Telecommunications Services of Trinidad and Tobago Limited

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2017

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

Corporate Information

DIRECTORS:

Mr. Emile Elias – 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 Inniss – 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 Financial Statements for the year ended 31 March 2017.

Financial Results	**$'000**
Profit for the year	49,620
Retained earnings brought forward	1,584,628
	1,634,248
Dividends paid	-
Retained earnings carried forward	1,634,248

Directors

The following Directors served during the period under review:
Mr. Emile Elias, Mr. Wendell Berkley, Mr. Gerry Brooks, Mr. Vishnu Dhanpaul, Ms. Kimberly Erriah, Mr. Jerry Hospedales (resigned 27th January 2017), Ms. Annalean Inniss, Ms. Ingrid L-A Lashley (appointed 28th January 2017), Mr. Ian Narine and Ms. Judith Sobion.

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

Annual Meeting
The Forty-Seventh Annual Meeting of the Company was held on 16th June 2016.

On behalf of the Board of Directors,

Emile Elias
CHAIRMAN

Ian Narine
DIRECTOR

Date: 14/June/2017

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Telecommunications Services of Trinidad and Tobago Limited ("the Company"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income/(loss), statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2017 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 Company 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.

Responsibilities of Management and the Audit Committee for the Financial Statements

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

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

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

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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 Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company'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 Company to cease to continue as a going concern.
- Evaluate 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.

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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 Financial Statements
(Continued)

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

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.

Ernst & Young

Port of Spain,
TRINIDAD:
14 June 2017

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017
(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2017	2016
Non-current assets			
Property, plant and equipment	3	2,780,882	2,586,093
Intangible assets	4	35,246	40,630
Defined benefit plan asset	5	440,300	357,400
Deferred tax assets	6(c)	165,986	106,660
Long-term prepayment	20	119,473	71,520
		3,541,887	3,162,303
Current assets			
Inventories	7	127,340	136,242
Trade and other receivables	8	537,641	523,335
Current tax recoverable		7,651	8,470
Cash and cash equivalents	9	817,638	447,512
		1,490,270	1,115,559
Total assets		5,032,157	4,277,862
EQUITY AND LIABILITIES			
Equity			
Stated capital	10	572,717	572,717
Retained earnings		1,634,248	1,584,628
		2,206,965	2,157,345
Non-current liabilities			
Borrowings	11	1,588,952	132,318
Deferred tax liabilities	6(d)	332,904	204,410
		1,921,856	336,728

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

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017
(Expressed in thousands of Trinidad and Tobago Dollars)
(Continued)

	Notes	2017	2016
Current liabilities			
Employee benefits	17	240,840	272,500
Deferred revenues	13	83,609	110,807
Trade and other payables	12	388,655	585,405
Borrowings	11	190,232	815,077
		903,336	1,783,789
Total liabilities		2,825,192	2,120,517
Total equity and liabilities		5,032,157	4,277,862

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

These financial statements were authorised for issue on 14 June 2017.

....
Emile Elias
CHAIRMAN

....
Ian Narine
DIRECTOR

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
FOR THE YEAR ENDED 31 MARCH 2017
(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	31 March 2017	2016
Rendering of services		2,723,260	2,701,060
Sale of goods		173,349	141,428
Revenue		2,896,609	2,842,488
Cost of sales	14	(598,431)	(578,456)
Gross profit		2,298,178	2,264,032
Operating expenses			
Personnel costs	15(a)	(718,531)	(852,987)
Re-organisation cost	15(b)	(11,569)	199,582
Maintenance and repairs		(398,542)	(364,108)
Other	15(c)	(582,731)	(513,779)
		586,805	732,740
Depreciation and amortisation	3&4	(390,984)	(722,044)
Impairment charge	3	-	(375,000)
Operating profit/(loss)		195,821	(364,304)
Finance income		1,819	2,500
Finance costs	15(d)	(54,372)	(27,690)
Profit/(loss) before tax		143,268	(389,494)
Taxation (expense)/benefit	6(b)	(94,768)	88,749
Profit/(loss) after tax		48,500	(300,745)
Other comprehensive profit/(loss)			
Net other comprehensive income/(loss) not to be re-classified to profit or loss in subsequent periods			
Re-measurement profit/(loss) on defined benefit plans	5	1,600	(20,500)
Income tax effect	6(e)	(480)	5,125
Other comprehensive income/(loss) for the year, net of tax		1,120	(15,375)
Total comprehensive income/(loss) for the year		49,620	(316,120)

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

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017
(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	Stated capital	Retained earnings	Total equity
Year ended 31 March 2016				
Balance as at 1 April 2015		572,717	2,007,195	2,579,912
Total comprehensive loss for the year		-	(316,120)	(316,120)
Dividends	22	-	(106,447)	(106,447)
Balance at 31 March 2016		572,717	1,584,628	2,157,345
Year ended 31 March 2017				
Balance as at 1 April 2016		572,717	1,584,628	2,157,345
Total comprehensive income for the year		-	49,620	49,620
Dividends	22	-	-	-
Balance at 31 March 2017		572,717	1,634,248	2,206,965

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

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017
(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	31 March 2017	2016
Operating activities			
Profit/(loss) before tax		143,268	(389,494)
Adjustments for:			
(Gain)/loss on disposal of property, plant and equipment		(15,166)	49,956
Amortisation of deferred income		–	(2,025)
Depreciation and amortisation	3&4	390,985	722,044
Impairment charge	3	–	375,000
Finance costs	15(d)	54,372	27,690
Finance income		(1,819)	(2,500)
Net pension cost	5	52,500	157,300
Operating profit before working capital changes		624,140	937,971
Increase in trade and other receivables		(61,901)	(27,492)
Decrease/(increase) in inventories		8,902	(20,995)
Decrease in employee benefits		(31,660)	(808,122)
Decrease in deferred revenues		(27,198)	(5,732)
(Decrease)/increase in trade and other payables		(199,494)	157,830
Cash flows from operating activities		312,789	233,460
Interest paid		(51,628)	(28,418)
Taxes paid		(25,254)	(12,997)
Pension contributions paid	5	(133,800)	(114,100)
Net cash flows from operating activities		102,107	77,945
Investing activities			
Purchase of property, plant and equipment	3 & 25	(530,320)	(594,055)
Proceeds from sale of property, plant and equipment		731	–
Interest received		1,459	2,463
Net cash flows used in investing activities		(528,130)	(591,592)

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

TELECOMMUNICATIONS SERVICES OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017
(Expressed in thousands of Trinidad and Tobago Dollars)
(Continued)

	Notes	31 March 2017	2016
Financing activities			
Proceeds from borrowings		2,046,829	453,314
Repayment of borrowings		(1,250,680)	(188,332)
Dividends paid	22	–	(106,447)
Net cash flows from financing activities		796,149	158,535
Net increase/(decrease) in cash and cash equivalents		370,126	(355,112)
Cash and cash equivalents at the beginning of year		447,512	802,624
Cash and cash equivalents at 31 March	9	817,638	447,512

Non cash investing and financing transactions

Additions to property, plant and equipment in 2017 amounting to $35.6m (2016: $13m) 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 accompanying notes form an integral part of these financial statements.

1. Incorporation and principal activity

Telecommunications Services of Trinidad and Tobago Limited ("the Company") 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. The principal activities are 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.

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.

2. Significant accounting policies

a) Statement of compliance and basis of preparation

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

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

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

b) Standards adopted during the year

New and amended standards and interpretations

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2016 except for the standards and interpretations noted below. The nature and impact of each new standard and amendment are described.

2. Significant accounting policies (continued)

b) Standards adopted during the year (continued)

New and amended standards and interpretations (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Effective 1 January 2016

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Company.

Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations – Effective 1 January 2016

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Company.

2. Significant accounting policies (continued)

b) Standards adopted during the year (continued)

New and amended standards and interpretations (continued)

IFRS 14, 'Regulatory Deferral Accounts' – Effective 1 January 2016

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is not subject to rate regulation, this standard does not apply.

Amendments to IAS 1 Disclosure Initiative – Effective 1 January 2016

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Company.

2. Significant accounting policies (continued)

b) Standards adopted during the year (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation – Effective 1 January 2016

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments had no impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants – Effective 1 January 2016

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company as the Company does not have any bearer plants.

Amendments to IAS 27 Equity Method in Separate Financial statements – Effective 1 January 2016

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments have no impact on the Company's financial statements.

2. Significant accounting policies (continued)

b) Standards adopted during the year (continued)

New and amended standards and interpretations (continued)

Annual improvements to IFRSs 2012-2014 Cycle – Published September 2014

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

- IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 – Financial Instruments: Disclosures
- IAS 19 – Employee Benefits
- IAS 34 – Interim Financial Reporting

These improvements were effective for annual periods beginning on or after 1 January 2016 and had no impact on the Company.

c) Standards issued but not yet effective

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

- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses – Effective 1 January 2017

- Amendments to IAS 7 – Disclosure Initiative – Effective 1 January 2017

- IFRS 9 – Financial Instruments – Effective 1 January 2018

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

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Effective 1 January 2018

- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Effective 1 January 2018

- IFRS 16 – Leases – Effective 1 January 2019

- 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.

2. Significant accounting policies (continued)

d) 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 Company 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 statement of financial position, as negotiations between the Company 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 Company'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).

- Provision for inventory obsolescence - The Company 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 Company 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 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).

2. Significant accounting policies (continued)

d) Significant accounting judgements, estimates and assumptions (continued)

- Impairment of non-financial assets – The Company reviews on annual basis its impairment on the Converged and Mobile CGU's. 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 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 Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate of 17.91% used or the DCF model as well as the expected future cash-inflows and the negative terminal growth rate of 12% used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 3.

- Change in Useful Lives of Property, Plant and Equipment - The Company 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 (g)).

e) 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 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.

2. Significant accounting policies (continued)

f) 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 Company 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 income statement. 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 statement of comprehensive income.

g) 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 statement of comprehensive income.

(Expressed in thousands of Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

g) Property, plant and equipment (continued)

i. Plant in service (continued)

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

Properties	
Freehold properties	50 years
Leasehold properties	Over the period of lease
Technical assets	
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
Other	
Air conditioning	15 years
Furniture and office equipment including computers	3-10 years
Tools and implements	5 years
Vehicles	4-5 years

The useful lives of central office equipment, customer installations, external cable for plant and tool and implements were reduced as at March 2016. This resulted in an increase in the depreciation charge in the prior year (see Note 3).

This was considered a change in estimate and therefore was treated prospectively in the financial statements in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors due to its impact in future periods.

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.

2. Significant accounting policies (continued)

g) 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

h) 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 Company 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 statement of comprehensive income in the expense category consistent with the function of the intangible asset.

2. Significant accounting policies (continued)

h) 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 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 Company with dedicated wavelength bandwidth arising from the submarine cable system (Note 2j). 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.

The estimated useful life of intangible assets is 3-10 years.

i) Impairment of non-financial assets

At each reporting date, the Company 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 Company 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 statement of comprehensive income.

2. Significant accounting policies (continued)

i) 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 Company 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 statement of comprehensive income.

j) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Company 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 Company 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 Company 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 statement of comprehensive income.

k) Employee benefits

i. Defined benefit plans

The Company 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.

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.

2. Significant accounting policies (continued)

k) Employee benefits (continued)

i. Defined benefit plans (continued)

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Company) and the return on plan assets (excluding net interest), are recognised immediately in the 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 Company recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'personnel costs' in the 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

ii. Post-employment medical benefit plan

Since 1 September 1997, the Company operated a post-employment medical benefit plan that was insured with Colonial Life Insurance Company (CLICO) and was run alongside an arrangement to provide in-service medical benefits to employees. Effective October 2010, CARDEA was appointed as the permanent administrator of the Company's post-employment medical benefit plan under the same conditions as CLICO. CARDEA was a third party who was responsible for the payment of claims made by employees based on the employees and employer's monthly contributions.

Effective February 2012 the Company ceased contributions to the post-employment medical plan. As a result, the post-employment medical liability recorded at the reporting date is nil.

2. Significant accounting policies (continued)

l) Financial instruments

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

Financial instruments carried on the 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.

m) 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.

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.

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

m) **Taxation** (continued)

ii. **Deferred tax** (continued)

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.

n) **Provisions**

General
Provisions are recognised when the Company 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 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 Company 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.

o) **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.

Company as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, 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 statement of comprehensive income.

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

o) **Leases** (continued)

Company as a lessee (continued)
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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 statement of comprehensive income on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company 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.

p) **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 Company.

q) **Inventories**

Inventories held for use in the maintenance of the Company'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.

r) **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position and for the purpose of the 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.

s) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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.

2. Significant accounting policies (continued)

s) Revenue recognition (continued)

The Company 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 Company'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.

ii. Mobile

Mobile revenues are earned by providing access to, and usage of, the Company'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 Company policy.

In revenue arrangements including more than one deliverable (e.g. sale of handsets and other telecommunication service contracts), the Company 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).

2. Significant accounting policies (continued)

s) Revenue recognition (continued)

ii. Mobile (continued)

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.

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 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.

2. Significant accounting policies (continued)

t) 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 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 statement of comprehensive income.

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires. 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 statement of comprehensive income.

u) 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.

v) Dividend distribution

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

(Expressed in thousands of Trinidad and Tobago Dollars)

3. Property, plant and equipment

Cost:

	As at 1 April 2016	Additions/ transfers	Disposals	As at 31 March 2017
Properties				
Freehold properties	479,479	2,527	(1,019)	480,987
Leasehold properties	217,550	501	–	218,051
	697,029	3,028	(1,019)	699,038
Technical assets				
Central office equipment	3,303,214	547,760	(323,685)	3,527,289
Customers' installations	1,166,754	87,942	–	1,254,696
External cable plant	1,862,651	60,803	(1,263)	1,922,191
Plant and machinery	31,416	(4,187)	–	27,229
Towers	175,716	18,595	–	194,311
Underground conduit	442,204	2,407	–	444,611
Share of cable systems	176,049	–	–	176,049
Security equipment	316,786	70,823	(1,230)	386,379
Finance leased assets	261,481	(261,481)	–	–
	7,736,271	522,662	(326,178)	7,932,755
Other				
Air conditioning	53,781	2,737	(61)	56,457
Computer equipment	1,404,351	89,604	(4,308)	1,489,647
Furniture and fittings	28,676	1,127	–	29,803
Tools and implements	72,266	6,641	(1,317)	77,590
Vehicles	71,120	–	(5,316)	65,804
Plant under construction	663,162	(59,839)	–	603,323
	2,293,356	40,270	(11,002)	2,322,624
Total cost	10,726,656	565,960	(338,199)	10,954,417

(Expressed in thousands of Trinidad and Tobago Dollars)

3. Property, plant and equipment (continued)

Accumulated depreciation and impairment:

	As at 1 April 2016	Depreciation charges	Disposals	As at 31 March 2017
Properties				
Freehold properties	152,163	8,776	(32)	160,907
Leasehold properties	64,669	1,631	–	66,300
	216,832	10,407	(32)	227,207
Technical assets				
Central office equipment	2,622,072	252,146	(166,358)	2,707,860
Customers' installations	1,106,534	29,751	–	1,136,285
External cable plant	1,516,586	58,092	(139)	1,574,539
Plant and machinery	19,382	1,772	–	21,154
Towers	89,294	9,091	–	98,385
Underground conduit	195,082	9,515	–	204,597
Share of cable systems	105,164	7,125	–	112,289
Security equipment	189,331	122,199	(1,230)	310,300
Finance leased assets	196,013	(196,013)	–	–
	6,039,458	293,678	(167,727)	6,165,409
Other				
Air conditioning	31,103	2,548	(6)	33,645
Computer equipment	1,153,519	71,047	(4,043)	1,220,523
Furniture and fittings	19,808	2,054	–	21,862
Tools and implements	59,927	5,122	(146)	64,903
Vehicles	69,557	745	(5,316)	64,986
	1,333,914	81,516	(9,511)	1,405,919
Total accumulated depreciation	7,590,204	385,601	(177,270)	7,798,535
Central office equipment	550,359	–	(175,359)	375,000
Total accumulated impairment	550,359	–	(175,359)	375,000
Total accumulated depreciation and impairment	8,140,563	385,601	(352,629)	8,173,535
Net carrying amount	2,586,093			2,780,882

(Expressed in thousands of Trinidad and Tobago Dollars)

3. Property, plant and equipment

Cost:

	As at 1 April 2015	Additions/ transfers	Disposals	As at 31 March 2016
Properties				
Freehold properties	479,405	74	-	479,479
Leasehold properties	217,550	–	–	217,550
	696,955	74	–	697,029
Technical assets				
Central office equipment	3,222,038	178,460	(97,284)	3,303,214
Customers' installations	1,142,371	44,957	(20,574)	1,166,754
External cable plant	1,836,496	26,155	–	1,862,651
Plant and machinery	27,229	4,187	-	31,416
Towers	170,857	4,859	–	175,716
Underground conduit	438,300	3,904	–	442,204
Share of cable systems	176,049	–	–	176,049
Security equipment	250,901	65,885	-	316,786
Finance leased assets	260,194	1,287	-	261,481
	7,524,435	329,694	(117,858)	7,736,271
Other				
Air conditioning	52,617	1,164	-	53,781
Computer equipment	1,270,733	137,143	(3,525)	1,404,351
Furniture and fittings	27,734	942	-	28,676
Tools and implements	72,377	(37)	(74)	72,266
Vehicles	71,274	-	(154)	71,120
Plant under construction	525,064	138,098	–	663,162
	2,019,799	277,310	(3,753)	2,293,356
Total cost	10,241,189	607,078	(121,611)	10,726,656

(Expressed in thousands of Trinidad and Tobago Dollars)

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

Accumulated depreciation and impairment:

	As at 1 April 2015	Depreciation charges	Disposals	As at 31 March 2016
Properties				
Freehold properties	143,627	8,536	–	152,163
Leasehold properties	55,816	8,853	–	64,669
	199,443	17,389	–	216,832
Technical assets				
Central office equipment	2,440,937	225,229	(44,094)	2,622,072
Customers' installations	1,058,077	67,858	(19,401)	1,106,534
External cable plant	1,359,553	157,033	–	1,516,586
Plant and machinery	17,288	2,094	–	19,382
Towers	80,957	8,337	–	89,294
Underground conduit	184,005	11,077	–	195,082
Share of cable systems	97,529	7,635	–	105,164
Security equipment	143,136	46,195	–	189,331
Finance leased assets	172,103	23,910	–	196,013
	5,553,585	549,368	(63,495)	6,039,458
Other				
Air conditioning	28,175	2,928	–	31,103
Computer equipment	1,031,156	125,888	(3,525)	1,153,519
Furniture and fittings	17,788	2,020	–	19,808
Tools and implements	42,283	17,713	(69)	59,927
Vehicles	68,802	909	(154)	69,557
	1,188,204	149,458	(3,748)	1,333,914
Total accumulated depreciation	6,941,232	716,215	(67,243)	7,590,204
Central office equipment	175,359	375,000	–	550,359
Total accumulated impairment	175,359	375,000	–	550,359
Total accumulated depreciation and impairment	7,116,591	1,091,215	(67,243)	8,140,563
Net carrying amount	3,124,598			2,586,093

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

Impairment

The Company has noted no material transactions or industry developments that will trigger an impairment test within this financial year for the mobile services CGU. In respect of the converged services CGU, which comprises mainly fixed line, broadband, enterprise and IPTV, there have been declining fixed line revenues, which prompted an impairment review for this CGU.

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) and 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 recoverable amount for this CGU was $1,361m (2016: $1,275m) using the value in use Calculation. The net present value of future cash flows was calculated using the Company's estimated discount rate which was 16.2% (2016:14.6%). This was 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.

Growth rate assumptions					
	YR 1	YR 2	YR 3	YR 4	YR 5
Fixed line revenue	(7%)	(7%)	(7%)	(7%)	(7%)
Broadband revenue	0%	0%	0%	0%	0%
IPTV revenue	(6%)	(6%)	(6%)	(6%)	(6%)
Enterprise revenues	0%	0%	0%	0%	0%

The pivotal assumptions the Company used in its testing were:

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

As a result of the updated analysis, the Converged Services CGU calculation resulted in an impairment loss of $375m which was recognised in the statement of comprehensive income in 2016.

(Expressed in thousands of Trinidad and Tobago Dollars)

3. Property, plant and equipment (continued)

Changes in useful lives

There were no changes in the depreciation rates in the current year. As at March 2016, changes in depreciation rates led to an increase of $197.2m, which affected assets within the external cable plant, central office equipment, customers' installation and tools categories.

The Company has no idle property, plant and equipment valued at nil (2016: $4.3m). The gross carrying amount of fully depreciated property, plant and equipment that is still in use is approximately $4.8m (2016: $4.6m). The total labour costs capitalised for the year amounted to $17.9m (2016: $17.6m).

Share of cable systems

Share of cable systems refers to the Company'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 2017 classified as technical assets amounted to nil (2016: $73.8m).

4. Intangible assets

	2017	2016
Cost		
At 1 April	141,805	141,805
Additions	–	–
At 31 March	141,805	141,805
Accumulated amortisation		
At 1 April	101,175	95,346
Charge for the year	5,384	5,829
At 31 March	106,559	101,175
Net carrying amount	35,246	40,630

(Expressed in thousands of Trinidad and Tobago Dollars)

5. Pension

The Company 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 2017 included $17.6m 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 2017 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.

	Defined benefit plan	
Amounts recognised in the statement of financial position	**2017**	**2016**
Present value of defined benefit plan obligation	(3,893,000)	(3,706,300)
Fair value of defined benefit plan assets	4,333,300	4,063,700
Net defined benefit plan asset	440,300	357,400

(Expressed in thousands of Trinidad and Tobago Dollars)

5. Pension (continued)

	Defined benefit plan 2017	Defined benefit plan 2016
Amounts recognised in the statement of comprehensive income		
Current service cost	70,100	83,500
Interest costs	(21,300)	(19,400)
Expense allowance	3,700	3,700
Past service cost	-	89,500
Net benefit cost	52,500	157,300
Changes in the present value of the defined benefit plan obligation		
At 1 April	3,706,300	3,734,800
Service cost	70,100	83,500
Interest costs	202,200	188,800
Members' contribution	33,900	34,400
Past service cost	-	89,500
Re-measurements		
- Experience adjustments	46,100	(12,700)
- Actuarial gains from changes in financial assumptions	-	(279,000)
Benefits paid	(165,600)	(133,000)
At 31 March	3,893,000	3,706,300
Changes in the fair value of the defined benefit plan assets		
At 1 April	4,063,700	4,155,900
Interest income	223,500	208,200
Expected return on plan asset	47,700	(312,200)
Employer contributions	133,800	114,100
Members' contributions	33,900	34,400
Expenses allowance	(3,700)	(3,700)
Benefits paid	(165,600)	(133,000)
At 31 March	4,333,300	4,063,700

(Expressed in thousands of Trinidad and Tobago Dollars)

5. Pension (continued)

	Defined benefit plan 2017	2016
Reconciliation of the opening and closing statement of financial position entries		
Opening defined benefit plan asset	357,400	421,100
Net benefit cost	(52,500)	(157,300)
Re-measurements recognised in other comprehensive income	1,600	(20,500)
Employer contributions	133,800	114,100
Closing benefit plan asset	440,300	357,400

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

	2017	2016
Locally listed equities	1,412,900	1,343,300
Overseas equities	563,100	468,300
TT$ bonds	1,459,700	1,380,100
US$ bonds	381,100	335,200
Cash and cash equivalents	504,500	522,700
Other (annuity policies)	12,000	14,100
Total	4,333,300	4,063,700

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:	Defined benefit plan 2017 %pa	2016 % pa
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:

(Expressed in thousands of Trinidad and Tobago Dollars)

5. Pension (continued)

	2017	2016
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 2017 would have changed as a result of a change in the assumptions used.

March 2017	**1% p.a. increase**	**1% p.a. decrease**
Discount rate	(490,100)	619,100
Future salary increases	189,100	(164,400)
March 2016	**1% p.a. increase**	**1% p.a. decrease**
Discount rate	(469,700)	594,000
Future salary increases	185,300	(161,300)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 31 March 2017 by $73.5m (2016: $68.1m).

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 2017 to 31 March 2018 amounts to approximately $92.7m (1 April 2016 to 31 March 2017: $95.1m).

(Expressed in thousands of Trinidad and Tobago Dollars)

5. Pension (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 27.70% until the next actuarial valuation.

6. Taxation

	2017	2016
a) Components of the taxation expense		
Deferred tax expense	68,687	(101,256)
Green fund levy	8,695	3,949
Business levy	17,386	8,558
Taxation expense/(benefit)	94,768	(88,749)
b) Reconciliation of expected taxation expense to effective taxation expense		
Profit/(loss) before tax	143,268	(389,494)
Tax at 25%	35,817	(97,373)
Green fund levy/Business levy	26,081	12,507
Non-taxable income	(6,050)	(4,843)
Non-deductible expense	9,441	4,056
Other	1,739	(3,096)
Change in deferred tax expense as a result of changes in enacted tax rate	27,740	–
Taxation expense/(benefit)	94,768	(88,749)

As at the year end, the Government of Trinidad and Tobago enacted the Finance Act No. 10 of 2016 which increased the rate of corporation tax on chargeable income greater than $1 million from 25% to 30% from 1 January 2017. The change in tax rate impacted the deferred tax assets and liabilities of Company and reduced the Company's net assets as at 31 March 2017 by $27.8 million. Of this amount, $27.3 million is recognised as the deferred tax expense for the year in the statement of income, and $0.5 million is also recognised in the current year within the tax impact of re-measurement gains on defined benefit plans in the statement of comprehensive income.

(Expressed in thousands of Trinidad and Tobago Dollars)

6. Taxation (continued)

		2017	2016
c)	**Components of deferred tax assets**		
	Interest payable	371	392
	Re-measurement of defined benefit plan	(480)	5,125
	Unutilised tax losses	166,095	101,143
		165,986	106,660
d)	**Components of deferred tax liabilities**		
	Property, plant and equipment	(201,490)	(110,744)
	Unrealised currency loss	198	810
	Defined benefit plan asset	(131,612)	(94,476)
		(332,904)	(204,410)
e)	**Deferred tax relating to items recognised in OCI during the year**		
	Income tax effect of re-measurement loss on defined benefit plan	(480)	5,125

f) **Tax losses**

The Company presently has significant unutilised tax losses of $553.7m (2016: $404.6m) 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 $166m have been recognised as at 31 March 2017 (2016: $101.1m). An additional tax loss was incurred in March 2017 amounting to $149.1m. 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.

(Expressed in thousands of Trinidad and Tobago Dollars)

7. Inventories

Inventories	2017	2016
Material and supplies	61,522	66,827
Cable	42,779	47,518
Cellular	36,101	36,101
Business systems	13,350	12,006
Goods in transit	11,040	3,912
Broadband	6,928	10,751
Provision for inventory obsolescence	(44,380)	(40,873)
	127,340	136,242

The write-down of inventories included under "other expenses" in the statement of comprehensive income was $6.9m in March 2017, (2016: $4.2m) (see Note 15(c)).

8. Trade and other receivables

Trade and other receivables	2017	2016
Amount due from customers	594,390	607,635
Telecommunications administrators	35,714	49,718
Gross receivables	630,104	657,353
Less: Provision for doubtful debts	(200,924)	(222,996)
	429,180	434,357
Cable and Wireless entities (net of provision for doubtful debts)	646	646
Sundry debtors and prepayments (see Note 20)	107,815	88,332
	537,641	523,335

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

Movements on the provision for doubtful debts is as follows:	2017	2016
At 1 April	222,996	183,053
Charge for the year (Note 15 (c))	15,631	59,783
Utilised	(37,703)	(19,840)
At 31 March	200,924	222,996

The provision for bad and doubtful debts policy was changed effective 1 April 2016. This resulted in a decrease in the bad debt expense in the current year by $16.2m.

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

(Expressed in thousands of Trinidad and Tobago Dollars)

8. Trade and other receivables (continued)

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 2017	429,180	109,127	73,064	24,555	132,825	60,398	29,211
March 2016	434,357	106,708	69,197	36,356	136,835	54,497	30,764

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

9. Cash and cash equivalents

	2017	2016
Short-term deposits	481,449	127,323
Cash at bank and in hand	294,956	313,287
Restricted cash	41,233	6,902
	817,638	447,512

The Company 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 the Company 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

	2017	2016
Authorised		
1,300,000,000 ordinary shares of no par value		
Issued		
282,820,361 ordinary shares of no par value	572,717	572,717

(Expressed in thousands of Trinidad and Tobago Dollars)

11. Borrowings

	Interest rate %	Maturity date	2017	2016
Current interest-bearing loans and borrowings				
Obligations under finance lease (Note 19 c)	–	–	–	27,571
Vendor financing Cisco $US14,271,364	2.50%	Apr 2017-Mar 2022	14,179	13,867
Vendor financing Huawei $US41,800,977	3.65% - 5.15%	Dec 2017-Oct 2019	142,303	28,639
TT$270,000,000 loan	3.85%	8 Dec 2017	33,750	45,000
TT$700,000,000 loan	2.35%	31 Mar 2017	–	700,000
Total current portion			190,232	815,077
Non-current interest-bearing loans and borrowings				
Obligations under finance lease (Note 19 c)	–	–	–	–
Vendor financing Cisco $US14,271,364	2.50%	Apr 2017-Mar 2022	41,118	23,467
Vendor financing Huawei $US41,800,977	3.65% - 5.15%	Dec 2017-Oct 2019	47,834	75,101
TT$270,000,000 loan	3.85%	8 Dec 2017	–	33,750
TT$1,000,000,000 bond	6.01%	17 Mar 2029	1,000,000	–
TT$500,000,000 bond	5.51%	24 Mar 2022	500,000	–
Total non-current portion			1,588,952	132,318
Total borrowings			1,779,184	947,395

Currency denomination of borrowings:	**2017**	**2016**
US dollar	245,434	168,645
TT dollar	1,533,750	778,750
	1,779,184	947,395
Interest rate profile:		
Fixed rate	1,779,184	947,395

(Expressed in thousands of Trinidad and Tobago Dollars)

12. Trade and other payables

	2017	2016
Trade payables	35,825	54,703
Telecom administrators	7,074	7,090
Cable and Wireless entities	12,511	5,623
Accrual – other	314,084	350,053
Other payables	19,161	167,936
	388,655	585,405

13. Deferred revenues

	2017	2016
Mobile	74,772	97,403
Finance lease income (Note 19 (c))	-	2,025
Other	8,837	11,379
	83,609	110,807

Mobile deferred revenue movement:

	2017	2016
At 1 April	97,403	104,172
Additions during the year	545,085	563,302
Released to statement of comprehensive income during the year	(567,716)	(570,071)
At 31 March	74,772	97,403

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).

14. Cost of sales

	2017	2016
Equipment usage	238,456	215,674
Outpayments	220,934	236,382
Commissions	139,041	126,400
	598,431	578,456

15. Operating expenses

a) Personnel costs

	2017	2016
Salaries and related costs	707,140	706,616
Post-employment benefits	11,008	146,162
Workmen compensation	383	209
	718,531	852,987

(Expressed in thousands of Trinidad and Tobago Dollars)

15. Operating expenses (continued)

b) Re-organisation costs

The Company 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, which resulted in a provision in 2014 of $694m.

The Company's 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 2016, this revision has resulted in a reduction of the original provision for re-organisation costs amounting to $199.6m which reflects management's revised position. This was considered a change in estimate and therefore was treated prospectively in the financial statements in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. It is not expected that there would be any impact of management's revised position on future periods.

The Company's management revisited the financial provision again as at 31 March 2017 and this resulted in an additional provision of $11.7m which reflects management's revised position.

As at 31 March 2017, the restructuring provisions amounted to $3.1m (2016: $18.7m) and is included as part of employee benefits.

c) Other expenses

Other expenses	2017	2016
Contract services	171,449	159,354
Advertising	95,316	81,498
Rentals	68,950	66,264
License fees	45,527	35,352
Foreign exchange loss	40,155	13,333
Miscellaneous	36,265	15,471
Electricity	24,263	23,911
Supplies and related expenses	19,866	15,385
Training and foreign travel	17,660	11,117
Insurance	15,920	14,953
Bad debt charges (Note 8)	15,631	59,783
Rates and taxes	10,098	972
Stock write-off/provision for obsolescence (Note 7)	6,970	4,179
Janitorial service	6,902	5,017
Stationery	6,102	5,377
Directors' remuneration	1,657	1,813
	582,731	513,779

(Expressed in thousands of Trinidad and Tobago Dollars)

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. This amounted to $9.3m at year end.

d) Finance costs

	2017	2016
Interest on overdrafts and other finance costs	1,328	2,496
Interest on borrowings	53,055	25,194
	54,372	27,690

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 Company'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 2017				
Technical and professional fees	–	15,267	–	4,516
Traffic settlement	131	3,414	1,672	4,142
Provision for doubtful debts	–	–	–	–
Total	131	18,681	1,672	8,658

(Expressed in thousands of Trinidad and Tobago Dollars)

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
March 2016				
Technical and professional fees	–	4,972	–	4,115
Traffic settlement	640	3,216	479	2,982
Provision for doubtful debts	–	–	–	–
Total	640	8,188	479	7,097

b) Government – related entities

The National Enterprises Limited (NEL), the majority shareholder of the Company, 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 Company has entered into a contract with the Ministry of National Security for the provision of video surveillance services at their respective business locations. There were no service provision contracts with WASA for the current year. The revenue earned from the Ministry of National Security for the current year amounts to $229.5m (2016: $149.5m) and WASA nil (2016: $2.3m) respectively.

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

The Company 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:

	2017	2016
Short-term benefits	7,615	5,850
Voluntary separation plan	3,431	7,559
Post-employment pension and medical benefits	427	521
	11,473	13,930

(Expressed in thousands of Trinidad and Tobago Dollars)

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.

	2017	2016
At 1 April	272,500	1,080,622
Additional provision during the year	838,767	1,665,161
Amounts paid	(834,733)	(2,273,701)
Unused amounts reversed	(35,694)	(199,582)
At 31 March	240,840	272,500

18. Financial risk management objectives and policies

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

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

a) Foreign exchange risk

The Company 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 Company's profit before tax. The Company's exposure to foreign currency changes for all other currencies is not material.

(Expressed in thousands of Trinidad and Tobago Dollars)

18. Financial risk management objectives and policies (continued)

a) Foreign exchange risk (continued)

	Currency	Change in exchange rate	Effect on profit before tax $'000
March 2017	US$	+3%	2,851
	US$	–3%	(2,851)
March 2016	US$	+3%	3,563
	US$	–3%	(3,563)

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

	TT$	US$	UK£	Total
At 31 March 2017				
Financial assets				
Cash and cash equivalents	595,717	221,921	–	817,638
Trade and other receivables	522,355	15,286	–	537,641
Financial liabilities				
Total borrowings	1,533,750	245,434	–	1,779,184
Trade and other payables	157,267	230,036	1,352	388,655
At 31 March 2016				
Financial assets				
Cash and cash equivalents	174,615	272,897	–	447,512
Trade and other receivables	505,277	18,058	–	523,335
Financial liabilities				
Total borrowings	778,750	168,645	–	947,395
Trade and other payables	358,235	222,784	4,386	585,405

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 Company 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 Company 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 Company 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 Company'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 Company'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 Company does not hold collateral as security.

The maximum exposure to credit risk as at 31 March 2017 is the carrying value of cash and cash equivalents (Note 9) and trade and other receivables (Note 8).

(Expressed in thousands of Trinidad and Tobago Dollars)

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 Company 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 Company's borrowings based on contractual undiscounted payments.

	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Year ended 31 March 2017				
Borrowings	285,338	1,199,870	857,964	2,343,172
Trade and other payables	388,655	–	–	388,655
Employee benefits	240,840	–	–	240,840
Year ended 31 March 2016				
Borrowings	815,677	132,318	–	947,995
Trade and other payables	585,405	–	–	585,405
Employee benefits	272,500	–	–	272,500

e) Fair value

The carrying amounts of the Company'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	
	2017	2016	2017	2016
Borrowings	1,779,184	947,395	1,821,249	924,155

(Expressed in thousands of Trinidad and Tobago Dollars)

19. Financial commitments

a) Capital expenditure commitments

At 31 March 2017, the Company has commitments of $150.2m (2016: $137.3m) for the acquisition of property, plant and equipment incidental to the ordinary course of business.

The Company has contractual obligations to Huawei International PTE Limited and Huawei Technologies (T&T) Limited of $16.4m (2016: $34m) 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.

b) Operating lease commitments

The Company 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 $16m and $13m for the years ended 31 March 2017 and 31 March 2016 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:

	2017	2016
Within one year	15,674	12,750
After one year but not more than five years	38,095	27,155
More than five years	24,050	16,989
Total	77,819	56,894

c) Finance lease commitments

The Company entered into sale and leaseback arrangements for network equipment in 2010 and 2011. The assets were leased back to the Company at its fair value.

	2017	2016
Deferred income - finance lease		
Amounts to be released within one year	-	2,025
	-	2,025

The current portion of the deferred income on the above finance lease is included as part of the deferred revenues amount in the statement of financial position.

(Expressed in thousands of Trinidad and Tobago Dollars)

19. Financial commitments (continued)

c) Finance lease commitments (continued)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments as at 31 March are as follows:

	2017		2016	
	Total minimum lease payments	Present value of minimum lease payments	Total minimum lease payments	Present value of minimum lease payments
After one year but not more than five years	–	–	–	–
More than five years	–	–	–	–
Total minimum lease payments	–	–	28,104	27,571
Less amount representing finance charges	–	–	(533)	–
	–	–	27,571	27,571

20. Long term prepayment

The Company 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 $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:

	2017	2016
Within one year	12,143	7,834
After one year but not more than five years	43,835	31,335
More than five years	75,638	40,185
Non-current	119,473	71,520
Total	131,616	79,354

21. Contingent liabilities

a) In the normal course of business, the Company 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 Company 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 $18.3 million as at year end (2015: $18.3 million).

b) The Company 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 Company 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 2017 was approximately $39.1m (2016: $37.8m).

22. Dividends paid and proposed

Dividends relative to 2017 were nil. Dividends for 2016, amounting to approximately $106.4m, ($0.38 per share), were declared and paid during the year.

23. Capital disclosures

The Company's objectives when managing capital are:

- To safeguard the Company'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 Company sets the amount of capital in proportion to risk. The Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(Expressed in thousands of Trinidad and Tobago Dollars)

23. Capital disclosures (continued)

Consistent with others in the industry, the Company 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 statement of financial position).

The Company's short-term objectives for the financial year 2016/2017 were to consolidate its operations and maintain its profit making position. The Company, by its nature, is experiencing exponential changes in its technology infrastructure and is also operating in a competitive marketplace. As such, the Company 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:

	2017	2016
Profit/(loss) after tax	48,500	(300,745)
Shareholders' equity	2,206,965	2,157,345
Capital employed	4,128,821	2,494,073
Return on shareholders' equity	2.20%	(13.94)%
After-tax return on capital employed	1.17%	(12.06)%

24. Post balance sheet event disclosure

Acquisition of Massy Communications Ltd.

On 2 May 2017, the Company acquired 100% of Massy Communications Ltd for $255m. The Company expects to recognize a $15m gain in the statement of income for the month on May 2017 based on the excess arising from this acquisition