

**Information and Communications
Technology Authority**

Financial Statements

30 June 2016

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

FINANCIAL STATEMENTS 30 June 2016

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Information and Communications Technology Authority
Statement of Responsibility for the Financial Statements
30 June 2016

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 30 June 2016.

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 30 June 2016;
- (b) fairly reflect the financial position as at 30 June 2016 and comprehensive income for the year ended 30 June 2016; 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 2016


Mr. Alee Fa'amoe
Managing Director

Date: 31 October 2016

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 2016 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 on pages 8-22 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.

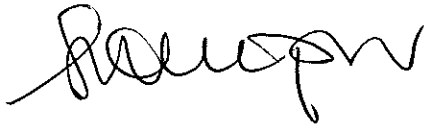
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Information and Communications Technology Authority as at 30 June 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to Note 13 to the financial statements which describe future plans that may significantly affect the operations of the Authority. The Government of the Cayman Islands, which owns the Authority, is proceeding with steps to establish a Utility Regulation and Competition Office ("the Office") which will consolidate the regulatory bodies for electricity, telecommunications, water and petroleum sectors. To date no definitive date has been determined as to when the Office will commence operation. Our opinion is not qualified in respect of this matter.



Sue Winspear, CPFA
Auditor General

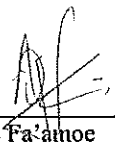
Cayman Islands
31st October 2016

Information and Communications Technology Authority
Statement of Financial Position
As at 30 June 2016
(stated in Cayman Islands dollars)

CURRENT ASSETS	Notes	2016	2015
Cash and cash equivalents	3,11	\$ 1,977,721	\$ 1,503,779
Accounts receivable	4,7,11	448,243	400,020
Prepaid expenses		44,985	59,951
		2,470,949	1,963,750
NON-CURRENT ASSETS			
Property, plant and equipment	5	166,695	73,078
TOTAL ASSETS		\$ 2,637,644	\$ 2,036,828
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	875,496	168,428
Defined benefit pension liability	2,9	73,000	40,000
		\$ 948,496	\$ 208,428
EQUITY			
Contributed capital		887,500	887,500
General reserve	8	924,000	924,000
Accumulated (deficit)/surplus		(122,352)	16,900
		1,689,148	1,828,400
TOTAL LIABILITIES AND EQUITY		\$ 2,637,644	\$ 2,036,828

Approved on behalf of the Board of Directors on the 31st of October 2016


 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 2016
(stated in Cayman Islands dollars)

INCOME	Notes	2016	2015
Regulatory fees		\$ 1,245,762	\$ 1,087,530
Services provided to Government	7	325,489	345,551
Licensing fees		183,516	155,280
KY Domain fees		161,058	73,872
Radio licences		142,728	156,042
Other income		6,535	5,096
		2,065,088	1,823,371
EXPENSES			
Salaries and employee benefits	7, 9	1,243,664	1,090,079
Legal and professional fees		345,448	302,398
Travel		192,545	62,519
Lease of office space	10	73,663	73,663
Depreciation and amortisation	5	62,440	25,355
Other expenses		50,659	39,529
Computer maintenance		46,004	39,010
Directors' fees		37,800	45,600
Utilities		36,874	35,929
Subscriptions		18,751	17,153
Domain administration		16,935	89,853
Insurance		11,868	12,781
Bank charges		10,412	10,787
Supplies and materials		8,277	7,631
Loss on disposal of assets		-	60,253
		2,155,340	1,912,540
Net Loss for the year		\$ (90,252)	\$ (89,169)
Other comprehensive loss for the year			
Regulatory consolidation cost		(30,000)	-
Re-measurement of defined benefit pension	9	(19,000)	(15,000)
Total comprehensive loss for the year		\$ (139,252)	\$ (104,169)

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 2016
(stated in Cayman Islands dollars)

Notes	Contributed capital	General reserve	Accumulated (deficit) surplus	Other comprehensive loss	Total equity
Balance at June 30, 2014	\$ 887,500	\$ 924,000	\$ 121,069	-	\$ 1,932,569
Net comprehensive loss for the year	-	-	(89,169)	-	(89,169)
Other comprehensive loss	-	-	-	(15,000)	(15,000)
Balance at June 30, 2015	\$ 887,500	\$ 924,000	\$ 31,900	(15,000)	\$ 1,828,400
Net comprehensive loss for the year	-	-	(90,252)	-	(90,252)
Other comprehensive loss for the year	-	-	-	(49,000)	(49,000)
Balance at June 30, 2016	\$ 887,500	\$ 924,000	(\$ 58,352)	(64,000)	\$ 1,689,148

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 2016
(stated in Cayman Islands dollars)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net comprehensive loss for the year		(\$ 139,252)	(\$ 104,169)
Adjustment for non-cash transactions:			
Depreciation and amortisation	5	62,440	25,355
		76,812	78,814
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable		(48,223)	(166,783)
Prepaid expenses		14,966	(7,762)
Accounts payable and accrued liabilities		740,068	104,977
Net cash provided by/(used in) operating activities		629,999	(148,382)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(156,057)	(58,748)
Disposal of property, plant and equipment		-	60,253
Net cash (used in)/from investing activities		(156,057)	1,505
Net increase/(decrease) in cash and cash equivalents during the year		473,942	(146,877)
Cash and cash equivalents at the beginning of the year		1,503,779	1,650,656
CASH AND CASH EQUIVALENTS AT END OF YEAR		\$ 1,977,721	\$ 1,503,779

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 2016
(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 2016, the ICTA had 11 employees, (2015: 10). 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 2016
(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
Computer Software	3 Years
Motor Vehicles	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

(j) 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 2016
(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 (note 9).

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year Ended 30 June 2016
(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.

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:

IFRS 9 Financial Instruments (replacement of IAS 39) (Effective for annual periods beginning on or after 1 January 2018).

The International Accounting Standards Board (the Board) completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. Classification determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. IFRS 9 introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are complex and difficult to apply. The new model also results in a single impairment model being applied to all financial instruments removing a source of complexity associated with previous accounting requirements.

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year Ended 30 June 2016
(stated in Cayman Islands dollars)

2. Significant accounting policies (continued)

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.

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. Those 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.

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year Ended 30 June 2016
(stated in Cayman Islands dollars)

3. Cash and cash equivalents

	2016	2015
Checking accounts	\$ 1,502,222	\$ 1,029,183
Fixed deposits	475,499	474,596
	<u>\$ 1,977,721</u>	<u>\$ 1,503,779</u>

4. Accounts receivable

Management estimates that accounts receivable of \$448,243 as of 30 June 2016 are fully collectible (2015: \$400,020). During the year, there were no bad debts written off (2014: Nil).

5. Property, plant and equipment

As at 30 June 2016						
	Office equipment and furniture	IT equipmen t	Leasehold improvements	Computer software	Motor vehicles	Total
Cost						
Balance at beginning of year	\$ 104,243	\$ 180,286	\$ 238,671	\$ 2,089	\$-	\$ 525,289
Additions	9,030	77,927	-	4,200	64,900	156,057
Balance at end of year	113,273	258,213	238,671	6,289	64,900	681,346
Accumulated depreciation and Amortisation						
Balance at beginning of year	90,093	129,460	232,020	638	-	452,211
Charge for year	8,904	46,133	1,353	930	5,120	62,440
Balance at end of year	98,997	175,593	233,373	1,568	5,120	514,651
Net Book Value At 30 June 2016	\$ 14,276	\$ 82,620	\$5,298	\$ 4,721	\$ 59,780	\$166,695

As at 30 June 2015						
	Office equipment and furniture	IT equipment	Leasehold improvements	Computer software	Motor vehicles	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

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year Ended 30 June 2016
(stated in Cayman Islands dollars)

6. Accounts payable and accrued liabilities

	2016	2015
Accounts payable	\$ 764,863	\$ 90,304
Accruals	93,636	78,124
	<u>\$ 898,499</u>	<u>\$ 208,428</u>

7. Related party balances and transactions

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

	2016	2015
Accounts Receivable – Government	\$ 122,754	\$ 54,469
Services provided to Cabinet	325,489	345,551
	<u>\$ 448,243</u>	<u>\$ 400,020</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	2016	2015
Balance at beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amount collected	2,046,651	1,907,244	2,088,777	1,488,492	7,531,164	7,526,916
Amount paid	(2,046,651)	(1,907,244)	(2,088,777)	(1,488,492)	(7,531,164)	(7,526,916)
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 \$56,165 to the Public Service Pensions Plan during the year (2015: \$50,730).

Salaries and other short-term employee benefits for six key management of \$769,127 (2015: \$472,212) 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 five times the monthly operating requirements (2015: Six times).

Information and Communications Technology Authority
Notes to the Financial Statements
For the Year Ended 30 June 2016
(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 \$ 56,165 (2015: \$ 50,730) 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 (2015: \$ nil), 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. During the year, the Authority recognised pension expense under salaries and employee benefits of \$73,000 (2015: \$40,000).

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.

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.

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

	2016	2015
	\$'000	\$'000
Defined benefit obligation	233	176
Fair value of plan assets	160	136
Funded status	73	40
Net liability	73	40

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9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

The change in defined benefit obligation is as follows:

	2016	2015
	\$000	\$000
Defined benefit obligation at end of prior year	176	135
Service Cost	22	10
Interest expense	8	6
Cash flows	8	6
Other significant events	-	-
Remeasurements	19	19
Effect of changes in foreign exchange rates	-	-
Defined benefit obligation at end of year	176	176

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

	2016	2015
	\$000	\$000
Fair value of plan assets at end of prior year	136	115
Interest Income	7	5
Cash flows – employer and participant contributions	9	6
Other significant events	8	6
Remeasurements	-	4
Effect of changes in foreign exchange rates	-	-
Fair value of plan assets at end of year	160	136

The net defined benefit liability (asset) reconciliation:

	2016	2015
	\$000	\$000
Net defined benefit liability as of beginning of year	40	20
Defined benefit cost included in P&L	23	11
Total remeasurements included in OCI	19	15
Other significant events	-	-
Cash flows	(9)	(6)
Credit to reimbursements	-	-
Effect of changes in foreign exchange rates	-	-
Net defined benefit liability as of end of year	73	40

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9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

The components of defined benefit cost is as follows:

	2016	2015
	\$000	\$000
Service Cost	22	10
Net interest cost		
Interest expense on DBO	8	6
Interest (income) on plan assets	(7)	(5)
Total net interest cost	1	1
Remeasurements of Other Long Term Benefits	-	-
Administrative expenses and taxes	-	-
Defined benefit cost included in P & L	23	11
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	1	1
Effect of changes in financial assumptions	49	(15)
Effect of experience adjustments	(30)	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	19	15
Total defined benefit cost recognized in P&L and OCI	42	26

The sensitivity analysis on defined benefit obligation is shown below:

	2016	2015
1. Discount rate		
a. Discount rate – 25 basis points	253	191
b. Discount rate + 25 basis points	215	163
2. Inflation rate		
a. Inflation rate – 25 basis points	216	163
b. Inflation rate + 25 basis points	252	191
3. Mortality		
a. Mortality - 10% of current rates	238	179
b. Mortality + 10% of current rates	229	173

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

	Amount
	(\$000)
Expected employer contributions	14

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9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

The significant actuarial assumptions are presented below:

	2016	2015
1. Discount rate	4.00%	4.75%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB Projected Unit Credit Market Value	UP-94 projected on a generational basis using Scale BB Projected Unit Credit Market Value
6. Cost Method		
7. Asset valuation method		
	2016	2015
1. Discount rate	4.75%	4.50%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	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 2016 was 4.89%. 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 30 June 2016 as well as asset value as at 30 June 2016 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

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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 30 June 2016, the Fund was invested as follows:

Plan Assets by Asset Category	2016	
	(\$000)	Percentage
Global equities securities	431,083	80%
Debt securities	103,167	19%
Real estate / Infrastructure	-	-
Cash	2,583	1%
Total	536,833	100%

For fiscal 2016, the Defined Contribution portion of the Fund totaled to \$261,754,300 (2015: \$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 \$160,000 as at 30 June 2016 (2015: \$136,000).

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 30 June 2016 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	2016
Discount rate	
- BOY disclosure and current year expense	4.75% per year
- EOY disclosure and following year expense	4.00% 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	RP-2014 generationally projected using scale MP-2014
- EOY disclosure and following year expense	RP-2014 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) 30.21 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

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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 1 January 2014 funding valuation of the Plan.

The discount rate as at 30 June 2016 was 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 2016 to 31 July 2016	\$6,139

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.

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11. Financial risk management objectives and policies (continued)

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority did not hold any financial instrument that was subject to market risk at June 30, 2016.

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.

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 2016, 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 30 June 2016, is as follows:

	2016	2015
Cash and cash equivalents	\$ 1,977,721	\$ 1,503,779
Accounts receivable	448,243	400,020
	<u>\$ 2,425,964</u>	<u>\$ 1,903,799</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 2016 was \$979 (2015: \$950).

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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.

13. Subsequent events

The Government of the Cayman Islands, which owns the Authority, is proceeding with steps to establish a Utility Regulation and Competition Office which will consolidate the regulatory bodies for the electricity, telecommunications, water and petroleum sectors. As a result of this consolidation; a Bill for a law to amend the Information and Communications Technology Authority Law (2011 Revision) to dissolve the Information and Communications Technology Authority and transfer its powers and responsibilities to the Utility Regulation and Competition Office has been approved by Cabinet. This Law shall come into force on such date as may be appointed by order made by the Cabinet and different dates may be appointed for different provisions of the Law and in relation to different matters.