balances and transactions

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

	2012	2011
Accounts Receivable – Government	\$169,762	\$674,468
Services provided to Cabinet	\$339,526	\$329,367

Information and Communications Technology Authority

Notes to the Financial Statements

5. Related party balances and 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 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	2012	2011
Balance at beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount collected	1,784,897	1,767,056	2,226,571	1,891,451	7,669,975	7,594,084
Amount paid	(1,784,897)	(1,767,056)	(2,226,571)	(1,891,451)	(7,669,975)	(7,594,084)
Balance at end of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

As detailed in Note 7, the Authority on behalf of its eligible employees paid contributions of \$77,806 to the Public Service Pensions Plan during the period (2011: \$65,248).

Salaries and other short-term employee benefits for key management of \$609,219 (2011: \$440,001) are included within salaries and employee benefits.

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 (2011: 6 months).

For the year ended 30 June 2012 \$84,000 was transferred to the General Reserve Fund (2011: \$NIL).

7. Pensions

Contributions to Public Service Pensions Plan

During the current year, the Authority recognised pension expenses under salaries and employee benefits of \$77,806 (2011: \$65,248) 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 (2011: \$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.

Information and Communications Technology Authority

Notes to the Financial Statements

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. Negotiations for the renewal of the lease are currently ongoing. Future lease commitments are:

Period	Amount
1 July 2012 to 30 November 2012	\$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.

9. 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. 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, 2012.

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 2012, 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)

b) Credit Risk (continued)

The maximum exposure to credit risk at June 30, 2012, is as follows:

	2012	2011
Cash and cash equivalents	\$ 1,437,400	\$ 765,773
Accounts receivable	362,239	936,634
	<u>\$1,799,639</u>	<u>\$1,702,407</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 2012 was \$1,017 (2011: \$1,069).

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.