

**Telecommunications Regulatory  
Commission**

Audited Financial Statements

For the Year Ended September 30, 2013



# TELECOMMUNICATIONS REGULATORY COMMISSION

For the Year Ended September 30, 2013

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## Independent Auditor's Report

To the Board of Directors  
Telecommunications Regulatory Commission  
Tortola, British Virgin Islands

### Report on the Audit of the Financial Statements

#### *Qualified Opinion*

We have audited the financial statements of Telecommunications Regulatory Commission (the "Commission"), which comprise of the statement of financial position as at September 30, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Telecommunications Regulatory Commission as at September 30, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### *Basis for Qualified Opinion*

As explained in note 2(e) to the financial statements, radio license fees are collected on a cash basis and therefore we were not able to obtain sufficient and appropriate audit evidence relating to the completeness and accuracy of these fees or by performing other audit procedures. Consequently, we were unable to determine whether any adjustment to this balance was necessary and how it would have affected the reported net income for the year and retained earnings

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our 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 our 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.

*BDO Limited*

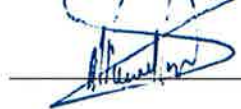
Tortola, British Virgin Islands  
February 21, 2019

# TELECOMMUNICATIONS REGULATORY COMMISSION

Statement of Financial Position  
 As At September 30, 2013  
 (Expressed in United States Dollars)

	Notes	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	199,095	220,892
Deposits		21,270	21,070
Intangible assets	5	9,100	8,124
<b>Total non-current assets</b>		<b>229,465</b>	<b>250,086</b>
<b>Current assets</b>			
Cash and cash equivalents		3,313,806	3,469,133
Trade and other receivables	6	1,046,158	862,015
<b>Total current assets</b>		<b>4,359,964</b>	<b>4,331,148</b>
<b>TOTAL ASSETS</b>		<b>4,589,429</b>	<b>4,581,234</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Retained earnings		4,297,447	4,132,423
<b>Current liabilities</b>			
Accounts payable and accrued expenses	7	229,566	421,724
Amounts received in advance		62,416	27,087
<b>Total current liabilities</b>		<b>291,982</b>	<b>448,811</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,589,429</b>	<b>4,581,234</b>

Approved on Behalf of the Board



Director

February 21, 2019

Date

The accompanying notes form an integral part of these financial statements

# TELECOMMUNICATIONS REGULATORY COMMISSION

Statement of Comprehensive Income  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

	Notes	2013 \$	2012 \$
<b>OPERATING REVENUE</b>	8	1,918,017	2,310,536
<b>OPERATING EXPENSES</b>			
Administrative expenses		781,529	654,309
Employee costs	10	1,115,030	1,013,238
Depreciation and amortisation	4,5	75,749	79,820
Impairments	4	4,000	-
<b>Total expenses</b>		<b>1,976,308</b>	<b>1,747,367</b>
<b>(LOSS) INCOME FROM OPERATIONS</b>		<b>(58,291)</b>	<b>563,169</b>
Finance income		11,137	12,733
Other income	9	212,178	330,754
<b>Total investment and other income</b>		<b>223,315</b>	<b>343,487</b>
<b>NET INCOME FOR THE YEAR</b>		<b>165,024</b>	<b>906,656</b>

The accompanying notes form an integral part of these financial statements

# TELECOMMUNICATIONS REGULATORY COMMISSION

Statement of Changes in Equity  
For the Year Ended September 30, 2013  
*(Expressed in United States Dollars)*

	Retained earnings \$	Total \$
Balance as at September 30, 2011	3,225,767	3,225,767
Net income for the year	906,656	906,656
Balance as at September 30, 2012	4,132,423	4,132,423
Net income for the year	165,024	165,024
Balance as at September 30, 2013	4,297,447	4,297,447

The accompanying notes form an integral part of these financial statements

# TELECOMMUNICATIONS REGULATORY COMMISSION

Statement of Cash Flows  
 For the Year Ended September 30, 2013  
 (Expressed in United States Dollars)

	2013	2012
	\$	\$
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Net income for the year	165,024	906,656
<b>Adjustments to reconcile net income to cash from operations before working capital changes:</b>		
Depreciation expense	75,749	79,820
Interest expense	4,000	-
Interest income	(11,137)	(12,733)
Gain on disposal of assets	-	(308)
<b>Cash from operations before working capital changes:</b>	<b>233,636</b>	<b>973,435</b>
Increase in trade and other receivables	(184,143)	(371,313)
Increase in deposits	(200)	-
Increase (decrease) in amounts received in advance	35,329	(1,013)
(Decrease) increase in accounts payable and accrued expenses	(192,158)	121,289
<b>Net cash flows (used in) from operating activities</b>	<b>(107,536)</b>	<b>722,398</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Interest received	11,137	12,733
Proceeds from disposal of fixed assets	-	700
Purchase (sale) of property, plant and equipment	(55,472)	25,829
Purchase (sale) of intangible asset	(3,456)	-
<b>Net cash flows (used in) from investing activities</b>	<b>(47,791)</b>	<b>39,262</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(155,327)</b>	<b>761,660</b>
<b>CASH AND CASH EQUIVALENTS</b>		
At beginning of year	3,469,133	2,707,473
<b>At end of year</b>	<b>3,313,806</b>	<b>3,469,133</b>

The accompanying notes form an integral part of these financial statements

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 1 General Information

The Telecommunications Regulatory Commission (the "Commission") is a statutory body established in the British Virgin Islands under the Telecommunications Act, 2006 passed by the Legislative Council June 2, 2006. The Commission is responsible for regulating the telecommunications sector of the British Virgin Islands as well as promoting the development of telecommunication throughout the British Virgin Islands. The Commission started operations in January 2007. The Commission's registered office is located at PO Box 4401, Road Town, Tortola, British Virgin Islands, VG1110.

The Commission is primarily engaged in establishing and monitoring the implementation of national telecommunication standards and ensuring compliance. It is also responsible for the regulation of licensees and authorisation holders, as well as ensuring fair competition among licensees and all other operators of telecommunication networks or providers of telecommunication services.

## 2 Significant Accounting Policies

### (a) Presentation of financial statements

#### (i) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

#### (ii) Presentation and functional currency

The financial statements are presented in United States Dollars, which is the Commission's functional and presentation currency.

#### (iii) Significant accounting estimates and judgement

The preparation of financial statements in accordance with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. Management is also required to exercise its judgement in the process of applying Commission's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are disclosed in Note 3.

### (b) IFRS compliance and adoption

#### (i) International Financial Reporting Standards (IFRS)

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) except for radio licence fees which are recorded on a cash basis.

#### (ii) Standards, amendments and interpretations to existing standards effective and relevant to the Commission

- **Amendments to IAS 1 Disclosure Initiative.** The amendments to IAS 1 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
  - That 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



# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 2 Significant Accounting Policies (Continued)

### (b) IFRS compliance and adoption (Continued)

#### (ii) Standards, amendments and interpretations to existing standards effective and relevant to the Commission (Continued)

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.

- **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.** 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 a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively.
- **Annual Improvements to IFRSs 2012-2014 Cycle.** *The Annual Improvements to IFRSs 2012-2014 Cycle* include a number of amendments to various IFRSs, which are summarised below.

**IFRS 7 Financial Instruments: Disclosure.** The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract in continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

**IAS 19 Employee Benefits.** The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The application of the above mentioned amendments had no significant effect on the current period or any prior period. None of the other new standards, interpretations and amendments effective for the first time from October 1, 2012 have had a material effect on the financial statements.

#### (iii) Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Commission

- **IAS 7 Disclosure Initiative - Amendments to IAS 7.** The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.
- **IFRS 9, Financial Instruments (as revised in 2014).** In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The new standard introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology and general hedge accounting. IFRS 9 introduces a logical approach for classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss - in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income (OCI) rather than within profit or loss.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 2 Significant Accounting Policies (Continued)

### (b) IFRS compliance and adoption (Continued)

#### (iii) Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Commission (Continued)

The new model also results in a single impairment model being applied to all financial instruments. The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model aligns the accounting treatment with risk management activities. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of nonfinancial items that are eligible for hedge accounting (effective for annual periods beginning on or after January 1, 2018).

- **IFRS 15, Revenue from Contracts with Customers.** IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with informative and relevant disclosures. The standard provides a single principle based five step model to be applied to all contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes the following revenue Standards and Interpretations upon its effective date (effective for annual periods beginning on or after January 1, 2017):
  - *IAS 18 Revenue*
  - *IAS 11 Construction Contracts*
  - *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*
- **IFRS 16 Leases.** IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and services contracts on the basis of whether and identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 2 Significant Accounting Policies (Continued)

### (b) IFRS compliance and adoption (Continued)

#### (iii) Standards, amendments and interpretations to existing standards in issue but not yet effective and relevant to the Commission (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and no interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or financing lease.

Furthermore, extensive disclosures are required by IFRS 16.

None of the other new standards, interpretations and amendments, which are effective for periods beginning after October 1, 2012 and which have not been adopted early, are expected to have a material effect on the Commission's future financial statements.

### (c) Property and equipment

All property and equipment held for use in the production or supply of goods or services, or for administrative purposes, are stated at cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable cost of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalised; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in the profit or loss for the period.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	7 years
Motor vehicles	5 years
Office equipment	3 to 5 years
Leasehold improvements	10 years
Equipment	7 years

Leasehold improvements are amortised over the term of the lease or the estimated useful lives of the improvements, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful lives of property and equipment are reviewed and adjusted if appropriate, at each reporting date.

Work in progress is carried at cost less any recognised impairment loss and is not depreciated until the project to which it relates is completed and it is transferred to a category of fixed assets. Depreciation of the assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 2 Significant Accounting Policies (Continued)

### (d) Intangible assets

Intangible assets acquired separately are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation on fixed life intangible assets is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Goodwill is not amortised but is checked for impairment on an annual basis; other intangible assets are amortised from the date they are available for use. The estimated useful lives for intangibles with definite lives are as follows:

Computer software and licences	3 years
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The useful lives of the intangible assets are reviewed on an annual basis and the useful life is altered if estimates have changed significantly.

Gains or losses on the disposal of intangible assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of comprehensive income as other operating income or other operating costs, respectively.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

#### (i) Royalty fees

Royalty fees are recognised as income based on a percentage of the reported gross revenue of the licence holders. The royalty fees are valued based on audited financial statements, as provided by the license holders.

#### (ii) Finance income

Interest income is recognised as interest accrued on a time basis by reference to the principal outstanding and to the effective interest rate applicable. The effective interest rate applicable is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### (iii) Radio licence fees

Radio licence fees are recognised on a cash basis.

### (f) Expense recognition

All expenses are recognised in the statement of comprehensive income on the accrual basis as they are incurred.

### (g) Financial instruments

#### (i) Financial assets

Financial assets are initially measured at fair value plus directly attributable transaction costs, except for financial assets at fair value through profit or loss, which are measured only at fair value.

Financial assets are classified in the following categories after initial recognition:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables; and
- available-for-sale financial assets.

The classification determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 2 Significant Accounting Policies (Continued)

### (g) Financial instruments (Continued)

#### (i) Financial assets (Continued)

At the reporting date, the Commission classifies its financial assets into loans and other receivables.

#### (ii) Loans and other receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest method. This method uses a rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, and through the amortisation process.

#### (iii) Financial liabilities

Financial liabilities are initially measured at fair value plus directly attributable transaction costs, except for financial liabilities at fair value through profit or loss, which are measured only at fair value.

Financial liabilities are classified in the following categories after initial recognition:

- financial liabilities at fair value through profit or loss;
- financial guarantee contracts; and
- other financial liabilities.

At the reporting date, the Commission classifies its financial liabilities into other financial liabilities.

#### (iv) Other financial liabilities

Other financial liabilities include trade payables, other payables, accrued expenses, and prepaid royalty fees and are classified as other than held for trading liabilities and are measured at cost. No interest is charged on trade payables nor on accrued expenses from the date of the invoice.

#### (v) Derecognition of financial liabilities

Financial liabilities are derecognised and removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid, is recognised in profit or loss.

Where financial liabilities are replaced with the same lender or the terms are substantially modified, the original financial liabilities are derecognised and new financial liabilities have been recorded.

#### (vi) Derecognition of financial assets

Financial assets are derecognised and removed from the statement of financial position when the rights to cash flows from financial assets expire, or the financial assets have been transferred and the Commission has transferred substantially all the risks and rewards of ownership of the financial assets. Any interests created or retained on the transferred financial assets are recognised separately as assets or liabilities.

On derecognition of financial assets, the difference between carrying amounts and the total of considerations received and cumulative gains or losses that had been recognised in other comprehensive income are recognised in profit or loss.

When the Commission retains substantially all of the risks and rewards of ownership for transferred financial assets, the financial assets continue to be recognised and the consideration received is recognised as a financial liability.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 2 Significant Accounting Policies (Continued)

### (g) Financial instruments (Continued)

#### (vi) Derecognition of financial assets (Continued)

When financial assets are transferred and the Commission neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, nor transferred control of the assets, the financial assets continue to be recognised to the extent of the continuing involvement in the financial assets.

When continuing involvement takes the form of guaranteeing the transferred assets, the continued involvement is measured at the lower of the carrying amount of the financial assets and the maximum amount of consideration received that the Commission could be required to repay.

When continuing involvement takes the form of a written and/or purchased option, including cash-settled options, on the transferred assets, the continued involvement is measured as the amount of the transferred assets that the Commission may repurchase, except in the case of a written put option on financial assets measured at fair value, where the continued involvement is measured at the lower of the fair value of the transferred assets and the option exercise price.

### (h) Taxation

Under the current legislation in the British Virgin Islands, there are no income, estate, corporate, capital gain or other such taxes payable by the Commission. Accordingly, no provision for income tax has been made. However, some dividend and interest income received by the Commission is subject to withholding tax imposed in certain countries of origin.

### (i) Pension

#### Note name - generic text

The entity is a member of a defined contribution pension plan. A defined contribution plan is a pension plan under which the entity pays fixed contributions into a separate legal entity. Once the contributions have been paid, the entity has no further obligations. The entity's contributions to the defined benefit contribution pension plan are charged to the Statement of Comprehensive Income in the year to which they relate.

## 3 Critical accounting estimates and judgements

In the application of the Commission's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (a) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates, that the management has made in the process of applying the Commission's accounting policies and that have the most significant effect on the amounts recognised in the statement of financial position.

#### (i) Going concern

A key assumption in the preparation of financial statements is that the entity will continue as a going concern. The going concern assumption assumes that the Commission will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
*(Expressed in United States Dollars)*

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## 3 Critical accounting estimates and judgements (Continued)

### (b) Key sources of estimate uncertainty

The following are the key assumptions concerning the future, and other key sources of estimate uncertainty at the end of the reporting period, that may have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (i) Impairment of receivables

Collectability of receivables is reviewed on an ongoing basis. Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. An allowance account is used when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the sale.

The Commission estimates the amount to be provided for based on knowledge of individual customer circumstances, customer credit-worthiness, past collection history and current economic trends.

To the extent that these judgements and assumptions prove incorrect, the Commission may be exposed to potential additional write-downs of trade receivables in future periods.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

## 4 Property and equipment

The movement of the carrying amounts of the Commission's property and equipments are as follows:

	Leasehold Improvement \$	Equipment \$	Office equipment \$	Furniture and Fixtures \$	Vehicles \$	Capital Project WIP \$	Total \$
<b>COST</b>							
Opening balance	135,279	57,951	83,878	38,639	75,062	11,780	402,589
Additions	32,355	650	19,439	3,028	-	-	55,472
Transfers/ write offs	-	-	-	-	-	(11,780)	(11,780)
<b>Balance at September 30, 2013</b>	<b>167,634</b>	<b>58,601</b>	<b>103,317</b>	<b>41,667</b>	<b>75,062</b>	<b>-</b>	<b>446,281</b>
<b>ACCUMULATED DEPRECIATION</b>							
Opening balance	74,404	25,006	51,231	17,449	13,607	-	181,697
Depreciation	16,763	9,386	18,710	5,620	15,010	-	65,489
<b>Balance at September 30, 2013</b>	<b>91,167</b>	<b>34,392</b>	<b>69,941</b>	<b>23,069</b>	<b>28,617</b>	<b>-</b>	<b>247,186</b>
<b>CARRYING AMOUNT</b>							
At October 1, 2012	60,875	32,945	32,647	21,190	61,455	11,780	220,892
<b>At September 30, 2013</b>	<b>76,467</b>	<b>24,209</b>	<b>33,376</b>	<b>18,598</b>	<b>46,445</b>	<b>-</b>	<b>199,095</b>

During the year ended September 30, 2013 the Commission transferred Capital Project items of \$7,780 to intangible assets and wrote off \$4,000 of costs relating to an abandoned project.

	Leasehold Improvement \$	Equipment \$	Office equipment \$	Furniture and Fixtures \$	Vehicles \$	Capital Project WIP \$	Total \$
<b>COST</b>							
Opening balance	135,279	54,407	83,513	37,880	40,000	4,000	355,079
Additions	-	3,544	2,387	759	35,062	7,780	49,532
Disposal	-	-	(2,022)	-	-	-	(2,022)
<b>Balance at September 30, 2012</b>	<b>135,279</b>	<b>57,951</b>	<b>83,878</b>	<b>38,639</b>	<b>75,062</b>	<b>11,780</b>	<b>402,589</b>
<b>ACCUMULATED DEPRECIATION</b>							
Opening balance	60,876	16,981	23,925	11,983	3,500	-	117,265
Depreciation	13,528	8,025	28,935	5,466	10,107	-	66,061
Disposal	-	-	(1,629)	-	-	-	(1,629)
<b>Balance at September 30, 2012</b>	<b>74,404</b>	<b>25,006</b>	<b>51,231</b>	<b>17,449</b>	<b>13,607</b>	<b>-</b>	<b>181,697</b>
<b>CARRYING AMOUNT</b>							
At October 1, 2011	74,403	37,427	59,588	25,897	36,500	4,000	237,815
<b>At September 30, 2012</b>	<b>60,875</b>	<b>32,945</b>	<b>32,647</b>	<b>21,190</b>	<b>61,455</b>	<b>11,780</b>	<b>220,892</b>



# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

## 5 Intangible assets

The movement of the carrying amounts of the Commission's intangibles are as follows:

	Software and Licenses \$	Total \$
<b>COST</b>		
Opening balance	30,656	30,656
Additions	11,235	11,235
<b>Balance at September 30, 2013</b>	<b>41,891</b>	<b>41,891</b>
<b>ACCUMULATED AMORTISATION</b>		
Opening balance	22,532	22,532
Amortisation	10,259	10,259
<b>Balance at September 30, 2013</b>	<b>32,791</b>	<b>32,791</b>
<b>CARRYING AMOUNT</b>		
At October 1, 2012	8,124	8,124
<b>At September 30, 2013</b>	<b>9,100</b>	<b>9,100</b>

	Software and Licenses \$	Total \$
<b>COST</b>		
Opening balance	25,803	25,803
Additions	4,853	4,853
<b>Balance at September 30, 2012</b>	<b>30,656</b>	<b>30,656</b>
<b>ACCUMULATED AMORTISATION</b>		
Opening balance	8,772	8,772
Amortisation	13,760	13,760
<b>Balance at September 30, 2012</b>	<b>22,532</b>	<b>22,532</b>
<b>CARRYING AMOUNT</b>		
At October 1, 2011	17,031	17,031
<b>At September 30, 2012</b>	<b>8,124</b>	<b>8,124</b>

## 6 Trade and other receivables

### (a) Accounts payable and accrued expenses

	2013 \$	2012 \$
Trade receivables	1,046,158	862,015
Government receipt of radio licence fees	158,307	158,307
<b>Total</b>	<b>1,204,465</b>	<b>1,020,322</b>
Provision for impairment of trade receivables	(158,307)	(158,307)
	<b>1,046,158</b>	<b>862,015</b>

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
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## 6 Trade and other receivables (Continued)

### (b) Allowance for bad debts

Movements in the allowance for bad debts as at September 30, 2013 are as follows:

	2013	2012
	\$	\$
Balance at beginning of the year	158,307	158,307
Charged during the year	-	-
<b>Balance at end of the year</b>	<b>158,307</b>	<b>158,307</b>

## 7 Accounts payable and accrued expenses

	2013	2012
	\$	\$
Trade and other payables	53,265	117,863
Accrued leave pay	22,410	-
Accrued expenses	153,891	303,861
	<b>229,566</b>	<b>421,724</b>

## 8 Revenue

	2013	2012
	\$	\$
Royalty fees	1,853,026	2,266,300
Radio Licence fees	64,991	44,236
	<b>1,918,017</b>	<b>2,310,536</b>

## 9 Other income

During the year ended December 31, 2013, the Commission reversed provisions for previously recorded accruals amounting to \$191,995. These amounts are recorded within "Other income" on the Statement of Comprehensive Income.

## 10 Employee costs

	2013	2012
	\$	\$
Salaries	856,189	791,059
Allowances	70,164	81,572
Health insurance	55,200	45,863
Payroll taxes	46,958	64,533
Pension expense	35,665	30,211
Social security	22,443	-
Accrued leave pay	22,411	-
Other employee benefits	6,000	-
	<b>1,115,030</b>	<b>1,013,238</b>

## 11 Related party transactions and balances

### (a) Directors Fees

The total commissioners' fees for the year amounted to \$24,064 (2012: \$29,700).

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
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## 12 Financial risk management

### (a) Risk management objective and policies

The Commission is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, interest rate risk, other price risk)

The Board of Directors has overall responsibility for the determination of the Commission's risk management objectives and policies and, whilst retaining ultimate responsibility for them, they have delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Commission's management.

The Commission's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Commission is exposed and seeks to minimise potential adverse effects on the Commission's financial performance. The Commission uses different methods to measure and manage the various types of risk to which it is exposed.

### (b) Credit risk

Credit risk is the risk of financial loss to the Commission if the counterparty fails to meet its obligation. Financial assets, which potentially expose the Commission to credit risk, consist of deposits, cash and cash equivalents, and trade and other receivables.

The maximum exposure to credit risk, as represented by the carrying amount of the financial assets as at the reporting date, was:

	2013	2012
	\$	\$
Cash and cash equivalents	3,313,806	3,469,133
Trade and other receivables	1,046,158	862,015
Deposit	21,270	21,070
	4,381,234	4,352,218

Credit risk from trade and other receivables is minimised by establishing credit policies such as determining and monitoring customer credit limits, requiring credit approvals, and the monitoring of customer credit risks by grouping customers according to their credit characteristics. Other monitoring procedures are in place to recover overdue accounts, to ensure minimal dependencies on a small number of customers, and to assess impairment.

As at September 30, 2013, the Commission's cash and cash equivalents totalling \$3,313,806 (2012: \$3,469,133) or 72% (2012: 76%) of its total assets is currently deposited with Banco Popular de Puerto Rico, which has a long term credit rating of B1 as at 23 January 2019 per Moody's Rating agency.

Credit risk from cash and cash equivalents, deposits with banks and financial institutions and derivative financial instruments is minimised by establishing investment policies in liquid securities with high credit ratings and maintaining accounts in reputable financial institutions with high quality credit ratings.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
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## 12 Financial risk management (Continued)

### (b) Credit risk (Continued)

#### (i) Aging analysis of financial assets

The table below summarises the aging of the Commission's financial assets:

	Current	1-3 months	4-12 months	More than 1 year	Total	Total past due but not impaired	Total past due and impaired
September 30, 2013	\$	\$	\$	\$	\$	\$	\$
Trade receivables	-	425	4,248	1,199,792	1,204,465	1,046,158	158,307
Cash and cash equivalents	3,313,806	-	-	-	3,313,806	-	-
Deposits	21,270	-	-	-	21,270	-	-
	3,335,076	425	4,248	1,199,792	4,539,541	1,046,158	158,307

	Current	1-3 months	4-12 months	More than 1 year	Total	Total past due but not impaired	Total past due and impaired
September 30, 2012	\$	\$	\$	\$	\$	\$	\$
Trade receivables	-	-	291,100	729,222	1,020,322	862,015	158,307
Cash and cash equivalents	3,469,133	-	-	-	3,469,133	-	-
Deposits	21,070	-	-	-	21,070	-	-
	3,490,203	-	291,100	729,222	4,510,525	862,015	158,307

### (c) Liquidity risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting its short-term obligations associated with financial liabilities. The Commission is exposed to liquidity risk from its financial liabilities.

Liquidity needs are monitored by the Commission to ensure it has sufficient funds to meet its liabilities when due, under normal and unexpected conditions, without incurring unacceptable losses or breaches in borrowing limits or covenants. Liquidity is managed by monitoring forecasted and actual cash flows, maintaining sufficient funds to meet expected operational expenses and matching maturity profiles of financial assets and liabilities.

All financial liabilities of the Commission as of September 30, 2013 and 2012 have a maturity period of less than one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
 For the Year Ended September 30, 2013  
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## 12 Financial risk management (Continued)

### (c) Liquidity risk (Continued)

The table below shows the liquidity profile of the financial liabilities based on their undiscounted cash flows and their earliest maturity:

	On demand	1 to 3 months	More than 3 months but less than 1 year	More than 1 year	Total
September 30, 2013	\$	\$	\$	\$	\$
Accounts payable and accrued expenses	-	229,566	-	-	229,566
	-	229,566	-	-	229,566

	On demand	1 to 3 months	More than 3 months but less than 1 year	More than 1 year	Total
September 30, 2012	\$	\$	\$	\$	\$
Accounts payable and accrued expenses	-	421,724	-	-	421,724
	-	421,724	-	-	421,724

### (d) Market risk

Market risk is the risk that changes in market prices, through foreign exchanges rates, interest rates, and equity prices, will cause fluctuations to the fair values and cash flows of financial instrument holdings. Market risk affects loans and borrowings, deposits, available-for-sale investments, and derivative financial investments.

#### (i) Interest rate risk

Interest rate risk is the risk that changes in market interest rates will cause fluctuations to the fair values and cash flows of the Commission's financial instrument holdings. Floating rate instruments expose the Commission to cash flow interest rate risk whereas fixed rate instruments expose the Commission to fair value interest rate risk.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

## 12 Financial risk management (Continued)

### (d) Market risk (Continued)

#### (i) Interest rate risk (Continued)

##### *Interest rate sensitivity*

At September 30, 2013 and 2012, the Commission has interest bearing financial instruments. As a result, the Commission is exposed to significant interest rate risk.

September 30, 2013	Interest bearing	Non-Interest bearing	Total
<b>Financial assets</b>			
Cash and cash equivalents	3,303,806	10,000	3,313,806
Trade and other receivables	-	1,046,158	1,046,158
Deposit	-	21,270	21,270
<b>Total financial assets</b>	<b>3,303,806</b>	<b>1,077,428</b>	<b>4,381,234</b>
Accounts payable and accrued expenses	-	229,566	229,566
Amounts received in advance	-	62,416	62,416
<b>Total financial liabilities</b>	<b>-</b>	<b>291,982</b>	<b>291,982</b>
<b>Interest sensitivity gap</b>	<b>3,303,806</b>	<b>785,446</b>	<b>4,089,252</b>

September 30, 2012	Interest bearing	Non-Interest bearing	Total
<b>Financial assets</b>			
Cash and cash equivalents	3,459,133	10,000	3,469,133
Trade and other receivables	-	862,015	862,015
Deposit	-	21,070	21,070
<b>Total financial assets</b>	<b>3,459,133</b>	<b>893,085</b>	<b>4,352,218</b>
Accounts payable and accrued expenses	-	421,724	421,724
Amounts received in advance	-	27,087	27,087
<b>Total financial liabilities</b>	<b>-</b>	<b>448,811</b>	<b>448,811</b>
<b>Interest sensitivity gap</b>	<b>3,459,133</b>	<b>444,274</b>	<b>3,903,407</b>

#### (ii) Currency risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Commission's financial instrument holdings.

##### *Foreign currency sensitivity*

At September 30, 2013 and 2012, the Commission has no financial instruments denominated in currencies other than United States Dollars. As a result, the Commission is not exposed to significant foreign currency risk.

#### (iii) Equity price risk

Equity price risk is the risk that changes in market prices of equity securities will cause fluctuations to the fair values and cash flows of Commission's financial instrument holdings.

# TELECOMMUNICATIONS REGULATORY COMMISSION

Notes to the Financial Statements  
For the Year Ended September 30, 2013  
(Expressed in United States Dollars)

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## 12 Financial risk management (Continued)

### (d) Market risk (Continued)

#### (iii) Equity price risk (Continued)

##### *Equity price risk sensitivity*

At September 30, 2013 and 2012, the Commission did not hold any investments and thus is not exposed to equity price risk.

## 13 Operating Lease commitments

The Company leases its storage space under operating lease arrangements with terms ranging from one year with renewal options.

They also lease office space under operating lease arrangements with terms ranging from ten years with renewal options. The lease was renewed on 2 December 2016 and expires on 1 December 2026.

The total future minimum lease payments of non-cancellable operating lease rentals as a result of the above lease agreements are presented as follows:

	2013	2012
	\$	\$
Within one year	109,351	109,351
Two to five years	187,164	294,114
	296,515	403,465

For the year ended September 30, 2013, the company recognised a rent expense amounting to \$118,303 (2012: \$99,716).

## 14 Contingency arising from a legal claim

The Company is involved in certain litigation in the ordinary course of business. Management, having consulted with its counsel, believes it has adequate defenses as to all lawsuits and claims and does not believe that their ultimate resolution will have a material adverse impact on the Company's results of operations, financial position and cash flows.

## 15 Events after the end of the reporting period

Management evaluated all activity of the Commission from October 1, 2013 through the issuance date of the financial statements and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements except for the transactions discussed below.

# TELECOMMUNICATIONS REGULATORY COMMISSION

## Supplementary Information Report For the Year Ended September 30, 2013 (Expressed in United States Dollars)

The accompanying information included below has been prepared by Telecommunications Regulatory Commission and is presented for purposes of supplementary analysis.

The supplementary information has not been compiled, reviewed, or audited by BDO Limited, and, accordingly, BDO Limited assumes no responsibility for it.

	2013	2012
	\$	\$
Professional fees	390,762	343,401
Rent expense	118,303	99,716
Utilities	85,819	50,788
General administration expenses	48,428	68,407
Travel	34,252	33,891
Special events	28,752	15,820
Training	26,619	13,357
Repairs and maintenance	24,210	17,414
Conference and meeting	10,079	1,472
Advertising	6,420	1,047
Staff recognition program	5,628	6,309
Insurance	2,257	2,687
<b>Total</b>	<b>781,529</b>	<b>654,309</b>