Information and Communications Technology Authority

Financial Statements

For the Period Ended 15 January 2017

INFORMATION AND COMMUNICATIONS TECHNOLOGY AUTHORITY

FINANCIAL STATEMENTS
For the Period Ended 15 January 2017

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Information and Communications Technology Authority
Statement of Responsibility for the Financial Statements
15 January 2017

These financial statements have been prepared by the Information and Communications Technology Authority in accordance with the provisions of the *Public Management and Finance Law (2017 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law (2017 Revision)*.

As Chairman and Managing Director, we are responsible for establishing; and have established and maintain a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by law, and properly record the financial transactions of the Information and Communications Technology Authority.

As Chairman and Managing Director, we are responsible for the preparation of the Information and Communications Technology Authority's financial statements and for the judgements made in them.

The financial statements fairly present the statement of financial position, comprehensive income and cash flows for the financial period ended 15 January 2017.

To the best of our knowledge we represent that these financial statements:

(a) completely and reliably reflect the financial transactions of the Information and Communications Technology Authority for the period ended 15 January 2017;

(b) fairly reflect the financial position as at 15 January 2017 and comprehensive income for the period ended 15 January 2017; and

(c) comply with International Financial Reporting Standards under the responsibility of International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Dr. the Hon. Linford Pierson, OBE, JP
Chair
Of the successor organisation, the Utility Regulation and Competition Office

Date: April 24, 2018

J. Paul Morgan
Chief Executive Officer
Of the successor organisation, the Utility Regulation and Competition Office

Date: April 24, 2018

Office of the Auditor General
CAYMAN ISLANDS

Phone: (345) - 244-3211
Fax: (345) - 945-7738
AuditorGeneral@oag.gov.ky
www.auditorgeneral.gov.ky

3rd Floor, Anderson Square
64 Shedden Road, George Town
P.O. Box 2583
Grand Cayman, KY1-1103, Cayman Islands

AUDITOR GENERAL'S REPORT

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

Opinion

I have audited the financial statements of the Information and Communications Technology Authority (the "Authority"), which comprise the statement of financial position as at 15 January 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 6.5 month period from 1 July 2016 to 15 January 2017, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 23.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 15 January 2017 and its financial performance and its cash flows for the 6.5 month period from 1 July 2016 to 15 January 2017 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw attention to note 1 and note 2 to the financial statements, which describe that the going concern basis of preparing the financial statements has not been used due to the enactment of the Utility Regulation and Competition Law, (2016), which resulted in the discontinuance of the Authority as a separate legal entity of the Cayman Islands Government. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a)(ii) of the Public Management and Finance Law (2017 revision). I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA
Auditor General

30 April 2018
Cayman Islands

Information and Communications Technology Authority
Statement of Financial Position
As at 15 January 2017
(stated in Cayman Islands dollars)

	Notes	2017	2016
CURRENT ASSETS			
Cash and cash equivalents	3,11	$ 1,230,839	$ 1,977,721
Accounts receivable	4,7,11	694,459	448,243
Prepaid expenses		80,833	44,985
Property, plant and equipment	5	178,148	-
		2,184,279	**2,470,949**
NON-CURRENT ASSETS			
Property, plant and equipment		-	166,695
TOTAL ASSETS		**$ 2,184,279**	**$ 2,637,644**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	6	474,705	875,496
Defined benefit pension liability	2,9	48,000	73,000
		$ 522,705	$ 948,496
EQUITY			
Contributed capital		887,500	887,500
General reserve	8	924,000	924,000
Accumulated deficit		(149,926)	(122,352)
		1,661,574	**1,689,148**
TOTAL LIABILITIES AND EQUITY		**$ 2,184,279**	**$ 2,637,644**

Approved on behalf of the Board of Directors on the 24 of April 2018

Dr. the Hon. Linford Pierson, OBE, JP
Chair
Of the successor organisation, the Utility Regulation and Competition Office

J. Paul Morgan
Chief Executive Officer
Of the successor organisation, the Utility Regulation and Competition Office

The accompanying notes form an integral part of these financial statements.

Information and Communications Technology Authority
Statement of Comprehensive Income
For the Period Ended 15 January 2017
(stated in Cayman Islands dollars)

	Notes	Jan 2017	June 2016
INCOME			
Regulatory fees		$ 1,046,234	$ 1,245,762
Services provided to Government	7	176,307	325,489
Radio licences		69,080	142,728
Licensing fees		57,684	183,516
KY Domain fees		53,387	161,058
Other income		6,171	6,535
		1,408,863	**2,065,088**
EXPENSES			
Salaries and employee benefits	7, 9	712,186	1,243,664
Legal and professional fees		483,942	345,448
Travel and conferences		47,763	192,545
Depreciation and amortisation	5	47,579	62,440
Lease of office space	10	39,802	73,663
Other expenses		33,233	50,659
Computer maintenance		32,072	46,004
Utilities		26,994	36,874
Subscriptions		12,296	18,751
Directors' fees		10,000	37,800
Insurance		6,723	11,868
Bank charges		5,057	10,412
Domain administration		3,671	16,935
Supplies and materials		2,119	8,277
		1,463,437	**2,155,340**
Net Loss for the period		**$ (54,574)**	**$ (90,252)**
Other comprehensive loss for the period			
Regulatory consolidation cost		(15,000)	(30,000)
Re-measurement of defined benefit pension	9	42,000	(19,000)
Total comprehensive loss for the period		**$ (27,574)**	**$ (139,252)**

The accompanying notes form an integral part of these financial statements.

Information and Communications Technology Authority
Statement of Changes in Equity
For the Period Ended 15 January 2017
(stated in Cayman Islands dollars)

	Notes	Contributed capital	General reserve	Accumulated (deficit) surplus	Other comprehensive loss	Total equity
Balance at June 30, 2015		**$ 887,500**	**$ 924,000**	**$ 31,900**	**(15,000)**	**$ 1,828,400**
Net comprehensive loss for the year		-	-	(90,252)	-	(90,252)
Other comprehensive loss		-	-	-	(49,000)	(49,000)
Balance at June 30, 2016		**$ 887,500**	**$ 924,000**	**($ 58,352)**	**(64,000)**	**$ 1,689,148**
Net comprehensive loss for the period		-	-	(54,574)	-	(54,574)
Other comprehensive loss for the period		-	-	-	(15,000)	(15,000)
Re-measurement of defined benefit pension		-	-	-	42,000	42,000
Balance at January 15, 2017		**$ 887,500**	**$ 924,000**	**($ 112,926)**	**(37,000)**	**$ 1,661,574**

The accompanying notes form an integral part of these financial statements.

Information and Communications Technology Authority
Statement of Cash Flows
For the Period Ended 15 January 2017
(stated in Cayman Islands dollars)

	Notes	Jan 2017	June 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net comprehensive loss for the year		($ 27,574)	($ 139,252)
Adjustment for non-cash transactions:			
Depreciation and amortisation	5	47,579	62,440
		20,005	(76,812)
Net changes in non-cash operating balances:			
(Increase)/decrease in:			
Accounts receivable		(246,216)	(48,223)
Prepaid expenses		(35,848)	14,966
Accounts payable and accrued liabilities		(425,791)	740,068
Net cash (used in)/provided by operating activities		(687,850)	629,999
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(59,032)	(156,057)
Disposal of property, plant and equipment		-	-
Net cash (used in)/from investing activities		(59,032)	(156,057)
Net increase/(decrease) in cash and cash equivalents during the period		(746,882)	473,942
Cash and cash equivalents at the beginning of the period		1,977,721	1,503,779
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**$ 1,230,839**	**$ 1,977,721**

The accompanying notes form an integral part of these financial statements.

Information and Communications Technology Authority
Notes to the Financial Statements
For the Period Ended 15 January 2017
(stated in Cayman Islands dollars)

1. Establishment and principal activities

The Information and Communications Technology Authority ("ICTA" or "Authority") is an independent Statutory Authority that was created on 17 May 2002 by the Information and Communications Technology Authority Law, 2002. The Authority reports to the Legislative Assembly of the Cayman Islands on its operations through the Ministry of Planning, Lands, Agriculture, Housing and Infrastructure of the Cayman Islands Government.

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

The Cayman Islands Government appoints the Chair and Members to the Authority's Board of Directors.

As at 15 January 2017, the ICTA had 11 employees, (2016: 11). The ICTA is located at 85 North Sound Road, 3rd floor of Alissta Tower, P.O. Box 2502 George Town, Grand Cayman, KY1-1104, Cayman Islands.

Following the enactment of the Utility Regulation and Competition Law (2016), all responsibilities of the Information and Communications Technology Authority passed to the Utility Regulation and Competition Office on 16 January 2017. The Authority ceased to operate as a separate legal entity of the Government from this date and merged with the Electricity Regulatory Authority ("ERA") to form the Utility Regulation and Competition Office. Effective 16 January 2017 all assets, liabilities, and net assets/equity were transferred at the fair value from ERA and ICTA into the Utility Regulation and Competition Office. The Utility Regulation and Competition Office is located at 85 North Sound Road, 3rd Floor of Alissta Tower, P.O. Box 2502 George Town, Grand Cayman, KY1-1104, Cayman Islands.

2. Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB. The significant accounting policies adopted by the ICTA in these financial statements are as follows:

(a) Basis of preparation

The financial statements of the ICTA are presented in Cayman Island dollars and are prepared on the accruals basis under the historical cost convention. As discussed in note 1, as a result of the enactment of the Utility Regulation and Competition Law (2016), effective 15 January 2017, the Entity ceased operations. Accordingly, these financial statements as at and for the period ended 15 January 2017 have been prepared on a basis other than going concern (the "accounting basis"). Under the accounting basis, the Entity measures it assets based on their net realizable value and its liabilities on expected settlement amounts. All assets and liabilities have been classified as current. As the Entity's assets and liabilities predominantly comprise financial assets and liabilities carried at amortized cost, the change in basis of accounting did not result in different measurements for those under the going concern basis of accounting. The accounting policies have been applied consistently throughout the period.

2. Significant accounting policies (continued)

(b) Reporting period

The Public Management and Finance (Amendment) Law, 2015 section 2(c), was passed on 15 October 2015 to reflect a change in the annual reporting date from 30 June 2016 to 31 December. As disclosed in note 1 and note 2(a), these financial statements include 6.5 months for the period from 1 July 2016 to 15 January 2017.

The prior year amounts presented in the financial statements is for a 12 month period to 30 June 2016 and therefore are not entirely comparable to the current period actuals for the 6.5 month period. IAS 1.36 allows for the financial statements to be presented for a period longer or shorter than one year when an entity's reporting date changes.

(c) Use of estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of income and expenses during the year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

(d) Foreign currency translation

Assets and liabilities denominated in currencies other than Cayman Islands dollars are translated at exchange rates in effect at the financial statements date. Income and expense transactions denominated in currencies other than Cayman Islands dollars are translated at exchange rates at the date of those transactions. Gains and losses arising on translation are included in the statement of comprehensive income.

(e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are considered as cash held on demand and fixed deposits with an original maturity of three months or less.

(f) Accounts receivable

Accounts receivable are recognised initially at fair value and are subsequently reviewed for impairment. Where there is objective evidence that a debt will not be collectible by the Authority according to the agreed terms a provision for bad debt is established.

2. Significant accounting policies (continued)

(g) Property, plant and equipment/depreciation and amortisation

Property, plant and equipment are stated at cost less accumulated depreciation and amortisation, and any impairment losses.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the property, plant and equipment except for leasehold improvements which are amortised over the useful term of the lease, whichever is shorter.

The estimated useful lives of the property, plant and equipment are as follows:

Office equipment and furniture	4 - 12 Years
IT equipment	3 Years
Computer Software	3 Years
Motor Vehicles	3 Years
Leasehold improvements	5 Years

Management reviews the depreciation and amortisation method and useful life at each reporting period to ensure that they are consistent with the expected economic benefits from property, plant and equipment.

(h) Income recognition

Services provided to Cabinet are recognised when the services agreed in the purchase agreement are performed and the Government is invoiced. Services are billed at cost to the Government (see also Related Party Note 7).

Regulatory and licensing fees are recognised as revenue when they are due to the Authority. Radio licence fees are recognised when received by the Authority. Application and licence fees are non-refundable.

(i)Operating lease

Lease payments are recognised as an expense on a straight-line basis over the lease term.

(j) Financial instruments

(i) Classification

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

A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities are comprised of accounts payables and accrued expenses.

2. Significant accounting policies (continued)

(j) Financial instruments (continued)

(ii) Recognition

The Authority recognises financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statement of comprehensive income.

(iii) Measurement

Financial instruments are measured initially at cost which is the fair value of the consideration given or received. Subsequent to initial recognition, all financial assets are recorded at historical cost, which is considered to approximate fair value due to the short-term or immediate nature of these instruments.

(iv) Derecognition

A financial asset is derecognised when the Authority realises the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expired.

(k)Provisions and contingencies

Provisions are recognised when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised but are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised but are disclosed in the financial statements when an inflow of economic benefits is probable.

(l)Employee benefits

Employee entitlements such as, annual leave, long service leave, retiring leave and other similar benefits are recognised in the statement of comprehensive income when they are earned by employees. Employee entitlements to be settled within one year following the year end outstanding at that date are reported as current liabilities at the amount expected to be paid.

Retirement benefits are provided to employees through a defined contribution plan, as well as a defined benefit plan (note 9).

Defined Contribution Plan

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

2. Significant accounting policies (continued)

Defined Benefit Plan

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each financial position date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Authority's defined obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit asset or liability comprises the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(m) Subsequent Events

Comparative figures are reclassified to ensure consistency with the current period unless it is impracticable to do so. Property, plant and equipment has been classified as current assets in the current period, due to the discontinuance of the Entity effective 15 January 2017.

(n) Changes in International Financial Reporting Standards

Below are several new standards and amendments that have been issued but are not yet effective. They do not impact the annual financial statements of the Authority. The nature and impact of each new standard/amendment is described below:

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

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

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

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

2. Significant accounting policies (continued)

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

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

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

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

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

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

3. Cash and cash equivalents

	Jan 2017	June 2016
Checking accounts	$ 754,660	$ 1,502,222
Fixed deposits	476,179	475,499
	$ 1,230,839	$ 1,977,721

4. Accounts receivable

Management estimates that accounts receivable of $694,459 as of 15 January 2017 are fully collectible (2016: $448,243). During the year, there were no bad debts written off (2016: Nil).

5. Property, plant and equipment

	As at 15 January 2017					
	Office equipment and furniture	IT equipment	Leasehold improvements	Computer software	Motor vehicles	Total
Cost						
Balance at beginning of period	113,273	258,213	238,671	6,289	64,900	681,346
Additions	4,358	21,484			33,190	59,032
Balance at end of period	117,631	279,697	238,671	6,289	98,090	740,378
Accumulated depreciation and Amortisation						
Balance at beginning of period	98,997	175,593	233,373	1,568	5,120	514,651
Charge for period	6,032	22,981	5,298	1,133	12,135	47,579
Balance at end of period	105,029	198,574	238,671	2,701	17,255	562,230
Net Book Value At 15 January 2017	**$ 12,602**	**$ 81,123**	**$ -**	**$ 3,588**	**$ 80,835**	**$178,148**

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

6. Accounts payable and accrued liabilities

	Jan 2017	June 2016
Accounts payable	$ 355,818	$ 837,864
Accruals	166,887	110,632
	$ 522,705	$ 948,496

7. Related party balances and transactions

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

	Jan 2017	June 2016
Accounts Receivable – Government	$ 94,934	$ 122,754
Services provided to Cabinet	176,307	325,489
	$ 271,241	448,243

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

As part of the services provided to Government, the Authority collected, verified and remitted the 6% Royalty Fee from ICTA Licensees, as follows.

	Quarter 1	Quarter 2	2017	2016
Balance at beginning of period	$ -	$ -	$ -	$ -
Amount collected	2,537,886	1,998,979	4,536,865	7,531,164
Amount paid	(2,537,886)	(1,998,979)	(4,536,865)	(7,531,164)
Balance at end of period	$ -	$ -	$ -	$ -

As detailed in Note 9, the Authority on behalf of its eligible employees paid contributions of $51,959 to the Public Service Pensions Plan during the year (2016: $56,165).

Salaries and other short-term employee benefits for three key management of $229,496 (2016: $769,127) are included within salaries and employee benefits.

8. General reserve

Section 18 of the ICTA Law (2011) requires the Authority to maintain a reserve fund; the management of such fund being at the discretion of the Authority. The Law requires the fund to be applied only for the purposes of the Authority. The current reserve account represents approximately five times the monthly operating requirements (2016: Five times).

9. Pensions

Contributions to Public Service Pensions Plan
During the current year, the Authority recognised pension expenses under salaries and employee benefits of $ 51,959 (2016: $ 56,165) paid to the Public Service Pensions Fund.

Contributions to Silver Thatch Pension Plan
During the year, the Authority recognised pension expense under salaries and employee benefits of $ nil (2016: $ nil), for one employee.

9. Pensions (continued)

Public Service Defined Benefit Plan

The Authority has one employee who is an active participant in the Public Service defined benefit plan. During the year, the Authority recognised pension expense under salaries and employee benefits of $ 48,000 (2016: $73,000).

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

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

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

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

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

	Jan 2017	June 2016
	$'000	$'000
Defined benefit obligation	-	233
Fair value of plan assets	-	160
Funded status	-	73
Net liability	-	73

9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

The change in defined benefit obligation is as follows:

	Jan 2017	June 2016
	$000	$000
Defined benefit obligation at end of prior year	233	176
Service Cost	16	22
Interest expense	4	8
Cash flows	4	8
Other significant events	-	-
Increase/(decrease) due to effect of any business combinations/divestitures	(220)	-
Re-measurements	(37)	19
Effect of changes in foreign exchange rates	-	-
Defined benefit obligation at end of year	-	233

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

	Jan 2017	June 2016
	$000	$000
Fair value of plan assets at end of prior year	160	136
Interest Income	3	7
Cash flows – employer and participant contributions	4	9
Other significant events	4	8
Increase/(decrease) due to effect of any business combinations/divestitures	(172)	-
Re-measurements	1	-
Effect of changes in foreign exchange rates	-	-
Fair value of plan assets at end of year	-	160

The net defined benefit liability (asset) reconciliation:

	Jan 2017	June 2016
	$000	$000
Net defined benefit liability as of beginning of year	73	40
Defined benefit cost included in P&L	17	23
Total remeasurements included in OCI	(38)	19
Net transfer in/(out) including the effect of any business combination/divestitures	(48)	-
Cash flows	(4)	(9)
Credit to reimbursements	-	-
Effect of changes in foreign exchange rates	-	-
Net defined benefit liability as of end of year	-	73

9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

The components of defined benefit cost is as follows:

	Jan 2017 $000	June 2016 $000
Service Cost	16	22
Net interest cost		
Interest expense on DBO	4	8
Interest (income) on plan assets	(3)	(7)
Total net interest cost	1	1
Remeasurements of Other Long Term Benefits	-	-
Administrative expenses and taxes	-	-
Defined benefit cost included in P & L	17	23
Remeasurements (recognized in other comprehensive income)		
Effect of changes in demographic assumptions	1	1
Effect of changes in financial assumptions	(37)	49
Effect of experience adjustments	-	(30)
(Return) on plan assets (excluding interest income)	(1)	-
(Return) on reimbursement rights (excluding interest income)	-	-
Changes in asset ceiling/onerous liability (excluding interest income)	-	-
Total remeasurements included in OCI	(38)	19
Total defined benefit cost recognized in P&L and OCI	(21)	42

The sensitivity analysis on defined benefit obligation is shown below:

	Jan 2017	June 2016
1. Discount rate		
a. Discount rate – 25 basis points	253	253
b. Discount rate + 25 basis points	215	215
2. Inflation rate		
a. Inflation rate – 25 basis points	216	216
b. Inflation rate + 25 basis points	252	252
3. Mortality		
a. Mortality - 10% of current rates	238	238
b. Mortality + 10% of current rates	229	229

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

	Amount ($000)
Expected employer contributions	14

9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

The significant actuarial assumptions are presented below:

	Jan 2017	June 2016
1. Discount rate	4.50%	4.00%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table	UP-94 projected on a generational basis using Scale BB	UP-94 projected on a generational basis using Scale BB
6. Cost Method	Projected Unit Credit	Projected Unit Credit
7. Asset valuation method	Market Value	Market Value

	2017	2016
1. Discount rate	4.00%	4.75%
2. Rate of salary increase	3.50%	3.50%
3. Rate of price inflation	2.50%	2.50%
4. Rate of pension increases	2.50%	2.50%
5. Post-retirement mortality table		

Plan Assets
The Defined Benefit assets as well as Defined Contribution assets of the Plan are held as part of the Public Service Pensions Fund ("the Fund") and managed by the PSPB. The assets of two other pension plans are pooled together to constitute the Fund. The assets are notionally allocated to each of the three participating pension plans through an internal accounting mechanism that tracks, for each accounting period, actual cash flows and allocates investment income and expenses in proportion to the opening value of assets allocated. Based on the data provided, the gross rate of return earned by the Fund for the period ended January 2017 was 2.1%. Similar internal accounting is used for developing each participating entity's share of the asset portfolio of the Fund.

The valuations are based on the draft financial statements as at 15 January 2017 as well as asset value as at 15 January 2017 provided by PSPB, along with cash flow and other supplemental asset information. The assets are held in trust by CIBC Mellon.

The Fund currently has investment policy with a target asset mix of 80% equities and 20% bonds. As at 15 January 2017, the Fund was invested as follows:

	Jan 2017	
Plan Assets by Asset Category	**($000)**	**Percentage**
Global equities securities	445,314	78%
Debt securities	116,250	21%
Real estate / Infrastructure	-	-

9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

Cash	6,352	1%
Total	567,916	100%

For the period ended January 2017, the Defined Contribution portion of the Fund totaled to $275,337,219 (2016: $261,754,300) as provided by PSPB. The share of the Fund that been notionally allocated to ICTA with regards to its participation in the Defined Benefit Part of the Plan is $171,000 as at 15 January 2017 (2016: $160,000).

The Actuarial Assumptions

The actuarial assumptions have been approved by the Financial Secretary, the main sponsor of the Plan. The principal financial and demographic assumptions used at 15 January 2017 are shown in the table below. The assumptions as at the reporting date are used to determine the present value of the benefit obligation at that date and the pension expense for the following year.

Measurement Date	**Jan 2017**
Discount rate	
- BOY disclosure and current year expense	4.00% per year
- EOY disclosure and following year expense	4.50% per year
Increases in pensionable earnings	3.50% per year
Rate of Pension Increases	2.50% per year
Rate of Indexation	2.50% per year
Expected long-term rate of return on assets (net of expenses) for purposes of IFRIC only	7.00% per year
Mortality	
- BOY disclosure and current year expense	RP-2014 generationally projected using scale MP-2014
- EOY disclosure and following year expense	RP-2014 generationally projected using scale MP-2014
Disability	None
Turnover Rates	Age related table
Retirement	Age 57
Assumed life expectations on retirement	Retiring today (member age 57) 30.21 Retiring in 25 years (at age 32): 32.40
Liability Cost Method	Projected unit credit method
Asset Value Method	Market Value of Assets
Commutation of pension	All members commute 25% at retirement

Turnover Rates at sample ages:

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

9. Pensions (continued)

Public Service Defined Benefit Plan (continued)

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

The discount rate as at 15 January 2017 was determined in accordance with IAS 19. In accordance with IAS 19R paragraph 83, determined by reference to market yields on high quality corporate bonds (consistent with the term of the benefit obligations) at the fiscal year end date. The Mercer US Above Mean Yield Curve (referencing US corporate bond yields) was used to determine discount rates due to strong economic and currency links between the US and the Cayman Islands.

10. Lease commitments

The Authority leases the third floor of Alissta Towers under an operating lease. The Lease payments are $6,139 per month. Future lease commitments are:

Period	Amount
1 July 2016 to 15 January 2017	$6,139

At the termination of the lease, unless agreed between the Landlord and the Authority in writing, the Authority is to remove at its cost and expense any partitions, structures, additions or improvements erected by the Authority and shall reinstate the premises to the condition they were in at the commencement of the term.

11. Financial risk management objectives and policies

The Authority's principal financial assets are comprised of cash and cash equivalents and accounts receivables. Financial liabilities are solely Accounts payable and other liabilities. The Authority's Board of Directors has overall responsibility for the establishment and oversight of its risk management policies which are designed to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

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

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Authority did not hold any financial instrument that was subject to market risk at 15 January 2017.

b) Credit Risk

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

11. Financial risk management objectives and policies (continued)

b) Credit Risk (continued)

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

The Authority's accounts receivable balance does not have any significant credit risk exposure to any single licensee, but is inherently exposed in its entirety to the telecommunications industry in the Cayman Islands. The Authority's licencees include well-established local telecommunication and media companies and, at 15 January 2017, there have been no indications of any insolvency in those entities that impacts their ability to pay the Authority. On the other hand, the Authority's deposits are concentrated in a single banking institution based locally.

The maximum exposure to credit risk at 15 January 2017, is as follows:

	Jan 2017	June 2016
Cash and cash equivalents	$ 1,230,839	$ 1,977,721
Accounts receivable	694,459	448,243
	$ 1,925,298	$ 2,425,964

c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The liquidity risk management process ensures that the Authority is able to honour all of its financial commitments when due. The Authority manages liquidity risk by ensuring that it has sufficient cash on demand to meet expected operational expenses and servicing of financial obligations. To this end, the Authority maintains a reserve, as is required by the ICTA Law. The size and nature of the reserve are determined by Management. At the moment, the Authority maintains a cash reserve equivalent to 5 months of operating expenses.

d) Interest Rate Risk

The Authority is subject to interest rate risk on the cash placed with a local bank which attracts interest. Interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The total interest earned during the year ended 15 January 2017 was $671 (2016: $979).

12. Financial instruments

Fair values. The carrying amount of cash deposits, prepayments, accounts receivable and accounts payables and accrued liabilities approximate their fair value due to their short-term maturities. Fair values are made at specific points in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions, economic conditions and other factors could cause significant changes in fair value estimates.

13. Subsequent events

Effective 16 January 2017, the Entity merged with the Information Communications and Technology Authority to form the new Utility Regulation and Competition Office entity in accordance with the Utility Regulation and Competition Office law, 2016.

In preparing these financial statements management has evaluated and disclosed all material subsequent events up to April 24, 2018 which is the date that the financial statements were available to be issued.