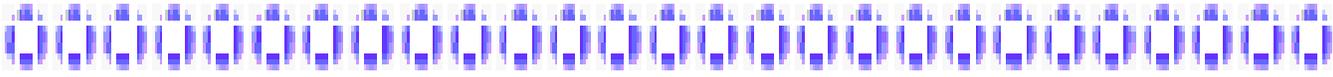




TURKS & CAICOS ISLANDS
TELECOMMUNICATIONS
COMMISSION

ANNUAL REPORT 2009 -2010



ANNUAL REPORT 2009 – 2010

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TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

PO Box 203, BUSINESS SOLUTIONS COMPLEX
LEEWARD HIGHWAY
PROVIDENCIALES
TURKS & CAICOS ISLANDS

March 23, 2010

H.E. Gordon Wetherell
Governor
Governor's Office
Waterloo Road
Grand Turk

Letter of Transmittal

Your Excellency,

In accordance with PART VIII, Schedule 2, Section 5 of the Telecommunications Ordinance 2004 (Ordinance 12 of 2004) of the Turks and Caicos Islands, I have the honour to submit to you the Commission's Annual Accounts for the year ended March 31, 2010, as certified by the External Auditors in accordance with PART VIII, Schedule 2, Section 4 of the Ordinance, together with the Operational Report for the same Period.

Respectfully yours,

Heather Allen
Chairman

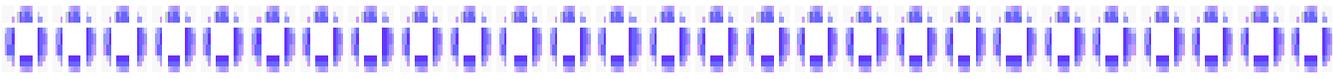
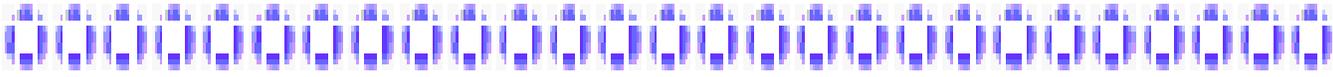


Table of Contents

Message from the Chairman.....	5
Message from the Director General.....	6
1. TCI Telecommunications Commission at a Glance.....	7
1.1 Role of the Commission.....	7
1.2 Organizational Structure.....	8
1.3 Organizational Chart.....	8
2. Year in Review.....	9
2.1 The Ongoing Development of the Commission.....	9
2.2 OOCUR Membership.....	9
2.3 Spectrum Management System.....	9
3. Licensing Activity and Initiatives in 2009 - 2010.....	10
3.1 Islandcom Telecommunications.....	10
3.2 TCT Limited.....	10
3.3 Broadcasting Spectrum Licenses.....	10
3.4 KVH Takeover of SES Marine Mobile Internet Operations.....	10
3.5 New Initiatives.....	10
3.5.1 Consumer Outreach.....	10
4. Future Challenges.....	12
4.1 Mobile Termination Rates.....	12
4.2 Licensing and Spectrum Fees.....	12
4.3 Human Resources Development.....	12
4.4 Quality of Service Standards.....	13
4.5 Technical Equipment Standards.....	13
4.6 Consumer Code.....	13
5. Financial Statements.....	14



Message from the Chairman

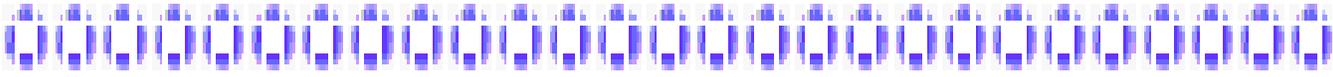


The past year has been a challenging one in the Turks and Caicos Islands due in part to the global recession, changes in our political structure and the lingering effects of Hurricanes Ike and Hanna which had devastating impact on the Islands' infrastructure. Fortunately, throughout it all, the Telecommunications Industry has showed itself as an essential element of our community in both saving lives and property, and in lending assistance in the recovery efforts.

These Telecom operators who worked tirelessly in restoring and growing services within a very short time, in these difficult circumstances must therefore be commended. We have continued to enjoy increased availability of new services, higher speed internet services, internet based telephone packages and promises of more advanced technologies to serve our people in coming years.

During 2009, the Commission's focus was on regularizing the structures necessary to conduct our work in a legal and professional manner to enable our stakeholders to enjoy service delivery second to none in the region. I am pleased to see the Commission conducting its business in accordance with best international practice, including publishing notices for public comment on a number of issues. This has helped to solidify the competitive market in the Turks and Caicos Islands. I also note in particular the Commission's approval of a major initiative of Digicel, which has now entered the fixed line market throughout the country. This provides much-needed competition in this market segment which is so important to consumers and businesses alike.

I commend my fellow Commissioners and staff on our accomplishments of the recent year, and I continue to have high expectations for the coming years.



Message from the Director General

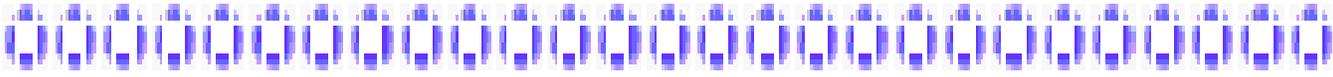


The 2009 /2010 financial year has again presented many challenges to the Commission, and I believe we have risen to the occasion. We have demonstrated that we operate in an open and transparent regulatory environment by ensuring all applications for licenses and new services go through our public consultation process and all stakeholders have an opportunity to critique our work. This approach has demonstrated our commitment to a fair and open system, and keeps everyone informed of what is happening in the telecommunications sector.

We have kept our interactive web site up to date with current information so that consumers and operators can submit everything from complaints to licence applications on line, with a promise of immediate and fair responses from the Commission and staff.

Unfortunately, the Turks and Caicos Islands were not spared from the worldwide recession and this has led to a 20% reduction in the telecommunication market. Nonetheless, we have handled a number of applications from our services providers, with ours decisions now published on our website. The telecommunication providers have become more resourceful and innovative and have delivered competitively priced new services. Customers continue to benefit from the competitive marketplace and boast that they now have choices in who get their business.

I would like to thank my colleagues on the Commission for their commitment to our efforts, and those that has serve before me on whose foundation we now built, as well as our staff for their support during the past years, which have so far enabled us to accomplish our goals.



1. TCI Telecommunications Commission at a Glance

1.1 Role of the Commission

The Turks and Caicos Telecommunications Commission was established in 2004, through the enactment of the Telecommunications Ordinance 2004. The Ordinance states that the primary functions of the Commission are as follows:

- *To advise the Minister on telecommunications;*
- *To facilitate, maintain and promote effective and sustainable competition in telecommunications;*
- *To promote the interests of consumers and to encourage licensees to operate efficiently; and*
- *To prescribe standards for the quality of telecommunications services to be delivered to the public.*

The general policy direction embodied in the Ordinance was based upon the Telecommunications Policy for the Turks and Caicos Islands, issued in 2003, which set out the following vision for the sector:

Every citizen of TCI will have at affordable prices, access to:

- *The information Superhighway; and*
- *A wide variety of telecommunications services.*

Small enterprises will multiply exponentially through participation in Electronic Commerce.

The national economy will achieve substantial unprecedented growth through increasing employment and revenue inflows directly attributable to a vibrant telecommunications industry.

In the same policy document, the government committed to the establishment of an independent regulatory authority that will operate in a transparent, accountable and non-discriminatory manner, to facilitate effective competition. The government also committed to renegotiating the licenses issued to the incumbent telephone company (Cable & Wireless now LIME) to enable the introduction of full competition at the earliest possible time.

This report, the fourth since the founding of the Commission, outlines the major issues dealt with during the year, and sets out the plan for addressing important regulatory priorities during the coming year.



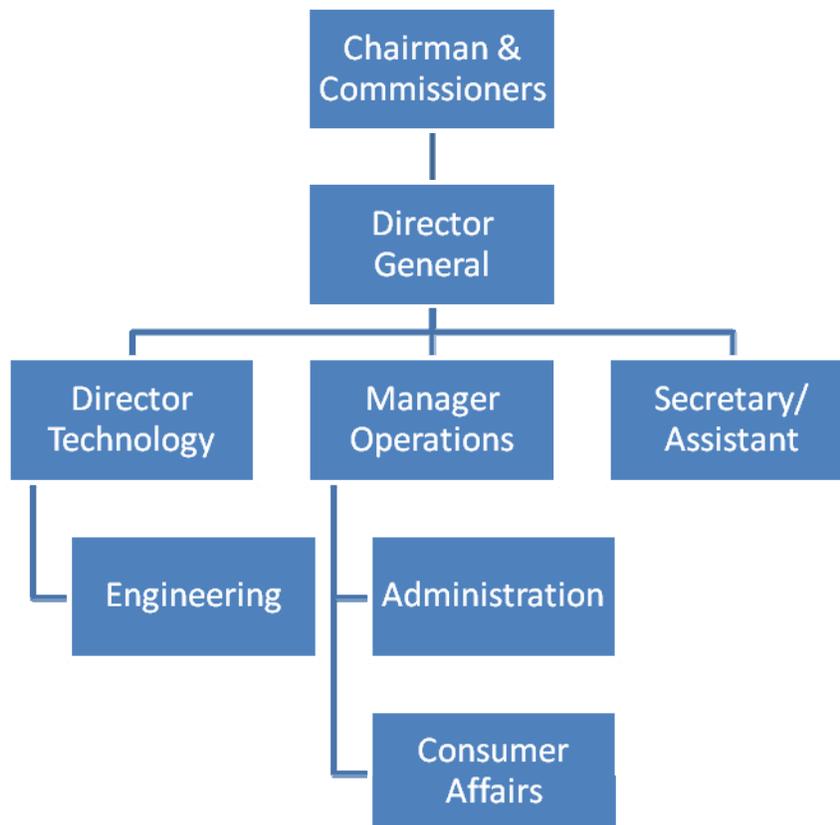
1.2 Organizational Structure

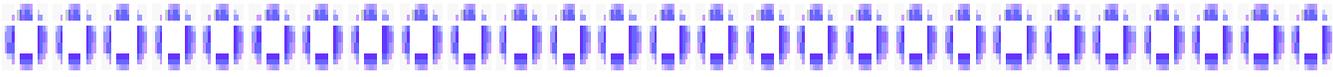
The Director General is responsible to the Commission for the administration of the legislation under the direction of the Commission and for the supervision of the work and staff of the Commission. Statutory provision is made for the appointment of the Director General to carry out the Commission mandate of Telecommunications and Radio Spectrum regulation.

The Attorney General Chambers regularly provide legal advice to the Commission on all aspects of the Commission's work including hearings, development of regulations as well as appeals and review. In addition, The Ordinance makes statutory provisions for an Attorney to serve on the Board at all times.

The staff of the Commission provides a range of services to assist the Commissioners in their work.

1.3 Organizational Chart





2. Year in Review

2.1 The Ongoing Development of the Commission

During the past year, we have benefited from training in Telecommunications Regulation from the world-class institution, Public Utility Research Center (PURC) that is associated with the University of Florida, Gainesville, Florida, U.S.A. All staff members have now completed their basic telecommunications regulatory training and two staff members and a commissioner has completed the advance training. One staff member also attended the Spectrum Master Class in the United Kingdom where he learned much about Spectrum Regulation and the many Wireless technologies to be managed in the Turks and Caicos Islands. Staff members and Commissioners attended various regional workshops and seminars in the Dominican Republic, Trinidad and Tobago, and United States.

2.2 OOCUR Membership

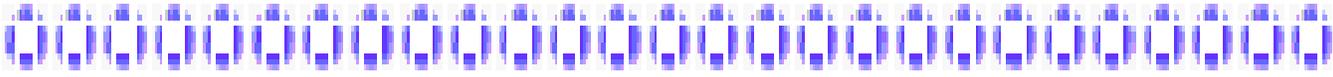
In September 2009 the Organization of Caribbean Utility Regulators (OOCUR) welcomed the TCI Telecommunications Commission as part of their organization. We happily accepted membership and now benefit from this association with most of the telecom regulators in our region.

OOCUR is a non-profit organization established by agreement dated 26th July 2002 in Ocho Rios, Jamaica. Its membership is open to regulatory bodies with responsibilities in telecommunications, electricity, natural gas, water and transportation sectors in the Caribbean. Its purpose and objective is inter alia to assist in the improvement of utility regulation, to foster transparent and stable utility regulation through autonomous and independent regulators in member countries, undertake research, training & development, and facilitate understanding of regulation issues and sharing of information and experience.

2.3 Spectrum Management System

In 2008, the Commission purchased a modern spectrum management system from Aerosystems International of Canada, and in 2009, the Commission expanded the system adding more functionality and capabilities.

The ongoing use of the system has assisted the Commission and the telecom community in policing the use of the airwaves. This in turn, has ensured that consumers and businesses are not experiencing interruptions in their vital services. We will continue to develop this system as it is essential to successfully managing our finite Spectrum resources.



3. Licensing Activity and Initiatives in 2009 - 2010

3.1 Islandcom Telecommunications

In 2008, the Commission approved the sale of a portion of Islandcom's shares to Bermuda Digital Communications Ltd. noting that the sale was in compliance with the company's licence, and that the resources being brought into the operation of the company would be beneficial both financially and technically. Due to interference of their assigned spectrum in 2009, IslandCom has been issued new spectrum in the GSM 850 MHz B Band and the 10.7 – 11.7 GHz band and is now poised to re-launch its new and improved services in 2010.

3.2 TCT Limited

The Commission has received an application from this company, for approval of a licence to ensure its ongoing ability to provide high speed internet and related services. The application was published for comment, and the Commission has recommended that the Government grant the license to TCT Limited once the Belonger Control criterion is satisfied.

3.3 Broadcasting Spectrum Licenses

The Commission has received several applications from various broadcasting companies for spectrum to operate their services. Some were in existence prior to the Commission coming into operation and others were new players seeking to enter the market. The Commission has successfully licensed and regularized their spectrum usage.

Additionally, many of the hoteliers are using radio spectrum for their operations. Our staff is currently in the process of getting them properly regularized. It is our endeavor to have all spectrum users registered and licensed in the near future

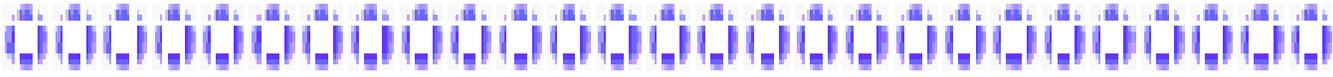
3.4 KVH Takeover of SES Marine Mobile Internet Operations

On June 10, 2009, the Commission received a joint request to assign the SES Americom, Inc. Internet Service Licence to KVH, Inc. to allow them to continue provision of marine mobile broadband internet services in the territorial waters of the Turks and Caicos. The Commission approved the transfer noting in its Decision Notice 2009 – 7 that the criteria set out in section 20 of the Telecommunications Ordinance 2004 is satisfied.

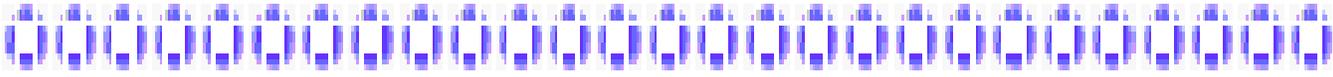
3.5 New Initiatives

3.5.1 Consumer Outreach

The Commission is continuing with its development of the consumer protection program. Consumers with complaints and enquiries can contact us on our main line and our



courteous staff will assist them in getting the problems encountered with their service provider resolved. The Commission will undertake research into consumer complaints that have not been dealt with satisfactorily by all service providers, to ensure fair treatment of all customers. The Commission will provide guidance to consumers regarding service options and choices, aimed at ensuring that they make informed decisions for various consumer services.



4. Future Challenges

4.1 Mobile Termination Rates

In 2006, as part of the process of finalizing the interconnection agreements amongst the mobile operators in Turks and Caicos, the Commission approved a rate for traffic terminating on the networks of all mobile operators at a level of \$0.19 per minute, which was to apply until December 31, 2007, after which, in the absence of a different ruling by the Commission, the rate would drop to \$0.15 per minute, the maximum set out in the Interconnection Regulations 2005.

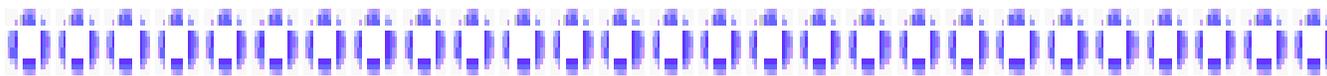
The “default” rate has gone into effect, but the Commission is currently pursuing this matter, and intends to ensure that the rates charged in 2011 and beyond are in keeping with regional levels, and customers of retail services benefit from the reductions achieved.

4.2 Licensing and Spectrum Fees

The Commission has received a number of comments on the schedule of licence fees currently in place as part of the Telecommunications Fee Structure Regulations 2006. Moreover, from a review conducted during 2007, it is clear that in many cases, the licence fees charged for certain service categories are significantly higher than those charged by other regulatory bodies in the region. For this reason, the Commission has reviewed the fees with the aim of establishing a more equitable and coherent set of fees based upon benchmarking with regional comparisons. The Commission will be releasing its recommendations in the next financial year.

4.3 Human Resources Development

All the Commission staff and the Chairman have now attended the intensive two week regulatory course at the University of Florida. This is but the beginning of an ongoing development program that will ensure that the staff improves its knowledge of the regulatory process and keeps up to date with international trends and techniques. It is the goal of the Commission to have all the other Commissioners trained in utility regulation. This training is vital as it will enhance their knowledge of regulatory processes and systems, and it will assist them in their deliberations and other work required of them at the Commission.



4.4 Quality of Service Standards

The Telecommunications Ordinance requires the Commission to “set standards for the quality of telecommunications services to be delivered to the public”. In a competitive marketplace, quality issues are often resolved through market pressures, but in TCI, as in many countries today, competition is not present in all market segments, and in some cases, in all parts of the country. Thus, it is the Commission’s intention to establish a consistent and well defined reporting system for some quality measures, and report on them to the public, to keep them informed, and in some cases, impose sanctions on dominant operators who do not meet certain quality thresholds.

The development of such quality standards will be a consultative process, involving the operators and any consumer or user representatives in a process that aims to ensure that the standards developed are practical, measurable, and capable of motivating operators to improve performance on those areas of most importance to users – consumers and businesses alike.

4.5 Technical Equipment Standards

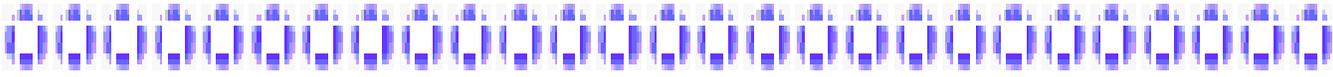
The Telecommunications Ordinance requires the Commission to maintain a register of approved equipment standards for telecommunications hardware and systems, in order to ensure that equipment imported and put into service does not cause interference, or network problems.

Most jurisdictions establish such standards by recognizing approvals in other jurisdictions, since in the global market for telecommunications, manufacturers now test their equipment against European or North American standards as a normal part of their operations. In TCI, it would be prudent to recognize approvals from the standards bodies that test and approve such equipment.

However, there is still a need for a process for vendors and/or importers to follow in securing type approval for equipment proposed for sale or use in TCI. This process will be developed and applied during 2010.

4.6 Consumer Code

The ordinance requires the Commission to protect the interests of Consumers, and in keeping with best international practice, the Commission should begin the process of developing a consumer code that would be adopted by operators in the interests of serving consumers’ interests in such areas as billing, credit practices, information on services etc. During 2009, the Commission will develop a template for the code, in consultation with the industry and other stakeholders, and once approved, each operator will be required to file their version of the code, incorporating their unique service offerings and consumer interfaces, but conforming to the requirements of the Commission’s template.



5. Financial Statements

Financial Statements of TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Year ended March 31, 2010

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Financial Statements

Year ended March 31, 2010

	Page
Statement of Financial Position	1
Statement of Comprehensive Income	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to Financial Statements	5-22

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Statement of Financial Position

At March 31, 2010

with comparative figures at March 31, 2009

		2010	2009
Assets			
Current assets:			
Cash (note 6)	US\$	218,486	292,179
Accounts receivable – net (note 7)		10,083	57,870
Due from related parties (note 8)		13,111	28,100
Deposits and prepayments (note 9)		209,511	34,553
		451,191	412,702
Non-current asset:			
Property, plant and equipment – net (note 10)		132,090	184,204
	US\$	583,281	596,906
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued expenses (note 11)	US\$	78,158	34,766
Deferred income (note 12)		50,465	55,875
		128,623	90,641
Non-current liabilities:			
Deferred income (note 12)		–	50,465
		128,623	141,106
Equity:			
Reserve fund (note 13)		58,436	-
Retained surplus		396,222	455,800
	US\$	583,281	596,906

See accompanying notes to financial statements.

The financial statements were approved on behalf of the Board on July 28, 2010 by the following:

_____ Heather Greene _____ Chairman

_____ John Williams _____ Director General

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Statement of Comprehensive Income

For year ended March 31, 2010
with comparative figures at March 31, 2009

	2010	2009
Gross revenue		
Regulatory fees (note 14)	US\$ 1,214,000	1,143,700
Government grants (notes 12 and 16)	55,875	67,535
Miscellaneous income	9,524	5,596
	1,279,399	1,216,831
Expenses		
Salaries and benefits	(475,954)	(576,621)
Bad debt expense (note 5(c))	(98,930)	(75,000)
Depreciation (note 10)	(89,789)	(113,599)
Rent (note 15)	(83,746)	(83,746)
Commissioners' fees and expenses (note 16)	(70,714)	(117,761)
Staff training (note 17)	(51,028)	(29,743)
Telephone	(38,613)	(52,302)
Professional fees	(37,844)	(140,349)
Travel	(20,378)	(6,096)
Motor expenses	(18,303)	(25,316)
Utilities	(16,813)	(17,980)
Repairs and maintenance	(16,200)	(13,500)
Office expenses	(15,966)	(29,784)
Meals and entertainment	(10,721)	(27,126)
Bank and interest charges	(1,799)	(583)
	(1,046,798)	(1,309,506)
Net surplus/(deficit) for year	232,601	(92,675)
Other comprehensive income for year (note 13)	(33,743)	-
Total comprehensive income for year	US\$ 198,858	(92,675)

See accompanying notes to financial statements.

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Statement of Changes in Equity

At March 31, 2010 with comparative figures at March 31, 2009

		Retained surplus	Reserve fund	Total
March 31, 2008	US\$	548,475	–	548,475
Net deficit for year		(92,675)	–	(92,675)
Other comprehensive income for year		–	–	–
March 31, 2009		455,800	–	455,800
Net surplus for year		232,601	–	232,601
Recognition of surplus funds (note 13)		(292,179)	292,179	–
Surplus funds remitted to TCIG's consolidated fund (note 13)		–	(200,000)	(200,000)
Other comprehensive income for year (note 13)		(33,743)	–	(33,743)
Surplus funds owed to licensees		33,743	(33,743)	-
March 31, 2010	US\$	396,222	58,436	454,658

See accompanying notes to financial statements.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Statement of Cash Flows

For year ended March 31, 2010
with comparative figures at March 31, 2009

		2010	2009
Cash flows from operating activities:			
Net surplus/(deficit) for year	US\$	232,601	(92,675)
Adjustment for:			
Depreciation		89,789	113,599
Bad debt expense – related party loans		23,330	-
Non-cash Government grants		(55,875)	(67,535)
		289,845	(46,611)
<i>Change in operating assets:</i>			
Accounts receivable - net		47,787	315,094
Deposits and prepayments		(174,958)	(12,016)
<i>Change in operating liabilities:</i>			
Accounts payable and accrued expenses (net of refunds due to licensees)		9,649	(7,381)
Deferred income, exclusive of non-cash Government grants		-	(12,500)
<i>Net cash from operating activities</i>		172,323	236,586
Cash flows used in investing activities:			
Increase in due from related parties before impairment		(8,341)	(15,500)
Additions to property, plant and equipment, exclusive of non-cash Government grants		(37,675)	(6,547)
<i>Cash used in investing activities</i>		(46,016)	(22,047)
Cash flows used in financing activities:			
Surplus funds remitted to TCIG's consolidated fund		(200,000)	-
<i>Cash used in financing activities</i>		(200,000)	-
Net change in cash		(73,693)	214,539
Cash at beginning of year		292,179	77,640
Cash at end of year	US\$	218,486	292,179

See accompanying notes to financial statements.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements

For year ended March 31, 2010

1. General information

Turks and Caicos Islands Telecommunications Commission (the Commission) is an independent regulatory body, which was created under the Turks and Caicos Islands (TCI) Telecommunications Ordinance 2004 (the Ordinance), and is responsible for the regulation and licensing of all telecommunications service providers and users of the radio spectrum in TCI. This responsibility includes fixed line operators, broadcasting station transmitters, internet service providers and mobile telephone operators.

The primary functions of the Commission are: to facilitate, maintain and promote effective and sustainable competition in telecommunications; to promote the interests of consumers; to encourage licensees to operate efficiently; and to prescribe standards for the quality of telecommunications services to be delivered to the public.

The Commission is committed to ensuring that all consumers and businesses in TCI have access to quality telecommunications services at reasonable prices, in a fully competitive marketplace.

The registered office of the Commission is at P.O. Box 203, Business Solutions Office Complex, Leeward Highway, Providenciales, TCI.

2. Basis of preparation

(a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) *Basis of measurement*

These financial statements have been prepared on an historical cost basis.

The methods used to measure fair values are discussed further in note 4.

(c) *Functional and presentation currency*

These financial statements are presented in United States (US) dollars, which is the Commission's functional currency. All financial information presented in US dollars has been rounded to the nearest dollar.

(d) *Use of estimates and judgements*

The preparation of these financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

2. Basis of preparation, continued

(d) Use of estimates and judgements, continued

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3(d) - basis for regulatory fee estimation and allocation to licensees
- Note 5(c) - impairment of trade receivables
- Note 5(c) - impairment of related party debt
- Note 15 - lease classification
- Note 15 - minimum lease payments

(d) Changes in accounting policies

The Commission applied revised *IAS 1 Presentation of Financial Statements (2007)*, which became effective as of January 1, 2009. As a result, the Commission presented in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

Comparative information had been re-presented to conform with the revised standard.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Commission.

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

(a) Non-derivative financial assets

The Commission initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Commission becomes a party to the contractual provisions of the instrument.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

3. Significant accounting policies, continued

(a) *Non-derivative financial assets, continued*

The Commission derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented on the statement of financial position when, and only when, the Commission has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Commission's non-derivative financial assets comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest rate method, less impairment losses.

Loans and receivables of the Commission comprise cash, accounts receivable, due from related parties, deposits and prepayments.

(i) *Cash*

Cash comprises cash balances and call deposits with original maturities of three months or less from the date of purchase. Any bank drafts that are payable on demand and form an integral part of the Commission's cash management are included as a component of cash for the purposes of cash flows.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

3. Significant accounting policies, continued

(a) *Non-derivative financial assets, continued*

Loans and receivables, continued

(ii) *Accounts receivable-net, due from related parties, deposits and prepayments*

Accounts receivable-net, due from related parties, deposits and prepayments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Commission will not be able to recover all amounts due according to the original terms of the contracts. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(b) *Non-derivative financial liabilities*

The Commission recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities are recognised initially on the trade date at which the Commission becomes a party to the contractual provisions of the instrument.

The Commission derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Commission has accounts payable and accrued expenses as non-derivative financial liabilities.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Accounts payable, accrued expenses and provisions

Accounts payable and accrued expenses are stated at cost.

A provision is recognised if, as a result of a past event, the Commission has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

3. Significant accounting policies, continued

(c) *Property, plant and equipment*

(i) *Recognition and measurement*

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (note 3(f)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of property, plant and equipment.

Gains or losses arising from the disposal of property, plant and equipment are reflected in the statement of comprehensive income.

(ii) *Subsequent costs*

The cost of replacing an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied will flow to the Commission and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment is recognised in the statement of comprehensive income as incurred.

(iii) *Depreciation*

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Leasehold improvements	shorter of 7 years or term of the lease
Office furniture and fixtures	3 years
Motor vehicles	4 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

3. Significant accounting policies, continued

(d) *Regulatory fees*

Regulatory fees are assessed for each registered licensee of the Commission based on a pro-rata share of the budgeted operating expenses of the Commission. Regulatory fees are recognised on an accruals basis of accounting on a yearly basis from the date the registered licensee was approved by the Commission.

(e) *Government subvention and grants*

Government subvention and grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Commission will comply with the conditions associated with the subvention or grant. Subvention and grants that compensate the Commission for expenses incurred are recognised in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are recognised. Subvention and grants that compensate the Commission for the cost of an asset are recognised in the statement of comprehensive income on a systematic basis over the useful life of the asset.

(f) *Impairment*

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Commission on terms that the Commission would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

3. Significant accounting policies, continued

(f) *Impairment, continued*

(i) *Financial assets, continued*

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. In assessing collective impairment, the Commission uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement.

All impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of comprehensive income.

(ii) *Non-financial assets*

The carrying amounts of the Commission's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

3. Significant accounting policies, continued

(f) *Impairment, continued*

(ii) *Non-financial assets, continued*

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

(g) *Lease payments*

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(h) *Amendments and interpretations to existing standards not yet adopted*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2010 and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Commission.

4. Determination of fair values

A number of the Commission's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes as described below. Where applicable, further information about the assumptions made in determining fair value has been disclosed in the notes specific to that asset or liability.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

Due to their short-term nature, the carrying amounts of the financial assets and liabilities, of the Commission approximate their fair value.

The fair value of financial assets and liabilities with no fixed terms of repayment cannot be determined reliably.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

5. Financial instruments

(a) *Financial risk management*

The Commission has exposure to credit risk and liquidity risk from its use of financial instruments.

The Board of Directors of the Commission (the Board) has overall responsibility for the establishment and oversight of the Commission's risk management framework. The Board is responsible for developing and monitoring the Commission's risk management policies.

The Commission's risk management policies are established to identify and analyse the risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities. The Commission, through its training management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Commission's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Commission.

(i) *Credit risk*

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Commission's cash, accounts receivable, due from related parties, deposits and prepayments.

Concentrations of credit risk with respect to accounts receivable and due from related parties are significant as the Commission's customer and related party base are small, with significant balances arising from unpaid regulatory fees. Geographically, there is also a concentration of credit risk as the Commission operates only in TCI.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

5. Financial instruments, continued

(a) Financial risk management, continued

(i) Credit Risk, continued

The credit quality of those receivables that are neither past due nor impaired is considered to be good. There have been no significant changes to the composition of receivables counterparties within the Commission that indicate this would change in the future. Further, there have been no changes in the markets in which the Commission operates that would indicate an increased credit risk on receivables that are neither past due nor impaired.

The maximum exposure to credit risk for cash, accounts receivable, due from related party, deposits and prepayments are equal to the carrying value of those financial instruments. There is no exposure to credit risk from other financial instruments.

(ii) Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they fall due. The Commission's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Commission's reputation.

(b) Exposure to credit risk

The maximum exposure to credit risk at statement of financial position date was:

		Carrying Amount	
		2010	2009
Cash (note 6)	US\$	218,486	292,179
Accounts receivable-net (note 7)		10,083	57,870
Due from related parties (note 8)		13,111	28,100
Deposits and prepayments (note 9)		209,511	34,553
	US\$	451,191	412,702

The Commission establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable and due from related parties.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

5. Financial instruments, continued

(b) Exposure to credit risk, continued

The ageing profile of accounts receivable at statement of financial position date was:

	2010		2009	
	Gross	Impairment	Gross	Impairment
Accounts receivable, net of impairment				
Past due				
Overdue less than 30 days	US\$–	1,000	–	–
Overdue 31 to 60 days	–	–	–	–
Overdue 61 to 90 days	–	–	37,500	–
Overdue over 91 days	255,248	255,248	209,569	190,199
Outstanding but not past due	10,083	–	–	–
	US\$	265,331	248,069	190,199

There are no amounts held as collateral for accounts receivable.

The allowance account in respect of accounts receivable is used to record impairment losses unless the Commission is satisfied that no recovery of the amount is possible. At the point the amounts are considered irrecoverable they are written off against the financial asset directly. Based on past experience the Commission believes that no impairment allowance is necessary in respect of accounts receivable outstanding but not past due.

(c) Impairment losses

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

		2010	2009
Beginning balance	US\$	190,199	115,199
Write-offs (note 7)		(10,551)	–
Impairment on accounts receivable		75,600	75,000
	US\$	255,248	190,199

Allowance for impairment in respect of related-party receivables during the year was as follows:

		2010	2009
Beginning balance	US\$	–	–
Impairment on accounts receivable		23,330	–
	US\$	23,330	–

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

5. Financial instruments, continued

(c) Impairment losses, continued

Bad debts expense at March 31, 2010 of US\$98,930 (2009 – US\$75,000) in the statement of comprehensive income relate to losses resulting from management's periodic assessment of the following receivables:

		2010	2009
Accounts receivable			
Andrew's Communications Ltd.	US\$	75,000	75,000
Others		600	–
Due from related parties			
Due from former Chairman		23,330	–
	US\$	98,930	75,000

(d) Liquidity risk

The following are the contractual maturities of financial liabilities excluding the impact of netting agreements and the contractual cash flows, excluding interest:

March 31, 2010	Carrying amount	Contractual Cash flows	1-12 months	1-2 years	2-5 years
Non derivative financial liabilities					
	US\$	US\$	US\$	US\$	US\$
Accounts payable and accrued expenses	78,158	78,158	78,158	–	–
	78,158	78,158	78,158	–	–
March 31, 2009					
	US\$	US\$	US\$	US\$	US\$
Accounts payable and accrued expenses	34,766	34,766	34,766	–	–
	34,766	34,766	34,766	–	–

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

5. Financial instruments, continued

(e) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown on the statement of financial position, are as follows:

	March 31, 2010		March 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$	US\$	US\$	US\$
Cash and cash equivalents	218,486	218,486	292,179	292,179
Accounts receivable-net (note 6)	10,083	10,083	57,870	57,870
Due from related parties	13,111	13,111	28,100	28,100
Deposits and prepayments (note 7)	209,511	209,511	34,553	34,553
Accounts payable and accrued expenses	(78,158)	(78,158)	(34,766)	(34,766)
	373,033	373,033	377,936	377,936

6. Cash

The US\$218,486 cash balance at March 31, 2010 (2009 – US\$292,179) is represented by a checking account which is non interest bearing.

7. Accounts receivable – net

		2010	2009
Andrew's Communications Ltd.	US\$	254,648	179,648
Others		5,600	1,620
Advances to employees		5,083	–
Islandcom Telecommunications Limited		–	56,250
Ministry of Education		–	10,551
		265,331	248,069
Less: Allowance for doubtful accounts		(255,248)	(190,199)
	US\$	10,083	57,870

During the year, the Commission wrote-off the US\$10,551 due from the Ministry of Education (the Ministry) (2009– US\$nil) relating to amounts receivable for sub-lease of the Commission's former office premises to the Ministry.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

8. Due from related parties

Due from related parties comprised the following:

		2010	2009
Due from former Chairman	US\$	23,330	28,100
Advances to key management employees		13,111	
		36,441	28,100
Less: Impairment on related party debt		(23,330)	–
	US\$	13,111	28,100

The US\$23,330 amount due from the former Chairman at March 31, 2010 (2009 – US\$28,100) was non-interest bearing, unsecured and had no fixed terms of repayment. An allowance for impairment was recognised in the statement of comprehensive income for the full amount of the debt of US\$23,330 due to doubtful collection. The advice of the Commission's legal counsel has been sought to assist in the recovery of the amounts due from the former Chairman.

9. Deposits and prepayments

		2010	2009
Prepayments	US\$	192,422	16,203
Deposits		17,089	18,350
	US\$	209,511	34,553

Prepayments at March 31, 2010 were comprised as follows:

		2010	2009
Down payment for spectrum equipment	US\$	114,502	–
Retainer for telecommunications consultant		34,420	–
Advanced payment for staff training		23,000	–
Service vehicle acquisition		20,500	–
Advanced payment for director general's salary		–	12,000
Insurance		–	4,203
	US\$	192,422	16,203

Deposits reported at March 31, 2010 and March 31, 2009 relate to lease security and various utility service deposits.

The following are the contractual commitments at March 31, 2010 related to the above prepayments:

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

9. Deposits and prepayments, continued

		2010	2009
Unpaid balance for telecommunications consultant	US\$	34,420	–
Unpaid balance for spectrum equipment		9,060	–
	US\$	43,480	–

10. Property, plant and equipment – net

		Leasehold improvements	Office furniture and fixtures	Motor vehicles	Computer equipment	Total
Cost:						
March 31, 2008	US\$	70,518	45,052	43,400	37,121	196,091
Additions		–	148,898	25,000	6,524	180,422
March 31, 2009		70,518	193,950	68,400	43,645	376,513
Additions		–	–	25,000	12,675	37,675
Disposals		–	–	(43,400)	–	(43,400)
March 31, 2010	US\$	70,518	193,950	50,000	56,320	370,788

		Leasehold improvements	Office furniture and fixtures	Motor vehicles	Computer equipment	Total
Depreciation:						
March 31, 2008	US\$	6,603	24,811	21,700	25,596	78,710
Depreciation for year		9,131	74,817	17,100	12,551	113,599
March 31, 2009		15,734	99,628	38,800	38,147	192,309
Depreciation for year		10,074	55,511	16,541	7,663	89,789
Disposals		–	–	(43,400)	–	(43,400)
March 31, 2010	US\$	25,808	155,139	11,941	45,810	238,698

Carrying amounts:

March 31, 2009	US\$	54,784	94,322	29,600	5,498	184,204
March 31, 2010	US\$	44,710	38,811	38,059	10,510	132,090

US\$173,875 of the US\$180,422 fixed asset additions as at March 31, 2009 was in the form of grants from TCIG (note 12).

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

11. Accounts payable and accrued expenses

		2010	2009
Accrued expenses	US\$	38,415	28,702
Refunds due to licensees (note 13)		33,743	–
Accounts payable		6,000	6,064
	US\$	78,158	34,766

12. Deferred income

During the year ended March 31, 2009, the Commission received grants in the form of property, plant and equipment costing US\$173,875 (note 10) from TCIG, a related party by virtue of common control. These TCIG grants were initially recognised as deferred income. Deferred income was recognised in the statement of comprehensive income as earned at an amount equal to the periodic depreciation over the useful economic life of the property, plant and equipment granted (note 3(e)). At March 31, 2010 US\$55,875 (2009 – US\$67,535) of Government grant revenue and associated depreciation expense were recognised in the statement of comprehensive income in relation to these assets granted by TCIG. Deferred income at March 31, 2010 of US\$50,465 is expected to be realised before March 31, 2011 and was therefore reflected as a current liability at March 31, 2010 (2009 – US\$55,875 current liability; US\$50,465 non-current liability).

13. Reserve fund

Pursuant to Section 2(3) of the second schedule of the Ordinance, *“any money standing to the credit of the Commission and not required for current purposes (“surplus funds”) may, with the consent of the Minister, be carried to a reserve fund. The Commission shall pay 80% of the surplus funds into the consolidated fund and to the licensees in the appropriate manner. The Commission may manage any reserve fund”*.

During the year ended March 31, 2010 the Commission, with the consent of the Minister, recognised US\$292,179 of its cash balances as surplus funds, being the funds deemed not required for current purposes at March 31, 2009. The Commission has not recognised any additional surplus funds for the fiscal year ending March 31, 2010 as the Commission believes that until the Minister provides consent to the remittance of surplus funds, the Commission is not obligated to recognise surplus funds for subsequent transfer into a reserve fund and payment of 80% thereof into the consolidated fund and/or to the licensees. Surplus funds are determined by the Commission based on available cash less any capital commitments and less any expected operational expenditures to be incurred between the Commission’s fiscal year-end and when the next quarterly regulatory fees are collected.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

13. Reserve fund, continued

In December 2009, pursuant to the requirements of the Ordinance, the Commission remitted US\$200,000 to the consolidated fund. At March 31, 2010, the Commission also agreed to refund US\$33,743 of surplus funds to the licensees and recognised this liability to the licensees on the statement of financial position at March 31, 2010 (note 11). The remittance to the consolidated fund and the refund to the licensees totalled US\$233,743 being 80% of the determined surplus funds relating to fiscal year ending March 31, 2009.

TCIG is a related party by virtue of common control.

14. Regulatory fees

		2010	2009
Cable and Wireless (TCI) Ltd.	US\$	740,000	800,000
Digicel TCI Limited		290,000	150,000
Andrew's Communications Limited		75,000	75,000
Islandcom Telecommunications Limited		75,000	75,000
Columbus Networks Ltd.		25,000	37,500
Others		9,000	6,200
	US\$	1,214,000	1,143,700

15. Lease commitments

The non-cancellable operating lease rentals of the Commission are payable as follows:

		2010	2009
Less than one year	US\$	82,026	78,120
Between one and five years		303,678	353,542
More than five years		–	32,162
	US\$	385,704	463,824

The Commission leases an office space under a non-cancellable operating lease. The lease runs for a period of 7 years from August 1, 2007 to July 31, 2014 with a monthly fixed rental of US\$6,000 for the first year which is increased by 5% compounded each year thereafter.

Under the non-cancellable operating lease agreement (the Agreement) the Commission is required to pay 100% of the remaining term of the lease if the Agreement is terminated within the first four years and 50% if terminated after four years.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2010

15. Lease commitments, continued

For the year ended March 31, 2010, US\$83,746 (2009 – US\$83,746) was recognised as rental expense in the statement of comprehensive income in respect of the non-cancellable operating lease. The difference between the actual amount paid and the rent expense in the statement of comprehensive income is due to the recognition of lease incentives throughout the term of the lease.

16. Related party balances and transactions

For the years ended March 31, 2010 and March 31, 2009, the following were the significant transactions and balances with TCIG, the Commissioners, the Director General of the Commission and other related parties, which are not separately disclosed elsewhere in these financial statements.

		2010	2009
Director General's salaries and benefits	US\$	150,618	186,319
Other key management compensation	US\$	137,689	165,305
Commissioners' fees and expenses	US\$	70,714	117,761
Government grants	US\$	55,875	67,535
Due from former Chairman	US\$	23,330	28,100
Bad debt expense (note 5(c))	US\$	23,330	–

17. Staff training

The Commission provides regular training to its staff and commissioners to ensure their awareness of the changing information relating to telecommunications regulation and have incurred the following costs related to staff training.

		2010	2009
Enrollment costs to training programs	US\$	29,163	16,830
Allowances for participants		21,865	12,913
	US\$	51,028	29,743

18. Comparative figures

Certain comparative figures have been changed to conform to the 2010 financial statement presentation.