



ANNUAL REPORT

2008 – 2009

TURKS AND CAICOS
TELECOMMUNICATIONS
COMMISSION

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Message from the Minister



The past year has been an eventful one in Turks and Caicos Islands, particularly of course the devastating hurricanes Ike and Hannah, which wrecked havoc throughout our country, causing major damage in Grand Turk, South Caicos and Salt Cay in particular. As these islands have recovered from the damage, telecommunications have shown itself once more to be an essential element in both saving lives and property, and leading the way to assisting in the recovery efforts. The telecom operators all came through with flying colours, restoring service within a very short time to provide the telecommunications services most needed by those working on the recovery. We have continued to enjoy increased availability of new services, with higher speed internet services, internet based telephone packages and promises of more advanced technologies to serve our people in the coming years.

During 2008, the Commission launched an ambitious program aimed at establishing a new regime for overseeing the prices of fixed line services offered by Cable and Wireless (now "Lime"). This proceeding culminated in the publication of the Price Caps decision in February, 2009, with the introduction of phased price reductions for fixed to mobile calls over the next four years, and a freeze on most other fixed line rates. It is very satisfying to see that the savings to consumers and businesses will be more than \$2.5 million over the period of the new price cap regime.

I am also pleased to see the Commission conducting its business in accordance with best international practice, publishing notices calling for public comment on a number of issues that have helped to solidify the competitive market in Turks and Caicos. I note in particular that the Commission has approved a major initiative of Digicel, who will soon enter the fixed line market throughout the country, providing much needed competitive pressure in this market segment that is so important to consumers and businesses.

I commend the Commission and its staff on the accomplishments of the recent year, and have high expectations for the coming period.

Message from the Chairman



The 2008 – 2009 period has again presented challenges to the Commission, and I believe we have risen to the occasion once more. We have taken major steps toward providing a more open and transparent regulatory framework with the enactment of the Administrative Regulations that define the mode of conducting our public consultations, this approach has demonstrated our commitment to this policy.

We have published an informative brochure describing the role of the Commission aimed at consumers, and providing advice on how they may file complaints with the Commission. We have also launched a new, interactive web site that allows consumers and operators to submit everything from complaints to licence applications on line, with a promise of rapid and fair responses from the Commissioners and staff.

We have handled a number of disputes between operators, with decisions now published on our web site. This has demonstrated our commitment to maintaining a fair market in the telecom sector by ensuring that no operators take advantage of dominant positions, or impede the orderly working of the market. We noted with interest that the sector has grown with revenues for the two major competitors growing by almost 25%. This has led to an increase in much needed revenues to government, and the competitive pressures have produced new innovative services and improved customer service.

Finally, I want to thank my colleagues on the Commission for their commitment to our efforts, and commend our staff for their support during the past years, which have enabled us to accomplish our goals so far.

1. Introduction

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 sets 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) to enable the introduction of full competition at the earliest possible time.

This report, the third 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.

2. Key Achievements during the Period

2.1. The Ongoing Development of the Commission

During the past year, we have benefited from training in Economic Regulation from a world-class economist, Edgardo Sepulveda from Canada, who was engaged in part to assist with the Price Caps proceeding. In addition, he hosted a seminar on Economics of Telecom Regulation in Providenciales, for the staff and Commissioners of The Turks and Caicos Telecommunications Commission. One of the staff members also attended a major wireless conference in Chicago, where he learned much about the evolving wireless broadband market, as a precursor to coming developments in Turks and Caicos, being pursued by our operators. Two administrative staff members traveled to Cayman Islands to meet with administrators at the ICTA in Cayman, to discuss a variety of governance and administrative practices.

2.2. Administrative Procedure Regulations

In March 2008, the government approved the issuance of new regulations governing the procedures and practices of the Commission. These regulations (entitled “Administrative Procedure Regulations”) have since been published, and can be found on the Commission’s web site.

2.3. Commission Web Site

The Commission’s web site (now at www.telecommission.tc) has been updated, with additional information added, and a more “user friendly” design implemented. Licensing

information, application forms, complaint forms and contact information have been added to the site, and work is ongoing to make the site even more useful to the stakeholders and consumers. In addition, the web site is now the prime communications vehicle for the Commission, where decisions and notices are available quickly, and responses in electronic form now encouraged.

2.4. Spectrum Management System

During 2008, the Commission took delivery of a modern spectrum management system from Aerosystems International of Canada, and a key staff member travelled to Canada to receive training on the system, and also achieved exposure to the use of the system by spectrum manager for Industry Canada. This has allowed the Commission to provide much needed assistance to one of the operators who were experiencing serious interference from unlawful systems being imported into TCI and powered up without the necessary licence. The ongoing use of the management system will reduce the incidence of such interference, and assist the Commission and the telecom community in policing the use of the airwaves. This in turn, will ensure that consumers and businesses will not experience interruptions in their vital services.

2.5. Spectrum Planning

The Commission issued two public notices during the year, covering spectrum usage in the 3.4 MHz and the 2.3 MHz ranges; comments were received from the industry, and a final allocations and pricing of blocks of frequencies were issued to be used by the operators. Applications were invited from interested parties, as access conditions for these important blocks of spectrum are now clearly defined. The Commission also issued a notice regarding the conditions that should be applied to the use of the emerging spectrum at 700 MHz, now freed up in North America by the introduction of digital television. The Commission sought, and received helpful comments on allocation mechanisms, pricing and related questions.

2.6. Economic Regulation

On February 18, 2009, the Turks and Caicos Telecommunications Commission released Telecom Decision 2009 -1 which establishes a new “price caps” plan regulating the prices that Cable and Wireless, now known as Lime, will be allowed to charge for its fixed line telecommunications services over the course of the next four years. The new plan comes into effect on April 1, 2009 and will expire on March 31, 2013.

Under the plan established by the Commission, the maximum permitted price of calls from fixed line to mobile phones will be reduced, in a graduated manner, by 26% under the new price cap plan relative to the current price of 50 cents per minute. Thus, the maximum allowed per-minute fixed to mobile call charge will be reduced to 46 cents as of April 1, 2009 and then further reduced to 43, 40 and 37 cents on the 1st of April of each of the following three years.

In addition, all other domestic fixed line services offered by Lime will be capped or, effectively, frozen at current levels for the full term of the price caps period. However, if the annual rate of inflation exceeds 5% in any year during the period, then the prices for these

services could be increased, but only to the extent inflation exceeded the 5% threshold. The fixed line services subjected to this pricing constraint include Lime's residential and business access and installation services, fixed-to-fixed on-island and inter-island calling, enhanced services such as voice mail, and domestic private line services.

The fixed-to-mobile price reductions combined with the domestic fixed line service price freeze will result in an estimated savings to consumers of approximately \$2.5 million in total, or just over \$600,000 per year, on average, over the four year price cap period.

As set out in the Decision, the Commission has a commitment from Lime that its pricing of international direct dialed calls from fixed lines will always be equal to or lower than the price of such calls from mobile phones, and thus will reflect the impact of competition in the mobile telephone market.

As part of the ongoing management of the price caps plan, the Commission will require the company to file proposed rate changes for approval, and to demonstrate that they continue to be in compliance with the applicable constraints, and each year Lime will be required to file a compliance report to ensure ongoing adherence to the plan.

2.7. Disputes

Competition in telecommunications invariably leads to disagreements between market participants, and Turks and Caicos Islands are no exception.

The Commission dealt with a complaint from Cable and Wireless relating to the ongoing use by Digicel of the network identification code from Jamaica in handling its calls to and from TCI. In Commission Decision 2008 – 4, the Commission determined that the benefits of forcing a change of code use by Digicel would be marginal at best, and therefore allowed the continued use of the HNI code by Digicel, subject to a possible review in future if world bodies such as the ITU were to make changes to the global rules relating to such matters.

The Commission also dealt with a dispute between the internet provider Express High Speed Internet and Cable and Wireless, leading to a conclusion (in Decision 2008 – 5) by the Commission that the delays incurred by Cable and Wireless in providing undersea capacity in the Columbus Networks fiber were unacceptable, and therefore ordered the company to assist Express in making a direct connection to the Columbus network.

3. License Applications and other Initiatives

3.1. Licensing Activity in 2008- 2009

Islandcom Telecommunications

The Commission has approved the sale of a block of Islandcom shares to Bermuda Digital Communications Ltd., noting that the sale was in compliance with the company's licence, and that the resources being brought into the operation of the company would be beneficial both financially and technically.

TCT Express Ltd.

The Commission has received an application from this company, for approval of a licence to ensure its ongoing ability to provide high speed internet and related services. The application was published for comment, and the Commission expects to be making a recommendation on the application to the Minister sometime in March, 2009.

3.2. New Initiatives

Consumer Outreach

The Commission has begun developing a consumer protection program, the first step of which is the establishment of a consumer complaints and enquiries line. This will provide a means for consumers to seek redress from problems they have encountered with their service provider. The Commission will undertake research into consumer complaints that have not been dealt with satisfactorily by all service providers, to ensure fair treatment of all customers. The Commission will provide guidance to consumers regarding service options and choices, aimed at ensuring that they make informed decisions for various consumer services.

Numbering Plan

As required by the Telecommunications Ordinance, the Commission has developed a numbering plan for Turks and Caicos Islands, which has now been published on its web site, following a period of consultation with the industry.

Spectrum Plan

The Commission has now finalized its plan for the use of the radio spectrum in Turks and Caicos, and it has been published on the Commission's web site.

4. Future Challenges

4.1. Mobile Termination Rates

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

The “default” rate has gone into effect, but the Commission intends to pursue this matter during 2009, and intends to ensure that the rates charged are in keeping with regional levels, and that retail customer’s benefit from the reductions achieved.

4.2. Licensing and Spectrum Fees

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

4.3. Human Resources Development

As noted, several Commission staff members have now experienced two training sessions – a two day seminar and a much more intensive two week period at the University of Florida. This is the beginning of an ongoing development program that will ensure the staff improves their knowledge of the regulatory process and continue to keep up to date with international trends and techniques.

4.4. Quality of Service Standards

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

The development of such quality standards will be a consultative process, involving the operators and any consumer or user representatives in a process that aims to ensure that the standards developed are practical, measurable, and capable of motivating operators to

improve performance on those areas of most importance to users – consumers and businesses alike.

4.5. Technical Equipment Standards

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

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

However, there is a draft process for vendors and/or importers to follow in securing type approval for equipment proposed for sale or use in TCI. This process will be finalized and applied during 2009.

4.6. Consumer Code

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

**TELECOMMUNICATIONS COMMISSION
OF THE
TURKS AND CAICOS ISLANDS**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDING
MARCH 31, 2009**

Financial Statements of

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Year ended March 31, 2009

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Financial Statements

Year ended March 31, 2009

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TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Balance Sheet

At March 31, 2009
with comparative figures at March 31, 2008

		2009	2008
Assets			
Current assets:			
Cash (note 5)	US\$	292,179	77,640
Accounts receivable – net (note 6)		57,870	372,964
Due from related party – (note 12)		28,100	12,600
Deposits and prepayments (note 7)		34,553	22,537
		412,702	485,741
Non-current asset			
Fixed assets – net (note 8)		184,204	117,381
	US\$	596,906	603,122

Liabilities and Fund Balance

Current liabilities:			
Accounts payable and accrued expenses (note 9)	US\$	34,766	42,147
Deferred income (note 10)		55,875	12,500
		90,641	54,647
Non-current liabilities:			
Deferred income (note 10)		50,465	–
		141,106	54,647
Fund Balance		455,800	548,475
	US\$	596,906	603,122

See accompanying notes to financial statements.

The financial statements were approved on
behalf of the Board on August 31, 2009
by the following:

Heather Allen Chairman

John Williams Director General

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Statement of Operations

For year ended March 31, 2009
with comparative figures at March 31, 2008

	2009	2008
Revenue		
Regulatory fees (note 11)	US\$ 1,143,700	1,349,069
Government grants (notes 10 and 12)	67,535	12,812
Government subvention (note 12)	5,596	16,113
	1,216,831	1,377,994
Expenses		
Salaries and benefits	(576,621)	(500,507)
Professional fees	(140,349)	(84,542)
Commissioner's expenses (note 12)	(117,761)	(124,375)
Depreciation (note 8)	(113,599)	(42,170)
Rent (notes 12 and 13)	(83,746)	(78,500)
Bad debt expense (note 14(c))	(75,000)	(115,199)
Telephone	(52,302)	(58,254)
Office expenses	(29,784)	(26,530)
Meals and entertainment	(27,126)	(28,948)
Motor expenses	(25,316)	(21,307)
Travel	(19,009)	(22,420)
Utilities	(17,980)	(15,252)
Staff training	(16,830)	(43,643)
Repairs and maintenance	(13,500)	(12,235)
Bank and interest charges	(583)	(461)
	(1,309,506)	(1,174,343)
Excess of (expenses over revenue)/ revenue over expenses	US\$ (92,675)	203,651

See accompanying notes to financial statements.

**TURKS AND CAICOS ISLANDS
TELECOMMUNICATIONS COMMISSION**

Statement of Fund Balance

At March 31, 2009 with comparative figures at March 31, 2008

April 1, 2007	US\$	344,824
Excess of revenue over expenses for year		203,651
March 31, 2008		548,475
Excess of expenses over revenues for year		(92,675)
March 31, 2009	US\$	455,800

See accompanying notes to financial statements.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Statement of Cash Flows

For year ended March 31, 2009
with comparative figures at March 31, 2008

	2009	2008
Cash flows from operating activities:		
Excess of (expenses over revenues)/ revenue over expenses	US\$ (92,675)	203,651
Adjustment for:		
Depreciation	113,599	42,170
Bad debt expense	75,000	115,199
Non-cash Government grants	(67,535)	(312)
	28,389	360,708
<i>(Increase)/decrease in operating assets:</i>		
Accounts receivable-gross	240,094	(216,713)
Deposits and prepayments	(12,016)	(11,941)
<i>(Decrease)/increase in operating liabilities:</i>		
Accounts payable and accrued expenses	(7,381)	(2,020)
Deferred income, exclusive of non-cash Government Grants	(12,500)	-
<i>Net cash from operating activities</i>	236,586	130,034
Cash flows used in investing activity:		
Increase in due from related party	(15,500)	(12,600)
Additions to fixed assets, exclusive of non-cash Government Grants	(6,547)	(91,780)
<i>Cash used in investing activity</i>	(22,047)	(104,380)
Net increase in cash	214,539	25,654
Cash at beginning of year	77,640	51,986
Cash at end of year	US\$ 292,179	77,640

See accompanying notes to financial statements.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements

For year ended March 31, 2009

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, 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 located at P.O. Box 203, Business Solutions Office Complex, Leeward Highway, Providenciales, TCI.

2. Basis of preparation

(a) *Statement of compliance*

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

(b) *Basis of measurement*

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

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

(c) *Functional and presentation currency*

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

(d) *Use of estimates and judgements*

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

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

2. Basis of preparation, continued

(d) *Use of estimates and judgements, continued*

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

3. Significant accounting policies

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

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

(a) *Non-derivative financial instruments*

Non-derivative financial instruments comprise cash, accounts receivable-net, due from related party and accounts payable and accrued expenses.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Commission becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Commission's contractual rights to the cash flows from the financial assets expire or if the Commission transfers the financial asset to another party without retaining control or substantially transfers all risks and rewards of the assets.

Regular way purchases and sales of financial assets are accounted for at trade date, (i.e., the date that the Commission commits itself to purchase or sell the asset). Financial liabilities are derecognised if the Commission's obligations specified in the contract expire or are discharged or cancelled.

(i) *Cash*

Cash comprises a checking account and is carried at amortised cost on the balance sheet.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

3. Significant accounting policies, continued

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

(ii) *Accounts receivable-net*

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Commission will not be able to collect 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 operations.

(iii) *Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

(b) *Fixed assets*

(i) *Recognition and measurement*

Fixed assets are measured at cost less accumulated depreciation and impairment losses (note 3(f)(ii)). Cost includes expenditures that are directly attributable to the acquisition of fixed assets.

Gains or losses arising from the disposal of fixed assets are reflected in the statement of operations.

(ii) *Subsequent costs*

The cost of replacing an item of fixed assets 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 fixed assets is recognised in the statement of operations as incurred.

(iii) *Depreciation*

Depreciation is recognised in the statement of operations on a straight-line basis over the estimated useful lives of each part of an item of fixed assets.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

3. Significant accounting policies, continued

(b) Fixed assets, continued

(iii) Depreciation, continued

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

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

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

(c) Accounts payable, accrued expenses and provisions

Accounts payable and accrued expenses are stated at cost.

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

(d) Regulatory fees

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

(e) Government subvention and grants

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

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

3. Significant accounting policies, continued

(f) *Impairment*

(i) *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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.

All impairment losses are recognised in the statement of operations.

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 operations.

(ii) *Non-financial assets*

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

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

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

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

3. Significant accounting policies, continued

(f) *Impairment, continued*

(ii) *Non-financial assets, continued*

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

(g) *Lease payments*

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

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

- Revised IAS 1 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in fund balance during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the statement of operations and all non-owner changes in fund balance in a single statement), or in a statement of operations and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Commission's 2010 financial statements, is not expected to have a significant impact on the presentation of the financial statements. The Commission plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 financial statements.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

3. Significant accounting policies, continued

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

- *International Financial Reporting Interpretations Committee (IFRIC) 17, Distribution of non-cash assets to owners.* IFRIC 17 clarifies the accounting treatment for non-cash distributions to owners. The Commission will apply IFRIC 17 from April 1, 2010, but it is not expected to have an impact on the Commission's financial statements.

4. Determination of fair values

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

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

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

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

5. Cash

The US\$292,179 cash balance at March 31, 2009 (2008 – US\$77,640) is represented by a checking account which is non interest bearing.

6. Accounts receivable – net

		2009	2008
Andrew's Communications Ltd.	US\$	179,648	104,647
Islandcom Telecommunications Limited		56,250	75,000
Ministry of Education		10,551	10,551
Others		1,620	1,601
Digicel TCI Limited		–	149,589
Cable and Wireless (TCI) Ltd.		–	116,275
Columbus Networks Ltd.		–	25,000
Advances to employees		–	5,500
		248,069	488,163
Less: Allowance for doubtful accounts		(190,199)	(115,199)
	US\$	57,870	372,964

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

7. Deposits and prepayments

		2009	2008
Deposits	US\$	18,350	19,150
Prepayments		16,203	3,387
	US\$	34,553	22,537

Included in prepayments is US\$12,000 related to a director's salary for April 2009 paid prior to March 31, 2009.

8. Fixed assets – net

		Leasehold improvements	Office furniture and fixtures	Motor vehicles	Computer equipment	Total
Cost:						
April 1, 2007	US\$	–	30,497	43,400	30,414	104,311
Additions		70,518	14,555	–	6,707	91,780
March 31, 2008	US\$	70,518	45,052	43,400	37,121	196,091
Additions	US\$	–	148,898	25,000	6,524	180,422
March 31, 2009	US\$	70,518	193,950	68,400	43,645	376,513

		Leasehold improvements	Office furniture and fixtures	Motor vehicles	Computer equipment	Total
Depreciation:						
April 1, 2007	US\$	–	11,480	10,850	14,210	36,540
Depreciation for year		6,603	13,331	10,850	11,386	42,170
March 31, 2008	US\$	6,603	24,811	21,700	25,596	78,710
Depreciation for year		9,131	74,817	17,100	12,551	113,599
March 31, 2009	US\$	15,734	99,628	38,800	38,147	192,309

Carrying amounts:

March 31, 2008	US\$	63,915	20,241	21,700	11,525	117,381
March 31, 2009	US\$	54,784	94,322	29,600	5,498	184,204

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

8. Fixed assets – net, continued

Of the total US\$180,422 fixed asset additions as at March 31, 2009 (2008 – US\$91,780), US\$173,875 (2008 – US\$nil) was in the form of grants from the TCI Government (note 10).

9. Accounts payable and accrued expenses

		2009	2008
Accrued expenses	US\$	28,702	24,373
Accounts payable		6,064	17,774
	US\$	34,766	42,147

10. Deferred income

During the year to March 31, 2009, the Commission received grants in the form of fixed assets costing US\$173,875 (2008 – US\$nil) from the TCI Government, a related party by virtue of common control. These Government grants were initially recognised as deferred income. Deferred income was recognised in the statement of operations as earned at an amount equal to the periodic depreciation over the useful economic life of the fixed assets granted (note 3(e)). At March 31, 2009 US\$67,535 (2008 – US\$nil) of Government grant revenue and associated depreciation expense were recognised in the statement of operations in relation to these assets granted by the TCI Government. Of the total amount deferred for future years of US\$106,340 at March 31, 2009 (2008 – US\$12,500), US\$55,875 is expected to be realised before March 31, 2010 and was therefore reflected as a current liability at March 31, 2009 (2008 – US\$12,500). The remaining US\$50,465 (2008 – US\$nil) of deferred income was reflected as a non-current liability at March 31, 2009 as it expected to be realised subsequent to March 31, 2010.

Deferred income reported at March 31, 2008 of US\$12,500 related to regulatory fees received in advance that were applicable for the year ending March 31, 2009. Government grants revenue in the year to March 31, 2008 of US\$12,812 related to Government grants received at March 31, 2007 but deferred until the following year.

11. Regulatory fees

		2009	2008
Cable and Wireless (TCI) Ltd.	US\$	800,000	697,650
Digicel TCI Limited		150,000	418,589
Andrew's Communications Limited		75,000	139,530
Islandcom Telecommunications Limited		75,000	74,800
Columbus Networks Ltd.		37,500	12,500
Others		6,200	6,000
	US\$	1,143,700	1,349,069

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

12. Related party balances and transactions

For the years ended March 31, 2009 and March 31, 2008, the following were the significant transactions and balances with the TCI Government, the commissioners, the director general of the Commission and other related parties, which are not separately disclosed elsewhere in these financial statements.

		2009	2008
Director General's salaries and benefits	US\$	186,319	173,509
Commissioners' fees and expenses	US\$	117,761	124,375
Rent	US\$	83,746	78,500
Government grants	US\$	67,535	12,812
Due from Chairman	US\$	28,100	12,600
Government subvention	US\$	5,596	16,113
Professional fees	US\$	–	36,000
Bad debt expense	US\$	–	10,551

The Commission paid US\$68,700 for the year ended March 31, 2009 (2008 – US\$54,000) in rent to Business Solutions Ltd., a related party by virtue of common management and control. The difference between the amount paid and the rent expense in the statement of operations is due to the recognition of lease incentives throughout the term of the lease.

The US\$28,100 amount due from the Chairman at March 31, 2009 (2008 – US\$12,600) was non-interest bearing, unsecured and had no fixed terms of repayment.

The US\$36,000 professional fees reported in prior year related to consultancy fees paid to one of the commissioners of the Commission. The consulting services, which included providing technical assistance to the Director General of the Commission were incurred for a period of one year from April 1, 2007 to March 31, 2008 and were charged on the basis of a US\$3,000 monthly fee.

The US\$10,551 bad debt expense reported in prior year related to a provision for an uncollectible amount due from the Ministry of Education, a related party by virtue of common management and control. This uncollectible amount arose from the lease charged by the Commission to the Ministry of Education including utilities in 2007.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

13. Lease commitment

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

		2009	2008
Less than one year	US\$	78,120	74,400
Between one and five years		353,542	336,707
More than five years		32,162	127,117
	US\$	463,824	538,224

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 terms of the lease if the Agreement is terminated within the first four years and 50% if terminated after four years.

As at the year ended March 31, 2009, US\$83,746 (2008 – US\$78,500) was recognised as rental expense in the statement of operations in respect of non-cancellable operating lease.

14. Financial instruments

(a) Financial risk management

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

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

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

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

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

14. Financial instruments, continued

(a) *Financial risk management, continued*

(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 and accounts receivable.

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

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

The maximum exposure to credit risk for cash and accounts receivable is equal to the carrying value of those financial instruments. There is no exposure to credit risk from other financial instruments.

(ii) *Liquidity Risk*

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

(b) *Exposure to credit risk*

The maximum exposure to credit risk at balance sheet date was:

		Carrying Amount	
		2009	2008
Cash	US\$	292,179	77,640
Accounts receivable-net (note 6)		57,870	372,964
Due from related party		28,100	12,600
	US\$	378,149	463,204

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

14. Financial instruments, continued

(b) Exposure to credit risk, continued

The Commission establishes an allowance for impairment that represents its estimate of incurred losses in respect of accounts receivable. The collective loss allowance is based on historical data of payment statistics for similar financial assets.

The ageing profile of accounts receivable at balance sheet date was:

	2009		2008	
	Gross	Impairment	Gross	Impairment
Accounts receivable, net of impairment				
Past due				
Overdue less than 30 days	US\$ 1,000	–	26,000	–
Overdue 31 to 60 days	–	–	–	–
Overdue 61 to 90 days	37,500	–	313,942	93,020
Overdue over 91 days	209,569	190,199	140,621	22,179
Outstanding but not past due	–	–	7,600	–
	US\$ 248,069	190,199	488,163	115,199

There are no amounts held as collateral for accounts receivable.

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

(c) Impairment losses

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

	2009	2008
Beginning balance	US\$ 115,199	–
Impairment for year	75,000	115,199
	US\$ 190,199	115,199

Impairment losses of US\$75,000 (2007 – US\$115,199) provided for during the year was for losses resulting from management's periodic assessment of the impairment of trade receivables.

TURKS AND CAICOS ISLANDS TELECOMMUNICATIONS COMMISSION

Notes to Financial Statements, continued

For year ended March 31, 2009

14. Financial instruments, continued

(d) Liquidity risk

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

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

March 31, 2008	Carrying amount	Contractual Cash flows	1-12 months	1-2 years	2-5 years
Non derivative financial liabilities	US\$	US\$	US\$	US\$	US\$
Accounts payable and accrued expenses	42,147	42,147	42,147	–	–
	42,147	42,147	42,147	–	–

(e) Fair values versus carrying amounts

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

	March 31, 2009		March 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	US\$	US\$	US\$	US\$
Cash and cash equivalents	292,179	292,179	77,640	77,640
Accounts receivable-net (note 6)	57,870	57,870	372,964	372,964
Due from related party	28,100	28,100	12,600	12,600
Accounts payable and accrued expenses	(34,766)	(34,766)	(42,147)	(42,147)
	343,383	343,383	421,057	421,057