

**ANNUAL REPORT
2012-2014**



ANNUAL REPORT

2012 – 2014

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July 22nd, 2014

H.E. Peter Beckingham
Governor
Governor's Office
Waterloo Road
Grand Turk

Letter of Transmittal

Your Excellency,

In accordance with Clause 5 of Schedule II of the Telecommunications Ordinance 2009, we have the honour of submitting the Commission's Accounts Report for the year ended March 31, 2014, as certified by the External Auditors in accordance with Clause 4 of the said Schedule II, together with the Operational Report for the same period.

Respectfully yours,

Clayton S. Been, Chairman
TCI Telecommunications Commission

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Message from the Chairman



Continuing our tradition from years past, the Telecommunications Commission entered the period with plans to strengthen the Industry to ensure that users of telecommunication services in the Turks and Caicos Islands received the best service at the best value. With our motto of “continuous sector improvement” to the fore, the Commission has focused its attention on strengthening healthy competition among the industry players. To that end we have seen prices of telecommunications services reduced while the operators have increased and improved the quality of their service offering to the citizens and visitors to the Turks and Caicos Islands. To date all three Operators are boasting of 4G services to the delight of their customers in the Islands.

During the period the Commission was able to tackle some major challenges in the industry as it completed consultations on matters such as the 700 MHz Spectrum Licensing, Number Portability, LIME’s request for deregulation of its Fixed Line services, and Rate Review of Interconnection charges by the Carriers. Our staff has labored on these issues and the industry is now reaping and will continue to reap the benefits of their hard work in the future.

Of course everyone is feeling the economic squeeze nowadays, and the Commission is no exception. At the Commission we had to deal with many financial constraints, but our staff and commissioners have done an excellent job in keeping themselves motivated and the industry vibrant. They have demonstrated that they are dedicated to the task of growing the telecommunications sector within the Turks and Caicos Islands and have it second to none in the region and indeed through out the world.

I would like to thank my staff, fellow Commissioners and all our stakeholders who wholeheartedly supported me during my tenure. Because of you, we have a telecom sector that we can be proud of.

3.1 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 fifth 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.

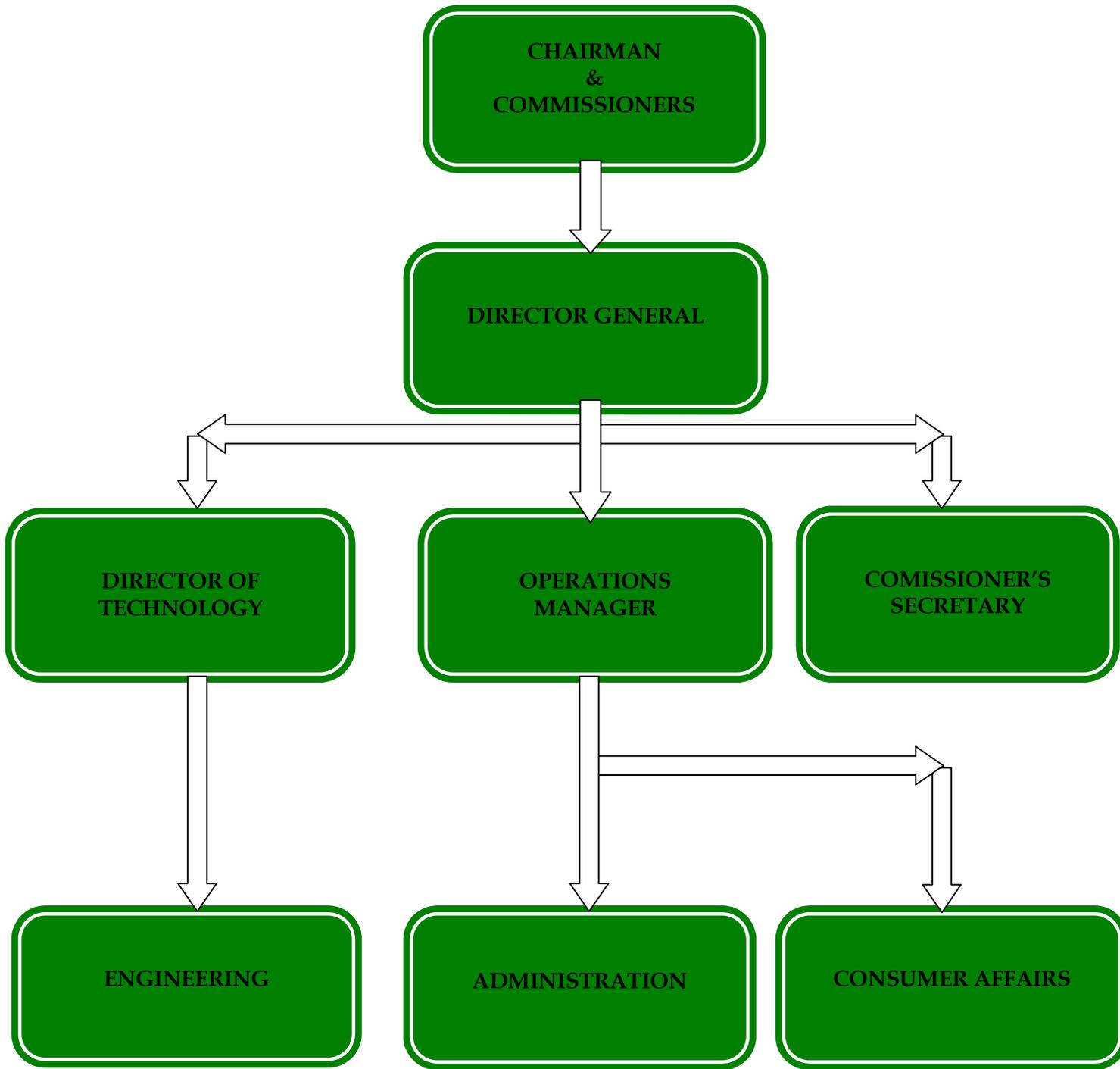
3.2 Organizational Structure

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.

3.3 Organizational Chart



4.1 Trends in the Telecommunications Sector

In 2012 through 2013, the telecommunications sector in the Turks and Caicos Islands recorded a slight decrease in growth because of a sluggish economy due to the impact of the global recession. Revenue generated by the sector decreased by 5.2 per cent to approximately \$49.5 million, down from \$52.2 million in 2012. Since 2008, the telecoms market has shrunk from \$75.86 million to \$49.5 million (34.8%) measured by revenue.

To date, the Commission has not received the figures for the 2013 - 2014 service year. However, judging from previous trends it is expected that the revenues generated over that period will flatten a bit or the sector will experience a slight decrease.

Despite the foregoing, the telecommunications market continues to be strong and vibrant, and the telecommunications companies continue to prove that they are innovative as they seek to gain market share.

Some interesting statistics this year are that as competition between the three operators continue to grow and prices for service continue to trend downwards, mobile penetration have fallen from 210% to 165.5%. Also we have seen slight increases in fixed services and Internet service penetration, which shows that more and more of our people are enjoying broadband connectivity to cyberspace. We hope to see this trend continue upwards in the coming years, as our people continue to avail themselves of the new technologies and businesses the internet has to offer, and to develop the skills necessary to benefit from the new economy that is being developed in cyberspace.

The table below gives a snapshot of how the industry performed in 2011/12 and 2012/13 service years.

Indicator	2011/12	2012/13
Total Revenue (US\$M)	51.9	49.5
Mobile service Revenue (US\$M)	34.1	33.3
Employment !	121	106
Fixed Voice Service Penetration	23.37%	23.8%
Mobile Voice Service Penetration	210.73%	165.5%
Internet Service Penetration	18.61%	19.54%
Outgoing International Voice Minutes (000)	108,507	99,042
Incoming International Voice Minutes (000)	18,458	19,057

Note: The calculations for 2012/13 are based on the World Bank estimate population for 2012/2013 of 32,427, and 2011/2012 are based on government census reported population of 31,458.

Note this figure is estimated due to not receiving one of the carriers audited financials

! Telco operators only

4.2 Ongoing Development of the Commission

During the past two years, members of staff and board members 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. The Commission continues to show tremendous improvement as a result of this training.

Our engineering staff also received training with Industry Canada and Areosystems, and they have expanded our network to better monitor and manage our valuable spectrum resources. As our staff sharpened their skills on the use of this up to date, modern spectrum management system they have brought value to the industry as they maintain the radio spectrum free of interference and other service impairments.

Also, Staff members and Commissioners have attended various regional workshops and seminars with CANTO, OOCUR, ITU, CTU, and the CTO, and our administrative staff is soon to attend an Advance Executive Assistance Training workshop with the Budget Conferences Group in New York, USA.

4.3 Spectrum Management System

In 2008, the Commission purchased a modern spectrum management system from Aerosystems International of Canada. The Commission continues to expand the system adding more functionality and capabilities with continuous training offered to staff in the proper use and functioning of this system. Over the past two years we have expanded the capability of this system by adding a Mobile Spectrum Monitoring Unit to our fixed station at the Commission office. This has given us more flexibility in monitoring and policing the airwaves, and made us more responsive to our customers' needs.

This addition was gladly welcomed as it 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.

4.5 Broadcasting Regulation

The Turks and Caicos continue to suffer from a lack of regulation in the Broadcasting Media. Although there is a regulation to govern Radio Turks

and Caicos, the private broadcasters continue to operate with little direction and laws specific to their industry.

During the past two years the Commission has continued with focused efforts in assisting Government in bringing order to this unregulated part of the industry. Thankfully, the Government has recognized the need for legislation in the area and has established a working group to formulate policy and recommend laws and regulations to guide this sector of industry.

We are happy to report that the working group has completed its task and the Broadcasting Bill along with recommended amendments to the Telecommunications Ordinance is now before the House of Assembly.

The debate on the Bill has been very dynamic with strong arguments coming from both sides of the house. The Government has decided to move the Bill off the floor to a select committee for review so that both sides can come to some agreement on the final form of the Bill. To date the select committee has made their report to the House of Assembly, and we now await the outcome of the Bill.

4.6 Disputes

Competition in telecommunications invariably leads to disagreements between market participants, and the Turks and Caicos Islands are no exception. This year the Commission dealt with various complaints from its major players, but the most notable was that between IslandCom and Digicel concerning some interconnection matters, and another between Digicel and LIME on call handling practices. The Commission has heard both matters, which resulted in the interconnection matter being resolved, and the call handling matter now close to resolution.

Licensing Activity and Initiatives

5.1 Spectrum Licenses

The Commission has received several new applications from various companies for spectrum to operate their services, and the Commission through its spectrum regulations has licensed the following new Licencees:

- I. Air Turks and Caicos,
- II. Alexandra Resort & Spa,
- III. Arinc Turks and Caicos Ltd.
- IV. Caicos Holding Ltd.
- V. Connolly Productions Ltd.
- VI. CR Hotel Limited
- VII. D and D Ewing Communication
- VIII. Flight Support Ltd.
- IX. Grace Bay Car Rental & Sales,
- X. Royal West Indies
- XI. Tropical Vibes TCI Ltd.,
- XII. ZIBF - Life Radio
- XIII. Provo Water Company
- XIV. West Indies Broadcasting
- XV. Abundant Life Ministries, and
- XVI. Caicos Express Airways,

There continue to be companies using spectrum in the Turks and Caicos Islands, which need to be regularized. The Commission will continue to seek them out, and to have them compliant in the upcoming year.

5.2 700 MHz Spectrum Allocation

The Commission has received a number of requests for the use of the 700 MHz spectrum band for various advanced wireless services. In mid 2008, the Commission received an initial 700 MHz spectrum licence application from Cable & Wireless (TCI) Limited (referred to herein as "LIME"). In response, the Commission issued a public notice to solicit comments on LIME's spectrum licence application as well as broader 700 MHz spectrum policy issues. LIME was the only party to provide comments in response to that public notice.

The Commission decided at the time to defer any decisions relating to allocation and assignment of 700 MHz spectrum in TCI due to the uncertainties regarding 700 MHz spectrum policies in the region.

In April 2011, the Commission launched an initial public consultation process to solicit interested parties' views on a range of 700 MHz spectrum policy issues, including 700 MHz spectrum channelization, spectrum caps, spectrum set-asides for public safety purposes and future uses, spectrum assignment approaches and spectrum fees, among other things.

The Commission received submissions during the initial consultation process from the following parties:

- Andrew's Communications Ltd. ("Andrew's")
- Digicel TCI Limited ("Digicel")
- Islandcom Telecommunications, Ltd. ("Islandcom")
- LIME
- The 911 Emergency Communications Center

Following the initial consultation process, the Commission received additional 700 MHz spectrum licence applications from Islandcom in October 2011 and from Digicel in January 2012. The Commission issued Public Notices in each case. The Commission received no comments on those public notices.

The three 700 MHz spectrum licence applications submitted to the Commission involved competing requests for "prime" 700 MHz spectrum blocks. Consequently, the Commission considered that a traditional "first-come, first served" spectrum assignment process was not appropriate.

In May 2012, the Commission launched a second public consultation process to consider a number of more specific and detailed policies relating to 700 MHz spectrum assignment and implementation policies. The Commission received submissions during the second consultation process from most of the same interested parties: Andrew's, Digicel, Islandcom and LIME.

In September 2012, the Commission issued its Policy Decision which set out a 700 MHz spectrum channel plan for TCI, a "prime" 700 MHz spectrum assignment policy and methodology, "prime" 700 MHz spectrum

licence conditions, 700 MHz spectrum licence fees and a related two-stage spectrum assignment policy and implementation process.

The Policy Decision took into account the policy objectives of the Government's Telecommunications Policy for the Turks and Caicos Islands 2003, the *Telecommunications Ordinance 2004*, the *Frequency Management Regulations 2005* along with the frequency allocations set out in the 2011 *Turks and Caicos Islands Table of Frequency Allocations 88 MHz to 59 GHz*. In addition, the Policy Decision also took into account interested parties' submissions on 700 MHz spectrum policy matters provided over the course of two public consultation processes.

A key objective of the Policy Decision is to promote the timely deployment of 4G Long-Term Evolution ("LTE") mobile broadband technology for the benefit of consumers and businesses in TCI.

On February 20, 2013, the Commission awarded the two available licences to Digicel and Islandcom. Under the licence conditions established by the Commission both Digicel and Islandcom are required to deploy 4G LTE mobile broadband services using the 700 MHz spectrum they were assigned within 18 months and coverage must be available to 98% of the population of the Turks and Caicos Islands within 36 months. With these conditions of licence, the Turks and Caicos Islands will be one of the first jurisdictions within the Caribbean to benefit from 4G LTE-based mobile broadband services.

In return for being awarded its preferred 700 MHz spectrum block (i.e., Lower B & C), Digicel agreed to improve on these deployment requirements so that at least 75% of the population would have access to 4G LTE services within 18 months and 98% within 30 rather than 36 months. In addition, Digicel committed to providing several additional public benefits, including (i) free 4G LTE-based Internet connectivity to all public/Government primary and secondary schools and community colleges, (ii) a subsidized 4G LTE device and data bundle for students and teachers and (iii) one Digital Classroom with equipment and training for every public high school and one at each campus of the community college.

5.3 Deregulation – Fixed Line Services.

During the service year the Commission has contracted Sepulveda Consulting Inc, Toronto, Canada to assist with processing LIME's forbearance request, in order to evaluate the request and to see whether or not the Commission should deregulate or forbear on any of LIME's Fixed Line Services in the Turks and Caicos Islands.

On 14 January 2013, the Commission issued its Fixed Services Price Regulation Review Consultation Document. The Commission indicated in the Consultation Document that, based on its assessment of the available evidence, it was of the preliminary view that a substantial lifting of the ex ante regulatory provisions currently placed on LIME with respect to the provision of retail fixed services in TCI was warranted.

In particular, the Commission stated that it was of the preliminary view that there is no longer a continued need for a comprehensive price cap regime for LIME's retail fixed services as is currently the case under the Second Price Cap Regime. In the Consultation Document, the Commission set out the details of and supporting rationale for a proposal to forbear from the regulation of most of LIME's fixed services. The Forbearance Proposal was conditional in nature in that LIME would be required to continue to provide several narrowly targeted basic fixed services at approved prices as of 1 April 2013. The proposed conditional targeted price constraints would be subject to review no later than four years from the effective date of the Forbearance Proposal (i.e., 1 April 2017).

The Consultation Document included seven questions relating to the Forbearance Proposal and related matters. Interested parties were invited to provide responses to the Consultation Questions as well as provide their comments on any other matters they consider important to the issues under consideration in the proceeding.

The deadline for responses to the Consultation Document was 11 February 2013. LIME was the only party to provide a response to the Consultation Document. Its Response was filed with the Commission on 11 February 2013.

Based on the market data and information collected and evaluated during the course of the proceeding, the Commission decided to forbear from regulating the vast majority of LIME's retail fixed services, subject to the following conditions:

- 1) **Residential Fixed Access:** LIME must continue to provide stand-alone (basic) residential fixed access at a price no higher than the current rate of \$20 per month, with the associated installation fee also capped at the current rate level.
- 2) **Business Fixed Access:** LIME must continue to provide stand-alone (basic) business fixed access at a price no higher than the current rate of \$45 per month, with the associated installation fee also capped at the current rate level.
- 3) **Domestic Calling:** LIME must continue to provide a stand-alone (basic) fixed calling service at prices no higher than the current rate of 15¢/minute for fixed-to-fixed calls and (as of 31 March 2013) 30.75¢/minute for fixed-to-mobile calls.

The forbearance rulings adopted by the Commission in its Decision came into effect on 1st April 2013. The Commission intends to review the three above-noted forbearance conditions no later than 1 April 2017.

Making a sound decision in this matter is crucial, as LIME is a major player in the Industry and the Commission needs to ensure that sufficient safeguards are in place to protect the consumers and the industry from abuse. Our goal is to ensure that the industry is vibrant so that all users of telecommunications services continue to benefit from continuous technology improvements and better services from their service providers.

5.4 Interconnection Rate Review

In 2013, the Commission initiated a public consultation to review the current mobile termination rate ("MTR"), fixed termination rate ("FTR") and transit service rates in TCI because it was of the preliminary view that the current maximum allowable rate limits for these interconnection services are high relative to underlying costs based on evidence from Caribbean and European jurisdictions. The consultation process allowed interested parties to provide submissions in response to the evidence and proposals set out in the Consultation Document issued by the Commission in February 2014. Cable & Wireless (TCI) Ltd. ("LIME"), Digicel (TCI) Ltd., and Islandcom Telecommunications Ltd provided input through this process.

As in the case of the previous review of the MTR in 2011, the Commission adopted a comprehensive benchmarking approach to determine a fair and reasonable interconnection rate maxima based on comparable interconnection rate information in 14 Caribbean jurisdictions. This approach includes a benchmark sample normalization adjustment to take into account demographic, socio-economic and other environment differences between the benchmark jurisdictions and TCI.

Under the plan established by the Commission, the maximum permitted rate for mobile call termination will be reduced, in a graduated manner, from the current level of US \$0.0850 per minute to US \$0.0750 per minute after July 1, 2014, to US \$0.0675 per minute after March 31, 2015, and to US \$0.0600 per minute after March 31, 2016 (in each case, adjusted on a pro rata basis for units of less than a minute).

Fixed call termination will be reduced, in a graduated manner, from the current level of US \$0.0300 per minute to US \$0.0220 per minute after July 1, 2014, to US \$0.0195 per minute after March 31, 2015, and to US \$0.0170 per minute after March 31, 2016 (in each case, adjusted on a pro rata basis for units of less than a minute).

Transit call termination will be reduced, in a graduated manner, from the current level of US \$0.0150 per minute to US \$0.0110 per minute after July 1, 2014, to US \$0.00975 per minute after March 31, 2015, and to US \$0.0085 per minute after March 31, 2016 (in each case, adjusted on a pro rata basis for units of less than a minute).

The reduction in the Interconnection Rates is in harmony with world trends in the telecommunications industry and will foster stronger competition among the carriers. It should also result in lower prices for calls across local telecommunications networks.

The Commission has sent its recommendations to Cabinet to amend the Interconnection Regulations to bring these new rates into effect.

6.1 Number Portability

Section 4 (1) d of the Ordinance states that a function of the Commission is “to facilitate, maintain and promote effective and sustainable competition in telecommunications.” The inability of customers to maintain their number as they change service providers discourages them from leaving their current provider and proves to be a barrier to competition in the Islands. However, to implement number portability is currently cost prohibitive. On March 12, 2012 the Commission contracted Laurasia Associated Ltd., to provide the Commission with a Number Portability Consultation paper tailored to the needs of our telecommunications industry so that this barrier can be removed and fairer competition can be enabled in the Turks and Caicos Islands.

Industry consultation was carried out during the period now under review, but due to cost constraints, the Board has deferred making a decision to implement Number Portability in the islands. It is understood that the cost of implementation of Number Portability has come down considerably, and the CTU is looking into a harmonized Caribbean solution.

This matter needs to be revisited by the Commission, and steps will be taken to determine whether to implement Number Portability in the Islands.

6.2 Human Resources Development

Our greatest asset is our staff. We have taken steps to ensure that all the Commission staff and members of the board are professional and well trained. To that end all members and staff have undergone an intensive regulatory training course at the University of Florida, and most have attended advanced training by this institution. However, our development program is ongoing, and we 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 of its members fully trained in utility regulation, as it is vital that they continue to enhance their knowledge of regulatory processes and systems. This will make our Commission the world-class organization we strive to be.

6.3 Permanent Office Location

Since its establishment in 2004 the Commission has been renting office space in order to conduct its business. While this arrangement is satisfactory, it is not ideal and a more permanent arrangement is needed, to better establish our own identity and provide a better economic solution. The Commission has purchased a suitable piece of elevated land along the Leeward Highway in Providenciales and construction drawings for a proper office building is completed and approved by the Planning Board. The funds needed for construction have been secured and Commission is now waiting for approval to begin construction on the development that will care for its current and future needs. The Commission is approaching the end of a seven-year contract with our landlord, which is due to expire in July 2014.

In 2012 the Commission approved the go ahead for this construction project. By the end of the 2013/14 financial year the money for the construction work had been collected. The Government has in the past also accepted and approved this budgeted expense.

However, toward the latter part of 2012, new ordinances came into force which impact the approval process for developments of this type and the project has since stalled. All effort should be made to get this project restarted and the office building completed in a timely manner.

6.4 Internet

During the period the consumers have experience difficulty with registering their domain names due to a change in the company that was carrying out this function for the Turks and Caicos Islands Government. The matter is being litigated in the courts and we are awaiting the outcome of the trial.

In the meantime the Government has assigned the Commission as the administrator and ICANN has done this assignment. Steps are being taken to give the Commission the mandate to administer .tc ccTLD by including it in the Telecommunications Ordinance. The amendment is currently in the House of Assembly.

There is a need to have adequate Internet governance policies in place and to insure that our domain registry system meet the needs of its users.

Financial Statements of

TURKS AND CAICOS ISLANDS

TELECOMMUNICATIONS COMMISSION

Year ended March 31, 2014

Financial Statements of

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Year ended March 31, 2014



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Turks and Caicos Islands Telecommunications Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of Turks and Caicos Islands Telecommunications Commission (the "Commission"), which comprise the statement of financial position as at March 31, 2014 and statements of comprehensive income, cash flow and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our 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 about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2014, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

This report, including the opinion, has been prepared for and only for the board of directors of the Commission as a body and the Government of the Turks & Caicos Islands in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Chartered Accountants
Providenciales, Turks & Caicos Islands

Date: *July 10, 2014*

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Statement of Financial Position

At March 31, 2014

	2014 \$	2013 \$
Assets		
Current Assets		
Cash and cash equivalents	1,765,914	1,098,290
Accounts receivable - net (Note 6)	19,215	125,138
Other receivables (Note 7)	22,086	11,237
Deposit and prepayments (Note 8)	18,688	18,894
	<u>1,825,903</u>	<u>1,253,559</u>
Non Current Assets		
Property, plant and equipment (Note 9)	354,225	406,456
	<u>2,180,128</u>	<u>1,660,015</u>
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	71,413	56,114
Deferred income (Note 11)	222,000	219,592
	<u>293,413</u>	<u>275,706</u>
Equity		
Reserve fund	58,436	58,436
Retained surplus	1,828,279	1,325,873
	<u>1,886,715</u>	<u>1,384,309</u>
	<u>2,180,128</u>	<u>1,660,015</u>

Approved for issuance on behalf of the Board of Directors of the Turks and Caicos Islands Telecommunications Commission on July 10, 2014


Chairman


Director General

The accompanying Notes form an integral part of these financial statements

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Statement of Comprehensive Income

For year ended March 31, 2014

	2014 \$	2013 \$
Gross Revenue		
Regulatory and spectrum fees (Note 12)	1,828,420	1,685,202
Miscellaneous income	6,165	16,795
Interest income	4,587	-
	1,839,172	1,701,997
Expenses		
Salaries and benefits (Note 14)	(608,110)	(566,690)
Bad debt expenses	(77,525)	(81,000)
Depreciation (Note 9)	(65,632)	(87,552)
Rent (Note 13)	(94,975)	(79,380)
Commissioners' fees and expenses (Note 14)	(111,221)	(76,050)
Staff training	(3,100)	(39,532)
Telephone	(23,569)	(25,861)
Professional fees	(122,500)	(255,620)
Travel	(38,608)	(25,840)
Motor Expenses	(31,560)	(29,284)
Utilities	(23,053)	(26,177)
Repairs	(16,200)	(16,200)
Office expense	(78,444)	(26,927)
Insurance	(4,773)	(2,386)
Meals and entertainment	(6,953)	(6,635)
Bank and interest charges	(2,261)	(2,715)
Broadcast Working Group expenses	(28,282)	-
	(1,336,766)	(1,347,849)
Net surplus and total comprehensive income for year	502,406	354,148

The accompanying Notes form an integral part of these financial statements

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Statement of Changes in Equity

For year ended March 31, 2014

	Retained Surplus \$	Reserved Fund \$	Total \$
Balance as at March 31, 2012	971,725	58,436	1,030,161
Comprehensive Income			
Net surplus and total comprehensive income for the year	354,148	-	354,148
Balance as at March 31, 2013	<u>1,325,873</u>	<u>58,436</u>	<u>1,384,309</u>
Comprehensive income			
Net surplus and total comprehensive income for the year	502,406	-	502,406
Balance as at March 31, 2014	<u><u>1,828,279</u></u>	<u><u>58,436</u></u>	<u><u>1,886,715</u></u>

The accompanying Notes form an integral part of these financial statements

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Statement of Cash Flow March 31, 2014

	2014	2013
	\$	\$
Cash flows from operating activities		
Net surplus and total comprehensive income for the year	502,406	354,148
Adjustment for:		
Depreciation	65,632	87,552
Movement in provision for accounts receivable	75,000	74,400
	643,038	516,100
<i>Changes in operating assets:</i>		
Accounts receivable - net	30,923	47,197
Deposits and prepayments	206	152,227
<i>Changes in operating liabilities:</i>		
Accounts payable and accrued expenses	15,299	4,926
Deferred income	2,408	21,604
Net cash from operating activities	691,874	742,054
Cash flows from investing activities		
Increase in other receivables	(10,849)	(5,943)
Additions to property, plant and equipment	(13,401)	(384,436)
Net cash used in investing activities	(24,250)	(390,379)
Net change in cash and cash equivalents	667,624	351,675
Cash and cash equivalents at beginning of year	1,098,290	746,615
Cash and cash equivalents at end of year	1,765,914	1,098,290

The accompanying Notes form an integral part of these financial statements

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

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 5.

(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.

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.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

2. Basis of preparation, continued

(d) Use of estimates and judgements, continued

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

(e) Changes in accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2013 that would be expected to have a material impact on the Company.

(b) New and amended standards and interpretations issued but not effective for the financial year beginning 1 April 2013 and not early adopted.

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the financial statements.

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.

(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.

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 Commission 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 amount and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

3. Significant accounting policies, continued

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

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 and deposits.

(i) Cash and cash equivalents

Cash and cash equivalents 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.

(ii) Accounts receivable-net, other receivables, deposits and prepayments

Accounts receivables-net, other receivables and deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provisions 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.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

3. Significant accounting policies, continued

(b) Non-derivative financial liabilities, continued

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

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(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(e)(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.

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
Spectrum equipment	7 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Land and construction work in progress are not depreciated.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

3. Significant accounting policies, continued

(d) Regulatory and spectrum 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. Spectrum fees are assessed for each registered licensee of the Commission based on the nature of the spectrum applied for by the licensee regulated by schedule 3 (regulation 5) of the Telecommunications Ordinance. Regulatory and spectrum 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) 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.

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.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

3. Significant accounting policies, continued

(e) *Impairment, continued*

(ii) *Non-financial assets, continued*

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. 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 reserved 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.

(f) 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 expenses, over the term of the lease.

(g) Provisions

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
For year ended March 31, 2014

4. Key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Critical judgements in applying the entity's accounting policies

(a) Revenue recognition

The Commission has recognised revenue amounting to \$749,134 for Spectrum licensing fees and \$Nil for Annual Licence fees during 2014. The Annual License fees were paid directly to Government.

The Board has determined that Spectrum licensing falls under the sole mandate of the Commission, and to that end all fees for Spectrum use will be remitted and managed by the Commission. Annual Licence fees remain within the remit and approval of the Minister (ie Government) and no such fees have been remitted or managed by the Commission.

The Ordinance is not clear whether the Spectrum fees and/or Licence Fees should be held to the benefit of the Commission. The Ordinance states:

“Part III: Telecommunication network and services, section 12 (1) The prescribed fees (Annual Licence fees) payable under section 11(4) shall be in respect of the year commencing on the date on which the licence comes into force, and (2) The prescribed fees under section 11(4) shall be payable for each year for which the licence is in force and such fee shall be due on each anniversary of the date on which the licence was issued.”

“Part IV: Spectrum Management, section 33 (1) The prescribed fees (Spectrum fees) payable under section 32(2) shall be in respect of the year commencing on the date on which the licence comes into force, and (2) The prescribed fees under section 32 may enable the Commission to recover an amount in excess of the amounts under subsection (1) to reflect the market value of the licence granted.”

The recognition of one or either of these fees as revenue is dependent on the judgement of management. In the event that the Commission was operating as an agency of Government in the collection of Spectrum fees, revenue would be reduced by \$749,134.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

4. Key sources of estimation uncertainty, continued

Critical judgements in applying the entity's accounting policies, continued

(b) Reserve accounting

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".

The Commission has not recognised any surplus funds for the fiscal year ending March 31, 2014 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.

In the event that the entire retained surplus should in fact be recognised as a "surplus funds", equity would decrease by \$1,828,279 with an equivalent increase in accounts payable as at year end. The Reserve Fund would increase by \$1,828,279 as at March 31, 2014.

5. Financial instruments

(a) *Financial risk management*

The Commission's activities expose it to a variety of financial risks namely Credit and Liquid risks.

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.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

5. Financial instruments, continued

(a) *Financial risk management, continued*

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 and deposits.

The Commission banks primarily with recognised banks and financial institutions with minimal risk of default apparent. Provision is made where there is apparent default from a financial institution.

The Commission establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts and other receivables. Management assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

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

Under the terms of the Ordinance, the Commission has the right to suspend licensees in arrears and to seek recovery. Provision for impairment losses is made when required. All receivables are based within the Turks & Caicos Islands.

The carrying amount of financial assets represents the maximum amount of exposure. The maximum amount of exposure to credit risk at the reporting date was:

	2014 \$	2013 \$
Cash	1,765,914	1,098,290
Accounts receivable - net (Note 6)	19,215	125,138
Other receivables (Note 7)	22,086	11,237
Deposits (Note 8)	13,200	13,200
	<u>1,807,215</u>	<u>1,247,865</u>

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

5. Financial instruments, continued

(a) Financial risk management, continued

Credit quality of financial assets

The credit quality of financial assets that are neither past due or impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2014 \$	2013 \$
Trade receivables		
Counter parties without external credit rating:		
Group 1	5,200	125
Group 2	14,015	125,013
Group 3	-	-
Total unimpaired trade receivables	<u>19,215</u>	<u>125,138</u>
Cash at bank and short-term bank deposits		
AA	<u>1,765,514</u>	<u>1,096,592</u>
Other receivables	<u>22,086</u>	<u>11,237</u>

Group 1 - Licensees/related parties (less than 30 days)

Group 2 - Licensees/related parties (more than 30 days) with no defaults

Group 3 – Licensees/related parties (more than 30 days) with some defaults in the past. All defaults were fully recovered.

(ii) Liquidity Risk

Liquidity risk is the risk that the Commission will encounter difficulties meeting 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.

All the Commission's liabilities fall due within one year.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

5. Financial instruments, continued

(b) Fair Value Determination

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 to their fair value.

6. Accounts receivable - net

	2014 \$	2013 \$
Andrew's Communications Ltd.	75,000	75,000
Columbus Networks Ltd.	75,000	70,463
Others	19,215	54,675
	<u>169,215</u>	<u>200,138</u>
Less: Allowance for doubtful accounts	(150,000)	(75,000)
	<u>19,215</u>	<u>125,138</u>

As at March 31, 2014, accounts receivable of \$19,215 (2013: \$125,138) were fully performing.

As at March 31, 2014, accounts receivable of \$11,000 (2013: \$Nil) were past due but not impaired.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

6. Accounts receivable – net, continued

As at March 31, 2014 accounts receivable of \$150,000 (2013: \$75,000) were impaired. The amount was provided for in full as of March 31, 2014. The ageing of these receivables is as follows:

	2014 \$	2013 \$
3 to 6 months	-	-
Over 6 months	150,000	75,000
	<u>150,000</u>	<u>75,000</u>

Movements on the group provision for impairment of accounts receivables are as follows:

	2014 \$	2013 \$
At April 1	75,000	600
Provision for receivables impairment	75,000	81,000
Receivables written off during the year as uncollectible	-	(6,600)
At March 31	<u>150,000</u>	<u>75,000</u>

The creation and release of provision for impaired receivables have been included in 'bad debt expenses' in the statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation or recovering additional cash.

7. Other receivable

Other receivable comprised the following:

	2014 \$	2013 \$
Advances to staff members	22,086	9,942
Broadcasting Commission	-	1,295
	<u>22,086</u>	<u>11,237</u>

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Notes to Financial Statements
For year ended March 31, 2014

8. Deposits and prepayments

	2014 \$	2013 \$
Prepayments	5,488	5,694
Deposits	13,200	13,200
	<u>18,688</u>	<u>18,894</u>

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Notes to Financial Statements
For year ended March 31, 2014

9. Property, plant and equipment

	Leasehold Property and Improvements \$	Office furniture and fixtures \$	Motor Vehicles \$	Computer equipment \$	Spectrum equipment \$	Land \$	Office building in progress \$	Total \$
Cost								
At April 1, 2012	70,518	318,071	70,500	73,365	-	-	-	532,454
Additions	-	-	45,000	-	148,575	154,646	36,215	384,436
At March 31, 2013	70,518	318,071	115,500	73,365	148,575	154,646	36,215	916,890
Additions	-	-	-	100	-	-	13,301	13,401
Disposals	-	(3,707)	-	(17,996)	-	-	-	(21,703)
At March 31, 2014	70,518	314,364	115,500	55,469	148,575	154,646	49,516	908,588
Accumulated Depreciation								
At April 1, 2012	49,287	270,263	47,191	56,141	-	-	-	422,882
Depreciation for year	10,074	41,427	16,623	7,708	11,720	-	-	87,552
At March 31, 2013	59,361	311,690	63,814	63,849	11,720	-	-	510,434
Depreciation for year	10,074	4,566	22,630	7,137	21,225	-	-	65,632
Disposals	-	(3,707)	-	(17,996)	-	-	-	(21,703)
At March 31, 2014	69,435	312,549	86,444	52,990	32,945	-	-	554,363
Carrying amounts:								
At March 31, 2014	1,083	1,815	29,056	2,479	115,630	154,646	49,516	354,225
As March 31, 2013	11,157	6,381	51,686	9,516	136,855	154,646	36,215	406,456

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

10. Accounts payable and accrued expenses

	2014 \$	2013 \$
Accrued expenses	40,178	42,889
Accounts payable	31,235	13,225
	<u>71,413</u>	<u>56,114</u>

11. Deferred income

Current year deferred income of \$222,000 (2011: \$219,592) relates to regulatory and spectrum fees received from licensees.

12. Regulatory and spectrum fees

	2014 \$	2013 \$
Regulatory fees		
LIME	540,974	542,325
Digicel TCI Limited	340,436	274,618
Andrew's Communications Limited	-	75,000
Islandcom Telecommunications Limited	75,000	70,463
Columbus Networks Ltd.	75,000	23,488
Others	47,876	98,087
	<u>1,079,286</u>	<u>1,083,981</u>
Spectrum fees		
Digicel TCI Limited	298,500	178,500
Islandcom Telecommunications Limited	208,000	111,000
LIME	186,000	127,183
Other	57,134	184,538
	<u>749,134</u>	<u>601,221</u>
	<u>1,828,420</u>	<u>1,685,202</u>

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements
For year ended March 31, 2014

13. Lease commitments

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

	2014 \$	2013 \$
Less than one year	32,162	94,955
Between one and five years	-	32,162
	<u>32,162</u>	<u>127,117</u>

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.

For the year ended March 31, 2014, \$94,975 (2013 \$79,380) 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.

14. Related party balances and transactions

For the years ended March 31, 2014 and March 31, 2013, the following were the significant transactions and balances with TCIG, the Commissioners and the Director General of the Commission. In the current year management decided that only Director General's salaries and benefits and Commissioner's fees and expenses are considered related party transactions.

	2014 \$	2013 \$
Director General's salaries and benefits	190,255	176,130
Commissioners' fees and expenses	111,221	76,050

15. Comparative disclosure

Certain comparative disclosures have been reclassified to be consistent with the current year's analysis. These reclassifications have no impact on the statement of financial position or the net surplus and total comprehensive income for the year.

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Notes to Financial Statements
For year ended March 31, 2014

The accompanying Notes form an integral part of these financial statements