



**REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL'S DEPARTMENT**

**REPORT
OF THE
AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF THE
TELECOMMUNICATIONS AUTHORITY OF
TRINIDAD AND TOBAGO**

FOR THE YEAR ENDED

September 30, 2017



REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TELECOMMUNICATIONS AUTHORITY OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED SEPTEMBER 30, 2017

OPINION

The financial statements of the Telecommunications Authority of Trinidad and Tobago (the Authority) for the year ended September 30, 2017 have been audited. The statements as set out on pages 1 to 21 comprise a Statement of Financial Position at September 30, 2017, and a Statement of Profit or Loss and Other Comprehensive Income, a Statement of Changes in Amount Due to Consolidated Fund and a Statement of Cash Flows for the year then ended, and Notes to the Financial Statements numbered 1 to 21 including a summary of significant accounting policies.

2. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Telecommunications Authority of Trinidad and Tobago as at September 30, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)].

BASIS FOR OPINION

3. The audit was conducted in accordance with the principles and concepts of International Standards of Supreme Audit Institutions (ISSAIs). The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. The Auditor General is independent of the Authority in accordance with the ethical requirements that are relevant to the audit of the financial statements and other ethical responsibilities have been fulfilled in accordance with these requirements. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above audit opinion.

OTHER MATTER

4. The financial statements for the year ended September 30, 2016 were audited by a firm of Accountants who expressed an unqualified opinion on those financial statements on December 28, 2016.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

5. Management of the Authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (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.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

8. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit and to report thereon in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago and Section 57 (2) of the Telecommunications Act, Chapter 47:31.

9. The Auditor General's 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 audit report that includes his opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the principles and concepts of ISSAIs 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.

10. As part of an audit in accordance with the principles and concepts of ISSAIs, the Auditor General exercises professional judgment and maintains professional skepticism throughout the audit. The Auditor General also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in his audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify his opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


11. The Auditor General communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

SUBMISSION OF REPORT

12. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

5TH AUGUST, 2022
PORT OF SPAIN




LOKELLY PUJADAS
AUDITOR GENERAL

**Telecommunications Authority
Of Trinidad and Tobago**

**Financial Statements
September 30, 2017**

Telecommunications Authority of Trinidad and Tobago

Contents	Page
Statement of management's responsibilities	1
Statement of financial position	2
Statement of profit or loss and other comprehensive income	3
Statement of changes in amount due to consolidated fund	4
Statement of cash flows	5
Notes to the financial statements	6 - 21

Telecommunications Authority of Trinidad and Tobago

Statement of management's responsibilities

It is the responsibility of management to prepare financial statements for each financial year which present fairly, in all material respects, the state of affairs of the Telecommunications Authority of Trinidad and Tobago (the 'Authority') as at the end of the financial year and the operating results of the Authority for the year. It also requires management to ensure that the Authority keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority. They are also responsible for safeguarding the assets of the Authority.

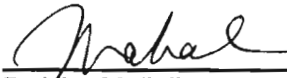
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ('IFRS'). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS. Management is of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Authority and its operating results. Management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.



Gilbert Peterson, S.C.
Chairman of the Board of Directors



Dr Kim Mallalieu
Deputy Chairman

December 18, 2017

December 18, 2017

Telecommunications Authority of Trinidad and Tobago

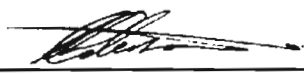
Statement of financial position

(Expressed in Trinidad and Tobago dollars)

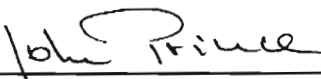
	Notes	As at September 30,	
		2017	2016
		\$	\$
ASSETS			
Non-current assets			
Plant and equipment	6	<u>17,682,182</u>	<u>21,052,801</u>
Total non-current assets		<u>17,682,182</u>	<u>21,052,801</u>
Current assets			
Trade and other receivables	7	12,179,585	15,804,076
Universal Service Fund contribution receivable	7	25,208,062	25,297,760
Cash and cash equivalents	8	<u>139,724,390</u>	<u>147,758,501</u>
Total current assets		<u>177,112,036</u>	<u>188,860,337</u>
Total assets		<u>194,794,218</u>	<u>209,913,138</u>
LIABILITIES & RESERVES			
Reserves			
Reserves: Universal Service Fund	9	120,627,343	120,538,005
Reserves: Universal Service Fund contribution	9	<u>25,208,062</u>	<u>25,297,760</u>
Total reserves		<u>145,835,405</u>	<u>145,835,765</u>
Non-current liabilities			
Deferred income	10	<u>1,770,967</u>	<u>1,842,742</u>
Total non-current liabilities		<u>1,770,967</u>	<u>1,842,742</u>
Current liabilities			
Accounts payable and accruals	11	4,063,336	3,434,787
Amount due to Consolidated Fund		<u>43,124,510</u>	<u>58,799,843</u>
Total current liabilities		<u>47,187,846</u>	<u>62,234,630</u>
Total liabilities		<u>48,958,813</u>	<u>64,077,372</u>
Total liabilities and reserves		<u>194,794,218</u>	<u>209,913,138</u>

The notes on pages 6 to 21 form an integral part of these financial statements.

On December 18, 2017, these financial statements were authorised for issue by the Board of Directors:



Gilbert Peterson S.C. Chairman
of the Board of Directors



Dr. John Prince, C.M. Chief
Executive Officer

Telecommunications Authority of Trinidad and Tobago

Statement of profit or loss and other comprehensive income

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended September 30,	
		2017	2016
		\$	\$
Income			
Concession fees		25,574,101	24,473,504
Licence fees		42,246,709	56,640,478
Bank interest		256	92
Other income		984,879	862,522
Amortisation of deferred income	10	71,775	95,535
Total income		68,877,721	82,072,131
Expenses			
Communications, marketing and policy expenses	12	3,764,725	3,116,006
Fees	13	1,587,507	1,384,602
Training	14	2,971,710	2,412,239
Utilities		1,046,906	939,166
Rent and lease expenses	15	3,841,537	3,856,603
Staff costs	16	29,324,559	27,040,479
Repairs and maintenance		569,259	429,482
Other administrative costs	17	6,028,428	6,491,606
Depreciation		5,293,890	6,277,415
Total expenses		54,428,522	51,947,598
Surplus for the year		14,449,199	30,124,533
Other comprehensive income, net of taxes		-	-
Total comprehensive income for the year		14,449,199	30,124,533

The notes on pages 6 to 21 form an integral part of these financial statements

Telecommunications Authority of Trinidad and Tobago

Statement of changes in amount due to consolidated fund

(Expressed in Trinidad and Tobago dollars)

	Year ended September 30,	
	2017	2016
	\$	\$
Amount due to Consolidated Fund brought forward from the previous period	58,799,843	65,350,533
Payment to Consolidated Fund during the year	<u>(30,124,533)</u>	<u>(36,675,223)</u>
Outstanding amount brought forward	28,675,310	28,675,310
Net surplus for the current year	<u>14,449,199</u>	<u>30,124,533</u>
Net amount for the year due to Consolidated Fund	<u>14,449,199</u>	<u>30,124,533</u>
Net amount due to Consolidated Fund at the end of the year	<u>43,124,510</u>	<u>58,799,843</u>

Telecommunications Authority of Trinidad and Tobago

Statement of cash flows

(Expressed in Trinidad and Tobago dollars)

	Year ended September 30,	
	2017	2016
	\$	\$
Cash flow from operating activities		
Net surplus for the year	14,449,199	30,124,533
Adjustment for non-cash items:		
Amortization of deferred income	(71,775)	(95,535)
Amortization of deferred income-licence fees	-	-
Depreciation	5,293,890	6,277,415
(Gain)/loss on disposal of assets	(165,429)	-
Adjustment to Consolidated Fund	-	(360)
	19,505,885	36,306,053
Changes in:		
Decrease/(Increase) in Receivables	3,624,491	3,020,959
(Decrease)/Increase in Accounts payable and accruals	628,549	(808,187)
Net cash generated from operating activities	23,758,926	38,518,826
Cash flow from investing activities		
Acquisition of plant and equipment	(2,191,842)	(2,131,012)
Proceeds from sale of plant and equipment	434,000	-
Reserves – Universal Service Fund	89,338	-
Net cash used in investing activities	(1,668,504)	(2,131,012)
Cash flow from financing activities		
Amount paid to Consolidated Fund	(30,124,533)	(36,675,223)
Net cash used in financing activities	(30,124,533)	(36,675,223)
Net decrease in cash and cash equivalents	(8,034,112)	(287,409)
Cash and cash equivalents at start of year	147,758,501	148,045,910
Cash and cash equivalents at end of year	139,724,390	147,758,501

The notes on pages 6 to 21 form an integral part of these financial statements

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

1. Principal activities

The Telecommunications Authority of Trinidad and Tobago (the 'Authority') is an independent regulatory body, established by the Telecommunications Act (the 'Act') Chapter 47:31. The Authority is charged with the responsibility for the regulation of the telecommunications and broadcasting sectors. The Authority's mandate includes recommendations to the Minister for the granting of Concessions, the granting of Spectrum Licences and the collection of related fees, the determination of Universal Service obligations throughout Trinidad and Tobago, the establishment of National Telecommunications Industry Standards and Technical Standards, Price Regulation and Consumer Protection. The Authority became operational on July 1, 2004.

The Authority is located at # 5 Eighth Avenue Extension, Barataria, Trinidad.

The Authority reports to the Ministry of Public Administration and Communications

2. Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations adopted with no effect on financial statements

There were no new standards or interpretations which were adopted by the Authority during the year beginning October 1, 2017.

Standards and Interpretations in issue not yet adopted, which may have an impact on the Authority's financial statements

The Authority has not applied the following new and revised IFRS that have been issued but are not yet effective:

- | | |
|------------------------|--|
| • IFRS 9 | Financial instruments ² |
| • IFRS 15 | Revenue from Contracts with Customers ² |
| • IFRS 16 | Leases ³ |
| • Amendments to IAS 12 | Recognition of Deferred Tax Assets
Unrealised Losses ¹ |
| • Amendments to IAS 1 | Disclosure initiative ¹ |
| • Amendments to IFRS 2 | Classification and Measurement of Share-based
Payment Transactions ³ |

¹ Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

2. Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations in issue not yet adopted, which may have an impact on the Authority's financial statements

- **IFRS 9 Financial Instruments**

IFRS 9, which was issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of this IFRS was issued in July 2016 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing 'fair value through other comprehensive income' ('FVTOCI') measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

2. Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations in issue not yet adopted, which may have an impact of the Authority's financial statements (continued)

- **IFRS 9 Financial Instruments (continued)**

- in relation to the impairment of financial assets, IFRS 9 requires an expected loss model, as opposed to an incurred loss model under IAS 39. The expected loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- the new general hedge accounting requirements retain three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Telecommunications Act Chapter 47-31, the Authority is not permitted to engage in any investment activities as a result, the requirements relating to hedge accounting will not apply to the Authority.

- **IFRS 15 Revenue from Contracts with Customers**

In May 2016, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and does not require retrospective application. Management does not anticipate that this IFRS will be early adopted. Once, adopted the standard is not expected to have a significant impact on the amounts reported and disclosures made in the Authority's financial statements. Management will carry out a detailed review of the final version of the IFRS.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

2. Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations in issue not yet adopted, which may have an impact of the Authority's financial statements (continued)

- **Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expensed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2017.

The management of the Authority do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Authority's financial statements.

- **Annual Improvements 2013 – 2017**

The Annual Improvements to IFRS 2013-2017 include a number of amendments to various IFRS, which are summarised below.

IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

The management of the Authority do not anticipate that the application of these amendments will have a significant impact on the Authority's financial statements.

- **Amendment to IAS 1: Disclosure Initiative**

Amendments were made to IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

2. Adoption of new and revised International Financial Reporting Standards (continued)

Standards and Interpretations in issue not yet adopted, which may have an impact of the Authority's financial statements (continued)

• Amendment to IAS 1: Disclosure Initiative (continued)

- b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The management of the Authority do not anticipate that the application of these amendments will have a significant impact on the Authority's financial statements.

Standards and Interpretations in issue, which will not have an impact on the Authority's financial statements

The following new and revised IFRS that have been issued but are not yet effective and will not have any impact of the financial statements of the Authority:

- | | |
|---|--|
| • Amendments to IFRS 11 | Accounting for Acquisitions of Interest in Joint Operations ¹ |
| • IFRS 14 | Regulatory Deferral Accounts ¹ |
| • Amendments to IAS 16 and IAS 41 | Agriculture: Bearer Plants ¹ |
| • Amendments to IFRS 10 and IAS 28 | Sale of Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| • Amendments to IAS 27 | Equity Method in Separate Financial Statements ¹ |
| • Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception ¹ |

¹ Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements For the year ended September 30, 2017 (Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention.

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's policies.

a) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the Authority operates ('the functional currency'). The financial statements are presented in Trinidad and Tobago dollars, which is the Authority's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

b) Revenue recognition

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

- i) Fees charged by the Authority are recognised as income when services are provided.
- ii) Income from licences is recognised on a straight-line basis over the licence period.
- iii) Interest income is recognised as it accrues, unless collectability is in doubt.
- iv) Income is also recognised from receipt of Government grants. See note 3(d) for Government grants.

c) Plant and equipment

All plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items of plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of profit or loss during the financial period in which they are incurred.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2017
(Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

c) Plant and equipment (continued)

Plant and equipment are depreciated on the reducing balance basis at rates estimated to write off the cost of fixed assets over their useful lives. Current rates of depreciation are as follows:

Fixtures and fittings	20%
Computer equipment and software	25%
Office furniture and equipment	20%
Motor vehicles	25%
Telecommunication equipment and related software	25%

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

d) Government grants

Government grants related to fixed assets are deferred in the statement of financial position and amortised over the estimated useful lives of the assets to which it relates.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks.

f) Receivables

Trade receivables are carried at original invoice amount less an allowance made for impairment of these receivables. The allowance for impairment of trade receivables is established based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

g) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

h) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

i) Reserves

Universal Service Fund

In accordance with the Telecommunications Act (2001) Section 28 (3), the Board approves the appropriation of reserves to the Universal Service Fund. Section 53(3) of the Act restricts the use of these funds to the provision of Universal Service.

Consolidated Fund

In accordance with the Telecommunications Act (2001) Section 53 (7), "At the end of each financial year, any surplus of funds remaining in the account opened in accordance with subsection (5), after defraying the expenditure referred to in subsection (2), shall be paid into the Consolidated Fund".

j) Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets.

The Authority assesses at each statement of financial position date whether there is objective evidence of impairment of its financial assets.

k) Impairment of financial assets

The carrying amounts of the Authority's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

ii) Reversals of impairment

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, net of depreciation or amortisation, if no impairment loss had been recognised.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

l) Taxation

As stated in section 54 of the Telecommunications Act, the Authority is exempt from income tax.

m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss over the period of the lease.

n) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

4. Critical accounting estimates and judgements

In the application of the Authority's accounting policies, which are described in note 3, management of the Authority are 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 relevant. Actual results may differ from these estimates. Key sources of uncertainty, which require the use of estimates, include:

Useful lives and residual values of plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in the plant and equipment policy above. These rates and the residual lives of the assets are reviewed annually taking cognizance of the forecasted commercial and economic realities and through benchmarking of accounting treatments within the industry.

Contingent liabilities

Management applies its judgement to the facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. Such judgement is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

5. Financial risk management

a) Market risk

The Authority's activities do not expose it to any significant market risks (including currency risk, fair value interest rate and price risk).

i) Cash flow and fair value interest rate risk

As the Authority has no significant interest bearing assets, the Authority's income and operating cash flows are substantially independent of changes in market interest rates. The Authority does not own any investments.

ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The majority of the financial instruments of the Authority are denominated in Trinidad and Tobago dollars, thus, the risk to the Authority is considered minimal.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

5. Financial risk management (continued)

b) *Credit risk*

Credit risk arises from cash and cash equivalents as well as credit exposures to customers for outstanding receivables. The Authority does not have significant credit risk exposure to any single third party counterparty or any group of counterparties having similar characteristics. The Authority defines counterparties as having similar characteristics if they are related entities.

Credit risk also arises from cash and deposits with banks and financial institutions. For banks and financial institutions, only those with good standing and with a sound reputation are used.

c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Authority aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Authority's financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 1 year equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year \$
At September 30, 2017	
Accounts payables and accruals	<u>4,063,336</u>
At September 30, 2016	
Accounts payables and accruals	<u>3,434,787</u>

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

6. Plant and equipment

	Telecommunications equipment & related software	Computer equipment & software	Office furniture & equipment	Motor vehicles	Fixtures & fittings	Construction in progress	Total
	\$	\$	\$	\$	\$		\$
Cost							
At October 1, 2015	23,260,894	10,128,952	3,707,994	1,003,826	227,505	1,837,399	40,166,570
Additions	175,299	1,112,133	122,453	489,240	18,340	213,547	2,131,012
Transfer from construction in progress	925,250	859,742	-	-	-	(1,784,992)	-
Disposals	-	-	-	-	-	-	-
At September 30, 2016	24,361,443	12,100,827	3,830,447	1,493,066	245,845	265,954	42,297,580
Adjustment for the period	-	-	(22,358)	-	-	-	(22,358)
Additions	147,529	795,947	206,159	703,200	6,091	355,275	2,214,201
Transfer from construction in progress	355,275	265,964	-	-	-	(621,229)	-
Disposals	-	-	-	(657,701)	-	-	(657,701)
At September 30, 2017	24,864,246	13,162,729	4,014,247	1,538,565	251,935	-	43,831,722
Accumulated depreciation							
At October 1, 2015	4,947,394	7,018,937	2,296,952	532,957	171,128	-	14,967,368
Disposals	-	-	-	-	-	-	-
Expense for the year	4,853,512	998,846	293,350	117,717	13,990	-	6,277,415
At September 30, 2016	9,800,906	8,017,783	2,590,302	650,674	185,118	-	21,244,783
Adjustment for the period	-	(5)	-	-	-	-	(5)
Disposals	-	-	-	(389,129)	-	-	(389,129)
Expense for the year	3,697,302	1,109,684	254,444	220,035	12,425	-	5,293,890
At September 30, 2017	13,498,209	9,127,462	2,844,746	481,581	197,542	-	26,149,540
Carrying value							
At September 30, 2016	14,560,538	4,083,045	1,240,145	842,392	60,727	265,954	21,052,801
At September 30, 2015	11,366,037	4,035,267	1,169,500	1,056,985	54,392	-	17,682,182

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2017
(Expressed in Trinidad and Tobago dollars)

7. Trade and other Receivables

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade receivables (Note 20)	10,644,162	10,876,736
Less: allowance for impairment	<u>(4,581,745)</u>	<u>(2,893,984)</u>
Trade receivables-net	6,062,417	7,982,752
Staff loan (other)	313,264	198,648
Staff loan (vehicle)	2,263,447	1,989,396
VAT receivable	2,192,877	4,964,476
Other receivables and prepayments	743,768	668,804
Goods in transit	603,813	-
	<u>12,179,585</u>	<u>15,804,076</u>
Receivables – Universal Service Fund Contribution	<u>25,208,062</u>	<u>25,297,760</u>
	<u>37,387,647</u>	<u>41,101,836</u>

Included within staff loans are loans to management amounting to \$ nil (2016: \$nil).

8. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
	\$	\$
Cash at bank (TT\$ account)	18,666,844	27,021,393
Cash at bank (US\$ account)	427,203	196,103
Universal Service fund (TT\$ account)	120,627,343	120,538,005
Cash on hand (TT\$ account)	<u>3,000</u>	<u>3,000</u>
	<u>139,724,390</u>	<u>147,758,501</u>

9. Appropriation of reserves: Universal Service Fund

Due to Universal Service Fund

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at October 1	120,538,005	120,538,365
Bank charges	(360)	(360)
Bank deposits	<u>89,698</u>	<u>-</u>
	<u>120,627,343</u>	<u>120,538,005</u>
Reserves – Universal Service Fund Contributions	<u>25,208,062</u>	<u>25,297,760</u>
Balance at September 30	<u>145,835,405</u>	<u>145,835,765</u>

The following have been charged in arriving at the amount due to the Consolidated Fund:

Staff costs (Note 16)	29,324,559	27,040,479
Directors fees and expenses	627,000	709,500
Depreciation (Note 6)	5,293,890	6,277,415

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

10. Deferred income		
	<u>2017</u>	<u>2016</u>
	\$	\$
Government grant relating to fixed assets	1,842,742	1,938,277
Amortization	(71,775)	(95,535)
	<u>1,770,967</u>	<u>1,842,742</u>
11. Accounts payable and accruals		
	<u>2017</u>	<u>2016</u>
	\$	\$
Accounts payable	656,425	261,531
Deferred revenue	339,171	105,714
Outstanding commitments	2,976,718	2,984,450
Other current liabilities	91,022	83,092
	<u>4,063,336</u>	<u>3,434,787</u>
12. Communications, marketing and policy expenses		
	<u>2017</u>	<u>2016</u>
	\$	\$
Promotions, publicity and printing	1,937,741	1,502,838
Official overseas travel	816,518	549,451
Hosting conferences/ seminars	1,010,466	1,063,717
	<u>3,764,725</u>	<u>3,116,006</u>
13. Fees		
These fees comprise mainly of legal fees incurred in compliance and enforcement, opinions from senior counsel and judicial review from the Authority's providers.		
	<u>2017</u>	<u>2016</u>
	\$	\$
Legal and professional fees	1,272,455	633,480
Subscription and other charges	315,052	751,122
	<u>1,587,507</u>	<u>1,384,602</u>

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

14. Training

In accordance with Section 18(n) of the Act, the Authority is committed to continuous training of its personnel to ensure that the industry standards are in compliance with:

- i) International standards of the Telecommunications Union Convention
- ii) Testing and certifying of telecommunications equipment
- iii) Other relevant training necessary to achieve the objectives of the Act as outlined in Section 3 of the Act.

	<u>2017</u>	<u>2016</u>
	\$	\$
Training, registration fees	668,554	633,854
Foreign travel, per diems, airfare	<u>2,303,156</u>	<u>1,778,385</u>
	<u>2,971,710</u>	<u>2,412,239</u>

15. Rent/lease expenses

Operating lease arrangements

Leasing arrangements

The Authority leases its facilities, which include executive and administrative offices which are renewed annually. Substantially the lease provides that the lessee shall pay maintenance, insurance and certain other operating expenses applicable to the leased property. The lease also includes renewal options.

Lease commitments

	<u>2017</u>	<u>2016</u>
	\$	\$
No later than 1 year	3,841,537	3,856,603
Later than 1 year	-	-
	<u>3,841,537</u>	<u>3,856,603</u>

16. Staff costs

	<u>2017</u>	<u>2016</u>
	\$	\$
Salaries	26,844,975	24,624,417
Directors' fees and expenses	627,000	709,500
Pension contributions	1,647,728	1,457,192
Short term employment	28,993	99,836
Other personnel expense	<u>175,863</u>	<u>149,534</u>
	<u>29,324,559</u>	<u>27,040,479</u>

The number of employees at September 30, 2017 was 98 (2016: 99).

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2017
(Expressed in Trinidad and Tobago dollars)

17. Other administrative costs

	<u>2017</u>	<u>2016</u>
	\$	\$
Security	518,634	543,534
Janitorial services	323,323	281,313
Supplies	838,214	780,157
Other contracted services	2,355,672	2,474,708
Bad debt expenses	1,725,347	1,990,560
Other administrative costs	267,238	421,334
	<u>6,028,428</u>	<u>6,491,606</u>

18. Contingent liabilities and assets, commitments

Legal proceedings

The Authority is both plaintiff and defendant to several legal suits and proceedings. However, the disposition of these matters is not likely to have a materially adverse effect on its financial condition or results of operation.

19. Related party transactions

A number of transactions are entered into with related parties in the normal course of business.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Authority.

These transactions were carried out on commercial terms and conditions at market rates, except loans to officers.

Related party transactions and balances

Balances and transactions with related parties and key management personnel during the year were as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Key management compensation	<u>4,262,672</u>	<u>4,612,898</u>
Sale of asset	<u>-</u>	<u>-</u>

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2017

(Expressed in Trinidad and Tobago dollars)

20. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	<u>2017</u>	<u>2016</u>
	\$	\$
<u>Financial assets</u>		
Cash and cash equivalents	139,724,390	147,758,501
Receivables (Note 7)	10,644,162	10,876,736
	<u>150,368,552</u>	<u>158,635,237</u>
<u>Other financial liabilities</u>		
Payables held at amortised cost	4,063,336	3,434,787
	<u>4,063,336</u>	<u>3,434,787</u>

21. Events after the reporting date

No significant events occurred after the reporting date affecting the financial performance, position or changes therein for the reporting year presented in these annual financial statements.