

**Telecommunications Services  
of Trinidad and Tobago Limited**



**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2018**

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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# **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

## **Corporate Information**

### **DIRECTORS:**

Mr. Robert Mayers – Chairman

Mr. Wendell Berkley – Dip. General Agriculture, Cert. Agriculture, Cert. Sports Psychology

Mr. Gerry Brooks – LLB (Hons.), LEC, MBA (Dean's Honour Roll), Certified Mediator

Mr. Vishnu Dhanpaul – BSc. Economics (Hons), PGDip. International Relations, MBA Finance

Ms. Kimberly Erriah – LLB (Hons.), LEC, MBA, CPAML, ACAMS

Ms. Annalean Inmiss – LLB (Hons.), LEC, EMBA

Ms. Ingrid L-A Lashley – CPA, CMA, CA, MBA

Mr. Ian Narine – MBA, FCCA

Ms. Judith Sobion – B.A Social Sciences & History, PGDip. Human Resources Management, MBA International Business

### **CHIEF EXECUTIVE OFFICER:**

Dr. Ronald Walcott MBA Financial Management, DBA Financial Management

### **CORPORATE SECRETARY:**

Mr. Charles Carter, LLB, LEC, MBA

### **REGISTERED OFFICE:**

1 Edward Street

Port of Spain

Trinidad, W.I.

### **PRINCIPAL BANKERS:**

Scotiabank of Trinidad and Tobago Limited

Corner Park and Richmond Streets

Port of Spain

Trinidad, W.I.

### **AUDITOR:**

Ernst and Young

5-7 Sweet Briar Road

St. Clair, Port of Spain

Trinidad, W.I.

### **PRINCIPAL ATTORNEYS:**

MG Daly and Partners

115A Abercromby Street

Port of Spain

Trinidad, W.I.

# TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

## Directors' Report

The Directors have pleasure in submitting their Report and the Consolidated Financial Statements for the year ended 31 March 2018.

### Financial Results

	\$'000
Loss for the year	(24,298)
Retained earnings brought forward	<u>1,589,064</u>
Dividends paid	1,564,766
	<u>(23,035)</u>
Retained earnings carried forward	<u>1,541,731</u>

### Directors

The following Directors served during the period under review:

Mr Robert Mayers, Mr. Emile Elias (resigned 19<sup>th</sup> September 2017), Mr. Wendell Berkley, Mr. Gerry Brooks, Mr. Vishnu Dhanpaul, Ms. Kimberly Erriah, Ms. Annalean Inniss, Ms. Ingrid L-A Lashley, Mr. Ian Narine and Ms. Judith Sobion.


### Auditors


The Auditors, Ernst and Young, have expressed their willingness to be re-appointed.

### Annual Meeting

The Forty-Eighth Annual Meeting of the Company was held on 27<sup>th</sup> June 2017.

On behalf of the Board of Directors,

  
Robert Mayers  
CHAIRMAN

  
Ian Narine  
DIRECTOR

Date: \_\_\_\_\_

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Telecommunications Services of Trinidad and Tobago Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive (loss)/income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

**Basis for Opinion**

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

**Other information included in the Group's 2018 Annual Report**

Other information consists of the information included in the Group's 2018 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

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



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED  
(Continued)**

**Report on the Audit of the Consolidated Financial Statements  
(Continued)**

**Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements  
(Continued)**

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED  
(Continued)**

**Report on the Audit of the Consolidated Financial Statements  
(Continued)**

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements  
(Continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Port of Spain,  
TRINIDAD:  
28 June 2018



**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	31 March 2018	2017 Restated	1 April 2016 Restated
<b>Non-current assets</b>				
Property, plant and equipment	3	3,235,168	2,727,548	2,535,561
Intangible assets	4	45,675	35,246	40,630
Defined benefit plan assets	5	423,200	440,300	357,400
Deferred tax assets	6(c)	235,818	170,796	106,660
Long-term prepayment	20	<u>123,755</u>	<u>119,473</u>	<u>71,520</u>
		<u>4,063,616</u>	<u>3,493,363</u>	<u>3,111,771</u>
<b>Current assets</b>				
Inventories	7	129,393	127,340	136,242
Trade and other receivables	8	841,311	537,641	523,335
Current tax recoverable		9,441	7,651	8,470
Cash at bank	9	<u>191,333</u>	<u>817,638</u>	<u>447,512</u>
		<u>1,171,478</u>	<u>1,490,270</u>	<u>1,115,559</u>
<b>Total assets</b>		<u><b>5,235,094</b></u>	<u><b>4,983,633</b></u>	<u><b>4,227,330</b></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Stated capital	10	572,717	572,717	572,717
Retained earnings		<u>1,541,731</u>	<u>1,589,064</u>	<u>1,546,728</u>
		<u>2,114,448</u>	<u>2,161,781</u>	<u>2,119,445</u>
<b>Non-current liabilities</b>				
Borrowings	11	1,806,769	1,588,952	132,318
Deferred tax liabilities	6(d)	<u>358,677</u>	<u>325,304</u>	<u>191,778</u>
		<u>2,165,446</u>	<u>1,914,256</u>	<u>324,096</u>

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



**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

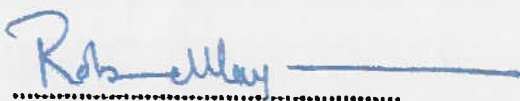
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018**

(Expressed in thousands of Trinidad and Tobago Dollars)  
(Continued)

	Notes	2018	2017 Restated	2016 Restated
<b>Current liabilities</b>				
Employee benefits	17	246,116	240,840	272,500
Deferred revenues	13	73,290	83,609	110,807
Trade and other payables	12	546,967	392,915	585,405
Borrowings	11	<u>88,827</u>	<u>190,232</u>	<u>815,077</u>
		<u>955,200</u>	<u>907,596</u>	<u>1,783,789</u>
<b>Total liabilities</b>		<u>3,120,646</u>	<u>2,821,852</u>	<u>2,107,885</u>
<b>Total equity and liabilities</b>		<u>5,235,094</u>	<u>4,983,633</u>	<u>4,227,330</u>

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

These consolidated financial statements were authorised for issue on 28 June 2018

  
.....  
Director:

  
.....  
Director:

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2018	2017 Restated
Rendering of services		2,569,094	2,723,260
Sale of goods		<u>69,833</u>	<u>173,349</u>
<b>Revenue</b>		<b>2,638,927</b>	<b>2,896,609</b>
Cost of sales	14	<u>(447,425)</u>	<u>(599,952)</u>
<b>Gross profit</b>		<b>2,191,502</b>	<b>2,296,657</b>
<b>Operating expenses</b>			
Personnel costs	15(a)	(705,449)	(718,531)
Re-organisation costs	15(b)	1,106	(11,569)
Maintenance and repairs		(404,735)	(398,542)
Other	15(c)	<u>(478,119)</u>	<u>(584,824)</u>
Depreciation and amortisation	3&4	<u>604,305</u> <u>(500,010)</u>	<u>583,191</u> <u>(394,432)</u>
<b>Operating profit</b>		<b>104,295</b>	<b>188,759</b>
Finance income		1,372	1,819
Finance costs	15(d)	<u>(103,043)</u>	<u>(54,372)</u>
<b>Profit before negative goodwill &amp; tax</b>		<b>2,624</b>	<b>136,206</b>
Negative goodwill	24	<u>40,595</u>	<u>—</u>
<b>Profit before tax</b>		<b>43,219</b>	<b>136,206</b>
Taxation expense	6(b)	<u>(34,757)</u>	<u>(94,990)</u>
<b>Profit after tax</b>		<b><u>8,462</u></b>	<b><u>41,216</u></b>
<b>Other comprehensive (loss)/income:</b>			
<b>Net other comprehensive income/(loss) not to be re-classified to profit or loss in subsequent periods</b>			
Re-measurement (loss)/profit on defined benefit plans	5	(46,800)	1,600
Income tax effect	6(e)	<u>14,040</u>	<u>(480)</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b><u>(32,760)</u></b>	<b><u>1,120</u></b>
<b>Total comprehensive (loss)/income for the year</b>		<b><u>(24,298)</u></b>	<b><u>42,336</u></b>

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

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018**

(Expressed in thousands of Trinidad and Tobago Dollars)

**Year ended 31 March 2016**

Balance as at 31 March 2016 as previously reported	572,717	1,584,628	2,157,345
Restatement (Note 2x)	—	(37,900)	(37,900)

<b>Balance at 31 March 2016 – as restated</b>	<b><u>572,717</u></b>	<b><u>1,546,728</u></b>	<b><u>2,119,445</u></b>
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**Year ended 31 March 2017**

Restated balance as at 1 April 2016	572,717	1,546,728	2,119,445
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Total comprehensive income for the year as previously stated	—	49,620	49,620
Restatement (Note 2x)	—	(7,284)	(7,284)

Total comprehensive income for the year – as previously stated	—	<u>42,336</u>	<u>42,336</u>
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<b>Balance at 31 March 2017 – as restated</b>	<b><u>572,717</u></b>	<b><u>1,589,064</u></b>	<b><u>2,161,781</u></b>
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**Year ended 31 March 2018**

Restated balance as at 1 April 2017	572,717	1,589,064	2,161,781
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Total comprehensive loss for the year	—	(24,298)	(31,180)
Dividends	22	<u>(23,035)</u>	<u>(23,035)</u>

<b>Balance at 31 March 2018</b>	<b><u>572,717</u></b>	<b><u>1,541,731</u></b>	<b><u>2,107,566</u></b>
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The accompanying notes form an integral part of these consolidated financial statements.

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018  
(Expressed in thousands of Trinidad and Tobago Dollars)**

	<b>Notes</b>	<b>2018</b>	<b>2017 Restated</b>
<b>Operating activities</b>			
(Loss)/profit before negative goodwill and tax		2,624	136,206
Adjustments for:			
Gain on disposal of property, plant and equipment		(11)	(15,166)
Depreciation and amortisation	3&4	500,010	394,432
Finance costs	15(d)	103,043	54,372
Finance income		(1,372)	(1,819)
Net pension cost	5	<u>59,800</u>	<u>52,500</u>
<b>Operating profit before working capital changes</b>		<b>664,094</b>	<b>620,525</b>
Increase in trade and other receivables		(295,701)	(61,901)
(Increase)/decrease in inventories		(2,053)	8,902
Increase/(decrease) in employee benefits		5,276	(31,660)
Decrease in deferred revenues		(10,319)	(27,198)
Increase/(decrease) in trade and other payables		<u>414,604</u>	<u>(195,233)</u>
<b>Cash flows from operating activities</b>		<b>775,901</b>	<b>313,435</b>
Interest paid		(101,792)	(51,628)
Taxes paid		(24,213)	(25,254)
Pension contributions paid	5	<u>(89,500)</u>	<u>(133,800)</u>
<b>Net cash flows from operating activities</b>		<b><u>560,396</u></b>	<b><u>102,753</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(763,450)	(530,966)
Proceeds from sale of property, plant and equipment		—	731
Acquisition of subsidiary, net of cash acquired	24	(213,773)	—
Interest received		<u>1,800</u>	<u>1,459</u>
<b>Net cash flows used in investing activities</b>		<b><u>(975,423)</u></b>	<b><u>(528,776)</u></b>

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

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

	<b>Notes</b>	<b>2018</b>	<b>2017 Restated</b>
<b>Financing activities</b>			
Proceeds from borrowings			2,046,829
Repayment of borrowings		(188,243)	(1,250,680)
Dividends paid	22	<u>(23,035)</u>	<u>—</u>
<b>Net cash flows from financing activities</b>		<b>(211,278)</b>	<b>796,149</b>
Net (decrease)/increase in cash and cash equivalents		(626,305)	370,126
Cash and cash equivalents at the beginning of year		<u>817,638</u>	<u>447,512</u>
<b>Cash and cash equivalents at 31 March</b>	9	<b><u>191,333</u></b>	<b><u>817,638</u></b>

**Non cash investing and financing transactions**

Additions to property, plant and equipment as at March 2018 amounting to \$20.0m (2017: \$35.6m) were financed through vendor financing arrangements therefore for cash flow purposes the amount was excluded from additions to property, plant and equipment and proceeds from borrowings.

The value of \$783.5m for property, plant and equipment additions/transfers in Note 3 is derived by summing the purchase of property, plant and equipment of \$763.5m above with the amount of \$20.0m which was financed through vendor financing.

Financing arrangements were also made with vendors for purchase of goods and services listed under trade and other payables of \$282.8m as at 31 March 2018.

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

# **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

(Expressed in thousands of Trinidad and Tobago Dollars)

### **1. Incorporation and principal activity**

Telecommunications Services of Trinidad and Tobago Limited ("TSTT" or "the Company" or "the Parent") is a limited liability company incorporated in Trinidad and Tobago in May 1968, and on 15 April 1999 obtained its Certificate of Continuance under the Companies Act 1995. Its operations are regulated by the Telecommunications Act of 2001, subsequently amended in 2004.

The Company is domiciled in Trinidad and Tobago and its registered office is located at 1 Edward Street, Port of Spain. TSTT and its subsidiary, Amplia Communication Limited (collectively, "the Group") are principally engaged in the provision of fixed, mobile and broadband telecommunications products and services, security surveillance and digital television services to domestic and corporate customers in Trinidad and Tobago.

Cable and Wireless (West Indies) Limited holds a 49% interest in the Company and the remaining 51% is held by National Enterprises Limited (NEL). NEL is incorporated in Trinidad and Tobago with the controlling interest held by the Ministry of Finance (Corporation Sole). NEL has a primary listing on the Trinidad and Tobago Stock Exchange.

Cable and Wireless (West Indies) Limited had continued their expressed interest in the disposal of their 49% shareholding in the Company. Final pronouncements have not been made and this decision has no effect on the financial position of the current year under review.

On 1 August 2017, the Company acquired 100% of the issued ordinary shares of Amplia Communications Limited (formerly Massy Communications Limited), a company incorporated in Trinidad and Tobago which currently provides Internet Services, Voice Services, HD TV and Security Services.

### **2. Significant accounting policies**

#### **a) Statement of compliance and basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statement are presented in Trinidad and Tobago dollars, which is also its functional currency and all values have been rounded to the nearest thousand (\$'000), except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention except as otherwise permitted or required by IFRS.

#### **b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of TSTT and its subsidiary ("the Group") as at 31 March.

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**2. Significant accounting policies (continued)**

**b) Basis of consolidation (continued)**

The financial statements of the subsidiary are prepared for the eight months period ended 31 March 2018, using consistent accounting policies.

When necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies in line with the Group's accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

A subsidiary is an entity over which the Parent has the power to direct the relevant activities, has exposure or rights to variable returns, and the ability to use its power to affect the returns of the investee, generally accompanying a shareholding of more than 50% of the voting rights.

**c) Standards adopted during the year**

**New and amended standards and interpretations**

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2017 except for the standards and interpretations noted below. The nature and impact of each new standard and amendment are described.

**Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. These amendments had no impact on the Group.

**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses.



**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

**2. Significant accounting policies (continued)**

**c) Standards adopted during the year (continued)**

**New and amended standards and interpretations (continued)**

**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (continued)**

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

**Annual improvements to IFRSs 2014-2016 Cycle**

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards:

- IFRS 1 – First Time Adoption of IFRS
- IFRS 12 – Disclosure of Interests in Other Entities – Effective January 2017
- IAS 28 – Investments in Associates and Joint Ventures

These improvements were effective for annual periods beginning on or after 1 January 2018 and had no impact on the Group.

**d) Standards issued but not yet effective**

The Group is currently assessing the potential impact of these new standards and interpretations and will adopt them when they are effective:

**IFRS 15 – Revenue from Contracts with Customers – Effective 1 January 2018**

IFRS 15 was issued in May 2014, and amended in April 2016, and is effective for accounting periods beginning on or after 1 January 2018. IFRS sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements. It will have a material impact on the Group's reporting of revenue as follows:

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

**2. Significant accounting policies (continued)**

**d) Standards issued but not yet effective (continued)**

**IFRS 15 – Revenue from Contracts with Customers – Effective 1 January 2018  
(continued)**

- IFRS 15 will require the Group to identify deliverables in contracts with customers that qualify as separate “performance obligations”. The performance obligations identified will depend on the nature of individual customer contracts, but might typically be identified for mobile handsets, other equipment provided to customers and for services provided to customers such as mobile and fixed line communications services. The transaction price receivable from customers must be allocated between the Group’s performance obligations under the contracts on a relative stand-alone selling price basis. Revenue will then be recognised either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer. Stand-alone selling prices will be based on observable sales prices; however, where stand-alone selling prices are not directly observable, estimates of stand-alone selling prices will be required which will maximise the use of observable inputs.
- Currently revenue allocated to deliverables is restricted to the amount that is receivable without the delivery of additional goods or services; this restriction will no longer be applied under IFRS 15. The primary impact on revenue reporting will be that when the Group sells subsidised devices together with airtime service agreements to customers, revenue allocated to equipment and recognised at contract inception, when control of the device typically passes to the customer, will increase and revenue subsequently recognised as services are delivered during the contract period will reduce. Where additional up-front unbilled revenue is recorded for the sale of devices, this will be reflected in the statement of financial position as a contract asset.
- Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer will be deferred on the statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees.

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

**2. Significant accounting policies (continued)**

**d) Standards issued but not yet effective (continued)**

**IFRS 15 – Revenue from Contracts with Customers – Effective 1 January 2018  
(continued)**

- Certain costs incurred in fulfilling customer contracts will be deferred on the statement of financial position under IFRS 15 and recognised as related revenue is recognised under the contract. Such deferred costs are likely to relate to the provision of deliverables to customers that do not qualify as performance obligations and for which revenue is not recognised; currently such costs are generally expensed as incurred.

The impact of the changes above on the Group's financial statements will depend largely on the extent to which customers receive discounted goods or services, such as mobile handsets, when they enter into airtime service agreements with the Company. The combined impact of the changes is expected to increase the gross profit recorded at inception on many customer contracts; in such cases, this will typically reduce the gross profit reported during the remainder of the contract; however, these timing differences will not impact the total gross profit reported for a customer contract over the contract term.

The transactions impacted by IFRS 15 are high in volume, value and complexity, therefore the Company is continuing to assess the impact of these and other accounting changes that will arise under IFRS 15 and cannot reasonably estimate the impact; however, the changes highlighted above will have a material impact on the consolidated income statement and consolidated statement of financial position after the Group adopts IFRS 15 on 1 April 2018.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the consolidated financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to retained earnings on the date of adoption; when the latter approach is applied it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Group will reflect the cumulative impact of IFRS 15 in equity on the date of adoption.

## **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

#### **2. Significant accounting policies (continued)**

##### **d) Standards issued but not yet effective (continued)**

###### **IFRS 9 – Financial Instruments – Effective 1 January 2018**

IFRS 9 “Financial Instruments” was issued in July 2014 to replace IAS 39 “Financial Instruments: Recognition and Measurement”. The standard is effective for accounting periods on or after 1 January 2018 and will be adopted by the Group on 1 April 2018.

IFRS 9 will impact the classification and measurement of the Group’s financial instruments and will require certain additional disclosures. The primary changes relate to the provisioning for potential future credit losses on contract assets. The Group is continuing to analyse the impact of these changes which are not currently considered likely to have any major impact on the Group’s financial statements.

###### **Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective on a date to be determined by the International Accounting Standards Board**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

###### **IFRS 16 – Leases – Effective 1 January 2019**

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

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(Continued)**

**2. Significant accounting policies (continued)**

**d) Standards issued but not yet effective (continued)**

**IFRS 16 – Leases – Effective 1 January 2019 (continued)**

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its financial statements.

**e) Significant accounting judgements, estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown below:

- **Mobile rollover minutes** - The Group has estimated the value of mobile rollover minutes based on an average price per minute within the base bundle of the various plans.
- **Provision for back-pay** - A provision for the potential increase in employee costs (retroactive salaries) is included as employee benefits in the consolidated statement of financial position, as negotiations between TSTT and the Recognised Bargaining Unit continues. The final impact of this provision will be determined upon settlement of these negotiations.
- **Provision for doubtful debts** - The Group's policy on the provision for doubtful debts reflects the nature of each revenue stream, customer payment patterns and responses to the credit policies established and enforced (see Note 8).

## **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

#### **2. Significant accounting policies (continued)**

##### **e) Significant accounting judgements, estimates and assumptions (continued)**

- **Provision for inventory obsolescence** - The Group reviews on an annual basis its inventory to determine the provision that should be carried for items that are in good condition but will not be used in the foreseeable future. Provision is also made for items that have deteriorated, expired or become damaged while in stock. The provision also includes the adjustment required to write down mobile inventory to the lower of cost and net realizable value (see Note 7).
- **Provision for non-stock inventory obsolescence** - The Group reviews on an annual basis its non-stock inventory to determine the provision that should be carried for items that are in good condition but will not be used in the foreseeable future. Provision is also made for items that have deteriorated, expired or become damaged while in stock.
- **Pension** - The cost of the pension plans for TSTT is determined by the use of actuarial valuations. Valuation results involve the use of assumptions for items such as discount rates, salary and pension increases as well as the expected rate of return on pension plan assets. The costs are best estimates and thus are subject to some uncertainty given the long term nature of pension plans.

In determining the appropriate discount rate, management considers the interest rates of government bonds. The mortality rate is based on the publicly available mortality table. Future salary increases and pension increases are based on expected future inflation rates (see Note 5).

- **Impairment of non-financial assets** – The Group reviews on annual basis its impairment on the Converged and Mobile Cash Generating Unit (CGU). Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a Discounted Cash Flow (DCF) model. The cash flows are derived from pre-tax forecast cash flow for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 3.

## **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

#### **2. Significant accounting policies (continued)**

##### **e) Significant accounting judgements, estimates and assumptions (continued)**

- **Change in Useful Lives of Property, Plant and Equipment** - The Group performs an annual review of the useful lives of its property, plant and equipment. Based on the results of this review, adjustments are made to the relevant depreciation rates as necessary (see Note 2 (h)).

##### **f) Foreign currency translation**

Foreign currency transactions during the period are converted at the rates ruling at the date of the transaction or at a rate which approximates the actual rate. Monetary assets and liabilities in foreign currencies at the reporting date are translated at rates ruling at that date. Exchange differences thus arising are recognised in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

##### **g) Trade and other receivables**

Trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of sale. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in the consolidated statement of comprehensive income. When an account receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of comprehensive income.

##### **Changes in bad debt policy**

- During the financial year, the Group made an amendment to the existing bad debt policy which resulted in an extension of the time period threshold for triggering the bad debt provisioning for Government, Channel Partners and some Bligh customers (see Note 8).



**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

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**(Continued)**

**2. Significant accounting policies (continued)**

**h) Property, plant and equipment**

**i. Plant in service**

Property, plant and equipment are stated at cost, net of accumulated depreciation, accumulated impairment/losses, if any, with the exception of land. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Cost does not include routine servicing and repair but includes major replacements once the recognition criteria of IAS 16 *Property, Plant and Equipment* are met.

Depreciation is charged so as to write off the cost of assets, other than plant under construction, over their estimated useful lives, using the straight-line method.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

## TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)

(Continued)

#### 2. Significant accounting policies (continued)

##### h) Property, plant and equipment (continued)

##### i. Plant in service (continued)

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

<b>Properties</b>	
Freehold properties	50 years
Leasehold properties	Over the period of lease
<b>Technical assets</b>	
Central office equipment	3-15 years
Customers' installations	3 years
External cable plant	8-18 years
Plant and machinery	15 years
Towers	20 years
Underground conduit	40 years
Share of cable systems	15 years
Security equipment	3-5 years
Finance leased assets	6 years
<b>Other</b>	
Air conditioning	15 years
Furniture and office equipment including computers	3-10 years
Tools and implements	5 years
Vehicles	4-5 years

Land is not depreciated as it is deemed to have an indefinite life. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)

(Continued)

#### 2. Significant accounting policies (continued)

##### h) Property, plant and equipment (continued)

###### ii. Plant under construction

Property, plant and equipment under construction are recorded as plant under construction (PUC) until they are ready for their intended use. Thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. The cost of PUC includes allocation of labour and overhead which are directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management in accordance with IAS 16 *Property, Plant and Equipment*.

###### iii. Repairs and renovations

Repairs and renovations are normally expensed as they are incurred. Expenditure is reported as assets only if the amounts involved are substantial and one or more of the following conditions are satisfied:

- the original useful life is prolonged
- the production/service capacity is increased
- the quality of the products/services is enhanced materially or
- production/service costs are reduced considerably

##### i) Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. The Group does not have intangible assets with indefinite lives.

Intangible assets with finite lives are amortised over their estimated economic useful lives and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least for each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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**(Continued)**

#### **2. Significant accounting policies (continued)**

##### **i) Intangible assets (continued)**

Gains or losses arising from derecognising an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of comprehensive income when the asset is derecognised.

Intangible assets comprise expenditure on Indefeasible Rights of Use (IRUs) which are contracts with related and third parties that provide the Group with dedicated wavelength bandwidth arising from the submarine cable system (Note 2k). These intangible assets are amortised over the shorter of the expected period of use and the life of the contract on a straight line basis.

##### **j) Impairment of non-financial assets**

At each reporting date, the Group assesses whether there is any indication that an asset is impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows for a period of five (5) years are discounted to their present value using a pre-tax discount rate, which reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

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**(Continued)**

**2. Significant accounting policies (continued)**

**j) Impairment of non-financial assets (continued)**

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or CGU in prior years. The reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

**k) Interest in joint ventures**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is when the strategic financial and other operating policy decisions relating to the joint venture's activities require the unanimous consent of the parties sharing control.

The Group has interests in joint ventures via jointly controlled assets. Each venturer may take a share of the output from the assets and each bears an agreed share of the expenses incurred. The Group recognises its interest in the joint venture as an item of property, plant and equipment e.g. submarine cable system. Any expenses that it has incurred in respect of its interest in the joint venture, for example operating and maintenance costs are recognised as operating expenditure in the consolidated statement of comprehensive income.

**l) Employee benefits**

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan

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**(Continued)**

**2. Significant accounting policies (continued)**

**i) Employee benefits (continued)**

**i. Defined benefit plans**

TSTT operates two defined benefit plans, namely the Telco Staff Pension Plan and the TSTT Pension Plan. The current employees are all covered by either the Telco Staff Pension Plan or the TSTT Pension Plan.

Amplia employees make defined contributions toward a tax incentive saving plan.

For defined benefit plans, the cost of providing benefits is determined separately for each plan using the projected unit credit method, with actuarial valuations being carried out at each reporting date.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'personnel costs' in the consolidated statement of comprehensive income:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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(Continued)**

**2. Significant accounting policies (continued)**

**i) Employee benefits (continued)**

**ii. Defined contribution plans**

Amplia Communications Limited operate a defined contribution plan. They pay contributions to a financial institution on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due

For the period ending March 2018, Amplia Communications Limited contributions were \$704.0k. The expected contributions for FY 2019 is \$1.1m

**m) Financial instruments**

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, trade and other receivables, trade and other payables, and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**n) Taxation**

**i. Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.



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**(Continued)**

**2. Significant accounting policies (continued)**

**n) Taxation (continued)**

**ii. Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

**o) Business combination**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

## TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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(Continued)

#### 2. Significant accounting policies (continued)

##### o) Business combination (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of comprehensive income.

##### p) Provisions

###### *General*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is recognised in the consolidated statement of comprehensive income.

Provisions are measured as management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

###### *Restructuring provision*

The restructuring provision is recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the number of employees affected, detailed estimate of the associated costs and an appropriate timeline and the employees have been notified of the plan's main feature.

## TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

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(Expressed in thousands of Trinidad and Tobago Dollars)

(Continued)

#### 2. Significant accounting policies (continued)

##### q) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of the specific assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified as an arrangement.

##### *Group as a lessee*

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

##### *Group as a lessor*

Leases in which the Group does not transfer substantially all the risk and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

##### r) Trade and other payables

Liabilities for trade and other payables, which are normally settled on 30-90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

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**(Continued)**

**2. Significant accounting policies (continued)**

**s) Inventories**

Inventories held for use in the maintenance of the Group's telecommunications systems are stated at landed cost, less provision for deterioration and obsolescence. Inventory held for resale are stated at the lower of cost and net realisable value.

**t) Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position and for the purpose of the consolidated statement of cash flows comprise cash at banks, cash on hand, restricted cash and short-term deposits with an original maturity of three months or less.

**u) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The following specific recognition criteria must also be met before revenue is recognised:

**i. Fixed line**

Fixed line revenues are recorded based on usage of the Group's network, facilities and contract fees. Fixed fees (rentals) are billed one month in advance on a cyclical basis and recognised as revenue in the month in which the service is provided.

## **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

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**(Continued)**

#### **2. Significant accounting policies (continued)**

##### **u) Revenue recognition (continued)**

###### **ii. Mobile**

Mobile revenues are earned by providing access to, and usage of, the Group's network, which includes airtime usage and roaming. Generally revenue is recognised as earned.

Prepaid mobile credits are recognised based upon usage of prepaid credits by customers. Revenue relating to unused prepaid credits is deferred until usage occurs.

Postpaid mobile service revenue is recorded based on monthly package rental fees plus additional revenue for any usage in excess of allocated package minutes, whether billed or unbilled. Access revenue is billed one month in advance and recognised as revenue when earned. Revenue associated with unused package minutes is deferred to the following billing cycle up to two times the monthly package minutes for legacy plan only in accordance with the Group policy.

In revenue arrangements including more than one deliverable (e.g. sale of handsets and other telecommunication service contracts), the Group evaluates all deliverables in the arrangement to determine whether they represent separate units of accounting.

Equipment sales revenue associated with the sale of mobile handsets is recognised when the products are delivered to and accepted by the customer, as this is considered to be a separate earnings process from the sale of mobile services. As the amount allocable to the handset generally exceeds the amount received from the customer at the date the handset is delivered, revenue recognised for the handset sale is generally limited to the amount of the arrangement that is not contingent upon the rendering of telecommunication services (i.e. the amount paid by the customer for the handset).

For equipment sales made to intermediaries, revenue is recognised if significant risks associated with the equipment are transferred to the intermediary and the intermediary has no general right of return. Incentives are given to intermediaries for connecting new customers and upgrading existing customers. The incentive is deemed separable from the initial sale of the equipment to an intermediary, hence it is accounted for as an expense upon connection or upgrade of the customer.

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**(Continued)**

**2. Significant accounting policies (continued)**

**u) Revenue recognition (continued)**

**iii. Broadband, security and digital television**

Broadband, security and digital television revenue is recognised based on monthly package rental fees. Internet dial-up revenue is recognised on the same basis except additional revenue is recognised for usage in excess of the package minutes.

**iv. Directory advertising**

This represents amounts billed to customers for published directory yellow pages. Revenue is recognised when publication and delivery of the books have taken place.

**v. Business services**

This represents, in general, revenues on contracts to supply and install equipment. The contracts are generally completed within one to two years.

On completion of the contracts, revenues are recognised and the related costs are offset against the deferred charges which had been recorded over the life of the contracts and the resulting profit or loss is recognised in the consolidated statement of comprehensive income.

**vi. Interest revenue**

Interest revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless recoverability is in doubt.

**vii. Other revenues**

Other telecommunication services revenues, including leased circuits are recorded when the services are rendered to customers.

## **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

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**(Continued)**

#### **2. Significant accounting policies (continued)**

##### **v) Loans and borrowings**

Loans are recognised initially at fair value net of directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated statement of comprehensive income.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender under substantially different terms, such an exchange is treated as a derecognition of the original liability and the recognition of a new liability and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

##### **w) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

##### **x) Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as an appropriation in the consolidated financial statements in the period in which the dividends are approved by the Board of Directors.



**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

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(Continued)

**2. Significant accounting policies (continued)**

**y) Restatements**

The consolidated financial statements have been restated for the effects of the correction of a prior period error. The restatement is describe further below:

***Commissions and Rental fees - prior period error***

In year ended March 2018, \$2.7m in fees were paid for rental of premises in relation to year ended March 2017. These fees were correctly recorded as an expense in the statement of comprehensive income in the year ended 31 March 2017 and the prior year was restated accordingly.

Commissions relating to year ended March 2017 valued at \$1.5m were also included in year ended March 2018. This was also removed from year ended March 2018 and included in expenses for the year ended March 2017.

The net impact of these two adjustment amounted to \$4.3m and is included as part of the \$7.1m adjustment to operating profit balance under correction of prior period error for the year ending 31 March 2017.

***Property, plant and equipment - prior period error***

In the current financial year, the Group undertook a full review of the status and aging of the value of capital projects recorded in the Plant Under Construction (PUC) account. As a result, it was identified that there were completed capital projects valued at \$51.9m that were not transferred to the asset management module as depreciable assets. The effect of this error relates to the capital projects completed and assets placed into service in periods ranging from years ended prior to March 2011 to the current period ending March 2018. The net impact to the year ended March 2016 financial statements amounted to \$34.3m.

Consequently the reconciliation of the PUC account balance revealed projects that have been assessed as to be written off coming forward from prior periods as well as an unidentified variance. The value of these projects were valued at \$16.2m. The net impact of both adjustments to the financial statements as at 31 March 2016 amounted \$50.5m.

The net impact of the property, plant and equipment - prior period error to the financial statements as at 31 March 2017 amounted \$2.8m.

In accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' these prior period errors have been applied retrospectively. The impact of this restatement on the current and prior periods is disclosed in the table below.

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

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**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

**2. Significant accounting policies (continued)**

**y) Restatements (continued)**

<b>Year ended 31 March 2016</b>	<b>For the year ended 1 April 2016 – as previously stated</b>	<b>Correction of prior period error</b>	<b>For the year ended 1 April 2016 – Restated</b>
<b>Impact on the income statement</b>			
Operating loss	<u>(364,304)</u>	<u>(50,532)</u>	<u>(414,836)</u>
Loss before taxation	<u>(389,494)</u>	<u>(50,532)</u>	<u>(440,026)</u>
Taxation	<u>88,749</u>	<u>12,632</u>	<u>101,381</u>
Profit for the year	<u>(300,745)</u>	<u>(37,900)</u>	<u>(338,645)</u>
<b>Impact on the statement of comprehensive income</b>			
Net other comprehensive loss not to be reclassified to profit and loss in subsequent periods			
Re-measurement losses on defined benefit plans	<u>(20,500)</u>	<u>—</u>	<u>(20,500)</u>
Income tax effect	<u>5,125</u>	<u>—</u>	<u>5,125</u>
Other comprehensive loss for the year, net of tax	<u>(15,375)</u>	<u>—</u>	<u>(15,375)</u>
Total comprehensive income (loss) for the year, net of tax	<u>(316,120)</u>	<u>(37,900)</u>	<u>(354,020)</u>

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(Continued)

**2. Significant accounting policies (continued)**

**y) Restatements (continued)**

<b>Year ended 31 March 2017</b>	<b>For the year ended 31 March 2017 – as previously stated</b>	<b>Correction of prior period error</b>	<b>For the year ended 31 March 2017 – as previously stated</b>
<b>Impact on the income statement</b>			
Operating profit	<u>195,821</u>	<u>(7,062)</u>	<u>188,759</u>
Profit before taxation	143,268	(7,062)	136,206
Taxation	<u>(94,768)</u>	<u>(222)</u>	<u>(94,990)</u>
Profit for the year	<u>48,500</u>	<u>(7,284)</u>	<u>41,216</u>
<b>Impact on the statement of comprehensive income</b>			
Net other comprehensive loss not to be reclassified to profit and loss in subsequent periods			
Re-measurement losses on defined benefit plans	1,600	—	1,600
Income tax effect	<u>(480)</u>	<u>—</u>	<u>(480)</u>
Other comprehensive loss for the year, net of tax	<u>1,120</u>	<u>—</u>	<u>1,120</u>
Total comprehensive income (loss) for the year, net of tax	<u>49,620</u>	<u>(7,284)</u>	<u>42,336</u>

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

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(Continued)

**2. Significant accounting policies (continued)**

**y) Restatements (continued)**

<b>Impact on (assets)/liabilities and equity as at 31 March 2016</b>	<b>As at 31 March 2016 – as previously reported</b>	<b>Correction of prior period error</b>	<b>As at 31 March 2016 – as restated</b>
Property, plant and equipment	2,586,093	(50,532)	2,535,561
Deferred tax liabilities	<u>(204,410)</u>	<u>12,632</u>	<u>(191,778)</u>
Total effect on net assets	<u>2,381,683</u>	<u>(37,900)</u>	<u>2,343,783</u>
Total effect on equity	<u>1,584,628</u>	<u>(37,900)</u>	<u>1,546,728</u>
<b>Impact on (assets)/liabilities and equity as at 31 March 2017</b>	<b>As at 31 March 2017 – as previously reported</b>	<b>Correction of prior period error</b>	<b>As at 31 March 2017 – as restated</b>
Property, plant and equipment	2,780,882	(53,334)	2,727,548
Deferred tax assets	165,986	4,810	170,796
Deferred tax liabilities	(332,904)	7,600	(325,304)
Trade and other payables	<u>(388,655)</u>	<u>(4,260)</u>	<u>(392,915)</u>
Total effect on net assets	<u>2,225,309</u>	<u>(45,184)</u>	<u>2,180,125</u>
Total effect on equity	<u>1,634,248</u>	<u>(45,184)</u>	<u>1,589,064</u>

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Continued)

**3. Property, plant and equipment**

	<b>Properties</b>	<b>Technical assets</b>	<b>Furniture and office equipment</b>	<b>Plant under construction</b>	<b>Total</b>
<b>Year ended 31 March 2018</b>					
Opening net book amount	473,697	1,397,689	315,217	540,945	2,727,548
Additions	39,522	363,055	169,510	211,378	783,465
Disposals	—	—	—	—	—
Changes in composition of Group (Note 24)	—	179,188	8,603	29,852	217,643
Depreciation	<u>(25,561)</u>	<u>(349,572)</u>	<u>(118,355)</u>	<u>—</u>	<u>(493,488)</u>
Closing net book amount	<u>487,658</u>	<u>1,590,360</u>	<u>374,975</u>	<u>782,175</u>	<u>3,235,168</u>
<b>At 31 March 2018</b>					
Cost	740,561	8,508,922	1,908,287	782,175	11,939,945
Accumulated depreciation and impairment	<u>(252,903)</u>	<u>(6,918,562)</u>	<u>(1,533,312)</u>	<u>—</u>	<u>(8,704,777)</u>
Net book amount	<u>487,658</u>	<u>1,590,360</u>	<u>374,975</u>	<u>782,175</u>	<u>3,235,168</u>
<b>Year ended 31 March 2017</b>					
Opening net book amount – restated	482,103	1,153,094	300,202	600,165	2,535,564
Additions	3,028	522,686	100,109	(59,220)	566,603
Disposals	(987)	16,908	(1,491)	—	14,430
Depreciation	<u>(10,447)</u>	<u>(294,999)</u>	<u>(83,603)</u>	<u>—</u>	<u>(389,049)</u>
Closing net book amount	<u>473,697</u>	<u>1,397,689</u>	<u>315,217</u>	<u>540,945</u>	<u>2,727,548</u>
<b>At 31 March 2017</b>					
Cost – restated	701,039	7,966,679	1,730,174	540,945	10,938,837
Accumulated depreciation and impairment	<u>(227,342)</u>	<u>(6,568,990)</u>	<u>(1,414,957)</u>	<u>—</u>	<u>(8,211,289)</u>
Net book amount	<u>473,697</u>	<u>1,397,689</u>	<u>315,217</u>	<u>540,945</u>	<u>2,727,548</u>

## TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)

(Continued)

#### 3. Property, plant and equipment (continued)

##### Impairment

Impairment tests in accordance with IAS 36 "Impairment of Assets", were carried out on both of the cash generating units (CGUs) of the Group, i.e., Converged and Mobile.

The Mobile CGU includes security and a portion of enterprise relating to blackberry sales. Overall, revenues for the Mobile CGU have been increasing.

The Converged CGU contains fixed line services which have declined over the past few years. It also includes IPTV, broadband and enterprise related services.

The impairment test involves a comparison of the carrying value of the Company's assets or CGU with the recoverable amount (measured in this instance as value in use). If the former is greater, the assets or CGU would be considered impaired. The differential amount would be expensed immediately as an impairment loss. The net present value of future cash flows was calculated using the Company's estimated discount rate which was 14% (2017: 16.2%).

These were derived using the weighted average cost of capital and therein used in the value in use calculation. The value in use calculation for the converged services CGU was performed using cash flow projections covering a five-year period. Revenue growth rates assumed in the calculation are shown below. The growth rate assumptions were based on historical revenue trends for each line of service.

Growth rate assumptions					
	YR 1	YR 2	YR 3	YR 4	YR 5
Fixed line revenue	(10%)	(10%)	(10%)	(10%)	(10%)
Broadband revenue	2%	2%	2%	2%	2%
IPTV revenue	(5%)	(5%)	(5%)	(5%)	(5%)
Enterprise revenue	6%	6%	6%	6%	6%
Mobile revenue	1%	1%	1%	1%	1%
Security revenue	2%	2%	2%	2%	2%

The pivotal assumptions TSTT used in its testing were:

- The industry growth rate
- Discount rate
- Estimated future inflation rates
- Revenue growth factors
- Customer net churn rates

The recoverable amount under Converged and Mobile CGU's amounted to \$2,921m (2017: \$1,885m). Based on the impairment test performed, no impairment was recorded.

# **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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(Continued)

### **3. Property, plant and equipment (continued)**

#### **Changes in useful lives**

As at March 2018, based on the useful life review performed, changes in depreciation rates under the Group led to an increase of \$10.4m (2017: nil) which affected assets within the leasehold properties and computer equipment categories.

The Group has no idle property, plant and equipment. The total labour costs capitalised for the year amounted to \$59.2m (2017: \$17.9m).

#### **Share of cable systems**

Share of cable systems refers to the Group's interest in jointly controlled submarine cable systems built by a consortium of telecommunication operators.

#### **Finance leases**

The carrying value of plant and equipment held under finance leases at 31 March 2018 classified as technical assets amounted to nil (2017: nil).

### **4. Intangible assets**

	<b>2018</b>	<b>2017</b>
<b>Cost</b>		
At 1 April	141,805	141,805
Acquisition of a subsidiary (Note 24)	<u>16,951</u>	<u>—</u>
At 31 March	<u>158,756</u>	<u>141,805</u>
<b>Accumulated amortisation</b>		
At 1 April	106,559	101,175
Charge for the year	<u>6,522</u>	<u>5,384</u>
At 31 March	<u>113,081</u>	<u>106,559</u>
<b>Net carrying amount</b>	<u>45,675</u>	<u>35,246</u>

## **TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

**(Expressed in thousands of Trinidad and Tobago Dollars)**

**(Continued)**

#### **4. Intangible assets (continued)**

Indefeasible Right of Use (IRU) acquired through business combinations are included in Intangible assets. The IRU's are five (5) contracts between fibre cable operators and the Group. These arrangements has an economic useful life of 12 to 15 years and are amortised over the economic useful life.

#### **5. Defined benefit plan assets**

The Group currently operates two defined benefit plans, namely the Telco Staff Pension Fund Plan and the TSTT Pension Plan. The current employees are all contributors to either the Telco Staff Pension Fund Plan or the TSTT Pension Plan. These plans are governed by the deeds and rules of the specific plan and the employment laws relevant to the jurisdictions in which they operate. The level of pension benefits provided under the defined benefit plans depends on the member's length of service and salary at retirement age. The defined benefit pension plans require contributions to be made to separately administered funds. These funds have a separate legal form and are governed by the Board of Trustees. The Board of Trustees is responsible for the administration of the plan assets and for the definition of the investment strategy.

Other than the historic purchases of immediate annuity policies for some of the TELCO Plan's longer standing pensioners, there are no asset-liability matching strategies used by the Plans.

The Board of Trustees periodically reviews the level of funding in the pension plan. Such a review includes the asset-liability matching strategy and investment risk management policy. The pension plans are exposed to inflation, interest rate risks and changes in the life expectancy for pensioners in the relevant jurisdictions. As the plan assets include significant investments in quoted equity shares, the Company is also exposed to equity market risk.

The TEXTEL Pension Plan has been wound up based on a judgment issued by the High Court on 12 June 2009 and its assets were distributed in accordance with the Settlement Agreement dated 26 January 2009. In particular, the closing defined benefit asset as at 31 March 2018 included \$17.9m from the TEXTEL Plan, representing the residual amount that will eventually be paid to the Company under the Settlement Agreement.

There was a court matter for those employees who moved over from the TSTT plan into the Telco Staff Pension Plan in 2012. In May 2013, a Consent Order was issued stating that these employees should be deemed not to have joined the Telco plan. However, the Consent Order does not state whether this would be a permanent or temporary situation. If these employees do not join the Telco Staff Pension Plan, there will be a reversal of the initial surplus gained from this transfer thus converting the defined benefit asset to a defined benefit liability. The defined pension asset as at 31 March 2018 was calculated based on the assumption that these employees will eventually be admitted into the Telco Staff Pension Plan.

The liability for the plans has been calculated assuming that there is a constructive obligation to provide benefits based on the TSTT Pension Plan's benefit structure.



**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Expressed in thousands of Trinidad and Tobago Dollars)

(Continued)

**5. Defined benefit plan assets (continued)**

<b>Amounts recognised in the statement of financial position</b>	<b>Defined benefit plan</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit plan obligation	(3,884,000)	(3,893,000)
Fair value of defined benefit plan assets	<u>4,307,200</u>	<u>4,333,300</u>
<b>Net defined benefit plan asset</b>	<u><b>423,200</b></u>	<u><b>440,300</b></u>
<b>Amounts recognised in the statement of comprehensive income</b>		
Current service cost	80,700	70,100
Interest costs	(24,500)	(21,300)
Expense allowance	<u>3,600</u>	<u>3,700</u>
<b>Net benefit cost</b>	<u><b>59,800</b></u>	<u><b>52,500</b></u>
<b>Changes in the present value of the defined benefit plan obligation</b>		
At 1 April	3,893,000	3,706,300
Service cost	80,700	70,100
Interest costs	212,800	202,200
Members' contribution	21,400	33,900
<b>Re-measurements</b>		
- Experience adjustments	(174,500)	46,100
Benefits paid	<u>(149,400)</u>	<u>(165,600)</u>
<b>At 31 March</b>	<u><b>3,884,000</b></u>	<u><b>3,893,000</b></u>
<b>Changes in the fair value of the defined benefit plan assets</b>		
At 1 April	4,333,300	4,063,700
Interest income	237,300	223,500
Expected return on plan asset	(221,300)	47,700
Employer contributions	89,500	133,800
Members' contributions	21,400	33,900
Expenses allowance	(3,600)	(3,700)
Benefits paid	<u>(149,400)</u>	<u>(165,600)</u>
<b>At 31 March</b>	<u><b>4,307,200</b></u>	<u><b>4,333,300</b></u>

**TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Continued)

**5. Defined benefit plan assets (continued)**

	<b>Defined benefit plan</b>	
	<b>2018</b>	<b>2017</b>
<b>Reconciliation of the opening and closing statement of financial position entries</b>		
Opening defined benefit plan asset	440,300	357,400
Net benefit cost	(59,800)	(52,500)
Re-measurements recognised in other comprehensive income	(46,800)	1,600
Employer contributions	<u>89,500</u>	<u>133,800</u>
<b>Closing benefit plan asset</b>	<b><u>423,200</u></b>	<b><u>440,300</u></b>

The fair value of defined benefit plan assets at the reporting date is analysed as follows:

	<b>2018</b>	<b>2017</b>
Locally listed equities	1,330,300	1,412,900
Overseas equities	590,500	563,100
TT\$ bonds	1,399,300	1,459,700
US\$ bonds	447,300	381,100
Cash and cash equivalents	530,000	504,500
Other (annuity policies)	<u>9,800</u>	<u>12,000</u>
<b>Total</b>	<b><u>4,307,200</u></b>	<b><u>4,333,300</u></b>

The plan assets do not include any of the Company's own financial instruments, nor any property controlled by, or other assets used by the Company.

**Summary of principal actuarial assumptions:**

	<b>Defined benefit plan</b>	
	<b>2018</b>	<b>2017</b>
	<b>%pa</b>	<b>% pa</b>
Discount rate	5.50	5.50
Salary increases	4.00	4.00
Pension increases	1.00	1.00

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 March are as follows:

# TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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(Continued)

### 5. Defined benefit plan assets (continued)

	2018	2017
Life expectancy at age 65 for current pensioner in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 65 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years. 99% of the value of the benefits for active members is vested. 29% of the defined benefit obligation for active members is conditional on future salary increases.

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 31 March 2018 would have changed as a result of a change in the assumptions used.

March 2018	1% p.a. increase	1% p.a. decrease
Discount rate	(491,300)	621,000
Future salary increases	191,400	(166,400)
March 2017	1% p.a. increase	1% p.a. decrease
Discount rate	(490,100)	619,100
Future salary increases	189,100	(164,400)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 31 March 2018 by \$73.1m (2017: \$73.5m).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

#### Estimated expected Company pension plans contributions

The best estimate of expected Company pension plan contributions to be paid for the period 1 April 2018 to 31 March 2019 amounts to approximately \$91.6m (1 April 2017 to 31 March 2018: \$92.7m).

# TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)

(Continued)

### 5. Defined benefit plan assets (continued)

#### Estimated expected Company pension plans contributions (continued)

The Plans' financial funding position is assessed by means of actuarial valuations carried out by an independent professional actuary. The Company meets the balance of the cost of funding the defined benefit Pension Plans and the Company must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plans and the assumptions used to determine the funding required may differ from those set out above. An independent actuarial valuation of this Plan as at 31 March 2015 revealed a deficit of \$195.8m in respect of the combined group of companies at the valuation date. It was recommended that the Company's contributions be at a rate of 27.7% until the next actuarial valuation.

6. Taxation	2018	2017 Restated
<b>a) Components of the taxation expense</b>		
Deferred tax expense	12,289	68,909
Green fund levy	7,963	8,695
Business levy	15,920	17,386
Prior year adjustment	<u>(1,415)</u>	<u>—</u>
Taxation expense	<u>34,757</u>	<u>94,990</u>
<b>b) Reconciliation of expected taxation expense to effective taxation expense</b>		
(Loss)/profit before tax	<u>2,624</u>	<u>136,206</u>
Tax at 30%/25%	787	34,051
Green fund levy/business levy	23,883	26,081
Non-taxable income	(2,061)	(6,050)
Non-deductible expense	3,476	9,441
Prior year deferred tax adjustment	4,809	—
Other	(200)	5,796
Permanent timing difference	4,063	—
Change in deferred tax expense as a result of changes in enacted tax rate	<u>—</u>	<u>25,671</u>
Taxation expense	<u>34,757</u>	<u>94,990</u>

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**6. Taxation (continued)**

	<b>2018</b>	<b>2017 Restated</b>
<b>c) Components of deferred tax assets</b>		
Interest payable	1,643	372
Re-measurement of defined benefit plan	14,040	(480)
Unutilised tax losses	<u>220,135</u>	<u>170,904</u>
	<u>235,818</u>	<u>170,796</u>
<b>d) Components of deferred tax liabilities</b>		
Unrealised currency loss	(1,144)	198
Defined benefit plan asset	(141,002)	(131,612)
Property, plant and equipment	<u>(216,531)</u>	<u>(193,890)</u>
	<u>(358,677)</u>	<u>(325,304)</u>
<b>e) Deferred tax relating to items recognised in OCI during the year</b>		
Income tax effect of re-measurement loss on defined benefit plan	<u>14,040</u>	<u>(480)</u>

**f) Tax losses**

The Group presently has significant unutilised tax losses of \$733.8m (2017 restated: \$569.7m) to be carried forward and offset against future taxable income. Tax losses do not expire in Trinidad and Tobago.

**g) Impairment provision**

Deferred tax assets on unutilized tax losses of \$220.1m have been recognised as at 31 March 2018 (2017 restated: \$170.9m). A restated additional tax loss was incurred in March 2017 amounting to \$165.1m. Management considered all the evidence that could result in recognition of the deferred tax assets prior to expiration of the assets. Management concluded that the likelihood of realisation meets the standards for recognition of the assets, and in this regard no impairment provision has been established in relation to deferred income tax assets.

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<b>7. Inventories</b>	<b>2018</b>	<b>2017</b>
Material and supplies	79,219	61,522
Cable	37,179	42,779
Cellular	42,384	36,101
Business systems	12,251	13,350
Goods in transit	6,186	11,040
Broadband	1,550	6,928
Provision for inventory obsolescence	<u>(49,376)</u>	<u>(44,380)</u>
	<b><u>129,393</u></b>	<b><u>127,340</u></b>

The write-down of inventories included under "other expenses" in the consolidated statement of comprehensive income was \$4.4m in March 2018, (2017: \$6.9m) (see Note 15(c)).

<b>8. Trade and other receivables</b>	<b>2018</b>	<b>2017</b>
Amount due from customers	898,300	594,390
Telecommunications administrators	<u>38,369</u>	<u>35,714</u>
Gross receivables	936,669	630,104
Less: Provision for doubtful debts	<u>(210,598)</u>	<u>(200,924)</u>
	726,071	429,180
Cable and Wireless entities (net of provision for doubtful debts)	646	646
Sundry debtors and prepayments	<u>114,594</u>	<u>107,815</u>
	<b><u>841,311</u></b>	<b><u>537,641</u></b>

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

	<b>2018</b>	<b>2017</b>
<b>Movements on the provision for doubtful debts is as follows:</b>		
At 1 April	200,924	222,996
Charge for the year (Note 15 (c))	36,279	15,631
Utilised	<u>(26,605)</u>	<u>(37,703)</u>
At 31 March	<b><u>210,598</u></b>	<b><u>200,924</u></b>

The provision for bad and doubtful debts policy was updated in the current year resulting in a decrease in the bad debt expense in March 2018 by \$45.2m.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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### 8. Trade and other receivables (continued)

This was considered a change in estimate and therefore was treated prospectively in the consolidated financial statements in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The ageing analysis is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days
March 2018	726,071	97,986	44,973	31,641	223,667	106,446	221,358
March 2017	429,180	109,127	73,064	24,555	132,825	60,398	29,211

See Note 18 (c) on credit risk of trade receivables to understand how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

9. Cash and cash equivalents	2018	2017
Short-term deposits	80,547	481,449
Cash at bank and in hand	103,932	294,956
Restricted cash	<u>6,854</u>	<u>41,233</u>
	<u>191,333</u>	<u>817,638</u>

The Group has unsecured bank overdraft facilities up to a maximum of \$100m. There were no overdrawn facilities at the end of the year.

Restricted cash consists of a sinking fund relating to Ansa Merchant Bank Limited loans, escrow accounts established by TSTT on behalf of the permanent employees within the junior and senior staff categories, as well as the estate police officers based on collective agreements.

10. Stated capital	2018	2017
Authorised 1,300,000,000 ordinary shares of no par value		
Issued 282,820,361 ordinary shares of no par value	<u>572,717</u>	<u>572,717</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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### 11. Borrowings

	Interest rate %	Maturity date	2018	2017
<b>Current interest-bearing loans and borrowings</b>				
Vendor financing Cisco \$US14,260,281	2.50%	Apr 2017-Feb 2023	18,187	14,179
Vendor financing Huawei \$US83,657,463	3.65% - 5.15%	Dec 2017-Jan 2022	69,805	142,303
TT\$270,000,000 loan	3.85%	8 Dec 2017	—	33,750
Massy Finance GFC Limited			<u>835</u>	<u>—</u>
<b>Total current portion</b>			<u>88,827</u>	<u>190,232</u>
<b>Non-current interest-bearing loans and borrowings</b>				
Vendor financing Cisco \$US14,260,281	2.50%	Apr 2017-Feb 2023	45,789	41,118
Vendor financing Huawei \$US83,657,463	3.65% - 5.15%	Dec 2017-Oct 2019	260,753	47,834
TT\$1,000,000,000 bond	6.01%	17 Mar 2029	1,000,000	1,000,000
TT\$500,000,000 bond	5.51%	24 Mar 2022	500,000	500,000
Massy Finance GFC Limited			<u>227</u>	<u>—</u>
<b>Total non-current portion</b>			<u>1,806,769</u>	<u>1,588,952</u>
<b>Total borrowings</b>			<u>1,895,596</u>	<u>1,779,184</u>
<b>Currency denomination of borrowings:</b>			<b>2018</b>	<b>2017</b>
US dollar			394,534	245,434
TT dollar			<u>1,501,062</u>	<u>1,533,750</u>
			<u>1,895,596</u>	<u>1,779,184</u>
<b>Interest rate profile:</b>				
Fixed rate			<u>1,895,596</u>	<u>1,779,184</u>

Amplia Communications Limited entered into a finance lease arrangement with Massy Finance GFC Limited, for the purchase of motor vehicles.

The loan in the amount of \$4.2m is used to finance the vehicles and are being held as security and bears interest at 4.90% reducing balance and one at 5.5% reducing balance.

These leases will come to an end during the years ending 2018 and 2019.



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(Continued)

<b>12.</b>	<b>Trade and other payables</b>	<b>2018</b>	<b>2017</b>
	Trade payables	326,960	40,085
	Telecom administrators	15,966	7,074
	Cable and Wireless entities (Note 16 (a))	9,715	12,511
	Accrual – other	161,449	314,084
	Other payables	<u>32,877</u>	<u>19,161</u>
		<u>546,967</u>	<u>392,915</u>
<b>13.</b>	<b>Deferred revenues</b>		
	Mobile	64,974	74,772
	Other	<u>8,316</u>	<u>8,837</u>
		<u>73,290</u>	<u>83,609</u>
	<b>Mobile deferred revenue movement:</b>		
	At 1 April	74,772	97,403
	Additions during the year	527,194	545,085
	Released to statement of comprehensive income during the year	<u>(536,992)</u>	<u>(567,716)</u>
	At 31 March	<u>64,974</u>	<u>74,772</u>
	Mobile deferred revenue represents prepaid airtime that has been sold to third parties but remains unused as at 31 March and unused base plan minutes of post-paid subscribers (up to 2 times of the base plan minutes for corporate and non-corporate customers on legacy plans only).		
<b>14.</b>	<b>Cost of sales</b>	<b>2018</b>	<b>2017</b>
			<b>Restated</b>
	Equipment usage	122,481	238,456
	Out payments	237,838	220,934
	Commissions	<u>87,106</u>	<u>140,562</u>
		<u>447,425</u>	<u>599,952</u>
<b>15.</b>	<b>Operating expenses</b>		
	<b>a) Personnel costs</b>		
	Salaries and related costs	598,502	707,140
	Post-employment benefits	106,923	11,008
	Workmen compensation	<u>24</u>	<u>383</u>
		<u>705,449</u>	<u>718,531</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)  
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### 15. Operating expenses (continued)

#### b) Re-organisation costs

TSTT commenced a phased restructuring programme during the 2014 fiscal period, involving the offer of Voluntary Separation Plans (VSP) or Voluntary Enhanced Early Retirement Package (VEERP) to all levels of staff within the Company.

Management has revisited and revised the financial provision originally recorded in light of a number of significant events in both the competitive and regulatory landscapes which have occurred in the previous financial year, and continue to change in the present period. For the year ended 31 March 2017, a revised provision resulted in reorganisation cost amounting to \$11.6m which reflects management's revised position. This was considered a change in estimate and therefore was treated prospectively in the consolidated financial statements in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The current year ended 31 March 2018 included a charge of \$1.1m. It is not expected that there would be any impact of management's revised position on future periods.

As at 31 March 2018, the restructuring provisions amounted to \$1.7m (2017: \$3.1m) and is included as part of employee benefits. (Note 17)

c) Other expenses	2018	2017 Restated
Contract services	180,382	171,449
Rentals	79,733	71,688
Advertising	48,184	95,316
Bad debt charges (Note 8)	36,279	15,631
License fees	32,613	45,527
Miscellaneous	30,421	35,620
Utility expenses	25,065	24,263
Insurance	14,757	15,920
Supplies and related expenses	12,999	19,866
Foreign exchange loss/(gain )	12,786	40,155
Stationery	4,655	6,102
Stock write-off/provision for obsolescence (Note 7)	4,355	6,970
Janitorial service	3,564	6,902
Directors' remuneration	1,699	1,657
Training and foreign travel	(861)	17,660
Rates and taxes	<u>(8,512)</u>	<u>10,098</u>
	<b><u>478,119</u></b>	<b><u>584,824</u></b>

# TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)  
(Continued)

### 15. Operating expenses (continued)

#### c) Other expenses (continued)

There was no write off of work in progress in the current year.

As of 1 January 2016, the Government of Trinidad and Tobago re-enacted the Land and Building Taxes. As a result of this, the Company created a provision for Land and Building Taxes for the period 1 January 2016 to 31 March 2017 amounting to \$9.3m. The current year provision at March 2018 is nil.

d) Finance costs	2018	2017
Interest on overdrafts and other finance costs	2,961	1,328
Interest on borrowings	<u>100,082</u>	<u>53,044</u>
	<u>103,043</u>	<u>54,372</u>

### 16. Related party disclosures

Transactions with related parties are conducted at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances are provided for in accordance with the Group's policy.

#### a) Cable and Wireless entities

	Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
March 2018				
Technical and professional fees	—	12,938		9,515
Traffic settlement	<u>257</u>	<u>2,652</u>	<u>646</u>	<u>200</u>
Total	<u>257</u>	<u>15,590</u>	<u>646</u>	<u>9,715</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)  
(Continued)

### 16. Related party disclosures (continued)

#### a) Cable and Wireless entities (continued)

	Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
<b>March 2017</b>				
Technical and professional fees	–	15,267	–	4,516
Traffic settlement	<u>131</u>	<u>3,414</u>	<u>1,672</u>	<u>4,142</u>
Total	<u>131</u>	<u>18,681</u>	<u>1,672</u>	<u>8,658</u>

#### b) Government – related entities

The National Enterprises Limited (NEL), the majority shareholder of the Group, is owned by the Government of the Republic of Trinidad and Tobago. As such, NEL and its related subsidiaries are related to other government-owned entities. The Group has entered into a contract with the Ministry of National Security for the provision of video surveillance services at their respective business locations. The revenue earned from the Ministry of National Security for the current year amounts to \$229.5m (2017: \$229.5m). There were no service provision contracts with WASA for the current year.

The Group provides fixed, mobile and broadband telecommunications products and services to various agencies of the Government.

The Group also purchases water and electricity from other Government agencies through the regular course of their business.

#### c) Compensation of key management personnel

The remuneration of directors and other members of key management recognised as an expense during the year are as follows:

	2018	2017
Short-term benefits	4,954	7,615
Voluntary separation plan	–	3,431
Post-employment pension and medical benefits	<u>490</u>	<u>427</u>
	<u>5,444</u>	<u>11,473</u>

# TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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### 17. Employee benefits

Employee benefits are comprised mainly of earned vacation leave, back pay, short-term incentive plans and restructuring provisions (Note 15b). The table below reflects the movement in these provisions for the current financial year.

	2018	2017
At 1 April	240,840	272,500
Additional provision during the year	638,633	838,767
Amounts paid	(633,356)	(834,733)
Unused amounts reversed	<u>(1)</u>	<u>(35,694)</u>
At 31 March	<u>246,116</u>	<u>240,840</u>

### 18. Financial risk management objectives and policies

Financial instruments carried on the consolidated statement of financial position include cash and short-term investments, trade and other receivables, trade and other payables and borrowings. The Group's activities expose it to a variety of financial risks: market risk (including currency and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of such risks on the Group's financial performance. The Group does not use derivative financial instruments. A central treasury department is responsible for risk management.

Transactions in financial instruments have resulted in the Group assuming the financial risks described below:

#### a) Foreign exchange risk

The Group trades with foreign companies and is exposed to foreign exchange risk arising primarily with respect to the United States (US) dollar and the United Kingdom (UK) pound. Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rate. The Treasury department is responsible for managing the net position in each foreign currency.

The following table demonstrates the sensitivity to possible changes in the US dollar and the UK pound exchange rates, with all other variables held constant, on the Group's profit before tax. The Group's exposure to foreign currency changes for all other currencies is not material.

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**18. Financial risk management objectives and policies (continued)**

**a) Foreign exchange risk (continued)**

	<b>Currency</b>	<b>Change in exchange rate</b>	<b>Effect on profit before tax \$'000</b>
March 2018	US\$	+3%	9,996
	US\$	-3%	(9,996)
March 2017	US\$	+3%	2,851
	US\$	-3%	(2,851)

The following table shows the Group's financial assets and liabilities in various currencies:

	<b>TT\$</b>	<b>US\$</b>	<b>UK£</b>	<b>Total</b>
<b>At 31 March 2018</b>				
<b>Financial assets</b>				
Cash and cash equivalents	91,924	99,409	—	191,333
Trade and other receivables	826,350	14,961	—	841,311
<b>Financial liabilities</b>				
Total borrowings	1,501,062	394,534	—	1,895,596
Trade and other payables	492,834	53,060	1,073	546,967
<b>At 31 March 2017</b>				
<b>Financial assets</b>				
Cash and cash equivalents	595,717	221,921	—	817,638
Trade and other receivables	522,355	15,286	—	537,641
<b>Financial liabilities</b>				
Total borrowings	1,533,750	245,434	—	1,779,184
Trade and other payables	161,527	230,036	1,352	392,915

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(Continued)**

**18. Financial risk management objectives and policies (continued)**

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In the current financial year, the Group managed its exposure to interest rate risk by engaging solely in fixed rate loans.

**c) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument, leading to a financial loss. The Group is exposed to credit risks from its cash and short-term investments with banks and financial institutions and trade and other receivables.

**(i) Cash and cash equivalents**

The Group manages its exposure in cash and short-term investments by investing in institutions with a satisfactory Caribbean Information and Credit Rating Services (CariCRIS) rating.

**(ii) Trade and other receivables**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are regularly monitored by the Company's Credit Management Department. The Group's receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually established provision policies. Additionally, specific provisions are made for outstanding receivables from major customers who have been assessed as impaired. The Group does not hold collateral as security.

The maximum exposure to credit risk as at 31 March 2018 is the carrying value of cash and cash equivalents (Note 9) and trade and other receivables (Note 8).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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(Continued)

### 18. Financial risk management objectives and policies (continued)

#### d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term investments, 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 operations, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Trade and other payables are short-term in nature and are due within one year.

The table below summarises the maturity profile of the Group's borrowings based on contractual undiscounted payments.

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
<b>Year ended 31 March 2018</b>				
Borrowings	193,723	1,488,596	717,384	2,399,703
Trade and other payables	546,967	—	—	546,967
Employee benefits	246,116	—	—	246,116
<b>Year ended 31 March 2017</b>				
Borrowings	285,338	1,199,870	857,964	2,343,172
Trade and other payables	392,915	—	—	392,915
Employee benefits	240,840	—	—	240,840

#### e) Fair value

The carrying amounts of the Group's cash and cash equivalents, trade and other receivables and trade and other payables approximate to their fair values because of the short-term maturities of these instruments.

The fair values of the fixed rate long-term loans are based on estimated future cash flows discounted using the current market rates for debt with similar maturities and credit risks.

	Carrying amounts		Fair values	
	2018	2017	2018	2017
Borrowings	<u>1,895,596</u>	<u>1,779,184</u>	<u>1,980,489</u>	<u>1,834,440</u>



## TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 19. Financial commitments

##### a) Capital expenditure commitments

At 31 March 2018, the Group has commitments of \$124.9m (2017: \$150.2m) for the acquisition of property, plant and equipment incidental to the ordinary course of business.

The Group has contractual obligations to Huawei International PTE Limited and Huawei Technologies (T&T) Limited of \$29.4m (2017: \$16.4m) for hardware and software services relating to the expansion of the GSM 4G mobile network, as well as the development of the TD-LTE network for the enhancement of broadband services. Additional capital commitments of \$2.8m, was mainly attributable to Power & Tel of \$1m, TVC Communications of \$0.6m and Accendo of \$0.5m.

##### b) Operating lease commitments

The Group has entered into a number of commercial leases on certain motor vehicles and properties, with an average life of between three and ten years. The operating lease expense was \$48m and \$17m for the years ended 31 March 2018 and 31 March 2017 respectively. These amounts comprise of operating lease commitments and ad hoc rentals.

Future minimum rentals payable under operating leases as at 31 March are as follows:

	2018	2017
Within one year	48,046	15,674
After one year but not more than five years	104,785	38,095
More than five years	<u>18,873</u>	<u>24,050</u>
Total	<u>171,704</u>	<u>77,819</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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### 20. Long term prepayment

The Group has entered into prepaid, long-term capacity service contracts with international telecommunication administrators. The advance payments have been recognised as long-term prepayments and are being amortised over the 15-year term. The current portion of \$13.4m (2017: \$12.1m) is included in sundry debtors and prepayments, which form part of trade and other receivables (see Note 8).

The minimum amounts to be released in the future are as follows:

	2018	2017
Within one year	<u>13,359</u>	<u>12,143</u>
After one year but not more than five years	53,437	43,835
More than five years	<u>70,318</u>	<u>75,638</u>
Non-current	<u>123,755</u>	<u>119,473</u>
Total	<u>137,114</u>	<u>131,616</u>

### 21. Contingent liabilities

- a) In the normal course of business, the Group is the defendant in certain litigation matters, claims and other legal proceedings. Provisions have been established for such matters where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The Group remains contingently liable in respect of other litigation matters which are considered possible but not probable and thus no provision is made in these financial statements. These are considered contingent liabilities and amounts to \$48.0 million as at year end (2017: \$18.3 million).

The Group is currently in dispute with a government related entity regarding the rates for the new contractual period.

- b) The Group provides a guaranteed loan facility to its employees through Republic Bank Limited. This facility is used by employees for the purchase of vehicles and computers, as well as for general-purpose vacation. Once a loan is disbursed for any of the aforementioned purposes, the Group is obligated to repay the bank in full, regardless of whether the employee defaults or not. For vehicles, a mortgage bill of sale is executed, thus mitigating this contingent liability; however both computer loans and vacation loans are un-encumbered. The balance on this facility as at 31 March 2018 was approximately \$43.1m (2017: \$39.1m).

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(Expressed in thousands of Trinidad and Tobago Dollars)  
(Continued)

#### 22. Dividends paid and proposed

Dividends relative to March 2017 amounted to approximately \$23m (0.08 cents per share) were declared and paid during the year. No dividends were declared in March 2016.

#### 23. Capital disclosures

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the after-tax return on capital employed. This ratio is calculated as net income after tax divided by capital employed. Capital employed is calculated as non-current liabilities and shareholders' equity (as shown on the consolidated statement of financial position).

The Group's short-term objectives for the financial year 2017/2018 were to consolidate its operations and maintain its profit-making position. The Group, by its nature, is experiencing exponential changes in its technology infrastructure and is also operating in a competitive marketplace. As such, the Group considers itself a growth company and requires 'patient capital' shareholders that are willing to sacrifice short-term maximization of returns in exchange for medium to long term capital growth.

The after-tax return on capital employed and the return on shareholders' equity ratios at 31 March are as follows, respectively:

	2018	2017
Profit/(loss) after tax	8,462	41,216
Shareholders' equity	2,114,448	2,161,781
Capital employed	4,279,894	4,076,037
Return on shareholders' equity	0.40%	1.91%
After-tax return on capital employed	0.19%	1.01%

# TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

(Expressed in thousands of Trinidad and Tobago Dollars)  
(Continued)

### 24. Acquisition of Amplia Communications Limited

On 1 August 2017, TSTT acquired Massy Communications Limited, renamed Amplia Communications Limited for \$215m. Transaction costs amounting to \$5.7m were recognised in the consolidated statement of comprehensive income under operating expenses. The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Amplia as at acquisition date.

The fair values of identified assets and liabilities of Amplia as at acquisition date were:

	Provisional Fair value on 1 August 2017
<b>Assets:</b>	
Property, plant and equipment	217,643
Intangibles	16,951
Trade debtors	11,681
Cash	1,227
Other assets	37,002
<b>Liabilities:</b>	
Trade creditors	20,579
Other creditors and accruals	6,524
Other liabilities	<u>1,806</u>
<b>Total identifiable net assets at fair value</b>	<b>255,595</b>
Negative goodwill	<u>(40,595)</u>
Purchase consideration	<b>215,000</b>
<b>Analysis of cash flows</b>	<b>2018</b>
Net cash acquired (included in cash flows from investing activities)	1,227
Consideration transferred	<u>(215,000)</u>
Net cash outflow	<b><u>213,773</u></b>

The fair value of net assets is provisional and is subject to adjustment, with a corresponding impact to negative goodwill, up to August 2019 (one year after the transaction).

If the acquisition of Amplia had taken place at the beginning of the year, revenue from continuing operations would have been \$51.6m and loss from continuing operations would have been \$38.0m.

### 25. Events after the reporting period

There were no material events after the statement of financial position date of 31 March 2018, which required recording or disclosure in the consolidated financial statements of the group as at 27 June 2018.