# Information and Communications Technology Authority

## Financial Statements

## 30 June 2015

**INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY**

**FINANCIAL STATEMENTS**
**30 June 2015**

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# Information and Communications Technology Authority
# Statement of Responsibility for the Financial Statements
June 30, 2015

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, 2015.

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, 2015;

(b) fairly reflect the financial position as at 30 June 2015 and comprehensive income for the year ended 30 June 2015; 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 | Mr. Alee Fa'amoe |
| Chairman | Managing Director |
| Date: 31 October 2015 | Date: 31 October 2015 |

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**AUDITOR GENERAL'S REPORT**

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

I have audited the accompanying financial statements of the Information and Communications Technology Authority which comprise the statement of financial position as at 30 June 2015 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 information as set out on pages 4-23 in accordance with Section 20 of the *Information and Communications Technology Authority Law (2011 Revision) and the provision of* 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 about 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.

**AUDITOR GENERAL'S REPORT (continued)**

**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 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Garnet Harrison, CPA, CA
Acting Auditor General

Cayman Islands
31 October 2015

## Information and Communications Technology Authority
## Statement of Financial Position
**As at 30 June 2015**
**(in Cayman Islands dollars)**

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | **3,11** | $ 1,503,779 | $ 1,650,656 |
| Accounts receivable | **4,7,11** | 400,020 | 233,238 |
| Prepaid expenses | | 59,951 | 52,189 |
| | | **1,963,750** | **1,936,083** |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | **5** | 73,078 | 99,938 |
| **TOTAL ASSETS** | | **$ 2,036,828** | **$ 2,036,021** |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Accounts payable and accrued liabilities | **6** | 168,428 | 103,452 |
| **NON CURRENT LIABILITIES** | | | |
| Defined benefit pension liability | **2,9** | 40,000 | - |
| | | $ 208,428 | $ 103,452 |
| **EQUITY** | | | |
| Contributed capital | | 887,500 | 887,500 |
| General reserve | **8** | 924,000 | 924,000 |
| Accumulated surplus | | 16,900 | 121,069 |
| | | **1,828,400** | **1,932,569** |
| **TOTAL LIABILITIES AND EQUITY** | | **$ 2,036,828** | **$ 2,036,021** |

Approved on behalf of the Board of Directors on the 31 of October 2015:

Mr. Dale Crighton
Chairman

Mr. Alec 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 2015**
**(in Cayman Islands dollars)**

| **INCOME** | **Notes** | **2015** | **2014** |
|---|---|---|---|
| Regulatory fees | | $ 1,087,530 | $ 1,171,518 |
| Services provided to Government | **7** | 345,551 | 345,551 |
| Radio licences | | 156,042 | 139,135 |
| Licensing fees | | 155,280 | 116,360 |
| KY Domain fees | | 73,872 | - |
| Other income | | 5,096 | 6,390 |
| | | **1,823,371** | **1,700,675** |
| **EXPENSES** | | | |
| Salaries and employee benefits | **7, 9** | 1,090,079 | 1,113,136 |
| Legal and professional fees | | 302,398 | 123,256 |
| Domain administration | | 89,853 | 93,799 |
| Lease of office space | **10** | 73,663 | 73,663 |
| Travel | | 62,519 | 36,925 |
| Loss on disposal of assets | | 60,253 | - |
| Directors' fees | | 45,600 | 42,500 |
| Other expenses | | 39,529 | 24,377 |
| Computer maintenance | | 39,010 | 12,185 |
| Utilities | | 35,929 | 30,350 |
| Depreciation and amortisation | **5** | 25,355 | 13,343 |
| Insurance | | 12,781 | 14,051 |
| Bank charges | | 10,787 | 9,247 |
| Subscriptions | | 17,153 | 6,651 |
| Supplies and materials | | 7,631 | 4,402 |
| | | **1,912,540** | **1,597,885** |
| **Net (Loss) Income for the year** | | **$ (89,169)** | **$ 181,069** |
| **Other Comprehensive (Loss):** | | | |
| Re-measurement of defined benefit pension | **9** | (15,000) | - |
| **Total Comprehensive (Loss) Income for the year** | | **$ (104,169)** | **$ 181,069** |

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 2015**
**(in Cayman Islands dollars)**

| | Notes | Contributed capital | General reserve | Accumulated (deficit) surplus | Other comprehensive loss | Total equity |
|---|---|---|---|---|---|---|
| **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) | | - |
| Dividend to Government | | - | - | (126,722) | | (126,722) |
| **Balance at June 30, 2014** | | **$ 887,500** | **$ 924,000** | **$ 121,069** | **-** | **$ 1,932,569** |
| Net (loss) for the year | | - | - | (89,169) | | (89,169) |
| Other comprehensive (loss) | **9** | | | | (15,000) | (15,000) |
| **Balance at June 30, 2015** | | **$ 887,500** | **$ 924,000** | **$ 16,900** | **($ 15,000)** | **$ 1,828,400** |

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 2015**
**(in Cayman Islands dollars)**

| | Notes | 2015 | 2014 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net comprehensive (loss) income for year | | ($ 104,169) | $ 181,069 |
| Adjustment for non-cash transactions: | | | |
| Depreciation and amortisation | 5 | 25,355 | 13,343 |
| | | 78,814 | 194,412 |
| Net changes in non-cash operating balances: | | | |
| (Increase)/decrease in: | | | |
| Accounts receivable | | (166,783) | 153,042 |
| Prepaid expenses | | (7,762) | 13,958 |
| Accounts payable and accrued liabilities | | 64,977 | (43,147) |
| Defined benefit pension liability | | 40,000 | - |
| **Net cash provided by operating activities** | | (148,382) | 318,265 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 5 | (58,748) | (16,655) |
| Disposal of property, plant and equipment | | 60,253 | - |
| Net cash used in investing activities | | 1,505 | (16,655) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Dividend to government | | - | (126,722) |
| Net cash used in financing activities | | - | (126,722) |
| Net increase in cash and cash equivalents during the year | | (146,877) | 174,888 |
| Cash and cash equivalents at beginning of year | | 1,650,656 | 1,475,768 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **$ 1,503,779** | **$ 1,650,656** |

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 2015
# (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 2015, the ICTA had 10 employees, (2014: 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.

**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 assets and liabilities*

*(i) Classification*

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

**2. Significant accounting policies (continued)**

*(i) Financial assets and liabilities (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.

*(v) Offsetting*

Financial assets and liabilities are offset and the net amount presented in the Authority's financial statements when, and only when, the Authority has a legal right to offset the amount and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(vi) *Impairments*

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

*(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.

**2. Significant accounting policies (continued)**

*(j) Provisions and contingencies (continued)*

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.

*(i) 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.

*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.

*Defined Benefit Plan*
The Authority's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current period, discounting that amount and deducting the fair value of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees, and mortality rates. When the calculation results in a net benefit asset, the recognised assets is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income (loss). The net interest expense on the net defined benefit liability for the period is determined by applying the discount rate applying the discount rate used to measured the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

**2. Significant accounting policies (continued)**

*(i) Employee benefits (continued)*

The discount rate used to value the defined benefit obligation is based on a combination of high quality corporate bonds, in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations and the long-term rate of return of plan assets.

*(k) 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.

*(l) 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:

***IFRS 15 Revenue from Contracts with Customers (Effective for annual periods beginning on or after 1 January 2017).***

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue.

The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model: 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

**2. Significant accounting policies (continued)**

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

***IAS 1 Disclosure Initiative – Amendments to IAS 1 (Effective for annual periods beginning on or after 1 January 2016.)***

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: • The materiality requirements in IAS 1 • That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes to financial statements • That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

***IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (Effective for annual periods beginning on or after 1 January 2016.)***

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

*(n) Fair values*

When measuring the fair value of an asset or liability, the Authority uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).
If the inputs used to measure the fair value of an asset or liability fall in to different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Further information about the assumptions made in measuring the fair value, see note 12.

**3. Cash and cash equivalents**

| | **2015** | **2014** |
|---|---|---|
| Checking accounts | $ 1,029,183 | $ 1,177,034 |
| Fixed deposits | 474,596 | 473,622 |
| | $ 1,503,779 | $ 1,650,656 |

## 4. Accounts receivable

Management estimates that accounts receivable of $400,020 as of 30 June 2015 are fully collectible (2014: $233,238). During the year, there were no bad debts written off (2014: Nil).

## 5. Property, plant and equipment

| | As at 30 June 2015 | | | | |
|---|---|---|---|---|---|
| | **Office Equipment and Furniture** | **IT Equipment** | **Leasehold Improvements** | **Computer Software** | **Total** |
| **Cost** | | | | | |
| Balance at beginning of year | $ 101,427 | $ 193,461 | $ 231,907 | $ - | $ 526, 795 |
| Additions | 2,816 | 47,078 | 6,764 | 2,089 | 58,747 |
| Disposal | - | (60,253) | - | - | (60,253) |
| Balance at end of year | 104,243 | 180,286 | 238,671 | 2,089 | 525,289 |
| **Accumulated depreciation and Amortisation** | | | | | |
| Balance at beginning of year | 83,259 | 111,691 | 231,907 | - | 426,857 |
| Charge for year | 6,834 | 78,022 | 113 | 638 | 85,607 |
| Disposal | - | (60,253) | - | - | (60,253) |
| Balance at end of year | 90,093 | 129,460 | 232,020 | 638 | 452,211 |
| **Net Book Value At 30 June 2015** | **$ 14,150** | **$ 50,826** | **$ 6,651** | **$ 1,451** | **$ 73,078** |

| | As at 30 June 2014 | | | | |
|---|---|---|---|---|---|
| | **Office Equipment and Furniture** | **IT Equipment** | **Leasehold Improvements** | **Computer Software** | **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** |

## 6. Accounts payable and accrued liabilities

| | 2015 | 2014 |
|---|---|---|
| Accounts payable | $ 90,304 | $ 29,112 |
| Accruals | 78,124 | 74,340 |
| | $ 168,428 | $ 103,452 |

## 7. Related party balances and transactions

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

| | 2015 | 2014 |
|---|---|---|
| Accounts Receivable – Government | $ 86,388 | $ 86,388 |
| Services provided to Cabinet | 345,551 | 345,551 |
| | $ 431,939 | $ 431,939 |

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 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Balance at beginning of period | $ - | $ - | $ - | $ - | $ - | $ - |
| Amount collected | 1,887,453 | 1,849,283 | 1,913,076 | 1,877,104 | 7,526,916 | 7,249,366 |
| Amount paid | (1,887,453) | (1,849,283) | (1,913,076) | (1,877,104) | (7,526,916) | (7,249,366) |
| Balance at end of period | $ - | $ - | $ - | $ - | $ - | $ - |

As detailed in Note 9, the Authority on behalf of its eligible employees paid contributions of $50,730 to the Public Service Pensions Plan during the period (2014: $53,017).

Salaries and other short-term employee benefits for six key management of $472,212 (2014: $490,802) 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 (2014: 6 months).

## 9. Pensions

*Contributions to Public Service Pensions Plan*

During the current year, the Authority recognised pension expenses under salaries and employee benefits of $ 50,730 (2014: $ 92,720) 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 $ nil (2014: $13,313), for one employee.

*Public Service Defined Benefit Plan*

IAS 19R became effective January 1, 2013. All unamortized gains and losses and past service costs under IAS 19 will be immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment related will be recognized in profit or loss as an operating charge under IAS 19R. This differs from the current approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate. The amount for 2014 was not material and therefore not recognised in the financial statements.

Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer plan. Prior to 1 January 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from 1 January 2000 the Fund had both a defined benefit and a defined contribution element, with participants joining after 1 January 2000 becoming members of the defined contribution element only.

Benefit obligations are estimated using the Projected Unit Credit method. Under this method, each participant's benefits under the plan are attributed to years of service, taking into consideration future salary increases and the plan's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The Fund has been valued by the Actuary (Mercer) to the Pensions Board. The defined contribution part of the Fund is not subject to the special actuarial valuations due to the nature of the benefits provided therein. The Authority paid both the employee and employers contributions. The actual amount of pension expense relating to the defined benefits for staff also includes the effect of the changes in the actuarial determined liability.

This is the first year the Authority has recognized in the financial statements its defined benefit obligation due to the amount becoming significant and therefore no comparative information is provided.

*The amounts recognized in the statement of financial position is as follows:*

| | **2014/15<br>$000** |
|---|---|
| Defined benefit obligation | 176 |
| Fair value of plan assets | 136 |
| Funded status | 40 |
| Effect of asset ceiling/onerous liability | - |
| Net liability (asset) | 40 |

**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

*The change in defined benefit obligation is as follows:*

| | **2014/15** |
|---|---|
| | **$000** |
| Defined benefit obligation at end of prior year | 135 |
| Service Cost | 10 |
| Interest expense | 6 |
| Cash flows | 6 |
| Other significant events | - |
| Remeasurements | 19 |
| Effect of changes in foreign exchange rates | - |
| Defined benefit obligation at end of year | 176 |

*The change in fair value of plan assets is as follows:*

| | **2014/15** |
|---|---|
| | **$000** |
| Fair value of plan assets at end of prior year | 115 |
| Interest Income | 5 |
| Cash flows – employer and participant contributions | 6 |
| Other significant events | 6 |
| Remeasurements | 4 |
| Effect of changes in foreign exchange rates | - |
| Fair value of plan assets at end of year | 136 |

*The net defined benefit liability (asset) reconciliation:*

| | **2014/15** |
|---|---|
| | **$000** |
| Net defined benefit liability as of beginning of year | 20 |
| Defined benefit cost included in P&L | 11 |
| Total remeasurements included in OCI | 15 |
| Other significant events | - |
| Cash flows | (6) |
| Credit to reimbursements | - |
| Effect of changes in foreign exchange rates | - |
| Net defined benefit liability as of end of year | 40 |

**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

*The components of defined benefit cost is as follows:*

| | **2014/15** **$000** |
|---|---|
| Service Cost | 10 |
| Net interest cost | |
| Interest expense on DBO | 6 |
| Interest (income) on plan assets | (5) |
| Total net interest cost | 1 |
| Remeasurements of Other Long Term Benefits | - |
| Administrative expenses and taxes | - |
| Defined benefit cost included in P & L | 11 |
| Remeasurements (recognized in other comprehensive income) | |
| Effect of changes in demographic assumptions | 1 |
| Effect of changes in financial assumptions | (15) |
| Effect of experience adjustments | 33 |
| (Return) on plan assets (excluding interest income) | (4) |
| (Return) on reimbursement rights (excluding interest income) | - |
| Changes in asset ceiling/onerous liability (excluding interest income) | - |
| Total remeasurements included in OCI | 15 |
| Total defined benefit cost recognized in P&L and OCI | 26 |

*The sensitivity analysis on defined benefit obligation is shown below:*

| | **2014/15** |
|---|---|
| 1. Discount rate | |
| a. Discount rate – 25 basis points | 191 |
| b. Discount rate + 25 basis points | 163 |
| 2. Inflation rate | |
| a. Inflation rate – 25 basis points | 163 |
| b. Inflation rate + 25 basis points | 191 |
| 3. Mortality | |
| a. Mortality - 10% of current rates | 179 |
| b. Mortality + 10% of current rates | 173 |

*The expected cash flow for the following year is as follows:*

| | **Amount ($000)** |
|---|---|
| Expected employer contributions | 6 |

**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

*The significant actuarial assumptions are presented below:*

| | | **2014/15** |
|---|---|---|
| 1. | Discount rate | 4.75% |
| 2. | Rate of salary increase | 3.50% |
| 3. | Rate of price inflation | 2.50% |
| 4. | Rate of pension increases | 2.50% |
| 5. | Post-retirement mortality table | UP-94 projected on a generational basis using Scale BB |
| 6. | Cost Method | Projected Unit Credit |
| 7. | Asset valuation method | Market Value |

| | | **2014/15** |
|---|---|---|
| 1. | Discount rate | 4.50% |
| 2. | Rate of salary increase | 3.50% |
| 3. | Rate of price inflation | 2.50% |
| 4. | Rate of pension increases | 2.50% |
| 5. | Post-retirement mortality table | |

*Plan Assets*

The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund. The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Based on the data provided, the gross rate of return earned by the Fund for the fiscal 2014/15 was 6.69%. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the draft financial statements as at June 30, 2015 as well as asset value as at June 30, 2015 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at June 30, 2015, the Fund was invested as follows:

| | 2014/15 | |
|---|---|---|
| **Plan Assets by Asset Category** | **($000)** | **Percentage** |
| Global equities securities | 411,606 | 80% |
| Debt securities | 97,807 | 19% |
| Real estate / Infrastructure | - | - |
| Cash | 6,312 | 1% |
| Total | 515,726 | 100% |

For fiscal 2014/15, the Defined Contribution portion of the Fund totaled to $237,627,800 as provided by PSPB. The share of the Fund that been notionally allocated to ICTA with regards to its participation in the Defined Benefit Part of the Plan is $136,000 as at June 30, 2015.

*The Actuarial Assumptions*

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at June 30, 2015 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

| **Measurement Date** | **2014/15** |
|---|---|
| Discount rate | |
| - BOY disclosure and current year expense | 4.50% per year |
| - EOY disclosure and following year expense | 4.75% per year |
| Increases in pensionable earnings | 3.50% per year |
| Rate of Pension Increases | 2.50% per year |
| Rate of Indexation | 2.50% per year |
| Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only | 7.00% per year |
| Mortality | |
| - BOY disclosure and current year expense | UP-94 generationally projected using Scale BB |
| - EOY disclosure and following year expense | UP-94 generationally projected using Scale MP-2014 |
| Disability | None |
| Turnover Rates | Age related table |
| Retirement | Age 57 |
| Assumed life expectations on retirement | Retiring today (member age 57) 30.12<br>Retiring in 25 years (at age 32): 32.40 |
| Liability Cost Method | Projected unit credit method |
| Asset Value Method | Market Value of Assets |
| Commutation of pension | All members commute 25% at retirement |

**9. Pensions (continued)**

*Public Service Defined Benefit Plan (continued)*

*Turnover Rates at sample ages:*

| Age | Males | Females |
|---|---|---|
| 20 | 7.5% | 12.5% |
| 25 | 5.0% | 12.5% |
| 30 | 3.5% | 7.5% |
| 35 | 2.5% | 4.5% |
| 40 | 1.5% | 2.5% |
| 45 | 0.5% | 5.0% |
| 50 | 0.0% | 0.0% |

There have been no changes in actuarial assumptions since the prior valuation other than the changes to the principal assumptions shown in the table above. The mortality assumption was updated to make allowance for future mortality improvements. In the addition, the mortality improvement scale has been updated from Scale AA to Scale BB. These are the same assumptions as approved by the PSPB for use in the January 1, 2014 funding valuation of the Plan.

The discount rate as at June 30, 2015 were determined in accordance with IAS 19. In accordance with IAS 19R paragraph 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and the Cayman Islands.

**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 2015 | $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.

## 11. Financial risk management objectives and policies (continued)

*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, 2015.

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

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

The Authority's accounts receivable balance does not have any significant credit risk exposure to any single licensee, but is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Authority's licencees include well-established local telecommunication and media companies and, at 30 June 2015, 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, 2015, is as follows:

| | 2015 | 2014 |
|---|---|---|
| Cash and cash equivalents | $ 1,503,779 | $ 1,650,656 |
| Accounts receivable | 400,020 | 233,238 |
| | $ 1,903,799 | $ 1,883,894 |

*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 2015 was $950 (2014: $1,021).

## 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.

The fair values of other assets and liabilities not recognized at fair value in the statement of financial position have been determined using level 2 inputs.