Telecommunications Authority of Trinidad and Tobago

Financial Statements
September 30, 2016

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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	John Prince Dr. John Prince Chief Executive Officer
December 28, 2016	December 28, 2016

Deloitte.

Deloitte & Touche
54 Ariapita Avenue,
Woodbrook, Port of Spain,
Trinidad, West Indies.
Tel: + 1 868 628 1256
Fax: + 1 868 628 6566
Website: www.deloitte.com

Independent auditor's report
to the Members of
Telecommunications Authority of Trinidad and Tobago

Report on the financial statements

We have audited the accompanying financial statements of the Telecommunications Authority of Trinidad and Tobago (the 'Authority'), which comprise the statement of financial position as at September 30, 2016 and the statement of profit or loss and other comprehensive income and statement of changes in amount due to consolidated fund and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at September 30, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche
Port of Spain
Trinidad, West Indies.
December 28, 2016 Deloitte & Touche

Telecommunications Authority of Trinidad and Tobago

Statement of financial position
(Expressed in Trinidad and Tobago dollars)

	Notes	As at September 30, 2016	2015
		$	$
ASSETS			
Non-current assets			
Plant and equipment	6	21,052,801	25,199,204
Total non-current assets		21,052,801	25,199,204
Current assets			
Trade and other receivables	7	15,804,076	18,825,035
Universal Service Fund contribution receivable	7	25,297,760	-
Cash and cash equivalents	8	147,758,501	148,045,910
Total current assets		188,860,337	166,870,945
Total assets		**209,913,138**	**192,070,149**
LIABILITIES & RESERVES			
Reserves			
Reserves: Universal Service Fund	9	120,538,005	120,538,365
Reserves: Universal Service Fund contribution	9	25,297,760	-
Total reserves		145,835,765	120,538,365
Non-current liabilities			
Deferred income	10	1,842,742	1,938,277
Total non-current liabilities		1,842,742	1,938,277
Current liabilities			
Accounts payable and accruals	11	3,434,787	4,242,974
Amount due to Consolidated Fund		58,799,843	65,350,533
Total current liabilities		62,234,630	69,593,507
Total liabilities		64,077,372	71,531,784
Total liabilities and reserves		**209,913,138**	**192,070,149**

The notes on pages 7 to 22 form an integral part of these financial statements.

On December 28, 2016, 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
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, 2016	2015
		$	$
Income			
Concession fees		24,473,504	26,500,840
Licence fees		56,640,478	57,913,675
Bank interest		92	7,502
Other income		862,522	1,088,447
Amortisation of deferred income	10	95,535	318,745
Total income		82,072,131	85,829,209
Expenses			
Communications, marketing and policy expenses	12	3,116,006	5,016,243
Fees	13	1,384,602	2,488,352
Training	14	2,412,239	2,445,873
Utilities		939,166	967,960
Rent and lease expenses	15	3,856,603	3,320,000
Staff costs	16	27,040,479	26,500,769
Repairs and maintenance		429,482	565,609
Other administrative costs	17	6,491,606	5,116,854
Depreciation		6,277,415	2,732,327
Total expenses		51,947,598	49,153,987
Surplus for the year		**30,124,533**	**36,675,222**
Other comprehensive income, net of taxes		-	-
Total comprehensive income for the year		**30,124,533**	**36,675,222**

The notes on pages 7 to 22 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, 2016	2015
	$	**$**
Amount due to Consolidated Fund brought forward from the previous period	65,350,533	73,747,742
Payment to Consolidated Fund during the year	(36,675,223)	(45,072,431)
Outstanding amount brought forward	28,675,310	28,675,311
Net surplus for the current year	30,124,533	36,675,222
Net amount for the year due to Consolidated Fund	**30,124,533**	**36,675,222**
Net amount due to Consolidated Fund at the end of the year	**58,799,843**	**65,350,533**

The notes on pages 7 to 22 form an integral part of these financial statements

Telecommunications Authority of Trinidad and Tobago

Statement of cash flows
(Expressed in Trinidad and Tobago dollars)

	Year ended September 30, 2016	2015
	$	**$**
Cash flow from operating activities		
Net surplus for the year	30,124,533	36,675,222
Adjustment for non-cash items:		
Amortization of deferred income	(95,535)	(318,745)
Amortization of deferred income-licence fees	-	(2,489,449)
Depreciation	6,277,415	2,732,327
Gain on disposal of assets	-	(309,551)
Adjustment to Consolidated Fund	(360)	(360)
	36,306,053	36,289,444
Changes in:		
Receivables	3,020,959	9,850,276
Accounts payable and accruals	(808,187)	(1,795,761)
Net cash generated from operating activities	38,518,826	44,343,959
Cash flow from investing activities		
Acquisition of plant and equipment	(2,131,012)	(13,338,398)
Proceeds from sale of plant and equipment	-	1,956,860
Net cash used in investing activities	(2,131,012)	(11,381,538)
Cash flow from financing activities		
Amount paid to Consolidated Fund	(36,675,223)	(45,072,431)
Net cash used in financing activities	(36,675,223)	(45,072,431)
Net decrease in cash and cash equivalents	(287,409)	(12,110,010)
Cash and cash equivalents at start of year	148,045,910	160,155,920
Cash and cash equivalents at end of year	**147,758,501**	**148,045,910**

The notes on pages 7 to 22 form an integral part of these financial statements

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.

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, 2015.

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[3]
• IFRS 15	Revenue from Contracts with Customers[3]
• IFRS 16	Leases[4]
• Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
• Amendments to IFRS	Annual Improvements to IFRS 2012-2014[1]
• Amendments to IAS 1	Disclosure Initiative[1]
• Amendments to IAS 12	Recognition of Deferred Tax Assets Unrealised Losses[2]
• Amendments to IAS 7	Disclosure initiative[2]
• Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[3]

[1] Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

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

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

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

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 2015 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.

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 2015, 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.

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, 2016.

  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 2012 – 2015**

  The Annual Improvements to IFRS 2012-2015 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;

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, 2016, with earlier application permitted.

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.

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.

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. The Board also approves the appropriation of reserves for the future development of the Authority.

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) <u>Calculation of recoverable amount</u>

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) <u>Reversals of impairment</u>

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.

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) <u>Cash flow and fair value interest rate risk</u>

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) <u>Currency risk</u>

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.

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, 2016	
Accounts payables and accruals	**3,434,787**
At September 30, 2015	
Accounts payables and accruals	**4,242,974**

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, 2014	20,178,185	9,359,875	3,348,857	917,358	227,505	6,411,772	40,443,552
Additions	9,947,999	769,077	359,137	424,786	-	1,837,399	13,338,398
Transfer from construction in progress	6,411,772	-	-	-	-	(6,411,772)	-
Disposals	(13,277,062)	-	-	(338,318)	-	-	(13,615,380)
At September 30, 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)	-
At September 30, 2016	24,361,443	12,100,827	3,830,447	1,493,066	245,845	265,954	42,297,582
Accumulated depreciation							
At October 1, 2014	15,286,046	6,102,838	1,989,784	667,412	157,034	-	24,203,114
Disposals	(11,764,167)	-	-	(203,906)	-	-	(11,968,073)
Expense for the year	1,425,515	916,099	307,168	69,451	14,094	-	2,732,327
At September 30, 2015	4,947,394	7,018,937	2,296,952	532,957	171,128	-	14,967,368
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
Carrying value							
At September 30, 2015	**18,313,501**	**3,110,016**	**1,411,042**	**470,869**	**56,377**	**1,837,399**	**25,199,204**
At September 30, 2016	**14,560,538**	**4,083,045**	**1,240,145**	**842,392**	**60,727**	**265,954**	**21,052,801**

7. Trade and other receivables

	2016	2015
	$	$
Trade receivables (Note 20)	10,876,736	13,506,789
Less: allowance for impairment	(2,893,984)	(903,424)
Trade receivables-net	7,982,752	12,603,365
Staff loan (other)	198,648	275,355
Staff loan (vehicle)	1,989,396	1,896,483
VAT receivable	4,964,476	3,448,346
Other receivables and prepayments	668,804	455,617
Goods in transit	-	145,869
	15,804,076	18,825,035
Receivables – Universal Service Fund Contribution	25,297,760	-
	41,101,836	**18,825,035**

Included within staff loans are loans to management amounting to $ nil (2015: $100,832).

8. Cash and cash equivalents

	2016	2015
	$	$
Cash at bank (TT$ account)	27,021,393	27,123,348
Cash at bank (US$ account)	196,103	381,197
Universal service fund (TT$ account)	120,538,005	120,538,365
Cash on hand (TT$ account)	3,000	3,000
	147,758,501	**148,045,910**

9. Appropriation of reserves: Universal Service Fund

Due to Universal Service Fund

	2016	2015
	$	$
Balance at October 1	120,538,365	120,538,725
Bank charges	(360)	(360)
	120,538,005	120,538,365
Reserves – Universal Service Fund Contributions	25,297,760	-
Balance at September 30	**145,835,765**	**120,538,365**

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

Staff costs (Note 16)	27,040,479	26,500,769
Directors fees and expenses	709,500	825,000
Depreciation (Note 6)	6,277,415	2,732,327

10. Deferred income

	2016	2015
	$	$
Government grant relating to fixed assets	1,938,277	2,257,022
Amortization	(95,535)	(318,745)
	1,842,742	**1,938,277**

11. Accounts payable and accruals

	2016	2015
	$	$
Accounts payable	261,531	285,093
Deferred revenue	105,714	152,166
Outstanding commitments	2,984,450	3,738,566
Other current liabilities	83,092	67,149
	3,434,787	**4,242,974**

12. Communications, marketing and policy expenses

	2016	2015
	$	$
Promotions, publicity and printing	1,502,838	2,655,810
Official overseas travel	549,451	867,089
Hosting conferences/ seminars	1,063,717	1,493,344
	3,116,006	**5,016,243**

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.

	2016	2015
	$	$
Legal and professional fees	633,480	990,967
Subscription and other charges	751,122	1,497,385
	1,384,602	**2,488,352**

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.

	2016	**2015**
	$	**$**
Training, registration fees	633,854	622,112
Foreign travel, per diems, airfare	1,778,385	1,823,761
	2,412,239	**2,445,873**

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

	2016	**2015**
	$	**$**
No later than 1 year	3,856,603	3,320,000
Later than 1 year	-	-
	3,856,603	**3,320,000**

16. Staff costs

	2016	**2015**
	$	**$**
Salaries	24,624,417	24,150,335
Directors' fees and expenses	709,500	825,000
Pension contributions	1,457,192	1,381,945
Short term employment	99,836	-
Other personnel expense	149,534	143,489
	27,040,479	**26,500,769**

The number of employees at September 30, 2016 was 99 (2015: 90).

17. Other administrative costs

	2016	2015
	$	$
Security	543,534	514,944
Janitorial services	281,313	251,409
Supplies	780,157	892,763
Other contracted services	2,474,708	2,786,464
Bad debt expenses	1,990,560	331,082
Other administrative costs	421,334	340,192
	6,491,606	**5,116,854**

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:

	2016	2015
	$	$
Key management compensation	**4,612,898**	**5,468,638**
Sale of asset	**-**	**202,887**

20. **Financial instruments by category**

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

	2016	2015
	$	$
Financial assets		
Cash and cash equivalents	147,758,501	148,045,910
Receivables (Note 7)	10,876,736	13,506,789
	158,635,237	**161,552,699**
Other financial liabilities		
Payables held at amortised cost	3,434,787	4,242,974
	3,434,787	**4,242,974**

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.