



**OWNERSHIP AGREEMENT
ANNUAL REPORT**

For

***Information & Communications Technology
Authority***

For the 2007/8 Financial Year

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1. Purpose

This annual report details the performance of the Information & Communications Technology Authority for the fiscal year ending 30 June 2008.

It includes information about the actual performance delivered during the year as compared to the planned performance documented in the Ownership Agreement for Information & Communications Technology Authority for 2007/8, or as amended through the supplementary appropriation process.

2. Nature and Scope of Activities

This section outlines the Nature and Scope of Activities within which Information & Communications Technology Authority operated during the year.

Approved Nature and Scope of Activities

The Information and Communications Technology (ICT) Authority was established in May 2002 by the Information and Communications Technology Authority Law 2002 (now the Information and Communications Technology Authority Law (2004 Revision)). Its powers and functions are specified in Sections 9 and 10 of that Law, and may be summarised as doing all things necessary or convenient to properly regulate and license the ICT sector in the Cayman Islands. The ICT sector includes, but is not limited to, telecommunications, broadcasting, radio, e-business and the .ky Internet domain. The Authority is also to act on any matter referred to it by the Minister responsible for ICT, or the managing director.

It also collects and verifies on behalf of Government the coercive element of all licence fees, and immediately deposits such fees in a Government bank account.

Scope of Activities

The scope of *Information & Communications Technology Authority* activities is as follows:

- (a) allocate the electromagnetic spectrum for facilities and specified services within the Cayman Islands, or between the Cayman Islands and elsewhere;
- (b) determine methods for assigning the electromagnetic spectrum;
- (c) issue licences authorising the use of specified portions of the electromagnetic spectrum, including those used on any ship, aircraft, vessel, or other floating or airborne contrivance or spacecraft registered in the Islands;
- (d) institute procedures for ensuring the compliance by licensees with any obligations regarding the use of the electromagnetic spectrum, imposed by or under the licence, any provisions of the ICTA Law or any regulations made hereunder.
- (e) to promote competition in the provision of ICT services and ICT networks where it is reasonable or necessary to do so;
- (f) to advise the Minister on ICT matters, including compliance with Government's international obligations, market liberalisation and competitive pricing;
- (g) to investigate and resolve complaints from consumers and service providers concerning the provision of ICT services and ICT networks;
- (h) to determine the categories of licences to be issued under the ICTA Law and the Electronic Transactions Law 2000;
- (i) to license and regulate ICT services and ICT networks as specified in the ICTA Law and the Electronic Transactions Law 2000;
- (j) to collect all fees, including licence fees, and any other charges levied under the ICTA Law or the Electronic Transactions Law 2000 or regulations made thereunder;

- (k) to resolve disputes concerning the interconnection or sharing of infrastructure between or among ICT service providers or ICT network providers;
- (l) to promote and maintain an efficient, economic and harmonised ICT infrastructure;
- (m) to be the sole person appointed under the ICTA Law to be the Administrative Point of Contact and the only person responsible for the management and control of the top level of the global Internet Domain Name System held in trust for the Internet and the Islands;
- (n) to act on any matter referred to it by the Minister or the managing director; and
- (o) to carry out such other functions as are conferred on the Authority by or under the ICTA Law or any other Law.

In addition, the Authority may regulate the rate, prices, terms and conditions of any ICT service or ICT network that is required to be licensed where the Authority is of the opinion that it is in the interests of the public to do so.

Customers and Location of Activities

The Authority's customers are the Government, all residents of and visitors to the Cayman Islands, potential and actual licensees of ICT networks or ICT services originating or terminating in the Cayman Islands, the owners of any ship, aircraft, vessel or other floating or airborne contrivance or spacecraft registered in the Cayman Islands, and all potential or actual registrants in the .ky Internet domain.

Compliance during the Year

The Authority complied with the Nature and Scope of Activities specified above.

3. Strategic Goals and Objectives

Approved Strategic Goals and Objectives

The key strategic goals and objectives (from an ownership perspective) for The *Information & Communications Technology Authority* for the 2007/8 financial year are as follows:

- Contribute to the social prosperity of the Cayman Islands by increasing access to a variety of innovative, high-quality ICT services, at reasonable prices, that meet the consumers' needs and reflect their values.
- Contribute to the economic prosperity of the Cayman Islands by encouraging the development of a sustainable competitive ICT industry.
- Contribute to the protection of consumers in the Cayman Islands by enhancing existing legislation or assisting with the development of new legislation.
- Maintain and enhance a regulatory environment that is fair, equitable, and transparent by:
 - o Undertaking public consultation on relevant regulatory issues on a timely basis.
 - o Resolving as quickly as possible any disputes between ICT suppliers concerning interconnection, infrastructure sharing, resale tariffs and other technical and economic issues that could adversely impact the development of sustainable competition.
 - o Introducing any necessary retail price controls (e.g. price cap and floors), based upon Long Range Incremental Costing, on the incumbent operator to protect the interests of consumers and prevent anti-competitive practices.
 - o Continuing the process of updating and validating the licensing information taken over by the Authority, with the aim of ensuring compliance and increasing Government revenue.

Achievement during the Year

The Authority achieved its goals and objectives for FY2007/08.

4. Ownership Performance Targets

The ownership performance targets achieved (as specified in schedule 5 to the Public Management and Finance Law (2005 Revision) for Information & Communications Technology Authority for the 2007/8 financial year are as follows.

Financial Performance

Financial Performance Measure	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Revenue from Cabinet	370,605	370,644	(39)
Revenue from ministries, portfolios, statutory authorities and government companies	Nil	Nil	Nil
Revenue from other persons or organisations	1,204,114	1,287,976	(83,862) ¹
Surplus/deficit from outputs	(33,705)	934	(34,639) ²
Other expenses	NIL	NIL	
Net Surplus/Deficit	(33,705)	934	(34,639) ²
Total Assets	1,646,564	1,924,396	(277,832) ³
Total Liabilities	132,769	25,630	107,139 ⁴
Net Worth	1,513,795	1,898,766	(384,971) ⁵
Cash flows from operating activities	(173,054)	55,428	(228,482) ⁵
Cash flows from investing activities	(10,421)	(10,000)	(421)
Cash flows from financing activities	(345,658)	NIL	(345,658) ⁶
Change in cash balances	(529,133)	45,428	(574,561) ⁵

Financial Performance Ratio	2007/8 Actual	2007/8 Budget	Annual Variance
Current Assets: Current Liabilities	12:1	72:1	
Total Assets: Total Liabilities	12.4:1	74:1	

Explanation of Variances

1. The revenue short fall is again primarily due to problems with the development of the .ky domain online payment system. The development company was bought out during the year and, whilst this has further delayed implementation, the new owners have committed to completing the contract and to re-engineering the back-end systems. A realistic completion date is now towards the end of 2008.

2. The reduced revenue as a result of the .ky domain issue was offset in part by the award of costs to the Authority following a failed application by a Licensee for a Judicial Review of an Authority decision. The Authority therefore received a partial refund of Legal Fees expended during FY2006/2007.
3. Due to difficulties with the allocation of funding amongst the Authority's various Outputs for Cabinet (resolved in Supplementary Appropriation 2007/08 – 3), the Authority's invoices to Government have not been paid.
4. Invoices for the Annual Audit and some economic consultancy work were paid after the end of the FY.
5. Cash Reserves were reduced as a result of:
 - Government debt (See note 3 above)
 - Expenditure on legal fees due to an appeal of an earlier High Court decision (See note 2 above). Again the Court ruled in favour of the Authority and awarded costs. However, payment was not received until FY2008/09.
 - Payment to Government of retained earnings (see note 6 below)
6. A net surplus of income over expenditure of \$345,658, accumulated over the previous three years, was paid to Government in accordance with s14(5) of the ICTA Law.

Maintenance of Capability

Human Capital Measures	2007/8 Actual	2007/8 Budget	Annual Variance
Total full time equivalent staff	9	10	1 ¹
Staff turnover (%)	20%	10%	-
Average length of service (Number)			
Senior management	3 yrs (3)	2 yrs (3)	-
Professional staff	1 yr (1)	1 yr (1)	-
Administrative staff	2 yr (5)	2 yrs (4)	-
Significant changes to personnel management system	None	None	-

Physical Capital Measures	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Value of total assets	1,646,564	1,924,396	(277,832) ²
Asset replacements: total assets	1:100	1:205	-
Book value of depreciated assets: initial cost of those assets	1:8	1:8	-
Depreciation: Cash flow on asset purchases	4:1	4:1	-
Changes to asset management policies	None	None	None

Major Capital Expenditure Projects	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Nil	Nil	Nil	

Risk Management

Key risks	Status of Risk	Actions taken during 2007/8 to Manage risk	Financial Value of risk
Unanticipated failure or amalgamation of major licensees	No change	Establishment of a fair, transparent and independent regulatory environment	Cannot be estimated

Explanation of Variances

1. A decision was taken not to fill a vacant administrative post.
2. See notes on page 8.

5. Summarised Financial Statements

A full set of financial statements for the Information & Communications Technology Authority is provided in the Appendix to this Ownership Agreement.

A summary of those is as follows.

Operating Statement	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Revenue	1,574,719	1,658,611	(83,892)
Operating Expenses	1,608,424	1,657,677	(49,253)
<i>Net Surplus/Deficit</i>	(33,705)	934	(34,639)

Balance Sheet	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Assets	1,646,564	1,924,396	(277,832)
Liabilities	132,769	25,630	107,139
<i>Net Worth</i>	1,513,795	1,898,766	(384,971)

Statement of Cash Flows	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Net cash flows from operating activities	(173,054)	55,428	(228,482)
Net cash flows from investing activities	(10,421)	(10,000)	(421)
Net cash flows from financing activities	(345,658)	NIL	(345,658)

Explanation of Variances

See notes on pages 7 and 8.

6. Other Financial Information

Detailed below is information about specific financial transaction required to be included in the Ownership Agreement by the Public Management and Finance Law (2005 Revision).

Transaction	2007/8 Actual \$	2007/8 Budget \$	Annual Variance \$
Equity Investments into the Information & Communications Technology Authority	Nil	Nil	Nil
Capital Withdrawals from the Information & Communications Technology Authority.	Nil	Nil	Nil
Dividend or Profit Distributions to be made by Information & Communications Technology Authority .	345,658	Nil	345,658 ¹
Government Loans to be made to the Information & Communications Technology Authority.	Nil	Nil	Nil
Government Guarantees to be issued in relation to the Information & Communications Technology Authority.	Nil	Nil	Nil
Related Party Payments (Non Remuneration) made to Key Management Personnel ¹	Nil	Nil	Nil
Remuneration ² Payments made to Key Management Personnel	Nil	Nil	Nil
Remuneration Payments made to Senior Management	378,622	378,177	(445)

	2007/8 Actual	2007/8 Budget
No of Key Management Personnel	Nil	Nil
No of Senior Management	3	3

Explanation of Variances

1. A net surplus of income over expenditure of \$345,658, accumulated over the previous three years, was paid to Government in accordance with s14(5) of the ICTA Law.

¹ Key Management Personnel as defined by International Public Accounting Standards No 20, eg Minister, Board Member and Senior Management Team

² Remuneration as defined by International Public Accounting Standards No 20 Par 34(a)

Agreement

We jointly agree that this Ownership Agreement accurately documents the ownership performance that the Information & Communications Technology Authority achieved for the 2007/8 financial year

**Hon. Minister of Communications, Works and Infrastructure
on behalf of the Cabinet**

**Chairman of the Board
Information & Communications Technology Authority**

Date 2008

Appendix: Financial Statements for the Year

Information & Communications Technology Authority Financial Statements June 30, 2008

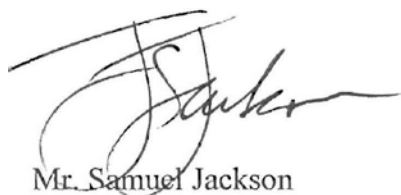
STATEMENT OF RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements have been prepared by the Information & Communications Technology Authority in accordance with the provisions of the *Public Management and Finance Law, (2005 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, (2005 Revision)*.

To the best of my knowledge the statements are:

- (a) complete and reliable;
- (b) fairly reflect the financial position as at June 30, 2008 and performance for the financial year ended June 30, 2008; and
- (c) comply with generally accepted accounting practice



Mr. Samuel Jackson
Chairman
Information & Communications
Technology Authority

Date: 25th Sep 08



Mr. Dave Archbold
Managing Director
Information & Communications
Technology Authority

Date: 25th Sep 08



Information & Communications Technology Authority

CERTIFICATE OF THE AUDITOR GENERAL

To the Board of Directors of the Information & Communications Technology Authority And the Financial Secretary of the Cayman Islands

I have audited the accompanying financial statements of the Information & Communications Technology Authority which comprise the balance sheet as at 30 June 2008, the Statement of Net Income & Retained Earnings, Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 12 in accordance with the provisions of Section 20 of the *Information and Communications Technology Authority Law (2006 Revision)* , and Section 60(a)(ii) of the *Public Management and Finance Law (2005 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Information & Communication Technology Authority as of 30 June 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Dan Duguay". The signature is written in a cursive, flowing style.

Dan Duguay, MBA, FCGA
Auditor General

Cayman Islands
29 September 2008

Information & Communications Technology Authority

Balance Sheet

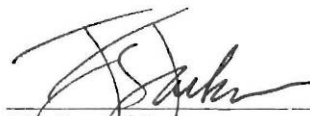
As At 30 June 2008

(With Comparison Year Ended June 30, 2007)

(Stated in Cayman Islands Dollars)

	Notes	2008	2007
CURRENT ASSETS			
Cash & Cash Equivalents		\$902,116	1,431,249
Accounts Receivables	3,5	610,836	389,212
Prepaid Expenses		80,612	100,482
Total Current Assets		1,593,564	1,920,943
NON-CURRENT ASSETS			
Property, Plant & Equipment	4	53,000	84,196
Total Non-Current Assets		53,000	84,196
TOTAL ASSETS		1,646,564	2,005,139
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities		132,769	111,981
Total Current Liabilities		132,769	111,981
TOTAL ASSETS LESS TOTAL LIABILITIES		1,513,795	1,893,158
NET WORTH			
Contributed Capital		887,500	887,500
General Reserve	6	660,000	660,000
Retained Earnings		(33,705)	345,658
TOTAL NET WORTH		1,513,795	1,893,158

Approved on behalf of the Board on the 25th of September 2008


Mr. Samuel Jackson
Chairman


Mr. David Archbold
Managing Director

The accompanying notes form an integral part of these financial statements

Information & Communications Technology Authority
STATEMENT OF NET INCOME & RETAINED EARNINGS

For the Year Ended 30 June 2008
(With Comparison for the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

INCOME	Notes	2008	2007
Regulatory Fees	2(f)	\$918,022	\$910,026
Output Revenue	2(f),5,7	370,605	472,561
Licensing Fees	2(f)	68,320	99,425
Radio Licences	2(f)	72,314	23,748
Other		145,458	60,392
		1,574,719	1,566,152
 OPERATING EXPENSES			
Staff Costs	2(g), 9	909,513	747,199
Legal & Professional fees		229,049	281,104
Miscellaneous Expenses		121,091	84,542
KY Domain Administration		92,571	94,930
Travel and Subsistence		83,983	76,553
Lease of Property & Equipment	2 (h),10	68,171	65,909
Depreciation	2 (b),4	41,617	64,289
Utilities		32,220	35,009
Computer Maintenance		11,809	12,428
Supplies and Materials		9,340	7,988
Bad Debts & Allowance	2 (e),3	9,060	6,616
		1,608,424	1,476,567
 NET INCOME FOR THE YEAR		(33,705)	89,585
Transfer to General Reserve	6	0	(60,000)
		(33,705)	29,585
Retained Earnings at beginning of year		345,658	316,073
Transfer to Government	8	(345,658)	
RETAINED EARNINGS AT END OF YEAR		(\$33,705)	\$345,658

The accompanying notes form an integral part of these financial statements

Information & Communications Technology Authority
Statement of Cash Flows
For the Year Ended 30 June 2008
(With Comparison for the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

	<u>Notes</u>	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES			
Net Income for year		(\$33,705)	\$89,585
Adjustment for non cash transactions:			
Depreciation	4	41,617	64,289
Bad Debts & Allowance	3	9,060	6,616
		<u>16,972</u>	<u>160,490</u>
Net changes in non-cash operating balances:			
Accounts Receivable	3	(230,684)	2,706
Prepaid Expenses		19,870	(23,244)
Accounts Payable and Accrued Liabilities		20,788	33,304
Net Cash provided by Operating Activities		<u>(173,054)</u>	<u>173,256</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Non-Current Assets	4	(10,421)	(11,431)
Net Cash Used by Investing Activities		<u>(10,421)</u>	<u>(11,431)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Transfer to Government	8	(345,658)	0
Net Cash Used by Financing Activities		<u>(345,658)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents During the Year		(529,133)	161,825
Cash and Cash Equivalents at the Beginning of the Year		1,431,249	1,269,424
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>\$902,116</u></u>	<u><u>\$1,431,249</u></u>

The accompanying notes form an integral part of these financial statements

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2008
(With Comparison For the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

1. Establishment and Principal Activity

The Information and Communications Technology Authority ("ICTA" or "Authority") is an independent Statutory Authority which was created on 17 May 2002 by the Information and Communication Technology Authority Law, 2002. The Authority reports on its operations to the Ministry of Planning, Communications, Works & Information Technology of the Cayman Islands Government.

The ICTA is responsible for the regulation and licensing of telecommunications, broadcasting, and all forms of radio transmission which includes ship, aircraft, mobile and amateur radio in the Cayman Islands. The ICTA conducts the administration and management of the ".ky" domain, and also has a number of responsibilities under the Electronic Transactions Law 2000.

As at 30th June 2008, the ICTA had 9 employees, (30th June 2007: 8). 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 (IFRS) 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) Property, Plant & Equipment/depreciation

Property, Plant & Equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the property, plant & equipment and leasehold improvements are accounted for over the life of the lease.

The estimated useful lives of the other fixed assets are as follows:

Office Equipment & Furniture	4 - 12 Years
IT Equipment	3 Years
Leasehold improvements	5 Years

(c) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands Dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense transactions denominated in currencies other than Cayman Islands Dollars are translated at exchange rates ruling at the date of those transactions. Gains and losses arising on translation are included in the Statement of Net Income and Retained Earnings.

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2008
(With Comparison For the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(d) Cash & 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 recognized 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 then a provision for bad debt is established. If it comes to the notice of the Authority that a debtor is experiencing significant financial difficulties or if there is evidence that the debtor will default or become delinquent then these are indicators that a provision will have to be raised as the debt may be impaired.

(f) Revenue recognition

Output revenue is recognized when the services agreed in the Purchase Agreement are performed and the Government is invoiced. Services are billed at cost to the Authority (see also Related Party Note 5). Regulatory and Licensing Fees are recognised as revenue when they are due to the Authority. Radio Licence fee is recorded when received by the Authority. Application and Licence Fees are non-refundable.

(g) Employee benefits

The Authority participates in the Public Service Pensions Plan, a defined contribution pension fund, in accordance with the Public Service Pension Law. Contributions are charged to expenses as they are incurred based on set contribution rates. The Authority makes monthly contributions at a rate of 12%, whereby the employer pays both the employer and employee contributions. The Authority is also required to contribute to the Public Service Pension Plan, an extra 1% of each employee's monthly salary. This 1% is a Past Service Liability (PSL) cost to cover a deficiency in the Fund. This amount is included in Staff Costs in the Statement of Net Income And Retained Earnings.

Contributions are also made to Silver Thatch Pension Plan on behalf of one employee who is ineligible to participate in the Public Service Pension Fund. This is a defined contribution fund. The Authority pays both the employer and the employee contributions amounting to 12% of the employee's salary.

(h) Operating Lease

The Authority leases the 3rd floor of Alissta Towers under a two-year operating lease. Lease payments are recognized as an expense on a straight-line basis over the lease term. See also Note 10 - Lease Commitments.

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2008
(With Comparison For the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments

(i) Classification

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

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 comprise 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 Net Income & Retained Earnings.

(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 expires.

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2008
(With Comparison For the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

3. Accounts Receivable

	2008	2007
Accounts Receivable	\$618,496	\$389,230
Other Receivables	1,400	9,394
	619,896	398,624
Bad debts written off	(9,060)	(6,495)
Provision for bad debts	-	(2,917)
	\$610,836	\$389,212

Movement in the Provision for bad debts:		
	2008	2007
Balance at the start of year	\$2,917	\$2,796
Provided during the year		121
Recoveries during the year		
Amounts written off as uncollectible	\$2,917	
	-	\$2,917

4. Fixed Assets

Cost	Office Equipment & Furniture	IT Equipment	Leasehold Improvements	Total
Opening Balance	90,954	71,323	231,907	394,184
Additions	-	10,421	-	10,421
Disposals	-	-	-	-
Balance at 30 June 2008	90,954	81,744	231,907	404,605
Accumulated Depreciation				
Opening Balance	46,086	62,380	201,522	309,988
Charge for Year	6,848	5,338	29,431	41,617
Disposals	-	-	-	-
Balance at 30 June 2008	52,934	67,718	230,953	351,605
Net Book Value At 30 June 2008	\$38,020	\$14,026	\$954	\$53,000
Net Book Value At 30 June 2007	\$44,868	\$8,943	\$30,385	\$84,196

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2008
(With Comparison For the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

5. Related Party Transactions

The Cayman Islands Government appoints the Chairman and Members to the Authority's Board of Directors. The following transactions occurred during the period between the Authority and Cayman Islands Government.

	2008	2007
Accounts Receivable – Government	\$370,605	\$120,303
Government Output Revenue	\$370,605	\$472,561

During this year the Authority provided Output Services of \$370,605 to the Government under a Purchase Agreement (2007: \$472,561). These services are charged to Government at cost.

As detailed in Note 9, the Authority on behalf of its eligible employees paid contributions of \$69,592 to the Public Service Pensions Plan during the period (2007: \$59,861).

6. General Reserve

S.18 of the ICTA Law (2002) requires the Authority to maintain a reserve fund; the management of such fund being at the discretion of the Authority. The Law requires the fund to be applied only for the purposes of the Authority.

During the year the Board of Directors carried out a review of the general reserve requirements based on the Authority's operations. A decision was taken to increase the reserve requirements to six months of operating expenses.

The current reserve position represents approximately five and a half times the monthly operating requirements (2007: 5.5 months).

The rate of growth is kept at a level that does not significantly impact regulatory fees charged to Licensees.

For the financial year ended 30 June 2008 the Authority did not transfer any amount to the General Reserve Fund (2007: \$60,000).

7. Output Revenue

During the year the Cayman Islands Government engaged the Authority to provide, on its behalf, a number of ICT-related services. The provision of these services (or "Outputs") is formalized in a Purchase Agreement which includes the collection and verification of royalties paid by ICT Licensees, policy advice on ICT matters and drafting instructions for ICT legislation and regulations. Additionally, in lieu of subsidies, the Government pays the Authority for such services as the management of the Electromagnetic Spectrum.

For the year ended June 2007 the Authority, as part of services provided to Government, collected, verified and paid over the 6% Royalty Fee from ICT Licensees to the Government of the Cayman Islands. During the year \$8.712 million were collected and paid over (2007: \$8.284 million).

Information & Communications Technology Authority
Notes to the Financial Statements
For The Year Ended 30 June 2008
(With Comparison For the Year Ended 30 June 2007)
(Stated in Cayman Islands Dollars)

8. Transfer to Government

As per Section 14 (5) of the ICTA Law, The Authority transferred to Government the sum of \$345,658. This states that 'where there is balance of account in favour of the Authority after the Authority has paid all of the expenses specified in subsection (2), such balance shall be paid into the general revenue of the Islands

9. Pensions

The pension contributions of employees of the Authority are paid directly to the Public Service Pensions Plan (the "Fund"). The Fund is administered by the Public Service Pensions Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

During the current year the Authority recorded pension expense of \$69,592 to the Public Service Pensions Fund (2007: \$59,861). This amount is included in Staff Costs.

During the year the Authority also recorded pension expense to Silver Thatch Pension Plan of \$17,777 (2007: \$16,796) on behalf of an employee who has attained the age of 60 and is therefore no longer eligible to contribute to the Public Service Pension Fund. This amount is also included in Staff Costs.

10. Lease Commitments

The Authority leases the 3rd floor of Alissta Towers under Option Term 1 of the operating lease. Except for the rent, the terms, conditions and stipulations of this lease are the same as the previous lease and carry the option to renew the lease for a further two years. The Lease payments are \$5,492 per month and are subject to an increase in the second two-year option term by \$1, to \$18 per sq. ft. per annum. Future lease payments are:

Period	Amount
1 July 2008 to 30 June 2009	\$69,786
1 July 2009 to 30 November 2009	\$29,078

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 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.