



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

**REPORT
OF THE
AUDITOR GENERAL**

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

FOR THE YEAR ENDED

SEPTEMBER 30, 2019



REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TELECOMMUNICATIONS AUTHORITY OF TRINIDAD AND TOBAGO FOR THE YEAR ENDED SEPTEMBER 30, 2019

OPINION

The financial statements of the Telecommunications Authority of Trinidad and Tobago (the Authority) for the year ended September 30, 2019 have been audited. The statements as set out on pages 1 to 20 comprise a Statement of Financial Position at September 30, 2019, and a Statement of Profit or Loss and Other Comprehensive Income, a Statement of Changes in Amount Due to Consolidated Fund and a Statement of Cash Flows for the year then ended, and Notes to the Financial Statements numbered 1 to 21 including a summary of significant accounting policies.

2. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Telecommunications Authority of Trinidad and Tobago as at September 30, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in her audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify her opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of her audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


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

SUBMISSION OF REPORT

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



27TH FEBRUARY 2023
PORT OF SPAIN


LORELLY PUJADAS
AUDITOR GENERAL

Telecommunications Authority of Trinidad and Tobago

**Financial Statements
September 30, 2019**

Telecommunications Authority of Trinidad and Tobago

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Telecommunications Authority of Trinidad and Tobago

Statement of management's responsibilities

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

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

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

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



Gilbert Peterson, S.C.
Chairman

April 15, 2020



Dr. Kim Mallalieu
Deputy Chairman

April 15, 2020



Telecommunications Authority of Trinidad and Tobago

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

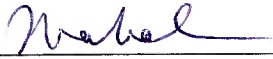
	Notes	Sep 2019 \$	Sep 2018 \$
ASSETS			
Non-current assets			
Plant and Equipment	6	14,007,074	14,686,010
Total non-current assets		14,007,074	14,686,010
Current assets			
Receivables	7	12,763,550	8,750,370
Universal Service Fund Contribution Receivable	7	48,187,479	50,708,491
Cash and Cash Equivalents	8a	30,208,585	30,535,118
Cash and Cash Equivalents - restricted	8b	120,886,674	120,693,273
Total current assets		212,046,288	210,687,251
Total assets		226,053,362	225,373,262
LIABILITIES & RESERVES			
Reserves			
Reserves : Universal Service Fund	9	120,886,674	120,693,273
Reserves : Universal Service Fund contribution	9	48,187,479	50,708,491
Total reserves		169,074,153	171,401,764
Non-current liabilities			
Deferred Income	10	131,766	172,603
Total non-current liabilities		131,766	172,603
Current Liabilities			
Accounts Payable and Accruals	11	5,164,604	3,925,281
Due to consolidated Fund		51,682,839	49,873,613
Total Current Liabilities		56,847,443	53,798,894
Total Liabilities and reserves		226,053,362	225,373,262



The notes on pages 6 to 20 form an integral part of these financial statements.

On April 15, 2020 these financial statements were authorised for issue by the Board.


 Gilbert Peterson, S.C.
 Chairman


 Dr. Kim Mallalieu
 Deputy Chairman

Telecommunications Authority of Trinidad and Tobago

Statement of profit or loss and other comprehensive income for the year (Expressed in Trinidad and Tobago dollars)

	Notes	Sep 2019	Sep 2018
		\$	\$
Income			
Concession Fees		30,257,020	27,989,873
Licence Fees		54,215,420	57,279,434
Bank Interest		329	626
Other Income		859,964	1,006,148
Amortization of Deferred Income	10	40,838	1,598,364
Total Income		85,373,571	87,874,446
Expenses			
Communications, Marketing & Policy Expenses	12	3,507,565	3,378,250
Fees-Legal & Professional	13	2,398,708	1,755,993
Training	14	3,371,028	2,737,860
Utilities		1,098,529	1,072,216
Rent/Lease Expenses	15	3,832,006	3,833,948
Staff Costs	16	30,915,527	28,094,398
Repairs and Maintenance		548,702	930,321
Other Administrative Costs	17	5,163,159	3,902,660
Depreciation		3,785,461	4,474,771
Total Expenses		54,620,686	50,180,417
Surplus for the year		30,752,885	37,694,029

The notes on pages 6 to 20 form an integral part of these financial statements

Telecommunications Authority of Trinidad and Tobago

Statement of changes in amount due to consolidated fund for the year (Expressed in Trinidad and Tobago dollars)

	<u>Sep 2019</u>	<u>Sep 2018</u>
	\$	\$
Amount due to Consolidated Fund brought forward from the previous period	49,873,613	43,124,510
Payment to Consolidated Fund during the year	(28,943,659)	(30,944,925)
Outstanding amount brought forward	20,929,954	12,179,585
Net surplus for the current year	30,752,885	37,694,029
Net amount due to Consolidated Fund at the end of the year	<u>51,682,839</u>	<u>49,873,613</u>

The notes on pages 6 to 20 form an integral part of these financial statements

Telecommunications Authority of Trinidad and Tobago

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

	Sep 2019	Sep 2018
	\$	\$
Cash flow from operating activities		
Net surplus for the year	30,752,885	37,694,029
Adjustment for Non - Cash Items:		
Amortization of deferred income	(40,838)	(1,598,364)
Amortization of deferred income-licence fees	0	0
Depreciation	3,785,461	4,474,771
Gain on disposal of asset		(81,018)
Adjustment to Consolidated Fund	0	0
	<u>34,497,509</u>	<u>40,489,418</u>
Changes in		
Decrease/(Increase) in Receivables	(4,013,180)	3,429,215
(Decrease)/Increase in Accounts payable and accruals	1,239,323	(138,055)
Reserves- Universal Service Fund	193,401	65,930
Net cash generated from operating activities	<u>31,917,052</u>	<u>43,846,508</u>
Cash flow from investing activities		
Acquisition of plant and equipment	(3,106,600)	(1,490,914)
Adjustment to Fixed assets cost	75	
Proceeds from sale of Fixed Asset	0	93,333
Net cash used in investing activities	<u>(3,106,525)</u>	<u>(1,397,581)</u>
Cash flow from financing activities		
Amount paid to Consolidated Fund	(28,943,660)	(30,944,925)
Proceeds from Government grant		0
Net cash used in financing activities	<u>(28,943,660)</u>	<u>(30,944,925)</u>
Net increase/(decrease) in cash and cash equivalents	(133,133)	11,504,001
Cash and cash equivalents at start of period	151,228,391	139,724,390
Cash and cash equivalents at end of period	<u>151,095,259</u>	<u>151,228,391</u>

The notes on pages 6 to 20 form an integral part of these financial statements

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2019

(Expressed in Trinidad and Tobago dollars)

1. Principal activities

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

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

The Authority reports to the Ministry of Public Administration.

2. Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations adopted with no effect on financial statements

The Authority has adopted the following new standards and interpretations which had no effect on the financial statements and which were effective for annual periods beginning or after January 1, 2018.

- IFRS 9 Financial instruments²
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendment to IFRS 2
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4
- Transfers of Investment Property – Amendments to IAS 40
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- AIP IFRS 1 First Time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters
- AIP IAS28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit and loss is an investment by investment choice

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

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

- IFRS 16 Leases¹
- AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalization¹
- Definition of Material – Amendment to IAS 1 and IAS 8²

AIP – Annual IFRS Improvement Process

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

² Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2019

(Expressed in Trinidad and Tobago dollars)

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

• IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for leases of low value assets and short term leases (i.e. less than 12 months). At the commencement of a lease the lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term

Lessees will be required to separately recognise the interest expense on the lease liability and depreciation expense on the right of use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (eg. Change in lease term).

Implementation of IFRS 16 will impact the Authority's asset base, interest expense, depreciation, operating expense and EBITDA. Also cashflow will be affected as the payments for the principal portion of the lease will be reflected within Financing Activities.

• AIP IAS 23 Borrowing Costs – Borrowing costs eligible for capitalization

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset only when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

• Definition of Material – Amendment to IAS 1 and IAS 8²

In October 2018 the IASB issued amendments to IAS 1 and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the standard.

Old definition: Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 Presentation of Financial Statements).

New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

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

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago dollars)

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

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

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments¹
- Prepayment Features with Negative Compensation – Amendments to IFRS 9¹
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28¹
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19¹
- AIP IFRS 3 Business Combinations – Previously held interests in a joint operation¹
- AIP IFRS 11 Joint Arrangements – Previously held interests in a joint operation¹
- AIP IAS 12 Income Taxes – income tax consequences of payments on financial instruments classified as equity¹
- Definition of a Business – Amendment to IFRS 3²
- The Conceptual Framework for Financial Reporting²
- IFRS 17 Insurance Contracts³
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendment to IFRS 10 and IAS 28⁴

AIP – Annual IFRS Improvement Process

- ¹ Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
- ² Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.
- ³ Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.
- ⁴ In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

3. Summary of significant accounting policies

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

Basis of preparation

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

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

a) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2019

(Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

b) Revenue recognition

IFRS 15 which came into effect for financial periods starting after Jan 1, 2018 establishes a five step process for revenue recognition. The below table indicates how the Authority has applied that process in recognising revenue in its Financial Statement.

IFRS 15 – Recognition Steps	Authority's Approach
1. Identify the contract with the customer	The majority of the Authority Revenue is derived from fees for - Concessions - Licenses
2. Identify the performance obligations in the contract	The Authority allows the Concessionaire / Licensee to operate and utilise Spectrum under the terms and conditions specified in its relevant Concession / License.
3. Determine the transaction price;	Fees are established under the Telecommunication (Fees) Regulations, 2006
4. Allocate the transaction price to the performance obligations in the contracts;	Allocation of Fees are also specified under the Telecommunication (Fees) Regulation, 2006.
5. Recognise revenue when (or as) the entity satisfies a performance obligation	Application Fees are recognised when the Concession / License has been processed. Due to invoicing guidelines set forth in the Telecommunication (Fees) Regulation 2006 Sections 3 (2), 7 (1), 11 (2) and 12 (1) Concession / License Fees are recognised when invoiced. Interest income is recognised as it accrues, unless collectability is in doubt. Income is also recognised from receipt of Government grants. See note 3(d) for Government grants. In the event that a material invoice is not prepared at the Authority's year end and accrual for the revenue is made.

c) Plant and equipment

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

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

d) Government grants

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

e) Cash and cash equivalents

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

f) Receivables

Trade receivables are carried at original invoice amount less an allowance made for impairment of these receivables. The Authority applies IFRS 9 simplified approach to measuring expected credit losses using lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis trade receivables are grouped based on similar credit risk and aging. Bad debts are written off during the year in which they are identified.

g) Trade payables

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

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

h) Provisions

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

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

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements

For the year ended September 30, 2019

(Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies (continued)

i) Reserves

Universal Service Fund

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

Consolidated Fund

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

j) Financial assets

Loans and receivables

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

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

k) Impairment of financial assets

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

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

i) Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago dollars)

3. Summary of significant accounting policies

k) Impairment of financial assets (continued)

ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) **Taxation**

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

m) **Leases**

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

n) **Comparatives**

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

4. Critical accounting estimates and judgements

In the application of the Authority's accounting policies, which are described in note 3, management of the Authority are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. Key sources of uncertainty, which require the use of estimates, include:

Useful lives and residual values of plant and equipment

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

Contingent liabilities

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

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago dollars)

5. Financial risk management

a) Market risk

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

i) Cash flow and fair value interest rate risk

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

ii) Currency risk

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

b) Credit risk

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

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

c) Liquidity risk

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

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

	Less than 1 year \$
At September 30, 2019	
Accounts payables and accruals	<u>5,164,604</u>
At September 30, 2018	
Accounts payables and accruals	<u>3,925,281</u>

Telecommunications Authority of Trinidad and Tobago

Notes to the financial statements
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago dollars)

6. Plant and equipment

	\$	\$	\$	\$	\$	\$	\$
	Telecommunication Equipment and Related Software	Computer Equipment & Software	Office Furniture & Equipment	Motor Vehicles	Fixtures & Fittings	Work in Progress	Total
Cost							
At October 1, 2018	24,864,246	13,493,672	4,229,985	1,716,566	257,434	606,734	45,168,636
Additions for the period	0	1,775,284	196,761	0	0	1,134,554	3,106,600
Adjustment for the period		(75)				(318,926)	(75)
Transferred Assets		252,926	66,000				(0)
Disposal of Assets							0
At Sep 30, 2019	24,864,246	15,521,807	4,492,746	1,716,566	257,434	1,422,363	48,275,161
Depreciation							
At October 1, 2018							
Adjustment for the period	16,339,718	10,201,711	3,102,319	630,448	208,430	0	30,482,626
Disposal of Assets	2,131,132	1,105,146	267,853	271,529	9,801		3,785,461
Charge for the period	18,470,850	11,306,857	3,370,172	901,977	218,231	0	34,268,088
At Sep 30, 2019							
Net Book Value at October 1, 2018	8,524,528	3,291,960	1,127,666	1,086,118	49,005	606,734	14,686,010
Net Book Value at September 31, 2018	6,393,396	4,214,949	1,122,574	814,588	39,204	1,422,363	14,007,074

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6. Plant and equipment

	Telecommunication Equipment and Related Software	Computer Equipment & Software	Office Furniture & Equipment	Motor Vehicles	Fixtures & Fittings	Work in Progress	Total
Cost							
At October 1, 2017	\$ 24,864,246	\$ 13,162,729	\$ 4,014,247	\$ 1,538,566	\$ 251,934	\$ 0	\$ 43,831,722
Additions for the period	0	330,942	215,738	332,000	5,500	606,734	1,490,914
Transferred Assets							
Disposals	0	0	0	(154,000)	0	0	0
At Sep 30, 2018	24,864,246	13,493,672	4,229,985	1,716,566	257,434	606,734	45,168,636
Depreciation							
At October 1, 2017	13,498,209	9,127,462	2,844,746	481,581	197,542	0	26,149,540
Adjustment for the period							
Disposal of Assets				(141,684)			(141,684)
Expense for the year	2,841,509	1,074,250	257,573	290,551	10,887		4,474,771
At Sep 30, 2018	16,339,718	10,201,711	3,102,319	630,448	208,430	0	30,482,626
Net Book Value at October 1, 2017	11,366,037	4,035,268	1,169,501	1,056,985	54,392	0	17,682,182
Net Book Value at September 30, 2018	8,524,528	3,291,960	1,127,666	1,086,118	49,005	606,734	14,686,010

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	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
7. Trade and Other Receivables		
Trade Receivables	9,776,400	7,116,714
Less Provision for Bad Debts	(4,486,153)	(4,389,825)
Trade Receivables-Net	5,290,247	2,726,889
Staff Loan	197,409	220,528
Staff Loan (M. Vehicle)	1,234,565	1,405,187
Staff Loan (Corp Mobile)	(6,641)	(6,402)
VAT Receivable	4,889,371	3,163,454
Other Receivables/Prepayments	1,154,594	999,168
Goods In Transit	4,005	241,547
	12,763,550	8,750,370
Universal Services Fund Contribution	48,187,479	50,708,491
	60,951,029	59,458,861

Included within staff loans are loans to management amounting to \$ nil (Sep 2018: \$nil).

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
8a. Cash and Cash Equivalents		
Cash at Bank (TT\$ Account)	29,748,049	30,225,136
Cash at Bank (US\$ Account)	457,536	306,982
Cash on Hand (TT\$ Account)	3,000	3,000
	30,208,585	30,535,118
8b. Cash and Cash Equivalents - restricted		
Universal Fund (TT\$ Account)	120,886,674	120,693,273
	151,095,259	151,228,391

In accordance with Section 28, 53d and 53.6 of the Telecommunications Act (2001), the Authority is required to set aside funds for Universal Service obligations. Such funds are to be used exclusively for Universal Service obligations.

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Notes to the financial statements

For the year ended September 30, 2019

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	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
9. Appropriation of reserves: Universal Service Fund		
<u>Due to Universal Service Fund</u>		
Balance at October 1	120,693,273	120,627,343
Bank charges	(360)	(360)
Bank deposits	193,761	66,290
	<u>120,886,674</u>	<u>120,693,273</u>
Reserves – Universal Service Fund Contributions	48,187,479	50,708,491
Balance	<u>169,074,153</u>	<u>171,401,764</u>

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

Staff costs (Note 16)	30,915,527	28,094,398
Director fees and expenses	702,448	478,500
Depreciation (Note 6)	3,785,461	4,474,771

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
10. Deferred income		
Government Grant relating to fixed asset	172,603	1,770,967
Amortization	(40,838)	(1,598,364)
Government Grant relating to fixed asset	<u>131,766</u>	<u>172,603</u>

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
11. Accounts Payable and Accruals		
Accounts Payable	799,526	246,911
Deferred Revenue	91,583	105,884
Outstanding Commitments	3,409,220	3,446,928
Other Current Liabilities	864,274	125,558
	<u>5,164,604</u>	<u>3,925,281</u>

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
12. Communications, Marketing & Policy Expenses		
Promotions, publicity and printing	2,185,123	1,814,767
Official overseas travel	391,070	346,354
Hosting conferences / seminars	931,372	1,217,129
	<u>3,507,565</u>	<u>3,378,250</u>

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13. Fees

These fees comprise mainly of legal fees incurred in compliance and enforcement, opinions from senior counsel and judicial review from the Authority's providers.

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
Fees-Legal & Professional		
Legal and professional fees	2,398,708	1,261,393
Subscriptions and other charges	0	494,600
	<u>2,398,708</u>	<u>1,755,993</u>

14. Training

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

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

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
Training		
Training, registration fees	567,223	409,675
Foreign travel, per diems, airfare	2,803,805	2,328,185
	<u>3,371,028</u>	<u>2,737,860</u>

15. Rent/lease expenses

Operating lease arrangements

Leasing arrangements

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

Lease commitments

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
No later than 1 year	3,545,184	3,833,948
Later than 1 year	2,954,320	-
	<u>6,499,504</u>	<u>3,833,948</u>

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	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
16. Staff Costs		
Salaries	27,834,238	25,425,680
Directors' fees and expenses	702,448	478,500
Pension contributions	1,658,576	1,650,146
Short term employment	567,904	378,348
Other personnel expense	152,361	161,724
	<u>30,915,527</u>	<u>28,094,398</u>

The number of employees at Sep 30, 2019 was 103 (Sep 2018: 94).

The Authority contributes to a defined contribution pension plan established for all permanent employees. The defined contribution plan is a post-employment benefit plan under which the Authority pays fixed contributions into a separate entity (a fund) and has no legal or constructive obligation to pay further contributions.

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
17. Other Administrative Costs		
Security	580,160	482,985
Janitorial services	307,367	320,189
Supplies	686,038	721,118
Other contracted services	3,247,563	2,284,712
Bad debt expenses	96,328	(191,920)
Other administrative costs	245,703	285,576
	<u>5,163,159</u>	<u>3,902,660</u>

18. Contingent liabilities and assets, commitments

Legal proceedings

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

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19. Related party transactions

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

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

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Authority, either directly or indirectly including any Director.

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

Related party transactions and balances

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

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
Key Management Personnel Compensation		
Directors' fees and expenses	702,448	478,500
Salaries, NIS and Group Health	4,142,982	4,552,458
Pension Contribution	145,092	145,092
	<u>4,990,522</u>	<u>5,176,050</u>

20. Financial instruments by category

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

	<u>Sep 30, 2019</u>	<u>Sep 30, 2018</u>
	\$	\$
Financial assets		
Cash and cash equivalents	151,095,259	151,228,391
Receivables (Note 7)	9,776,400	7,116,714
	<u>160,871,659</u>	<u>158,345,104</u>
Other financial liabilities		
Payables held at amortised cost	5,164,604	3,925,281
	<u>5,164,604</u>	<u>3,925,281</u>

21. Events after the reporting date

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