

FINANCIAL STATEMENTS
INFORMATION AND COMMUNICATION
TECHNOLOGY AUTHORITY
30 June 2014

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

FINANCIAL STATEMENTS
30 June 2014

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Information and Communications Technology Authority
Statement of Responsibility for the Financial Statements
June 30, 2014

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 (2013 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 (2013 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.

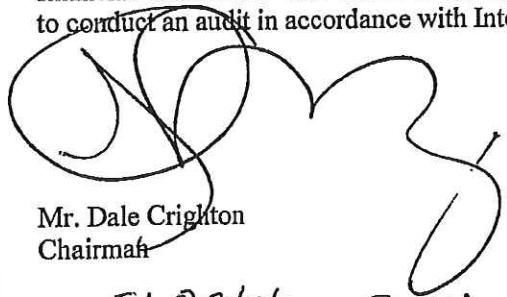
As Chairman and Managing Director, we are responsible for the preparation of the Information and Communications Technology Authority's financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, comprehensive income and cash flows for the financial year ended June 30, 2014.

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, 2014;
- (b) fairly reflect the financial position as at 30 June 2014 and comprehensive income for the year ended 30 June 2014; 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: 31 October 2014



Mr. Alep Fa'amoe
Managing Director

Date: 31 October 2014

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 2014 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 (2013 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 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'A S', followed by a long, wavy horizontal line that ends in a small upward tick.

Alastair Swarbrick, MA (Hons), CPFA
Auditor General

Cayman Islands
October 31, 2014

Information and Communications Technology Authority
Statement of Financial Position
As at 30 June 2014
(in Cayman Islands dollars)

	Notes	2014	2013
CURRENT ASSETS			
Cash and cash equivalents	3,11	\$ 1,650,656	\$ 1,475,768
Accounts receivable	4,7,11	233,238	386,280
Prepaid expenses		52,189	66,147
		<u>1,936,083</u>	<u>1,928,195</u>
NON-CURRENT ASSETS			
Property, plant and equipment	5	99,938	96,626
TOTAL ASSETS		<u>\$ 2,036,021</u>	<u>\$ 2,024,821</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	\$ 103,452	\$ 146,599
EQUITY			
Contributed capital		887,500	887,500
General reserve	8	924,000	864,000
Accumulated surplus		121,069	126,722
		<u>1,932,569</u>	<u>1,878,222</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 2,036,021</u>	<u>\$ 2,024,821</u>

Approved on behalf of the Board of Directors on the 31 of October 2014

Mr. Dale Crighton
Chairman

Mr. Alee Fa'amoe
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 2014
(in Cayman Islands dollars)

INCOME	Notes	2014	2013
Regulatory fees		\$ 1,171,518	\$ 1,065,025
Services provided to Government	7	345,551	340,091
Radio licences		139,135	137,709
Licensing fees		116,360	152,520
Other income		6,390	5,330
		1,778,954	1,700,675
EXPENSES			
Salaries and employee benefits	7, 9	1,113,136	1,008,190
Legal and professional fees		123,256	153,710
Domain administration		93,799	93,799
Lease of office space	10	73,663	73,663
Directors' fees		42,500	45,300
Travel		36,925	37,679
Utilities		30,350	29,432
Miscellaneous expenses		24,377	19,118
Insurance		14,051	14,163
Depreciation and amortisation	5	13,343	4,398
Computer maintenance		12,185	12,110
Bank charges		9,247	9,157
Subscriptions		6,651	11,066
Supplies and materials		4,402	2,168
		1,597,885	1,513,953
NET COMPREHENSIVE INCOME FOR THE YEAR		\$ 181,069	\$ 186,722

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 2014
(in Cayman Islands dollars)

	Notes	Contributed capital	General reserve	Accumulated (deficit) surplus	Total equity
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
Net comprehensive income for the year		-	-	181,069	181,069
Transfer to general reserve	8	-	60,000	(60,000)	-
Payment to Government		-	-	(126,722)	(126,722)
Balance at June 30, 2014		\$ 887,500	\$ 924,000	\$ 121,069	\$ 1,932,569

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 2014
(in Cayman Islands dollars)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net comprehensive income for year		\$ 181,069	\$ 186,722
Adjustment for non-cash transactions:			
Depreciation and amortisation	5	13,343	4,398
		194,412	191,120
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable		153,042	(24,041)
Prepaid expenses		13,958	(7,589)
Accounts payable and accrued liabilities		(43,147)	(11,484)
Net cash provided by operating activities		318,265	148,006
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(16,655)	(25,794)
Net cash used in investing activities		(16,655)	(25,794)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment to government		(126,722)	(83,844)
Net cash used in financing activities		(126,722)	(83,844)
Net increase in cash and cash equivalents during the year		174,888	38,368
Cash and cash equivalents at beginning of year		1,475,768	1,437,400
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$ 1,650,656	\$ 1,475,768

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

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

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 Planning, Lands, Agriculture, Housing and Infrastructure 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 2014, the ICTA had 9 employees, (2013: 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. Income 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
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

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) Income 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.

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

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
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

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

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (Effective for annual periods beginning on or after 1 January 2014)

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems), which apply gross settlement mechanisms that are not simultaneous. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself.

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

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

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (Effective for annual periods beginning on or after 1 January 2014) (continued)

The amendments also clarify that rights of set-off must not be contingent on a future event. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion.

IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments) (Effective for annual periods beginning on or after 1 January 2014)

The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. The key amendments include: • 'Investment entity' is defined • An investment entity must meet three elements of the definition and consider four typical characteristics, in order to qualify as an investment entity • An entity must consider all facts and circumstances, including its purpose and design, in making its assessment • An investment entity accounts for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures) • An investment entity must measure its investment in another controlled investment entity at fair value • A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees • For venture capital organisations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, is retained.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39 (Effective for annual periods beginning on or after 1 January 2014)

The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument. The amendments cover novations: • That arise as a consequence of laws or regulations, or the introduction of laws or regulations • Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties • That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries.

For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

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

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 (Effective for annual periods beginning on or after 1 January 2014)

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the issuance of IFRS 13 was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendments to IAS 36.

In addition, the IASB added two disclosure requirements: • Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal. • Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

IFRIC 21 Levies (Effective for annual periods beginning on or after 1 January 2014)

IFRIC 21 is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards.

IAS 19 Defined Benefit Plans: Employee Contributions — Amendments to IAS 19 (Effective for annual periods beginning on or after 1 July 2014)

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. Examples of such contributions include those that are a fixed percentage of the employee's salary, a fixed amount of contributions throughout the service period, or contributions that depend on the employee's age.

3. Cash and cash equivalents

	2014	2013
Checking accounts	\$ 1,177,034	\$ 1,003,168
Fixed deposits	473,622	472,600
	<u>\$ 1,650,656</u>	<u>\$ 1,475,768</u>

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

4. Accounts receivable

Management estimates that accounts receivable of \$233,238 as of 30 June 2014 are fully collectible (2013: \$386,280). During the year, there were no bad debts written off (2013: Nil).

5. Property, plant and equipment

	As at 30 June 2014			
	Office Equipment and Furniture	IT Equipment	Leasehold Improvements	Total
Cost				
Balance at beginning of year	\$ 90,954	\$ 187,279	\$ 231,907	\$ 510,140
Additions	10,473	6,182	-	16,655
Balance at end of year	101,427	193,461	231,907	526,795
Accumulated depreciation and Amortisation				
Balance at beginning of year	79,634	101,973	231,907	413,514
Charge for year	3,625	9,718	-	13,343
Balance at end of year	83,259	111,691	231,907	426,857
Net Book Value At 30 June 2014	\$ 18,168	\$ 81,770	\$ -	\$ 99,938

	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
Balance at end of year	90,954	187,259	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
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

6. Accounts payable and accrued liabilities

	2014	2013
Accounts payable	\$ 29,112	\$ 96,743
Accruals	74,340	49,856
	\$ 103,452	\$ 146,599

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

7. Related party balances and transactions

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

	2014	2013
Accounts Receivable – Government	\$ 86,388	\$ 170,046
Services provided to Cabinet	345,551	340,091
	<u>\$ 431,939</u>	<u>\$ 510,137</u>

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	2014	2013
Balance at beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount collected	1,837,511	1,808,163	1,860,132	1,743,560	7,249,366	7,543,454
Amount paid	(1,837,511)	(1,808,163)	(1,860,132)	(1,743,560)	(7,249,366)	(7,543,454)
Balance at end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

As detailed in Note 9, the Authority on behalf of its eligible employees paid contributions of \$92,720 to the Public Service Pensions Plan during the period (2013: \$80,839).

Salaries and other short-term employee benefits for six key management of \$576,768 (2013: \$641,497) are included within salaries and employee benefits.

8. General reserve

Section 18 of the ICTA Law (2011) 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 (2013: 6 months).

For the year ended 30 June 2014 \$60,000 was transferred to the General Reserve Fund (2013: \$60,000).

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year ended 30 June 2014
(stated in Cayman Islands dollars)

9. Pensions

Contributions to Public Service Pensions Plan

During the current year, the Authority recognised pension expenses under salaries and employee benefits of \$92,720 (2013: \$80,839) 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 \$13,313 (2013: \$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 2014 to 30 November 2014	\$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.

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, 2014.

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.

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11. Financial risk management objectives and policies (continued)

b) Credit Risk (continued)

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 2014, 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, 2014, is as follows:

	2014	2013
Cash and cash equivalents	\$ 1,650,656	\$ 1,475,768
Accounts receivable	233,238	386,280
	<u>\$ 1,883,894</u>	<u>\$ 1,862,048</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 2014 was \$1,021 (2013: \$1,235).

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.