AMALGAMATED TELECOM HOLDINGS LIMITED

AND SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

AMALGAMATED TELECOM HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the consolidated statement of financial position of Amalgamated Telecom Holdings Limited ("the Holding Company") and its subsidiary companies ("the Group", individually referred to as "group entities", see note 31 for investments in subsidiaries) as at 31 March 2021, the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and report as follows:

Directors

The following were directors of the Holding Company at any time during the financial year and up to the date of this report:

Mr Ajith Kodagoda – Chairperson (resigned on 16 December 2020)
Ms Kalpana Lal – Chairperson (with effect from 18 March 2021)
Mr Taito Waqa
Mr Umarji Musa
Mr David Kolitagane
Mr Arun Narsey (resigned on 16 December 2020)
Mr Tom Ricketts (resigned on 16 December 2020)
Ms Tupou'tuah Baravilala (appointed on 16 December 2020)
Mr Viliame Vodonaivalu (appointed on 16 December 2020)
Mr Pravinesh Singh (appointed on 16 December 2020)

Principal Activities

The principal activity of the Group during the year were the provision of telecommunications services. The principal activities of the operating subsidiary companies were as follows:

Entity	Principal Activities
Telecom Fiji Pte Limited	Telecommunication, ICT and data services, post and pre-paid telephony services, sale of telephone equipment, sale of office and computer equipment, provision of internet related services and selling of prepaid transactions cards.
Vodafone Fiji Pte Limited including its subsidiaries, Datec (Fiji) Pte Limited and its subsidiary, Datec Australia Pty Limited, Digitec ICT Limited (PNG), Etech ICT Pte Limited (Singapore) and Etech ICT Pty Limited (Australia).	Cellular mobile telecommunication services, cloud services, e-transport, other ancillary services on mobile platform and sale of computer hardware and software, ICT services, equipment rental, provision of technical support and other related services provided within the technology industry.
Fiji International Telecommunications Pte Limited (FINTEL)	International telecommunications facilities and provision of Internet related services.
Fiji Directories Pte Limited	Compiling and publishing online and print Fiji telephone directory services.
Amalgamated Telecom Holdings (Kiribati) Limited	Telecommunications and ICT services in the Republic of Kiribati.
Telecom Vanuatu Limited	Telecommunication services in the Republic of Vanuatu.
Amalgamated Bluesky Telecom Holdings LLC and its subsidiary companies including AST Telecom LLC, American Samoa Entertainment Inc., Bluesky Samoa Limited, Telecom Cook Islands Limited, TCNZ Cook Islands Limited, Teleraro Limited, Bluesky Pacific Holdings Limited, Bluesky Cook Islands Investment Limited, Bluesky Holding New Zealand Limited and Teleraro Management Limited	Equity investments, provision of mobile wireless (GSM) and broadband internet services, provision of telecommunication services which includes local and international telecommunications services, sale of telephone equipment, compilation and publishing of telephone directory, provision of internet connection and internet related services, operation of a mobile and fixed line telecommunications network and provision of cable services and internet.
eLandia Technologies, LLC and its subsidiary companies including American Samoa Hawaii Cable LLC and Samoa American Samoa Cable Limited	Equity investments, operation of an undersea fibre optic cable system and the sale of broadband capacity.
ATH International Venture Pte Limited and its subsidiary company including Digitec Communications Limited (PNG)	Equity investments and telecommunication services.

Principal Activities (cont'd)

There were no significant changes in the nature of principal activities of the Group during the financial year.

Results

The consolidated profit after income tax attributable to the members of the Holding Company for the financial year was $14,603,000 (2020: $14,271,000).

Dividends

No dividends were declared by the Holding Company for the year ended 31 March 2021 (2020: $Nil).

Basis of Accounting - Going Concern

The financial statements of the Group have been prepared on a going concern basis. The directors consider the application of the going concern principle to be appropriate in the preparation of these consolidated financial statements as the directors believe that the Group has adequate funds to meet its liabilities as and when they fall due over the next twelve months.

Bad Debts and Allowance for Expected Credit Loss

Prior to the completion of the financial statements of the Group, the directors took reasonable steps to ascertain that action had been taken in relation to writing off of bad debts and the making of allowance for expected credit loss. In the opinion of the directors, adequate allowance has been made for expected credit loss.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for expected credit loss in the Group, inadequate to any substantial extent.

Current and Non-Current Assets

Prior to the completion of the financial statements of the Group, the directors took reasonable steps to ascertain whether any current and non-current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group. Where necessary, these assets have been written down or adequate allowance has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to current and non-current assets in the Group's financial statements misleading.

Unusual Transactions

In the opinion of the directors, the results of the operations of the Group during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report, any item, transaction or event of a material unusual nature, likely in the opinion of the directors, to affect substantially the results of the operations of the Group in the current financial year.

Significant Events during the Year

(a) A rights issue offer was approved by the shareholders of the Holding Company, in accordance with Article 2.1 of the Articles of Association of the Holding Company at the Annual General Meeting of the Holding Company held on 6 November 2019. The rights issue offer was made as a non-renounceable entitlement offer of one (1) New Ordinary Share for every six point six six (6.66) Shares held by Eligible Shareholders registered at the Record Date at an issue price of $2.00 per Share.

All of the Ordinary Shares offered under this rights issue offer ranked equally with the Ordinary Shares on issue. During the year, due to the COVID-19 pandemic, the final closing date of the rights issue offer was extended to 19 April 2021 to assist retail shareholders to apply for their entitlement.

During the year a total of 25,807,044 new shares were issued pursuant to the above-mentioned rights issue offer. The Holding Company received valid applications for entitlements totaling $51,614,088 from Eligible Shareholders.

Additionally, in accordance with Article 2.12(iv) of the Articles of Association of the Holding Company, it was also approved that the Holding Company offer the balance of the shortfall shares at $2.00 per share to persons who were not shareholders of the Holding Company in order to increase the public spread of the Holding Company. This placement closed on 31 May 2021.

(b) The COVID 19 pandemic has wreaked havoc across the globe, leading to health and economic crisis in developed and developing countries alike. The social fallout from the pandemic has been immense with disparities in health outcomes between different social groups.

Fiji has been fortunate on this front, particularly from a health and social perspective, where for almost a year since the first case of COVID 19 was detected in March 2020, Fiji managed to avoid any COVID related health crisis. The second outbreak of the virus appears more serious as the virus has spread unexpectedly rapidly across the main island. Whilst the group entities operate in a COVID safe manner and took measures to prepare for such situations, this outbreak looks to have had a greater impact on the telecommunications sector due to the more severe resultant economic downturn.

The group entities, particularly, Vodafone Fiji Pte Limited and Telecom Fiji Pte Limited have been working with the relevant authorities to combat the rising health, economic and social implications due to this second wave.

The Group is confident that the products offered by the group entities, including the M-Paisa Platform, Vitikart app, the heavily discounted smartphones and continuing efforts to provide affordable and quality telecommunication services will help people keep in touch with each other during these difficult times. However, more importantly, robust, functioning telecommunications networks and services is a critical element in assisting Fiji and Fijians to bring this outbreak under control and will be an essential element in re-establishing a new normal.

Notably, the pandemic has caused an increase in demand for data from users here and abroad and the Group continues to invest in innovative technologies to enhance the customer experiences.

In terms of financial impact to the Group, the pandemic has caused loss in revenue for some of the group entities. However, the diversified revenue base of the Group has allowed the Group to cushion the impacts to some extent. Whilst the full impact of COVID-19 on the Group remains to be seen, the Group continues to monitor and assess its business operations daily and will undertake actions as appropriate.

The Group has implemented precautionary measures, protocols and has established, and continually reviews, plans for alternative arrangements and strategies under different scenarios to minimize the disruptions to its day-to-day operations.

Events Subsequent to Balance Date

On 27 April 2021, the holding company issued an additional 4,000,541 shares on the SPX platform subsequent to the rights issue expiry offer dated 19 April 2021.

Regarding the above-mentioned rights issue offer, a total of 26,677,646 new share applications were received.

Result of the Offer and Placement of shortfall shares:

A total of 63,379,109 shares were offered under the rights issue offer. A total of 56,485,231 pro-rata entitlement applications and short fall share applications were received.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group, the results of those operations, or the state of the affairs of the Group, in subsequent financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of any company in the Group has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which any company in the Group could become liable; and

(iii) no contingent liabilities or other liabilities of any company in the Group have become or are likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the Group's financial statements which would make adherence to the existing method of valuation of assets or liabilities of the Group misleading or inappropriate.

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits disclosed in the financial statements and / or those included in the aggregate amount of emoluments received or due and receivable by directors shown in the consolidated financial statements or received as the fixed salary of a full-time employee of any company in the Group or of a related corporation) by reason of a contract made by any company in the Group or by a related corporation with the director or with a company of which the director is a member, or with a company in which the director has a substantial financial interest.

For and on behalf of the board and in accordance with a resolution of the board of directors.

Dated this 31st day of **August 2021.**

Director

Director

DIRECTORS' DECLARATION

In the opinion of the directors of the Holding Company:

a) the accompanying consolidated statement of profit or loss and other comprehensive income of the Group is drawn up so as to give a true and fair view of the results of the Group for the year ended 31 March 2021;

b) the accompanying consolidated statement of financial position of the Group is drawn up so as to give a true and fair view of the state of the affairs of the Group as at 31 March 2021;

c) the accompanying consolidated statement of changes in equity of the Group is drawn up so as to give a true and fair view of the movement in shareholders' funds for the year ended 31 March 2021;

d) the accompanying consolidated statement of cash flows of the Group is drawn up so as to give a true and fair view of the cash flows of the Group for the year ended 31 March 2021;

e) at the date of this statement, there are reasonable grounds to believe that the group entities will be able to pay their debts as and when they become due and payable;

f) all related party transactions have been adequately recorded in the books of the group entities; and

g) the consolidated financial statements have been prepared in accordance with the Companies Act 2015.

For and on behalf of the board and in accordance with a resolution of the board of directors.

Dated this 31st day of **August 2021**.

Director	Director

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 395 OF THE COMPANIES ACT 2015

To: the Directors of Amalgamated Telecom Holdings Limited

As required under Section 395 of the Companies Act 2015, we declare that to the best of our knowledge and belief, in relation to the audit for the year ended 31 March 2021 and up to the date of this report there have been:

i. no contraventions of the Auditor independence requirements as set out in the Companies Act 2015 in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

Steve Nutley
Partner
Suva, Fiji
31August, 2021

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Amalgamated Telecom Holdings Limited ("the Holding Company") and its controlled entities (the "Group"), which comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out in notes 1 to 34.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the Companies Act 2015 and the ethical requirements that are relevant to our audit of the consolidated financial statements in Fiji and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of goodwill; and
- Revenue recognition.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill amount ($123,456K)	
Refer to Note 15(a) of the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 10% of total assets) and the higher estimation uncertainty continuing from the business disruption impact of the COVID-19 global pandemic. Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focussed on the significant forward-looking assumptions the Group applied in their value in use and fair value less costs of disposal models, including:	Working with our valuation specialists our procedures included: • considering the appropriateness of the value in use and fair value less costs of disposal methods applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • assessing the integrity of the value in use and fair value less costs of disposal models used, including the accuracy of the underlying formulas applied.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
• forecast cash flows – the Group has experienced the impact of travel restrictions throughout the Pacific and associated tourism spend, directly and indirectly, as a result of COVID-19. This impacted the Group through loss of revenue and collection uncertainty. These conditions and the uncertainty of their continuation increase the possibility of goodwill being impaired, plus the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. We focused on the expected rate of recovery for the Group and what the Group considers as its future business model when assessing the feasibility of the Group's revised COVID-19 forecast cash flows. • forecast growth rates and terminal growth rates – In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, reducing available headroom and indicating possible impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. • discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time, together with the models approach to incorporating risks into the cash flows or discount rates. The Group's modelling is highly sensitive to small changes in the discount rate. We involve our valuations specialists with the assessment. The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.	• meeting with management to understand the impact of COVID-19 to the Group. This included understanding changes in the Group's plans resulting from COVID-19, and potential future impacts to the Group. • assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • challenging the Group's significant forecast cash flow and growth assumptions in light of the expected continuation of unprecedented uncertainty of business disruption and impacts of the COVID-19 global pandemic. We compared forecast growth rates and terminal growth rates to authoritative published studies of industry trends and expectations, and considered differences for the Group's operations. We assessed key assumptions such as what the Group considers as their future business model. We used our knowledge of the Group, business and customers, and our industry experience. We sourced authoritative and credible inputs from our specialists. • checking the consistency of the growth rates to the Group's revised plans and our experience regarding the feasibility of these in the industry and COVID-19 economic environment in which they operate. • independently developing a discount rate range considered comparable using publicly available information for comparable entities, adjusted by risk factors specific to the Group, respective countries and the industry it operates in. • considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
In addition to the above, the Group recorded an impairment charge of $2,500,000 against goodwill. This further increased our audit effort in this key audit area. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	• recalculating the impairment charge against the recorded amount disclosed. • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Revenue recognition ($579,765K)

Refer to Note 3.1 and 6 of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit

We focused on revenue recognition as a key audit matter due to the:
• Group having complex billing systems to process large volumes of data with a combination of different telecommunication products and services and price changes during the year. This requires the involvement of our IT specialists, increases the complexity of our audit and resulting audit effort.
• significance of revenue to the financial performance of the Group and the potential for error or manipulation of results.
	Our procedures included:
	• obtaining an understanding of the Group's process of accounting for revenue.
	• assessing the Group's accounting policy for revenue recognition against the requirements of the accounting standards
	• assessing, with the assistance of our IT specialists, a sample of the Group's:
	  ◦ key internal controls in the general IT environment in which the business systems operate, including access to program controls, program change controls, program development controls and computer operation controls;
	  ◦ key internal IT controls in relation to the end-to-end reconciliation from the rating and billing systems to the accounting general ledger;
	• evaluating the key controls related to the:
	  ◦ authorisation of rate changes in the billing systems; and
	  ◦ accuracy of the calculation logic used to determine amounts billed to customers by performing testing of call, SMS and data services.
	• testing the end-to-end reconciliation from the Group's billing and rating IT systems to the general ledger. This included analysing a sample of significant journals processed between the billing system and general ledger to relevant underlying documentation, such as, invoices;

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

The key audit matter	How the matter was addressed in our audit
	• performing sample tests on the accuracy of customer bill generation by checking customer agreed rate and charge plans to sources such as customer terms and conditions contained in their contracts; • assessing new plans introduced during the current year to consider the application of revenue recognition in accordance with the Group's accounting policies and against the criteria in the accounting standards. • assessing a sample of the sales transactions on either side of the balance sheet date as well as a sample of credit notes issued after year end to relevant underlying documentation such as customer contracts to check revenue recognition in the correct period; • evaluating manual journal entries posted to revenue accounts, on a specific risk-based sample basis, and comparing details of these journal entries including, the date recorded and amount to relevant underlying documentation, such as, invoices and bank statements; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report and directors' report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Report on the Audit of the Consolidated Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion:

i) proper books of account have been kept by the Holding Company, sufficient to enable consolidated financial statements to be prepared, so far as it appears from our examination of those books; and

ii) to the best of our knowledge and according to the information and explanations given to us the consolidated financial statements give the information required by the Companies Act 2015, in the manner so required.

The engagement partner on the audit resulting in this independent auditors' report is Steve Nutley.

KPMG
KPMG

Steve Nutley

Partner

Suva, Fiji

31 August, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 $'000	2020 $'000
Revenue	6	579,765	675,947
Direct costs	7	(212,172)	(250,916)
Gross profit		367,593	425,031
Other income	8	11,166	5,960
Impairment loss on trade receivables and contract assets recognised, net	20	(8,923)	(8,495)
Marketing and promotion expenses		(13,288)	(19,932)
Other expenses	11	(296,910)	(299,591)
Operating profit		59,638	102,973
Finance income	10	15,679	2,186
Finance costs	10	(20,573)	(34,743)
Net finance costs		(4,894)	(32,557)
Profit before tax		54,744	70,416
Income tax expense	12(a)	(13,370)	(27,062)
Profit		41,374	43,354
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(1,036)	(6,751)
Other comprehensive income, net of tax		(1,036)	(6,751)
Total comprehensive income		40,338	36,603

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME [CONT'D]
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 $'000	2020 $'000
Profit attributable to:			
Equity holders of the Holding Company		14,603	14,271
Non-controlling interests	17	26,771	29,083
		41,374	43,354
Total comprehensive income attributable to:			
Equity holders of the Holding Company		18,310	9,036
Non-controlling interests	17	22,028	27,567
		40,338	36,603
Earnings per share			
- Basic and diluted earnings per share (cents per share)	13	3.26	3.38

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

AMALGAMATED TELECOM HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Attributable to equity holders of the Holding Company						
	Share capital $'000	**Foreign currency translation reserve $'000**	**Other equity reserve $'000**	**Retained earnings $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance as at 1 April 2019	**107,600**	**(284)**	**-**	**208,004**	**315,320**	**144,212**	**459,532**
Total comprehensive income							
Profit	-	-	-	14,271	14,271	29,083	43,354
Other comprehensive income	-	(5,235)	-	-	(5,235)	(1,516)	(6,751)
Total comprehensive income	-	(5,235)	-	14,271	9,036	27,567	36,603
Transactions with owners of the Holding Company							
Contributions and distributions							
Dividends (Note 27)	-	-	-	-	-	(32,149)	(32,149)
Tax benefit on dividends paid	-	-	-	2,060	2,060	-	2,060
Total transaction with owners of the Holding Company	-	-	-	2,060	2,060	(32,149)	(30,089
Balance as at 31 March 2020	**107,600**	**(5,519)**	**-**	**224,335**	**326,416**	**139,630**	**466,046**
Total comprehensive income							
Profit	-	-	-	14,603	14,603	26,771	41,374
Other comprehensive income	-	3,707	-	-	3,707	(4,743)	(1,036)
Total comprehensive income	-	(3,707)	-	14,603	18,310	22,028	40,338
Transactions with owners of the Holding Company							
Contributions and distributions							
Issues of ordinary shares	51,614	-	-	-	51,614	-	51,614
Dividends (Note 27)	-	-	-	-	-	(17,912)	(17,912)
Total contributions and distributions	51,614	-	-	-	51,614	(17,912)	33,702
Changes in ownership interests							
Disposal of ownership interests without loss of control (Note 31)	-	-	4,519	-	4,519	5,126	9,645
Total changes in ownership interests	-	-	4,519	-	4,519	5,126	9,645
Total transaction with owners of the Holding Company	51,614	-	4,519	-	56,133	(12,786)	43,347
Balance as at 31 March 2021	**159,214**	**(1,812)**	**4,519**	**238,938**	**400,859**	**148,872**	**549,731**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	2021 $'000	2020 $'000
Assets			
Non-current assets			
Property, plant and equipment	14	697,404	622,872
Right of use assets	16(a)	88,561	75,020
Intangible assets	15	177,257	187,563
Equity investment securities		2,783	3,116
Deferred tax assets	12(b)	15,454	11,339
Trade and other receivables and contract assets	20	2,957	2,984
		984,416	902,894
Current assets			
Inventories	18	31,982	37,808
Debt investment securities	19	15,295	19,988
M-PAiSA trust account	4.1(c)	37,120	34,862
Trade and other receivables and contract assets	20	112,024	118,655
Cash and cash equivalents		100,334	92,223
		296,755	303,536
Total assets		**1,281,171**	**1,206,430**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	22	159,214	107,600
Foreign currency translation reserve	23	(1,812)	(5,519)
Other equity reserve	31	4,519	-
Retained earnings		238,938	224,335
Equity attributable to the owners of the Holding Company		400,859	326,416
Equity attributable to non-controlling interests	17	148,872	139,630
Total shareholders' equity		549,731	466,046
Liabilities			
Non-current liabilities			
Deferred tax liabilities	12(c)	29,190	32,520
Borrowings	24	226,189	309,761
Provisions	25	393	183
Trade and other payables	26	16,646	40,757
Lease liabilities	16(b)	63,637	56,262
		336,055	439,483

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

	Note	2021 $'000	2020 $'000
Current liabilities			
Borrowings	24	80,384	62,612
Lease liabilities	16(b)	6,484	5,044
Provisions	25	4,746	7,666
Trade and other payables	26	266,345	187,116
Current tax liability	12(d)	306	3,601
E-value in circulation	4.1(c)	37,120	34,862
		395,385	300,901
Total liabilities		731,440	740,384
Total shareholders' equity and liabilities		**1,281,171**	**1,206,430**

For and on behalf of the board and in accordance with a resolution of the board of directors.

....
Director Director

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

AMALGAMATED TELECOM HOLDINGS LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	2021 $'000	2020 $'000
Cash flows from operating activities		
Receipts from customers and others	645,748	717,253
Payments to suppliers and employees	(441,343)	(518,152)
Cash generated from operating activities	204,405	199,101
Interest received	1,494	2,845
Interest paid	(20,573)	(21,722)
Income taxes paid	(23,955)	(32,200)
Net cash from operating activities	161,371	148,024
Cash flows from investing activities		
Acquisition of property, plant and equipment	(134,784)	(124,385)
Acquisition of intangible assets	(2,153)	(4,021)
Proceeds from sale of property, plant and equipment	370	1,927
Redemption of debt investment securities	11,316	10,790
Net cash used in investing activities	(125,251)	(115,689)
Cash flows from financing activities		
Dividends paid to equity holders of the Holding Company	-	(10,553)
Dividends paid to non-controlling interests	(16,365)	(28,884)
Repayment of borrowings	(59,339)	(47,123)
Proceeds from borrowings	8,134	67,904
Proceeds from share issue	51,614	-
Payment of lease liabilities	(6,622)	(4,765)
Net cash used in financing activities	(22,578)	(23,421)
Net change in cash and cash equivalents	13,542	8,914
Cash and cash equivalents at the beginning of the financial year	70,022	61,499
Effect of movements in exchange rates on cash held	(4,213)	(391)
Cash and cash equivalents at the end of the financial year (Note 21)	79,351	70,022

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1. GENERAL INFORMATION

a) Reporting entity

Amalgamated Telecom Holdings Limited (the Holding Company) is a limited liability company incorporated and domiciled in Fiji. The Holding Company is listed on the South Pacific Stock Exchange. The Holding Company's registered office and principal place of business is at Harbour Front Building, Rodwell Road, Suva.

b) Consolidated financial statements

The consolidated financial statements for the year ended 31 March 2021 comprise the Holding Company and its subsidiaries (together referred to as "the Group", individually referred to as "group entities").

c) Parent company

The Holding Company's parent company is Fiji National Provident Fund (FNPF), a defined contribution superannuation fund domiciled in Fiji.

d) Principal activities

The principal activity of the Group during the year were the provision of telecommunications services. The principal activities of the operating subsidiary companies were as follows:

Entity	Principal Activities
Telecom Fiji Pte Limited	Telecommunication, ICT and data services, post and pre-paid telephony services, sale of telephone equipment, sale of office and computer equipment, provision of internet related services and selling of prepaid transactions cards.
Vodafone Fiji Pte Limited including its subsidiaries, Datec (Fiji) Pte Limited and its subsidiary, Datec Australia Pty Limited, Digitec ICT Limited (PNG), Etech ICT Pte Limited (Singapore) and Etech ICT Pty Limited (Australia).	Cellular mobile telecommunication services, cloud services, e-transport, other ancillary services on mobile platform and sale of computer hardware and software, ICT services, equipment rental, provision of technical support and other related services provided within the technology industry.
Fiji International Telecommunications Pte Limited (FINTEL)	International telecommunications facilities and provision of Internet related services.
Fiji Directories Pte Limited	Compiling and publishing online and print Fiji telephone directory services.
Amalgamated Telecom Holdings (Kiribati) Limited	Telecommunications and ICT services in the Republic of Kiribati.
Telecom Vanuatu Limited	Telecommunication services in the Republic of Vanuatu.
Amalgamated Bluesky Telecom Holdings LLC and its subsidiary companies including AST Telecom LLC, American Samoa Entertainment Inc., Bluesky Samoa Limited, Telecom Cook Islands Limited, TCNZ Cook Islands Limited, Teleraro Limited, Bluesky Pacific Holdings Limited, Bluesky Cook Islands Investment Limited, Bluesky Holding New Zealand Limited and Teleraro Management Limited	Equity investments, provision of mobile wireless (GSM) and broadband internet services, provision of telecommunication services which includes local and international telecommunications services, sale of telephone equipment, compilation and publishing of telephone directory, provision of internet connection and internet related services, operation of a mobile and fixed line telecommunications network and provision of cable services and internet.
eLandia Technologies, LLC and its subsidiary companies including American Samoa Hawaii Cable LLC and Samoa American Samoa Cable Limited	Equity investments, operation of an undersea fibre optic cable system and the sale of broadband capacity.
ATH International Venture Pte Limited and its subsidiary company including Digitec Communications Limited (PNG)	Equity investments and telecommunication services.

There were no significant changes in the nature of principal activities of the Group during the financial year.

NOTE 2. BASIS OF PREPARATION

a) Basis of preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for equity investment securities, which are measured on a fair value basis.

b) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and in compliance with the requirements of the Companies Act, 2015.

c) Standards issued but not yet effective

A number of new and amended standards are effective for annual periods beginning after 1 April 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract;
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use;
- Annual Improvements to IFRS 2018-2020;
- Amendments to IFRS 3 Reference to Conceptual Framework; and
- Amendments to IAS 1 Classification of Liabilities as Current or Non-Current
- IFRS 17 Insurance Contracts

New currently effective requirements

A number of new standards, amendments to standards and/or interpretations are effective for annual periods beginning on 1 April 2020. The following amendment was applicable to the Group:

- Amendments to IFRS 16 COVID-19 Related Rent Concessions.

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There are no substantive changes to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. The practical expedient has been applied retrospectively, meaning it has been applied to all rent concessions that satisfy the criteria.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

This did not have a material impact on the Group.

NOTE 2. BASIS OF PREPARATION (CONT'D)

d) Basis of consolidation

i. Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see 2(d) (ii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see 3.8). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see (3.12)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

ii. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii. Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence ceases.

vi. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

e) Functional and presentation currency

The consolidated financial statements are presented in Fiji dollars, which is the Holding Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. The following is a description of principal activities from which the Group generates its revenue.

The Group principally generates revenue from providing mobile telecommunication services, such as access to the network, airtime usage, messaging and internet services, sale of mobile devices, retailing of computer hardware and software, technical support services, equipment rental and other related services provided within the technology industry. Products and services may be sold separately or in bundled packages. The typical length of a contract for bundled packages is 24 months.

Revenue recognition with respect to the Group's specific business activities are as follows:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Fixed line and mobile telecommunication services	Revenue for voice and video calls, messaging and mobile data provided to customers is recognised as services are performed, with unearned revenue from services to be provided in future periods deferred. Revenue from prepaid products and fixed monthly charges billed in advance is deferred and recognised as revenue once the related service has been provided. Revenue from interconnect fees is recognised at the time the services are performed.
M-PAiSA	M-PAiSA is a service allowing customers to transfer money using a mobile phone. M-PAiSA is available to all Vodafone subscribers. Revenue from this service is earned from transfers and withdrawal transactions performed by customers. A tariff that is generated depending on the funds being transacted is applied on all transactions which cumulatively are reported as M-PAiSA transaction commission revenue. Commission revenue is recognised at the time the transfer or withdrawal transactions are performed by the customers.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Revenue recognition (cont'd)

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Sale of computer hardware, software, mobile devices and terminals	Sales of computer hardware and software which are not part of any bundled package are recognised when a group entity has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Sales of devices and terminals which are not part of any bundled package are recognised when a group entity sells them to the customer. Revenue is recognised at the point the devices and terminals are dispatched from the warehouse to the customer or sold at a group's retail outlet. For bundled packages, the Group accounts for individual products and services separately if they are distinct – i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells the mobile devices, and telecommunication services.
Sale of technical support services	Revenue from technical support and software development services is generally recognised based on the performance obligations completed to date.
Published and on-line directories	**Published directories** Revenue is recognised upon dispatch of the directories for distribution. Monies collected in advance are deferred. **Online directories** Revenue from contracts in relation to online directory is recognised over the term of the contract.
Sale of broadband capacity	Revenue from sale of broadband capacity is recognised over time by measuring the progress toward complete satisfaction of performance obligation to deliver the services.
Subscription revenue	Revenue from subscription television services is initially deferred and is recognised over time as revenue in the period(s) that the related services is provided to subscribers.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be made ready for their intended use or sale, are added to the cost of those assets, until such time as those assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.3 Dividend distribution

Dividend distribution to the Holding Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividend is declared by the Holding Company's directors.

Dividend distribution to the non-controlling shareholders of subsidiary companies is recognised as a liability in the consolidated financial statements in the period in which the dividend is declared by the relevant subsidiary companies' directors.

3.4 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Freehold land is not depreciated.

The annual depreciation rates are as follows:

- Leasehold land	Lease term
- Leasehold buildings and improvements	3% - 20%
- Telecommunications equipment and plant	
- Exchange plant and telecommunications infrastructure	5% - 33%
- Subscriber equipment	5% - 33%
- Trunk network plant	5% - 10%
- Plant and machinery	10% - 25%
- Equipment rental	10% - 25%
- Motor vehicles	20% - 25%
- Furniture, fittings and office equipment	10% - 25%
- Computer equipment	10% - 33%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

IRU network capacity

The subsidiary company, Telecom Fiji Limited, acquired indefeasible rights to use (IRU) network capacity in Southern Cross Cables. As a result, the subsidiary company entered into an agreement with Optus Networks Pty Limited to lease IRU network capacity for IP Transit and STM-1 and STM-4 via Australia and USA links. The subsidiary company has also been entering into an agreement with Optus Network Pty Limited annually for IP Transit.

The subsidiary company, Fiji International Telecommunications Limited, also acquired IRU network capacity in Southern Cross Cables. As a result, the subsidiary company entered into an agreement with Sothern Cross Cables Limited to lease IRU network capacity via Australia and USA links until 2030.

The amount recorded under right of use assets represents consideration prepaid to acquire IRU network capacities. The IRU network capacities are amortised over their estimated economic useful lives, as follows:

- IP Transit 33% -100%
- STM-1 7%
- STM-4 7%

The estimated economic useful lives of the IRU network capacities are reviewed, and adjusted if appropriate, at each balance date.

IRU network capacities do not meet the definition of a lease under IFRS 16 *Leases.* Accordingly, the recognition, measurement and disclosure requirements of IFRS 16 do not apply to IRU network capacities.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Leases (cont'd)

As a lessor (cont'd)

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

3.6 Intangible assets and goodwill

i. Recognition and measurement

a) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

b) Other intangible assets
Other intangible assets, including customer relationships and contracts, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Brands that are acquired in a business combination and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Brands that are acquired in a business combination and have indefinite useful lives are measured at cost less accumulated impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Spectrum licences are capitalised on the basis of the costs incurred to acquire the licences. The licences are capable of being used as at the date of purchase, but cannot be used until the associated network assets necessary are available for use.

ii. Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii. Amortisation
Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:
- computer software: 2–5 years
- spectrum licences: shorter of remaining licence rights and estimated economic useful lives
- customer relationships and contracts: 5 years
- brand: 15 months

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Foreign currency

i. Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

ii. Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Fiji dollar at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Fiji dollar at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3.8 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Government grants

Government grants are initially recognised in the statement of financial position as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions attached with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

3.10 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

i. Current tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Value Added Tax (VAT)

Revenues, expenses, assets and liabilities are recognised net of the amount of Value Added Tax (VAT), except:

(a) where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(b) for receivables and payables which are recognised inclusive of VAT.

The amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The VAT component of cash flows arising from operating and investing activities which is recoverable from or payable to, the taxation authority is classified as part of operating cash flows.

3.12 Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 (see Note 3.10).

3.13 Inventories

Inventories comprise of merchandise, computer hardware, spares, accessories and other consumables, and are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of selling.

The cost incurred in acquiring the inventories and bringing them to their existing location and condition are accounted using the following formulae:

i) Merchandise and other consumables – first-in-first-out basis.

ii) Computer hardware, spares, accessories and other consumables – weighted average basis.

Inventory obsolescence is considered as part of determining the net realisable value, based on reviews of inventories.

3.14 Financial instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Financial instruments (cont'd)

ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The Group has not elected to present subsequent changes in the investment's fair value in OCI.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Financial instruments (cont'd)

ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment (Cont'd)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Financial instruments (cont'd)

ii) Classification and subsequent measurement (cont'd)

Financial assets: Subsequent measurement and gains and losses (cont'd)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPTL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv) Modifications of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Financial instruments (cont'd)

iv) Modifications of financial assets (cont'd)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income (refer note 3.16).

v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.15 Impairment of non-derivative financial assets

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets.

No impairment loss is recognised on equity investment.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Impairment of non-derivative financial assets (cont'd)

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per Standards and Poor's.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income
- Interest expense
- the foreign currency gain or loss on financial assets and financial liabilities
- impairment losses (and reversals) on investments in debt securities carried at amortised cost

Interest income or expense is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

3.17 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents include cash on hand, cash at banks; short term deposits with banks and bank overdrafts. Bank overdrafts are included within borrowings and disclosed as current liabilities in the statements of financial position.

3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

3.20 Employee entitlements

Wages and salaries

Liabilities for wages and salaries expected to be settled within 12 months of the balance date are accrued up to the balance date.

Annual leave and sick leave

Liability for annual leave is recognized in the provision for employee entitlements. Liabilities for annual leave are expected to be settled within 12 months of the balance date and are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates prevailing at that time.

Long service leave and retirement benefits

Liability for long service leave is recognised in the provision for employee entitlements and measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the balance date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Liability for retirement benefits is recognised in the provision for employee entitlements and measured at the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, periods of service and probability of pay-out. Expected future payments are discounted using market yields at the balance date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Bonus plans

The Group pays bonuses to employees based on the achievement of individual objectives by the employees and performance of the respective subsidiary companies. The Group recognises a provision where contractually obliged or where there is a past practice, subject to performance evaluation.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Employee entitlements (cont'd)

Termination benefits

The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a formal plan without the possibility of withdrawal or providing termination benefits as a result for an offer made for redundancy. Benefits falling due more than 12 months after the balance date are disclosed at present value.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

3.21 Segment reporting

Operating Segments

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments.

For reporting purposes, the Group considers itself to be operating predominantly in the telecommunications industry and revenue from other sources are not material.

The Group has disclosed three reportable segments as follows:

- Fixed line telecommunications ("Fixed Line Telecom") segment includes all fixed line telecommunication services including the sale or lease of telecommunications related office equipment, accessories and services including prepaid telephony and card services;

- Mobile telecommunications ("Mobile Telecom") segment includes all mobile telecommunication services including the sale of associated equipment, accessories and services;

- Other segment comprises of provisions of international public and dedicated telecommunications, data and internet services, sale of computer hardware and software, provision of technical support services and directory services.

The accounting policies adopted for segment reporting are the same accounting policies adopted for preparing and presenting consolidated financial statements of the Group.

Geographical segment

A geographical segment constitutes the provision of products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Holding Company and four subsidiary companies operate in Fiji while its other subsidiary companies operate in Kiribati, Vanuatu, American Samoa, Samoa, Cook Islands, New Zealand (non-operating), United States of America (non-operating), Papua New Guinea, Singapore and Australia.

The segment reporting has been disclosed under note 32.

3.22 Comparative figures

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

NOTE 4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by executive management. Executive management identifies, evaluates and monitors financial risks in close co-operation with the operating units.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rate, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimising the return on risk.

Unfavourable changes to duty and tax regulations may expose the Group to a decline in revenue. The Group operates in a number of countries and changes to respective government's policies therefore affect the economic situation and ultimately the revenue of the Group. To address this, the Group reviews its pricing and product range regularly and responds appropriately to these changes.

i) Foreign exchange risk

The Group largely procures most of its telecommunication equipment and supplies from overseas and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Management has set up a policy that requires the Group companies to manage its foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency other than the functional currency of the respective Group companies. For significant settlements, the Group companies seek quotations from recognised banks and use the most favourable exchange rate for settlement purposes.

As at year end, financial liabilities (trade and other payables) denominated in foreign currencies are significant and hence changes in the US dollar by 10% (increase or decrease) are expected to have a significant impact on the net profit and equity balances currently reflected in the Group's financial statements. The carrying amount of the Group's significant foreign currency denominated monetary liabilities at the end of the reporting period are as follows:

	2021 F$'000	2020 F$'000
USD	136,757	182,170

As at yearend, there were no financial assets denominated in foreign currencies.

The following significant exchange rate was applied during the year:

	Reporting date spot rate	
	2021	2020
USD	0.483	0.439

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (cont'd)

a) Market risk (cont'd)

i) Foreign exchange risk (cont'd)

A reasonably possible strengthening (weakening) of the US dollar against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A sensitivity rate of 10% is used when reporting foreign currency risk internally to key management personnel which also represents management's assessment of the reasonably possible change in foreign exchange rates.

	Profit or (loss)		**Equity**	
	Strengthen F$'000	**Weaken F$'000**	**Strengthen F$'000**	**Weaken F$'000**
31 March 2021				
USD	(13,676)	13,676	(13,676)	13,676
31 March 2020				
USD	(18,217)	18,217	(18,217)	18,217

ii) Interest rate risk

Interest rate risks are managed closely by the directors and management within the approved policy parameters. For re-investment and additional borrowings, the Group negotiates an appropriate interest rate with banks and other lenders and invests with or borrows from banks or other financial institutions which offers the best overall commercial terms, including the interest rate.

The Group has interest-bearing assets in the form of debt investment securities and advances to related entity. Generally, these are at fixed interest rates, hence, there are no uncertainties related to interest rate cash flows during the period of investment.

Furthermore, the subsidiary companies, Amalgamated Telecom Holdings (Kiribati) Limited, Vodafone Fiji Pte Limited, Bluesky SamoaTel Investments Limited, Teleraro Limited and Bluesky Samoa Limited, have significant interest-bearing borrowings from ANZ Bank (Kiribati) Limited, Fiji National Provident Fund, and ANZ Bank (Samoa) Limited, respectively. These borrowings are at fixed interest rate over the remaining 3 - 15 years' term of the loan.

Given the fixed nature of interest rates, the Group has a high level of certainty over the impact on cash flows arising from interest income and expense. Accordingly, the Group does not require simulations to be performed over impact on net profits arising from changes in interest rates.

The Holding Company has significant loans from Australia and New Zealand Banking Group Limited in respect to acquisition of subsidiary companies, Telecom Vanuatu Limited and the Bluesky Group for which repayments are based on notional term of 13-15 years and are at variable interest rate.

During the 2020 financial year, the Holding Company obtained additional borrowings to fund the establishment of a new mobile telecommunications network in Papua New Guinea for which repayments are based on a notional term of 3 years and are at variable interest rate.

Also, the subsidiary company, Telecom Vanuatu Limited, has significant interest-bearing borrowings from ANZ Bank (Vanuatu) Limited, Bred Bank (Vanuatu) Limited and Vanuatu National Provident Fund at variable interest rate.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (cont'd)

a) Market risk (cont'd)

ii) Interest rate risk

At the reporting date the profile of the Group's variable interest bearing financial instruments was as follows:

	2021 $'000	2020 $'000
Bank overdraft	20,983	22,201
Borrowings	158,368	205,366
	179,351	227,567

Sensitivity analysis
A 100 basis points (bp) increase in interest rates at the reporting date would have decreased equity and the profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

	Equity $'000	Profit or loss before tax $'000
31 March 2021		
Variable rate instruments	1,794	1,794
31 March 2020		
Variable rate instruments	2,276	2,276

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties, where available, are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by management on a regular basis.

Trade receivable consist of a large number of customers, spread across geographical areas. Ongoing credit evaluations are performed on the financial condition of trade receivables.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets and contract assets represent the maximum credit exposure.

Refer note 20(c) for details of impairment losses on financial assets and contract assets recognised in profit or loss.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the country in which customers operate.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (cont'd)

b) Credit risk (cont'd)

Trade receivables and contract assets

At 31 March 2021, the exposure to credit risk for gross trade receivables and contract assets by geographic region was as follows:

	2021 $'000	2020 $'000
Fiji	61,360	67,000
Kiribati	987	820
Vanuatu	4,997	6,128
American Samoa	3,020	9,636
Samoa	14,206	15,732
Cook Islands	3,498	6,987
Papua New Guinea	3,395	3,583
	91,463	109,886

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets from individual customers, which comprise a large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as at 31 March 2020 and 2021:

	Gross Carrying amount $'000	Loss allowance $'000	Credit Impaired
31 March 2021			
Current (not past due)	35,077	1,029	No
1- 30 days past due	6,690	574	No
31 - 60 days past due	3,529	599	No
61 - 90 days past due	7,264	4,423	No
More than 90 days past due	14,249	8,897	Yes
	66,809	15,522	
Debtors specifically assessed	24,654	9,365	
	91,463	24,887	
31 March 2020			
Current (not past due)	41,688	1,697	No
1- 30 days past due	9,075	1,128	No
31 - 60 days past due	5,820	1,857	No
61 - 90 days past due	8,111	3,591	No
More than 90 days past due	10,870	5,443	Yes
	75,564	13,716	
Debtors specifically assessed	34,322	7,736	
	109,886	21,452	

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (cont'd)

b) Credit risk (cont'd)

Loss rates are based on actual credit loss experience over the past two years.

Impact of COVID-19
In response to COVID-19 and the Group's expectations of economic impacts, the loss rates utilised in the Group's calculation of ECL have been revised. At reporting date, the expected impacts of COVID-19 have been captured via incorporating an economic overlay in the historical loss rates. The economic overlay reflects the uncertainty given the unprecedented impacts of COVID-19. The economic overlay was determined based on an evaluation of the Groups customer base, the industries and geographies in which those customers operate in and the magnitude of the impact of COVID-19 to those industries and geographies. Notwithstanding the economic overlay, the fundamental ECL model mechanics and methodology underpinning the Group's calculation of ECL have remained consistent with prior periods.

The impacts of COVID-19 have resulted in significant estimation uncertainty in relation to the measurement of the Group's ECL for trade receivables and contract assets. The impacts of COVID-19 on consumers and businesses as well as the government stimulus packages deployed are unprecedented, accordingly significant adjustments to the ECL could occur in future periods as the full effects of COVID-19 are better understood.

Cash and cash equivalents
The Group held cash and cash equivalents of $100,334,000 at 31 March 2021 (2020: $92,223,000). The cash and cash equivalents are primarily held with banks, which are rated B to AA-, based on Standards and Poor's (S&P) ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities. The Group did not recognise an impairment allowance against cash and cash equivalents as at 31 March 2021 (2020: nil).

Debt investment securities
The Group held debt investment securities of $15,295,000 at 31 March 2021 (2020: $19,988,000). The debt investment securities are held with banks and credit institutions. Debt investment securities held with banks are primarily rated B to AA-, based on S&P ratings. In relation to debt investment securities held with credit institutions the Group monitors changes in credit risk by reviewing available press and regulatory information.

Impairment on debt investment securities held with banks and credit institutions has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group did not recognise an impairment allowance against debt investment securities as at 31 March 2021 (2020: nil).

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations for its liabilities. Prudent liquidity risk management requires maintaining sufficient cash and marketable securities to ensure availability of funding. Proper management of the Group's liquidity position is essential in order to ensure that adequate funds are available to meet the Group's ongoing financial obligations.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (cont'd)

c) Liquidity risk (cont'd)

The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors liquidity through rolling forecasts of the Group's cash flow position and maintaining adequate funding arrangements. Also, a reasonable portion of revenue is billed and collected in advance or generally within 30 days of invoice. The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

	On demand $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Between 3 and 5 years $'000	Over 5 years $'000	Total $'000
Financial liabilities						
31 March 2021						
Trade and other payables	-	251,733	16,646	-	-	268,379
E-value in circulation*	37,120	-	-	-	-	37,120
Borrowings	20,983	65,259	46,637	102,885	108,811	344,575
	58,103	316,992	63,283	102,885	108,811	650,074
31 March 2020						
Trade and other payables	-	168,739	40,757	-	-	209,496
E-value in circulation*	34,862	-	-	-	-	34,862
Borrowings	22,201	62,043	71,321	110,331	166,829	432,725
	57,063	230,782	112,078	110,331	166,829	677,083
Financial assets						
31 March 2021						
Debt investment securities	-	15,295	-	-	-	15,295
Trade and other receivables	-	115,035	2,957	-	-	117,992
M-PAiSA trust account*	37,120	-	-	-	-	37,120
Cash and cash equivalents	-	100,334	-	-	-	100,334
	37,120	230,664	2,957	-	-	270,741
31 March 2020						
Debt investment securities	-	19,988	-	-	-	19,988
Trade and other receivables	-	116,983	2,984	-	-	119,967
M-PAiSA trust account*	34,862	-	-	-	-	34,862
Cash and cash equivalents	-	92,223	-	-	-	92,223
	34,862	229,194	2,984	-	-	267,040

The liquidity deficiency in the "on demand" and "less than 1 year" categories is due to significant trade and other payables at yearend as a result of the new mobile broadband telecommunications network construction project in Papua New Guinea ("the PNG Mobile Project"). The deficiency is expected to be resolved once the other equity partners for the PNG Mobile Project contribute their portion of equity financing

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (cont'd)

c) Liquidity risk (cont'd)

M-PAISA is a mobile phone-based money transfer service that enables customers to send and receive money anywhere in Fiji. This service is provided by the subsidiary company, Vodafone Fiji Pte Limited. A similar service is provided by the subsidiary company, Bluesky Samoa Limited, that enables customers to send and receive money anywhere in Samoa. E-value in circulation represents the outstanding value of money in the customers M-PAiSA account as at year end. M-PAiSA trust account is the equivalent value of cash held by the subsidiary companies, Vodafone Fiji Pte Limited and Bluesky Samoa Limited.

4.2 Other risks

a) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, and fraud. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial crisis. The Group cannot eliminate all operational risk, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage this risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment procedures.

b) Regulatory risk

The Group's profitability can be significantly impacted by regulatory agencies which govern the telecommunication sector. Specifically, retail and wholesale prices are regulated by Fijian Competition and Consumer Commission and the Group's operating environment is regulated by Telecommunications Authority of Fiji, Communications Commission of Kiribati, Telecommunications and Radio Communications Regulator of Vanuatu, National Information and Communications Technology Authority of Papua New Guinea, Office of the Regulator of Samoa, Government of the Cook Islands, Federal Communication Commission (FCC) of USA, the Governor of American Samoa, Infocomm Media Development Authority of Singapore and Australian Communications and Media Authority of Australia.

4.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and/or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

NOTE 4. FINANCIAL RISK MANAGEMENT (CONT'D)

4.3 Capital risk management (cont'd)

The gearing ratios at 31 March 2021 and 2020 were as follows:

	2021 $'000	2020 $'000
Total borrowings	306,573	372,373
Less: Cash and cash equivalents	(100,334)	(92,223)
Net debt	206,239	280,150
Total equity	549,731	466,046
Total capital (Total equity plus Net debt)	755,970	746,196
Gearing ratio (Net debt / Total capital x 100)	27%	38%
Debt to equity ratio % (Net debt / Total equity)	38%	60%

NOTE 5. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 31 – consolidation: whether the Group has de facto control over an investee

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 March 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 15(a) – impairment test of goodwill: key assumptions underlying recoverable amounts; and
- Notes 3.15 and 4.1(b) – measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted-average loss rate

Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these financial statements. The Group has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 March 2021 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions may be different from those forecast since anticipated events may not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements. The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the recoverable amount assessments of non-financial assets and expected credit losses for trade and other receivables and contract assets. The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further below. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

NOTE 5. USE OF JUDGEMENTS AND ESTIMATES (continued)

Coronavirus (COVID-19) pandemic (continued)

- Goodwill impairment
  The assumptions underpinning the value-in-use calculations used to evaluate the supportability of goodwill were adjusted to reflect reasonable estimates of the impact of COVID-19 and the increased risks associated with the estimated cash flows. There is a heightened level of uncertainty around key assumptions in the current environment. This has the potential to materially impact the value-in-use assessment moving forward and potentially the carrying value of the respective goodwill. Refer to Note 15 for further details on goodwill.

- Expected credit losses
  The impact of COVID-19 on the recoverability of trade and other receivables and contract assets has been considered. While the methodologies and assumptions applied in the expected credit loss (ECL) calculations remained unchanged from those applied in the prior financial year, the Group has incorporated estimates, assumptions and judgements specific to the impact of the COVID-19 pandemic. Whilst no material recoverability issues have been identified, there is a risk that the economic impacts of COVID-19 could be deeper or more prolonged than anticipated, which could result in higher credit losses than those modelled. Refer to Note 20 for further details on ECL.

i. Measurement of fair values
When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

NOTE 6. REVENUE

A. Revenue streams

Revenue from ordinary activities are as follows:

	2021 $'000	2020 $'000
Revenue from contracts with customers	574,662	669,328
Other revenue		
- Equipment and lease circuit rental	5,103	6,619
Total revenue	579,765	675,947

NOTE 6. REVENUE [CONT'D]

B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major products and service lines.

	2021 $'000	2020 $'000
Major products/service lines		
Call revenue	211,660	233,656
Computer hardware, software and technical support services revenue	71,027	68,811
Data network and internet revenue	206,865	242,665
Directory revenue	2,946	4,265
Equipment and ancillaries revenue	62,849	97,440
Other sales and services	19,315	22,491
Total revenue	574,662	669,328

C. Contract balances

The following table provides information about gross receivables, contract assets and contract liabilities from contracts with customers.

	2021 $'000	2020 $'000
Receivables, included in 'trade and other receivables and contract assets'	87,989	102,717
Contract assets, included in 'trade and other receivables and contract assets'	3,474	7,169
Contract liabilities, included in 'trade and other payables'	14,572	18,289

The contract assets primarily relate to the Group's rights to consideration for mobile handsets provided to customers but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to advance consideration received from customers under the mobile contracts and from prepaid products and fixed monthly charges billed in advance. Revenue under mobile contracts are recognised when customers source the hardware from the Group. Revenue from prepaid products and fixed monthly charges billed in advance is recognised as revenue either once the related service has been provided or when the product date has expired, whichever occurs earlier.

The amount of $18,289,000 included in contract liabilities at 31 March 2020 has been recognised as revenue in 2021 (2020: $20,626,000).

No information is provided about remaining performance obligations at 31 March 2021 or at 31 March 2020 that have an original expected duration of one year or less or where the Group recognises revenue based on the amount it has a right to invoice, as allowed by IFRS 15.

The Group recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less, as allowed by IFRS 15.

NOTE 7. DIRECT COSTS

	2021 $'000	2020 $'000
Airtime and PSTN charges	51,942	77,940
Computer hardware, software and technical support services	46,449	44,685
Directory production costs	476	640
Equipment and ancillary costs	64,519	85,096
Satellite/Bandwidth charges	47,478	42,129
Stock obsolescence	1,308	426
Total direct costs	212,172	250,916

Direct costs represent the specific costs that the Group considers in pricing its products and services disclosed under note 6(b).

NOTE 8. OTHER INCOME

	2021 $'000	2020 $'000
Amortisation of government grant	-	35
Bad debts recovered	-	29
Gain on sale of property, plant and equipment	-	837
Insurance claim	2,615	11
Sub-contracting income	-	1,156
Universal service fund	2,037	2,641
VAT reversal	1,307	-
Other miscellaneous income	5,207	1,251
Total other income	11,166	5,960

NOTE 9. PERSONNEL COSTS

	2021 $'000	2020 $'000
Wages and salaries, including leave pay and other benefits	69,400	68,782
Superannuation contributions	3,039	4,496
Other personnel costs	5,039	7,748
Total personnel costs	77,478	81,026

NOTE 10. NET FINANCE COSTS

	2021 $'000	2020 $'000
Interest income under the effective interest method on:		
- Debt investment securities	1,265	1,570
- Advances to related parties	30	30
Total interest income arising from financial assets measured at amortised cost	1,295	1,600
Net realised foreign exchange gain	2,403	586
Net unrealised foreign exchange gain	11,981	-
Finance income – other	14,384	586
	15,679	2,186
Financial liabilities measured at amortised cost – interest expense on:		
- Lease liabilities	(4,641)	(2,663)
- Borrowings	(15,932)	(19,059)
Net unrealised foreign exchange loss	-	(13,021)
Finance costs - other	(20,573)	(34,743)
Net finance costs recognised in profit or loss	(4,894)	(32,557)

NOTE 11. OTHER EXPENSES

	2021 $'000	2020 $'000
Auditor's remuneration:		
• Audit fees – group auditor	496	496
– other auditors	42	42
• Other services – group auditor	90	62
- other auditors	34	65
Consultancy and contractors fees	943	1,347
Directors' remuneration – fees and allowances	715	713
Electricity	15,018	14,730
Insurance	10,996	10,353
Impairment of goodwill on consolidation	2,500	6,300
Impairment loss on capital equipment	4	-
Legal and professional fees	4,013	2,192
Licence and support service fees	17,907	15,691
Rent and rates	9,385	9,080
Repairs and maintenance	4,836	6,256
Travelling and transportation	1,329	3,584
Loss on sale of property, plant and equipment	1,319	-
Personnel costs (note 9)	77,478	81,026
Depreciation of property, plant and equipment (note 14)	91,639	89,446
Depreciation of right of use assets (note 16)	9,372	7,082
Amortisation of intangible assets (note 15)	9,264	15,219
Other miscellaneous expenses	39,530	35,907
Total other expenses	296,910	299,591

NOTE 12. INCOME TAX

a) Income tax expense

	2021 $'000	2020 $'000
Profit before tax	54,744	70,416
Prima facie income tax expense at 10% (2020: 10%)	5,474	7,042
Impact of difference in tax rates	12,262	14,730
Tax effect of:		
• Non-deductible expenses	253	999
• Tax concessions and incentives	(766)	(453)
Tax effect of temporary differences and tax losses recognised	(513)	622
Current year tax losses not recognised	-	312
Movement in temporary differences derecognised	-	47
Movement in temporary differences not brought to account	(848)	954
Others	-	2,575
(Over)/under provision in prior year	(2,492)	234
Income tax expense	13,370	27,062
Income tax expense comprises of:		
Current tax expense	23,706	29,682
Deferred tax benefit	(7,844)	(2,854)
(Over)/under provision in prior year	(2,492)	234
	13,370	27,062

b) Deferred tax assets

	2021 $'000	2020 $'000
Allowance for expected credit loss	5,744	5,041
Employee entitlements	862	1,439
Allowance for stock obsolescence	853	758
Deferred revenue	-	10
Difference in carrying value of right of use assets and lease liabilities for accounting and income tax purpose	1,083	165
Carried forward tax losses	6,866	3,830
Unrealised foreign exchange loss	46	-
Others	-	96
Total deferred tax assets	15,454	11,339

c) Deferred tax liabilities

	2021 $'000	2020 $'000
Prepaid expenses	4	3
Difference in carrying value of property, plant, equipment, computer software, IRU network capacity, customer relationship and contracts, brand and spectrum licences for accounting and income tax purpose	29,155	30,907
Unrealised foreign exchange gain	-	30
Others	31	1,580
Total deferred tax liabilities	29,190	32,520

NOTE 12. INCOME TAX (CONT'D)

d) Current tax liability

	2021 $'000	2020 $'000
Balance at beginning of year	3,601	5,937
Current tax expense	23,706	29,682
Income tax paid	(23,955)	(32,200)
Tax deducted at source – Resident Interest Withholding Tax	(342)	(709)
Effect of movements in exchange rates	(432)	657
Others	220	-
(Over)/under provision in prior year	(2,492)	234
Balance at end of year	306	3,601

e) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items as it is not probable that future taxable income will be available against which the Holding Company can utilise the tax benefits. The benefit will only be obtained if:

i. the Holding Company derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
ii. the Holding Company continue to comply with the conditions for deductibility imposed by the law; and
iii. no change in tax legislation adversely affect the Holding Company in realising the benefit from the deductions for the losses.

	2021 $'000	2020 $'000
Unrealised exchange loss	-	876
Employee entitlements	32	4
Tax losses	-	323
	32	1,203

NOTE 13. EARNINGS PER SHARE

Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021	2020
Profit attributable to equity holders of the Holding Company	14,603	14,271
Weighted average number of ordinary shares (in thousands)	447,912	422,105
Basic and diluted earnings per share (cents per share)	3.26	3.38

Subsequent to balance date new shares were issued pursuant to the rights issue offer. Refer note 33 for further details.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $'000	Telecommunications equipment and plant $'000	Computer equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Capital equipment $'000	Capital work in progress $'000	Total $'000
Year ended 31 March 2021								
Opening net book amount	45,162	404,803	8,917	10,016	8,915	1,655	143,404	622,872
Additions	333	22,139	2,498	3,006	1,082	949	151,062	181,069
Effect of movements in exchange rates	1,691	2,171	(3,431)	(1,243)	439	-	(4,816)	(5,189)
Disposals	(18)	(2,027)	(599)	(368)	(77)	-	-	(3,089)
Impairment loss	-	-	-	-	-	(4)	-	(4)
Transfers	168	46,299	12,882	2,186	430	(1,098)	(67,483)	(6,616)
Depreciation	(2,451)	(77,407)	(4,829)	(3,746)	(3,206)	-	-	(91,639)
Closing net book amount	44,885	395,978	15,438	9,851	7,583	1,502	222,167	697,404
At 31 March 2021								
Cost	85,172	1,270,506	82,493	83,209	20,214	1,673	222,167	1,765,435
Accumulated depreciation and impairment allowance	(43,669)	(874,729)	(63,472)	(73,358)	(12,631)	(171)	-	(1,068,031)
Net book amount	41,503	395,777	19,021	9,851	7,583	1,502	222,167	697,404

NOTE 14. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land and buildings $'000	Telecommunications equipment and plant $'000	Computer equipment $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Capital equipment $'000	Capital work in progress $'000	Total $'000
Year ended 31 March 2020								
Opening net book amount	39,839	328,052	6,008	9,197	8,965	1,922	169,482	563,465
Additions	886	9,661	184	1,840	2,976	1,374	138,122	155,043
Effect of movements in exchange rates	3,051	4,407	(634)	344	12	-	(4,135)	3,045
Disposals	(128)	(3,541)	(2)	(86)	(577)	-	(6)	(4,340)
Transfers	2,255	146,585	5,959	1,608	398	(1,641)	(160,059)	(4,895)
Depreciation	(741)	(80,361)	(2,598)	(2,887)	(2,859)	-	-	(89,446)
Closing net book amount	45,162	404,803	8,917	10,016	8,915	1,655	143,404	622,872
At 31 March 2020								
Cost	94,710	1,334,848	67,555	84,561	24,258	1,822	143,404	1,751,158
Accumulated depreciation and impairment allowance	(49,548)	(930,045)	(58,638)	(74,545)	(15,343)	(167)	-	(1,128,286)
Net book amount	45,162	404,803	8,917	10,016	8,915	1,655	143,404	622,872

a) All properties, plant and equipment of the Holding Company and subsidiary companies, Amalgamated Telecom Holdings (Kiribati) Limited and Telecom Vanuatu Limited have been pledged to ANZ Banking Group Limited (Fiji), ANZ Bank (Kiribati) Limited and ANZ Bank (Vanuatu) Limited, respectively as security in accordance with the security arrangements for term loan facilities. Furthermore, land and buildings located at Bluesky Headquarters at Maluafou, Samoa are subject to a first charge against Bluesky Samoa Limited's bank loans with ANZ Bank (Samoa) Limited.

	2021 $'000	**2020 $'000**
NOTE 15. INTANGIBLE ASSETS		
Goodwill (a)	123,456	125,956
Computer software (b)	2,882	1,979
Spectrum licences (c)	20,912	23,418
Brand (d)	7,827	7,827
Customer relationship and contracts (e)	22,180	28,383
Total intangible assets, net	177,257	187,563

a) Goodwill

Gross carrying amounts:		
Goodwill on acquisition of :		
Datec (Fiji) Pte Limited and Subsidiary Company (i)	3,401	3,401
Telecom Vanuatu Limited (ii)	5,711	5,711
Bluesky Group (iii)	114,055	114,055
Digitec Group (iv)	9,089	9,089
Balance as at 31 March	132,256	132,256
Accumulated impairment:		
Opening balance	6,300	
Impairment loss	2,500	6,300
Balance as at 31 March	8,800	6,300
Net book amount as at 31 March	123,456	125,956

i) On 29 May 2015, subsidiary company, Vodafone Fiji Pte Limited acquired 100% shareholding in Datec (Fiji) Pte Limited and its Subsidiary Company. Goodwill of $3,401,000 was recognised as the excess of the consideration transferred over the fair value of net assets acquired at acquisition-date.

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of $27,066,000 (2020: $17,997,000). The key assumptions used in the estimation of value in use were as follows:

	2021	**2020**
Discount rate	9.40%	10.50%
Terminal value growth rate	2.00%	2.00%
Budgeted EBITDA growth rate (average of next five years)	3.00%	3.00%

The discount rate was a post-tax measure based on the rate of 30-year US government bonds as well as 10-year NZ government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 11.32% (2020: 12.41%).

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for the country in which the CGU operates.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

Management has identified that a reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

NOTE 15. INTANGIBLE ASSETS [CONT'D]

a) Goodwill (cont'd)

ii) On 27 March 2017, the Holding Company acquired 100% shareholding in Telecom Vanuatu Limited. Goodwill of $5,711,000 was recognised as the excess of the consideration transferred over the fair value of net assets acquired at acquisition-date.

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The carrying amount of the CGU was determined to be higher than its recoverable amount of $55,819,000 (2020: $76,012,000) and an impairment loss of $2,500,000 during 2021 (2020: nil) was recognised. The impairment loss was fully allocated to goodwill and included in "other expenses". The key assumptions used in the estimation of value in use were as follows:

	2021	**2020**
Discount rate	14.30%	14.90%
Terminal value growth rate	2.00%	2.00%
Budgeted EBITDA growth rate (average of next five years)	4.00%	4.00%

The discount rate was a post-tax measure based on the rate of 30-year US government bonds as well as 10-year NZ government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 14.30% (2020: 14.90%).

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for the country in which the CGU operates.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated subscriber base for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

Following the impairment loss recognised, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment.

iii) On 1 January 2019, the Holding Company acquired 100% membership in AST Telecom LLC and 100% shareholding in eLandia Technologies Inc. Goodwill of $114,055,000 was recognised as the excess of the consideration transferred over the fair value of net assets acquired at acquisition-date. The goodwill was allocated to the operating companies within the Group as follows:

a. American Samoa Telecom LLC - $31,279,000

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of $53,631,000 (2020: $76,537,000).

NOTE 15. INTANGIBLE ASSETS [CONT'D]

a) Goodwill (cont'd)

The key assumptions used in the estimation of value in use were as follows:

	2021	2020
Discount rate	8.20%	8.20%
Terminal value growth rate	2.00%	2.00%
Budgeted EBITDA growth rate (average of next five years)	4.00%	5.00%

The discount rate was a post-tax measure based on the rate of 30-year US government bonds as well as 10-year NZ government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 11.23% (2020: 11.19%).

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for the country in which the CGU operates.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated subscriber base for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

Management has identified that a reasonably possible change in the key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which the key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount
Discount rate	0.28%
Terminal value growth rate	0.36%
Budgeted EBITDA growth rate	2.36%

b. Bluesky Samoa Limited - $18,886,000 (accumulated impairment losses of $6,300,000)

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of $58,182,000 (2020: $65,584,000). The key assumptions used in the estimation of value in use were as follows:

	2021	2020
Discount rate	13.10%	12.40%
Terminal value growth rate	2.00%	2.00%
Budgeted EBITDA growth rate (average of next five years)	5.00%	5.00%

The discount rate was a post-tax measure based on the rate of 30-year US government bonds as well as 10-year NZ government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 16.95% (2020: 15.62%).

NOTE 15. INTANGIBLE ASSETS [CONT'D]

a) Goodwill (cont'd)

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for the country in which the CGU operates.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated subscriber base for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

Management has identified that a reasonably possible change in the key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which the key assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount
Discount rate	0.23%
Terminal value growth rate	0.35%
Budgeted EBITDA growth rate	0.19%

c. Telecom Cook Islands Limited - $23,970,000

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of $75,496,000 (2020: $71,515,000). The key assumptions used in the estimation of value in use were as follows:

	2021	**2020**
Discount rate	10.00%	10.10%
Terminal value growth rate	2.00%	2.00%

The discount rate was a post-tax measure based on the rate of 30-year US government bonds as well as 10-year NZ government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 11.86% (2020: 11.65%).

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for the country in which the CGU operates.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated subscriber base for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

Management has identified that a reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

NOTE 15. INTANGIBLE ASSETS [CONT'D]

a) Goodwill (cont'd)

d. Vodafone Fiji Pte Limited - $39,920,000

The recoverable amount of this CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of $615,597,000 (2020: $491,359,000). The key assumptions used in the estimation of value in use were as follows:

	2021	**2020**
Discount rate	9.40%	10.50%
Terminal value growth rate	2.00%	2.00%
Budgeted EBITDA growth rate (average of next five years)	4.00%	1.00%

The discount rate was a post-tax measure based on the rate of 30-year US government bonds as well as 10-year NZ government bonds issued by the government in the relevant market and adjusted for country risk and an inflation differential to reflect the same currency as the cash flows, further adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the specific CGU. The pre-tax discount rate was 11.26% (2020: 12.37%).

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the nominal gross domestic product (GDP) rates for the country in which the CGU operates.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated subscriber base for the next five years taking into account an estimate of the impact of COVID-19 as at reporting date.

Management has identified that a reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount

iv) On 1 January 2019, ATH International Venture Pte Limited acquired 70% shareholding in Etech ICT Pty Limited of Australia, Etech ICT Pte Limited of Singapore and Digitec Communication Limited (collectively Digitec group) of Papua New Guinea. Goodwill of $9,089,000 was recognised as the excess of the consideration transferred over the fair value of net assets acquired at acquisition-date. The entire goodwill was allocated to Digitec Communications Limited.

The recoverable amount of this CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see Note 5(i)). The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

	2021	**2020**
Discount rate	13.80%	13.10%
Terminal value growth rate	2.00%	2.00%

The discount rate was a post-tax measure estimated based on an industry weighted-average cost of capital, with a possible debt leveraging of 30% at a market interest rate of 11.8% to 12.3% (2020: 10.7% to 11.2%). The pre-tax discount rate was 17.37% (2020: 15.96%).

NOTE 15. INTANGIBLE ASSETS (CONT'D)

a) Goodwill (cont'd)

The cash flow projections included specific estimates for ten years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience and different market analysis, adjusted for the anticipated revenue growth. Revenue growth was projected talking into account the past experience of the Group, the business plan of Digitec Communications Limited, and the estimated subscriber base for the next 10 years taking into account an estimate of the impact of COIV-19 as at reporting date.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $503,652,000 (2020: $924,561,000).

Management has identified that a reasonably possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

Impact of COVID-19

The following factors were considered by the Group when determining the impact of COVID-19:

- travel bans and the associated impact on visitor arrivals and the extent of each CGUs reliance on the tourism sector to generate EBITDA.
- duration of travel restrictions, shutdown of border and expected gradual opening up of the international borders.
- flow on impact on the CGUs of a sharp deterioration in economic conditions driven by significant restrictions and lockdowns.

The impact of COVID 19 has been mainly limited to the value of roaming revenue previously generated by the CGUs with average growth over the next 5 years being largely based on the average growth over the past 5 years except for AST Telecom LLC as the Group believes that a higher growth can be achieved for this CGU.

	2021 $'000	2020 $'000
b) Computer software		
Gross carrying amount:		
Balance at beginning of year	39,555	35,514
Additions	1,807	1,148
Disposals	(2)	(565)
Effect of movement in exchange rates	211	3,458
Balance at end of year	41,571	39,555
Accumulated amortisation:		
Balance at beginning of year	37,576	34,265
Amortisation	955	682
Disposals	(2)	(493)
Effect of movement in exchange rates	160	3,122
Balance at end of year	38,689	37,576
Net book amount as at 31 March	2,882	1,979

NOTE 15. INTANGIBLE ASSETS (CONT'D)

c) Spectrum licences

	2021 $'000	2020 $'000
Gross carrying amount:		
Balance at beginning of year	27,498	27,788
Additions	315	-
Effect of movements in exchange rates	(561)	(290)
Balance at end of year	27,252	27,498
Accumulated amortisation:		
Balance at beginning of year	4,080	1,924
Effect of movements in exchange rates	(90)	(350)
Amortisation	2,350	2,506
Balance at end of year	6,340	4,080
Net book amount as at 31 March	20,912	23,418

Spectrum licences include licenses acquired by the subsidiary companies, Telecom Fiji Pte Limited and Vodafone Fiji Pte Limited on 2 September 2013 from Department of Communications. Spectrum licences also include licence acquired by the subsidiary companies, Amalgamated Telecom Holdings (Kiribati) Limited on 27 May 2016 from Communications Commission of Kiribati and Digitec Communications Limited on 19 December 2018 from National Information and Communications Technology Authority.

The licences of Telecom Fiji Pte Limited and Vodafone Fiji Pte Limited have an initial 5-year term starting from 2 September 2013, then extending to further 10 years' conditional on compliance with implementation requirements. The purchase consideration has been capitalised to intangible assets.

The licence of Amalgamated Telecom Holdings (Kiribati) Limited has an initial 15-year term starting from 27 May 2016, then extending to further 5 years' conditional on compliance with implementation requirements. The purchase consideration has been capitalised to intangible assets.

The licence of Digitec Communications Limited is for a 10-year term starting from 18 December 2018.

d) Brand

	2021 $'000	2020 $'000
Gross carrying amount:		
Balance at beginning of year	15,407	15,407
Balance at end of year	15,407	15,407
Accumulated amortisation:		
Balance at beginning of year	7,580	1,516
Amortisation	-	6,064
Balance at end of year	7,580	7,580
Net book amount as at 31 March	7,827	7,827

NOTE 15. INTANGIBLE ASSETS (CONT'D)

d) Brand (cont'd)

In prior year, the value of the Bluesky brand attributable to the Samoa and Cook Islands business had been fully amortised as the Group had discontinued using the Bluesky brand in those markets. The carrying amount as at year end relates to the value of the Digitec brand attributable to Digitec ICT Limited of $1,400,000 and the value of the Bluesky brand attributable to American Samoa Telecom LLC of $6,427,000. The Group has assessed that these brand values have an indefinite useful life as the brands are mature and contribute significant value to the businesses and its abandonment would represent an unrealistic decision given the market in which the businesses operate, the industry in which the brands are being used and the nature of services that the entities provide. Impairment of brand has been tested together with impairment of goodwill (see Note 15(a)).

	2021 $'000	2020 $'000
e) Customer relationship and contracts		
Gross carrying amount:		
Balance at beginning of year	35,891	35,676
Effect of movements in exchange rates	222	215
Balance at end of year	36,113	35,891
Accumulated amortisation:		
Balance at beginning of year	7,508	1,491
Amortisation	5,959	5,967
Effect of movements in exchange rates	466	50
Balance at end of year	13,933	7,508
Net book amount as at 31 March	22,180	28,383

NOTE 16. LEASES

Information about leases for which the Group is a lessee is presented below.

A. Right of use assets

i) Property leases

The Group leases land and building. Information about leases for which the Group is a lessee is presented below:

	2021 $'000	2020 $'000
Balance at beginning of year	59,884	31,195
Additions	14,183	35,567
Effect of movements in exchange rates	(2,241)	(41)
Remeasurement	(2,943)	(1,877)
Disposals	(46)	(28)
Depreciation charge for the year	(6,475)	(4,932)
Balance at end of year	62,362	59,884

ii) IRU Network Capacity

	2021 $'000	2020 $'000
Balance at beginning of year	15,136	13,257
Additions	13,960	3,844
Transfer from plant and equipment	-	185
Depreciation charge for the year	(2,897)	(2,150)
Balance at end of year	26,199	15,136
Total right of use assets	88,561	75,020

(a) Indefeasible Right of Use ("IRU") capacity relates to the lease of IRU network capacities by subsidiary companies, Telecom Fiji Pte Limited, Fiji International Telecommunications Pte Limited and American Samoa Holdings Limited. The IRU network capacity purchase consideration or lease consideration has been capitalised and is amortised over its estimated economic useful life.

In 2019, the subsidiary company, Fiji International Telecommunications Pte Limited entered in an agreement with Southern Cross Cables (SX Next), to lease a new submarine cable route for a period of 15 years via Australia and USA links, amounting to USD 20,000,000. The company paid FJD 4,610,113 for Marine Route Survey. Remaining balance is disclosed as part of capital commitments. Refer Note 29(a). The projected 'Ready for Service' date for SX Next is 2023.

NOTE 16. LEASES (CONT'D)

B. Lease liabilities

	2021 $'000	2020 $'000
Lease liabilities included in the statement of financial Position		
Current		
IRU network capacity	1,575	699
Property leases	4,909	4,345
Total current lease liabilities	6,484	5,044
Non-current		
IRU network capacity	5,174	100
Property leases	58,463	56,162
Total non-current lease liabilities	63,637	56,262
Total lease liabilities	70,121	61,306
Amounts recognised in profit or loss		
Interest on lease liabilities	4,641	2,663
Expenses relating to short-term leases and variable lease payments	31,081	24,529
	35,722	27,192
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	42,344	31,957
Maturity analysis – contractual undiscounted cash flows		
Less than one year	7,825	5,314
One to five years	29,849	20,644
More than five years	80,465	81,087
Total undiscounted lease liabilities as at 31 March 2021	118,139	107,045

Real estate leases

The Group leases various premises, base stations, land and buildings for its office premises, tower sites and access roads. These range over periods from one to ninety-nine years. Some leases include an option to renew the lease for an additional period after the end of the contract term. Some leases provide for additional rental payments that are based on changes in local price indices.

Extension options

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

NOTE 17. NON-CONTROLLING INTEREST

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

31 March 2021	Vodafone Group $'000	Bluesky Group $'000	Digitec Group $'000	Intra-group eliminations $'000	Total $'000
NCI Percentage*	49.0%	*	30%		
Non-current assets	322,009	113,122	190,470		
Current assets	152,749	43,354	16,615		
Non- current liabilities	(93,011)	(33,472)	(28,560)		
Current liabilities	(210,497)	(9,744)	(183,417)		
Net assets	171,250	113,260	(4,892)		
Net assets attributable to NCI	93,125	51,051	(1,468)	6,164	148,872
Revenue	329,908	82,018	-		
Profit	42,405	3,529	4,452		
OCI	(4,323)	-	(369)		
Total comprehensive income	38,082	3,529	4,083		
Profit allocated to NCI	23,487	1,949	1,336	-	26,771
OCI allocated to NCI	(3,209)	-	111	(1,377)	(4,743)
Cash flows from operating activities	102,630	18,585	(273,569)		
Cash flows from investment activities	(40,966)	(12,619)	(385,162)		
Cash flows from financing activities (dividends to NCI: $16,365,000)	(60,375)	(5,158)	704,241		
Net increase in cash and cash equivalents	1,289	808	45,510		

31 March 2020	Vodafone Fiji Pte Limited $'000	Bluesky Group $'000	Digitec Group $'000	Intra-group eliminations $'000	Total $'000
NCI Percentage*	49.0%	*	30%		
Non-current assets	327,500	89,388	127,532		
Current assets	129,969	64,769	23,458		
Non- current liabilities	(123,579)	(27,012)	(49,893)		
Current liabilities	(185,883)	(35,616)	(70,392)		
Net assets	148,007	91,529	30,705		
Net assets attributable to NCI	72,523	41,695	9,212	16,200	139,630
Revenue	350,521	107,929	63,221		
Profit / (loss)	56,792	10,151	(2,490)		
OCI	(20)	-	1,432		
Total comprehensive income	56,772	10,151	(1,058)		
Profit / (loss) allocated to NCI	27,828	6,452	(747)	(4,450)	29,083
OCI allocated to NCI	(10)	-	430	(1,936)	(1,516)
Cash flows from operating activities	92,468	21,666	(4,481)		
Cash flows from investment activities	(76,695)	(10,605)	(39,875)		
Cash flows from financing activities (dividends to NCI: $28,884,000)	(5,074)	(19,104)	48,623		
Net increase (decrease) in cash and cash equivalents	10,699	(8,043)	4,267		

* Refer note 31 for percentage ownership in the Bluesky Group.

	2021 $'000	2020 $'000

NOTE 18. INVENTORIES

	2021 $'000	2020 $'000
Merchandise and consumables	34,106	40,024
Less: allowance for stock obsolescence	(4,138)	(3,606)
	29,968	36,418
Goods in transit	2,014	1,390
Total inventories, net	31,982	37,808

In 2021, inventories of $64,519,000 (2020: $85,096,000) were recognised as an expense during the year and included in "direct costs".

NOTE 19. DEBT INVESTMENT SECURITIES

	2021 $'000	2020 $'000
Current		
Term deposits	15,295	19,988
Total debt investment securities	15,295	19,988

(a) The carrying amount of debt investment securities are considered to be a reasonable approximation of fair value.

(b) Term deposits held with financial institutions attract interest rates in the range of 0.10% to 3.30% per annum (2020: 1.25% to 5.60% per annum), and will mature within 12 months from balance date.

NOTE 20. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2021 $'000	2020 $'000
Non-current		
Advance to Amalgamated Telecom Nominees Limited	2,482	2,482
Refundable deposits and others	475	502
Total non-current trade and other receivables and contract assets	2,957	2,984
Current		
Trade receivables	87,989	102,717
Contract assets	3,474	7,169
Less: allowance for expected credit losses	(24,887)	(21,452)
Trade receivables and contract assets, net	66,576	88,434
Receivable from related parties (Note 30(g))	872	868
Other receivables and advances	26,174	13,398
Prepayments	18,402	15,955
Total current trade and other receivables and contract assets, net	112,024	118,655

(a) The carrying amount of trade and other receivables and contract assets are considered to be a reasonable approximation of fair value.

NOTE 20. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (CONT'D)

(b) Trade receivables principally comprise amounts outstanding for sale of telephones, office equipment and computer equipment and rendering of telecommunication, data and internet related services. Trade receivables are non-interest bearing and are generally settled on 15 - 60 day terms.

(c) Movements in the allowance for expected credit loss of trade and other receivables and contract assets, including contract assets, are as follows:

	2021 $'000	2020 $'000
Balance at beginning of year	21,452	24,291
Net re-measurement of loss allowance	8,923	8,495
Effect of movement in exchange rates	(812)	320
Amounts written off during the year	(4,676)	(11,654)
Balance at end of year	24,887	21,452

The Group generally obtains security deposits for all new land line and internet connections. Apart from these, it does not hold any collateral as security.

NOTE 21. NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents included in the statement of cash flows comprise the following:

	2021 $'000	2020 $'000
Cash on hand and at bank	100,334	92,223
Bank overdraft	(20,983)	(22,201)
Total cash and cash equivalents	79,351	70,022

Financing facilities

Financing facilities available to the Group includes bank overdrafts. Financing facilities of $25,672,000 were available to the Group as at 31 March 2021 (2020: $32,206,000) of which $20,983,000 (2020: $22,201,000) was utilised. See also note 24.

NOTE 22. SHARE CAPITAL

	2021 $'000	2020 $'000
Issued and Paid Up Capital		
Balance as at 31 March 2021: 447,911,912 (2020: 422,104,868) ordinary shares	159,214	107,600

All issued shares are fully paid. Shares have no par value.

NOTE 23. Foreign currency translation reserve

The foreign currency translation reserve relates to foreign currency translation as at year end on consolidation of subsidiary companies operating in foreign jurisdictions whose financial statements and transactions are denominated in a currency other than the presentation currency of the Group.

NOTE 24. BORROWINGS

	2021 $'000	2020 $'000
Non-current		
Term loan – Fiji National Provident Fund (a)	60,310	72,750
Term loan – Westpac Banking Corporation (b(i))	-	1,630
Term loan – Westpac Banking Corporation (b(ii))	-	16,889
Term loan – ANZ Bank (Kiribati) Limited (c)	793	2,488
Term loan – ANZ Bank (Vanuatu) Limited (d)	8,235	10,154
Term loan – ANZ Banking Group Limited – Fiji (e)	127,483	154,628
Term loan – Bred Bank (Vanuatu) Limited (f)	-	955
Term loan – ANZ Bank (Samoa) Limited (g)	29,368	35,201
Term loan – Vanuatu National Provident Fund (h)	-	15,066
Total non-current borrowings	226,189	309,761
Current		
Term loan – Fiji National Provident Fund (a)	14,867	7,250
Term loan – Westpac Banking Corporation (b(i))	1,634	1,684
Term loan – Westpac Banking Corporation (b(ii))	-	3,344
Term loan – ANZ Bank (Kiribati) Limited (c)	2,202	2,336
Term loan – ANZ Bank (Vanuatu) Limited (d)	2,210	2,014
Term loan – ANZ Banking Group Limited - Fiji (e)	17,818	17,040
Term loan – Bred Bank (Vanuatu) Limited (f)	988	2,195
Term loan - ANZ Bank (Samoa) Limited (g)	4,097	4,548
Term loan – Vanuatu National Provident Fund (h)	15,585	-
Bank overdraft – ANZ Banking Group Limited – Fiji	-	4,103
Bank overdraft - Bred Bank (Vanuatu) Limited (f)	4,752	4,939
Bank overdraft - ANZ Bank (Samoa) Limited (g)	841	682
Bank overdraft - Westpac Banking Corporation (i)	15,390	12,477
Total current borrowings	80,384	62,612
Total borrowings	306,573	372,373

The Group did not have any defaults of principal or interest or other breaches with respect to its borrowings during the years ended 31 March 2021 and 2020.

NOTE 24. BORROWINGS (CONT'D)

(a) Term loans - Fiji National Provident Fund

During 2019 financial year, the subsidiary company, Vodafone Fiji Pte Limited entered into a loan agreement with FNPF for $80m. The loan is at a fixed interest rate of 4.30% per annum until November 2022 and variable thereafter. Total term of the loan is 7 years.

A corporate guarantee has been provided by the subsidiary company for the loan.

(b) Term loan - Westpac Banking Corporation

(i) The Holding Company has a loan facility with Westpac Banking Corporation which is unsecured and subject to a variable interest rate, which was 4.95% per annum at balance date. The term loan is repayable by monthly instalments of $150,800.

(ii) During 2020 financial year, the subsidiary company, Vodafone Fiji Pte Limited entered into a loan agreement with Westpac Bank Corporation for USD 9 million. The loan was at a fixed interest rate of 4.45% per annum. The initial term of the loan was 5 years however the loan was fully paid off in the current financial year.

(c) Term Loan - ANZ Bank (Kiribati) Limited

The term loan from ANZ Bank (Kiribati) Limited is subject to interest at a rate of 5.9% (2020: 5.4%). The term loan is subject to a fixed interest rate and is repayable by monthly instalments of AUD 109,265 and AUD 35,572 (2020: AUD 109,265 and AUD 35,572) (inclusive of interest).

The term loan is secured by the following:

i) Limited Guarantee provided by the Holding Company to the amount of AUD 9,577,000 plus interest, costs and other amount.

ii) First registered mortgage debentures given by the subsidiary company, Amalgamated Telecom Holdings (Kiribati) Limited being a fixed and floating charge over all present and future assets, undertakings (including goodwill) and unpaid or uncalled capital of that security provider.

iii) Deed of Subordination with the Holding Company, the subsidiary company, Amalgamated Telecom Holdings (Kiribati) Limited and ANZ Bank (Kiribati) Limited, covenanting that the loan from the Holding Company to the subsidiary company will not reduce without prior written consent of ANZ Bank (Kiribati) Limited and ANZ Bank (Kiribati) Limited has priority to extend the facilities provided.

(d) Term Loan - ANZ Bank (Vanuatu) Limited

The term loan from ANZ Bank (Vanuatu) Limited is subject to a variable interest rate, which was 6% per annum at balance date.

The term loan is secured by registered equitable mortgage debenture over the assets of the subsidiary company, Telecom Vanuatu Limited.

NOTE 24. BORROWINGS (CONT'D)

(e) Term loan – ANZ Banking Group Limited – Fiji

In the prior years, the Holding Company obtained loans from ANZ Banking Group Limited (ANZ) to finance acquisition of Telecom Vanuatu Limited and Amper SA interest in certain subsidiaries of Bluesky Group.

The loan facilities from ANZ Banking Group Limited (ANZ) are secured and subject to variable interest rates. The term loans are secured by the following:

i) First registered mortgage debentures over all assets and undertakings including uncalled capital and unpaid premiums of the Holding Company.

ii) Authority to appropriate and set off term deposit held with ANZ.

iii) Deed of Assignment dated 23 November 2016 assigning the Holding Company second priority over the assets of AST Telecom LLC to ANZ.

Details of outstanding term loans are as follows:

Borrowing for acquisition of Telecom Vanuatu Limited

The term loan amounting to FJD 18 million (2020: FJD 20 million) at year-end was obtained for the purpose of funding the transaction to acquire Telecom Vanuatu Limited.

The loan is payable at monthly repayments of FJD 299,947 (2020: FJD 306,294) based on notional term of 14 years and at variable interest rate, which was 4.75% (2020: 5.25%) per annum at the balance date.

Borrowing for acquisition of Amper SA interest in certain subsidiaries of Bluesky Group

The term loans amounting to USD 57 million (FJD 121 million) (2020: USD 61 million (FJD 139 million)) at year-end were obtained for the purpose of funding the transaction to acquire Amper SA's interest in certain subsidiaries of the Bluesky Group.

The loans are payable at monthly repayments of USD 485,491 (2020: USD 508,490) based on notional terms of between 13 – 15 years and at variable interest rate, which was 3.58% (2020: 4.58% – 4.83%) per annum at balance date.

Borrowing to fund Digitec Communication Limited mobile network rollout

The term loan amounting to USD 3 million (FJD 7 million) (2020: USD 6 million (FJD 13 million)) at year-end was obtained for the purpose of funding the establishment of a new mobile telecommunications network in Papua New Guinea.

The loan is payable at monthly repayments of USD 277,777 (2020: USD 277,777) based on a notional term of 3 years and at a variable interest rate, which was 3.33% (2020: 3.98%) per annum at balance date.

(f) Term loan and Bank overdraft – Bred Bank (Vanuatu) Limited

The subsidiary company, Telecom Vanuatu Limited, has a bank overdraft facility of VUV 270 million at an interest rate of 6.75% and term loan with Bred Bank (Vanuatu) Limited at a variable interest rate, which was 6.15% p.a. at balance date, which is unsecured, and is subject to maintaining certain financial covenants.

NOTE 24. BORROWINGS (CONT'D)

(g) Term loan - ANZ Bank (Samoa) Limited

The subsidiary company, Bluesky Samoa Limited, has a secured loan and a bank overdraft facility limit of WST 1 million with ANZ Bank (Samoa) Limited and is secured over:

(i) First registered mortgage over leasehold Bluesky Headquarters at Maluafou. Lease is 20 years commencing 2003 with a right of renewal of 20 years and final expiry in 2043.

(ii) First registered mortgage debenture over the fixed and floating assets (including paid and unpaid capital) of Bluesky Samoa Limited.

The subsidiary company, Bluesky SamoaTel Investments Limited, has a secured loan with ANZ Bank (Samoa) Limited and is secured over:

(i) First registered mortgage debenture, being a fixed and floating charge, over all present and future assets, undertakings and unpaid or uncalled capital of Bluesky SamoaTel Investments Limited.

(ii) Corporate guarantee and indemnity unlimited as to amount plus interest, costs and other amounts given by the Holding Company in favour of ANZ Bank (Samoa) Limited.

The subsidiary company, Teleraro Limited, has a secured loan with Australian and New Zealand Banking Group Limited and is secured over:

(i) First registered mortgage debenture, being a fixed and floating charge, over all assets and undertakings (including paid and unpaid capital) of Teleraro Limited.

(ii) First registered mortgage over 100% of the shares held in TCNZ Cook Islands Limited by Teleraro Limited.

(iii) Corporate guarantee given by subsidiary company, AST Telecom LLC, in favour of Teleraro Limited.

(iv) Corporate guarantee given by subsidiary company, Bluesky Samoa Limited, in favour of Teleraro Limited.

(h) Term loans – Vanuatu National Provident Fund

The subsidiary company, Telecom Vanuatu Limited, has an equity convertible loan from Vanuatu National Provident Fund at a variable interest rate, which was 6% p.a. at balance date. The equity convertible loan option would be exercised by Vanuatu National Provident Fund in 2022.

A corporate guarantee has been provided by the Holding Company for the loan.

(i) Bank overdraft and Finance Lease – Westpac Banking Corporation

The subsidiary company, Vodafone Fiji Pte Limited, has a bank overdraft facility of $20 million at a variable interest rate, which was 4.35% p.a. at balance date, with Westpac Banking Corporation which is unsecured and subject to maintaining certain financial covenants.

The subsidiary company, Datec (Fiji) Pte Limited has a standard finance lease facility at an interest rate of 4.5% which is secured by:

(a) Registered first fixed and floating charge over all the assets of the subsidiary company.

(b) Undertakings including its uncalled and called but unpaid capital of the subsidiary company.

(c) Letter of support from the Vodafone Fiji Pte Limited.

(d) Standard lease schedule over the subsidiary company's motor vehicles.

In addition, Datec (Fiji) Pte Limited has a bank overdraft facility with a limit of $1 million available with Westpac Banking Corporation. Interest is payable at a rate of 4.35% per annum (2020: 4.85% per annum).

NOTE 24. BORROWINGS (CONT'D)

(j) Other Bank Facilities – ANZ Banking Group Limited - Fiji

The subsidiary company, Telecom Fiji Pte Limited, has an indemnity guarantee and visa business credit card facilities with ANZ Banking Group Limited - Fiji. These facilities are secured by letter of charge over term deposit funds.

Reconciliation of movement of liabilities to cash flows from financing activities

	Other borrowings ($'000)	Lease liabilities ($'000)	Total ($'000)
Balance at 1 April 2020	350,172	61,306	411,478
Changes from financing cash flows			
Proceeds from borrowings	8,134	-	8,134
Repayment of borrowings	(59,339)	-	(59,339)
Payment of lease liabilities	-	(6,622)	(6,622)
Total changes from financing cash flows	**(51,205)**	**(6,622)**	**(57,827)**
The effect of changes in foreign exchange rates	**(13,377)**	**4,243**	**(9,134)**
Other changes – liability related			
New leases	-	14,183	14,183
Re-measurement	-	(2,943)	(2,943)
Disposal	-	(46)	(46)
Interest expense	15,932	4,641	20,573
Interest paid	(15,932)	(4,641)	(20,573)
Total liability related other changes	**-**	**11,194**	**11,194**
Balance at 31 March 2021	**285,590**	**70,121**	**355,711**

NOTE 24. BORROWINGS (CONT'D)

Reconciliation of movement of liabilities to cash flows from financing activities	Other borrowings ($'000)	Lease liabilities ($'000)	Total ($'000)
Balance at 1 April 2019	319,517	32,540	352,057
Changes from financing cash flows			
Proceeds from borrowings	67,904	-	67,904
Repayment of borrowings	(47,123)	-	(47,123)
Payment of lease liabilities	-	(4,765)	(4,765)
Total changes from financing cash flows	**20,781**	**(4,765)**	**16,016**
The effect of changes in foreign exchange rates	**9,874**	**(131)**	**9,743**
Other changes - liability related			
New leases	-	35,567	35,567
Re-measurement	-	(1,877)	(1,877)
Disposal	-	(28)	(28)
Interest expense	19,059	2,663	21,722
Interest paid	(19,059)	(2,663)	(21,722)
Total liability related other changes	**-**	**33,662**	**33,662**
Balance at 31 March 2020	**350,172**	**61,306**	**411,478**

NOTE 25. PROVISIONS

	2021 $'000	2020 $'000
Non-current		
Retirement benefits	393	183
Current		
Employee entitlements	4,709	7,615
Directory production costs	37	51
	4,746	7,666

NOTE 26. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Non-current		
Trade payables and accruals (a)	12,625	36,808
Subscriber deposits	4,021	3,949
Total non-current trade and other payables	16,646	40,757
Current		
Trade payables and accruals (b)	221,745	144,439
Owing to related parties (Note 30(g))	2,389	221
Advance for relocation of telecommunication cables	40	88
Dividend payable	26,237	22,297
	250,411	167,045
Security deposits	1,362	1,782
Contract liabilities	14,572	18,289
Total current trade and other payables	266,345	187,116
Total trade and other payables	282,991	227,873

(a) Noncurrent trade payables principally comprise of capital creditors for the subsidiary company, Digitec Communications Limited, which relates to vendor finance of PGK 21.5 million (FJD 12.6 million). Per the vendor finance agreement, the subsidiary company will only pay interest for one year from the date when "Equipment Arrival Certificate" is signed following which principal repayment will come into effect. Therefore, the amount has been classified as noncurrent.

(b) Trade payables principally comprise amounts outstanding for trade purchases and on-going costs. Trade payables are non-interest bearing and are normally settled on a 30 – 60-day term.

The carrying amount of trade and other payables are considered to be a reasonable approximation of fair value.

NOTE 27. DIVIDENDS

	2021 $'000	2020 $'000
Ordinary shares		
Final dividend ($nil per share (2020: $Nil))	-	-
Total dividends	-	-

During the year dividends declared by group entities and payable to non-controlling interests was $17,912,000 (2020: 32,149,000).

NOTE 28. CONTINGENT LIABILITIES

	2021 $'000	2020 $'000
Following is a summary of estimated contingent liabilities:		
Bank and performance guarantees	4,518	7,682

a) Legal claims

Various claims have been brought against certain subsidiary companies. The directors have obtained legal advice on these claims and are confident that no significant liability other than those that have been brought to account or have been disclosed will eventuate.

There is an ongoing constitutional redress proceeding against the subsidiary company, Vodafone Fiji Pte Limited. The relevant hearing of the case has been conducted and the subsidiary company is awaiting judgement. It is uncertain at this stage the potential liability that may arise, if any.

The subsidiary company, Telecom Cook Islands Limited, has been advised of potential claims from some landowners for overdue rent reviews. The lease is held by the Cook Islands Government Property Corporation and the subsidiary company occupies the land under a joint venture agreement between the shareholders of the subsidiary company. A deed of variation of the lease dated 2 October 2007 was prepared by Cook Islands Investment Corporation which included the settlement for overdue rent reviews. However, the legal counsel for the landowners have claimed that the deed is unlawful. The legitimacy of this claim is still being determined, including if successful, whether the subsidiary company would be liable for any potential liability.

Another landowner is also pursuing compensation for occupation of land from the subsidiary company, Telecom Cook Islands Limited. The details of the claim are not clear. There is no formal lease agreement but rental has been paid in accordance with a written agreement with certain family members.

It is not clear if there will be a further liability resulting from these claims, nor any expected amounts beyond that already paid.

b) Other contingent liabilities

i) The subsidiary company, Vodafone Fiji Pte Limited, has provided letter of support to its subsidiary company, Datec (Fiji) Pte Limited, for the bank overdraft facility with Westpac Banking Corporation.

ii) The Holding Company has given a limited guarantee to ANZ Bank (Kiribati) Limited for the term loan obtained by the subsidiary company, Amalgamated Telecom Holdings (Kiribati) Limited, to the amount of AUD 9,577,000 plus interest, costs and other amount relating to the facility.

iii) The Holding Company has given a limited guarantee to Bred (Vanuatu) Limited for the term loans and bank overdraft facility obtained by the subsidiary company, Telecom Vanuatu Limited, to the amount of VUV 659,000,000.

iv) The Holding Company has given a guarantee to Vanuatu National Provident Fund for the term loan obtained by the subsidiary company, Telecom Vanuatu Limited, to the amount payable pursuant to the Deed of Loan between Vanuatu National Provident Fund and the subsidiary company.

NOTE 28. CONTINGENT LIABILITIES [CONT'D]

b) Other contingent liabilities (cont'd)

v) The Holding Company has given a corporate guarantee and indemnity to ANZ Bank (Samoa) Limited for the term loan obtained by the subsidiary company, Bluesky SamoaTel Investments Limited, unlimited as to amount plus interest, costs and other amounts.

vi) The subsidiary company, Bluesky Samoa Limited, is in discussion with Ministry of Revenue Samoa about certain tax deductions that the Ministry has disallowed. These deductions stem from tax losses created by balance sheet write offs (accelerations of depreciation and inventory write-offs) undertaken after the Group bought 75% of the shares from the Government of Samoa in 2011. The tax impact of the deductions amount to WST 3,737,000. On 25 February 2021, management met with Ministry of Revenue to go through the asset verification exercise. While management considered the meeting with the Ministry to be positive, the Ministry is conducting further internal report closure procedures before they would be able to respond to the subsidiary company. Based on advice from the tax agents, management believes that the tax deductions will be allowed.

NOTE 29. COMMITMENTS

a) Capital commitments

	2021 $'000	2020 $'000
Capital expenditure commitments as at balance date are as follows:		
Intangible assets	43,689	50,706
Property, plant and equipment	281,078	236,990

Capital expenditure commitments primarily relate to various capital investment projects, programs and initiatives approved by the Board of Directors of the Holding Company and the subsidiary companies. Capital expenditure commitments for the year ended 31 March 2021 also includes $43,643,000 (2020: $50,660,000) for lease of new submarine cable capacity linking Australia and USA.

b) Operating lease expenses

The Group has entered into line rental agreements with various line rental service providers. The arrangement includes variable lease payments based on an index or rate. The Group also has a number of short term leases, for which no right of use assets and liabilities have been recognised. Refer note 16 for rental payments for the year ended 31 March 2021 in respect to the above.

c) Sponsorship agreement with Fiji Rugby Union

On 13 November 2017, the subsidiary company, Vodafone Fiji Pte Limited, entered into a sponsorship agreement with Fiji Rugby Union. As per the terms of the agreement, Fiji Rugby Union granted sponsorship rights in respect to certain properties under the control of FRU, including the Kaji Tournament and the Under 20s Team on an exclusive basis to the subsidiary company. The subsidiary company agreed to the acquisition of such sponsorship rights to be solely for the subsidiary company which include corporate entities for sponsorship in cash and sponsorship in kind for a period of 5 years. The sponsorship is currently under negotiations with FRU for revisions in light of effects of Covid-19.

NOTE 29. COMMITMENTS (CONT'D)

d) Sponsorship agreement with Fiji Football Association

On 4 January 2019, the subsidiary company, Vodafone Fiji Pte Limited, entered into a sponsorship agreement with Fiji Football Association.

As per the terms of the agreement, Fiji Football Association (Association) granted sponsorship rights in respect to its competitions, the Association and the district affiliate teams on an exclusive basis to the subsidiary company. The subsidiary company agreed to the acquisition of such sponsorship rights to be solely for the subsidiary company and its Consortium sponsor for sponsorship in cash and sponsorship in kind for a period of 5 years. Subsequently, in February 2021 the subsidiary company in agreement with the Association terminated the sponsorship agreement.

e) Sponsorship agreement with Fiji National Rugby League Limited

On 25 January 2018, subsidiary company, Vodafone Fiji Pte Limited, entered into a sponsorship agreement with Fiji National Rugby League Limited.

As per the terms of the agreement, Fiji National Rugby League (FNRL) granted sponsorship rights in respect to its events, including the Fiji Bati team, Vodafone Cup Tournament, and Primary and Secondary School rugby events on an exclusive basis to the subsidiary company. The subsidiary company agreed to the acquisition of such sponsorship rights to be solely for the subsidiary company for sponsorship in cash and sponsorship in kind for a period of 4 years. The sponsorship is currently under negotiations with FNRL for revisions in light of effects of Covid-19.

f) Licence fees

Certain subsidiaries within the Group are committed to pay licence fees to the Government of Fiji, the Government of Kiribati (for Amalgamated Telecom Holdings (Kiribati) Limited), the Government of Vanuatu (for Telecom Vanuatu Limited) and Office of the Regulator (for Bluesky Samoa Limited) based on the audited annual gross revenue which arises directly from the provision of services under the respective licence.

Certain subsidiaries in Fiji are also committed to pay Universal Service Levies to the Government of Fiji based on the audited annual gross revenue which arises directly from the provision of services under the respective licence in the current year and such annual gross revenue are calculated net of settlements with other licences in Fiji.

g) Operating lease income

The Group earns rental income from colocations and equipment and lease circuit rental. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the Group during 2021 was $5,103,000 (2020: $6,619,000). The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2021 $'000	2020 $'000
Less than one year	1,644	1,371
Between one and five years	803	2,176
	2,447	3,547

NOTE 30. RELATED PARTIES

a) Parent entity

The ultimate parent company is Fiji National Provident Fund (FNPF), a defined contribution superannuation fund domiciled in Fiji.

b) Directors

The names of persons who were directors of the Holding Company at any time during the financial year are as follows:

Mr Ajith Kodagoda – Chairperson (resigned on 16 December 2020)
Ms Kalpana Lal – Chairperson (with effect from 18 March 2021)
Mr Taito Waqa
Mr Umarji Musa
Mr David Kolitagane
Mr Arun Narsey (resigned on 16 December 2020)
Mr Tom Ricketts (resigned on 16 December 2020)
Ms Tupou'tuah Baravilala (appointed on 16 December 2020)
Mr Viliame Vodonaivalu (appointed on 16 December 2020)
Mr Pravinesh Singh (appointed on 16 December 2020)

Directors' remuneration is disclosed under Note 11.

c) Government related entity

The Government of Fiji has significant influence over the Group through its shareholding of 16.3% in the Holding Company and also through its influence over the parent company, Fiji National Provident Fund, through the FNPF Act 2011 under which FNPF has been constituted. The Group has transactions with the Government, and other government-related entities, including but not limited to sales and purchases of goods and ancillary materials, rendering and receiving services, lease of assets, and use of public utilities.

d) Sale of goods and services

	2021 $'000	2020 $'000
Interest income (Amalgamated Telecom Nominees Limited)	30	30
Sale of hardware, software and services (FNPF)	1,946	567
Rental (FNPF)	696	64
Advertising income (FNPF)	25	21

e) Purchases of goods and services

	2021 $'000	2020 $'000
Interest expenses and fees (FNPF)	3,410	3,424
Operating lease (FNPF)	923	888

f) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entities of the Group, directly or indirectly, including any director (whether executive or otherwise) of those entities. The aggregate compensation to key management personnel are as follows:

	2021 $'000	2020 $'000
Salaries and other short-term employee benefits	5,657	4,091

NOTE 30. RELATED PARTIES [CONT'D]

	2021 $'000	2020 $'000
g) Year-end balances arising from sales/purchases of goods and services		
Receivable from related parties (Note 20):		
- Ultimate parent entity	872	868
Payable to related parties (Note 26):		
- Ultimate parent entity	2	221
- Austel Investment Pte Limited	2,387	-
	2,389	221
h) Loans and advances to related parties		
Advances to other related entity - Amalgamated Telecom Nominees Limited (Note 20)	2,482	2,482

Refer Note 20 for terms underlying the advance to other related entity.

	2021 $'000	2020 $'000
i) Borrowings from ultimate parent entity		
Term loans (Note 24)	75,177	80,000
j) Debt investment securities		
Term deposits held with HFC Bank (Note 19)	250	200

k) Guarantees

Refer Note 28(b) for provision of guarantees to related parties.

l) Commitments

Refer Note 28(b) for provision of letter of support to related parties.

NOTE 31. SUBSIDIARY COMPANIES

The financial statements of the Group incorporate the assets, liabilities and results of the following subsidiary companies. The basis of consolidation is discussed under note 2 (d).

	Principal place of business	Equity holding 2021	Equity holding 2020
Telecom Fiji Pte Limited	Fiji	100%	100%
Fiji International Telecommunications Pte Limited	Fiji	100%	100%
Vodafone Fiji Pte Limited	Fiji	51%	51%
Datec (Fiji) Pte Limited	Fiji	51%	51%
Datec Australia Pty Limited	Australia	51%	51%
Fiji Directories Pte Limited	Fiji	100%	100%
Amalgamated Telecom Holdings (Kiribati) Limited	Kiribati	100%	100%
Telecom Vanuatu Limited	Vanuatu	100%	100%
ATH International Venture Pte Limited	Singapore	100%	100%
Digitec Communication Limited	PNG	70%	70%
Digitec ICT Limited	PNG	26%	70%
Etech ICT Pty Limited	Australia	26%	70%
Etech ICT Pte Limited	Singapore	26%	70%
eLandia Technologies, LLC	USA	100%	100%
American Samoa Hawaii Cable LLC	American Samoa	66.7%	66.7%
Samoa American Samoa Cable	American Samoa	66.7%	66.7%
Amalgamated Bluesky Telecom Holdings LLC	USA	100%	100%
AST Telecom LLC	American Samoa	100%	100%
American Samoa Entertainment	American Samoa	100%	100%
Bluesky SamoaTel Investments	Samoa	97.2%	97.2%
Bluesky Samoa Limited	Samoa	72.9%	72.9%
Bluesky Pacific Holdings Limited	Samoa	60.2%	60.2%
Bluesky Holding New Zealand Limited	New Zealand	60.2%	60.2%
Bluesky Cook Islands Investment	Cook Islands	60.2%	60.2%
Teleraro Management Limited	Cook Islands	60.2%	60.2%
Teleraro Limited	Cook Islands	54.2%	54.2%
TCNZ Cook Islands Limited	Cook Islands	54.2%	54.2%
Telecom Cook Islands Limited	Cook Islands	32.5%	32.5%

All the subsidiaries have the same balance date as the parent entity which is 31 March.

Although the Company has less than half of the voting rights in Telecom Cook Islands Limited, Digitec ICT Limited, Etech ICT Pte Limited and Etech ICT Pty Limited, management has determined that the Company controls Telecom Cook Islands Limited, Digitec ICT Limited, Etech ICT Pte Limited and Etech ICT Pty Limited. This is on the basis that the Company appoints the majority of the directors for Telecom Cook Islands Limited, Digitec ICT Limited, Etech ICT Pte Limited and Etech ICT Pty Limited and has the majority voting rights.

On 1 April 2020, Vodafone Fiji Pte Limited acquired 70% shareholding in Digitec ICT Limited, Etech ICT Pte Limited and Etech ICT Pty Limited from Digitec Communication Limited and ATH International Venture Pte Limited. The transaction was accounted for as a common control transaction as at the time of this transaction Vodafone Fiji Pte Limited, Digitec Communication Limited and ATH International Venture Pte Limited were controlled by the same shareholder, the Holding Company. As the Holding Company was not a party to the common control transaction, these consolidated financial statements were not affected by the transaction.

However, on the same day (i.e. 1 April 2020), following transfer of control, Vodafone Fiji Pte Limited disposed 19% interest in Digitec ICT Limited, Etech ICT Pte Limited and Etech ICT Pty Limited decreasing the Groups ownership interest from 70% to 26%. This change in ownership interest has been accounted for as an equity transaction, the effects of which are presented in the other equity reserve.

NOTE 32. SEGMENT REPORTING

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

a) Operating Segments

	Fixed Line Telecom $'000	Mobile Telecom $'000	Other $'000	Elimination $'000	Total $'000
31 March 2021					
External revenues	88,621	384,483	106,661	-	579,765
Inter-segment revenue	30,039	24,372	60,789	(115,200)	-
Other income	3,286	6,817	1,063	-	11,166
Segment revenue	121,946	415,672	168,513	(115,200)	590,931
Segment profit (loss) before tax	28,409	49,810	55,859	(79,334)	54,744
Interest income	640	886	1,724	(1,955)	1,295
Interest expense	1,387	10,456	10,121	(1,391)	20,573
Depreciation and amortisation	20,692	71,130	22,071	(4,554)	109,339
Other material non-cash items:					
Impairment losses on trade receivables and contract assets	2,680	4,679	1,564	-	8,923
Impairment losses on non-financial assets	-	2,500	-	-	2,500
Segment assets	209,453	639,592	980,868	(548,742)	1,281,171
Capital expenditure	18,600	61,010	102,098	(639)	181,069
Segment liabilities	64,233	403,052	450,423	(186,268)	731,440
31 March 2020					
External revenues	103,202	461,870	110,875	-	675,947
Inter-segment revenue	19,772	15,575	56,710	(92,057)	-
Other income	944	3,495	1,521	-	5,960
Segment revenue	123,918	480,940	169,106	(92,057)	681,907
Segment profit (loss) before tax	23,794	85,754	28,919	(68,051)	70,416
Interest income	429	627	2,092	(1,548)	1,600
Interest expense	1,185	10,124	11,072	(659)	21,722
Depreciation and amortisation	22,275	65,528	10,757	13,187	111,747
Other material non-cash items:					
Impairment losses on trade receivables and contract assets	4,112	2,899	2,143	(659)	8,495
Impairment losses on non-financial assets	-	6,300	-	-	6,300
Segment assets	190,886	673,028	796,333	(453,817)	1,206,430
Capital expenditure	20,183	55,327	86,303	(6,770)	155,043
Segment liabilities	56,622	425,248	394,778	(136,264)	740,384

NOTE 32. SEGMENT REPORTING (CONT'D)

b) Geographical segments

The geographic information analyses the Group's revenue and non-current assets by the Holding Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	Fiji $'000	Outside Fiji $'000	Elimination $'000	Total $'000
31 March 2021				
External revenues	345,477	234,288	-	579,765
Inter-segment revenue	83,980	31,220	(115,200)	-
Other income	2,263	8,903	-	11,166
Segment revenue	431,720	274,411	(115,200)	590,931
Segment profit (loss) before tax	102,941	31,137	(79,334)	54,744
Interest income	826	2,424	(1,955)	1,295
Interest expense	13,735	8,229	(1,391)	20,573
Depreciation and amortisation	66,937	46,956	(4,554)	109,339
Other material non-cash items:				
Impairment losses on trade receivables and contract assets	7,761	1,162	-	8,923
Impairment losses on non-financial assets	-	2,500	-	2,500
Segment assets	1,210,769	619,144	(548,742)	1,281,171
Capital expenditure	47,623	134,085	(639)	181,069
Segment liabilities	607,612	310,096	(186,268)	731,440
31 March 2020				
External revenues	431,841	244,106	-	675,947
Inter-segment revenue	92,057	-	(92,057)	-
Other income	94	5,866	-	5,960
Segment revenue	523,992	249,972	(92,057)	681,907
Segment profit (loss) before tax	128,978	9,489	(68,051)	70,416
Interest income	2,358	790	(1,548)	1,600
Interest expense	15,549	6,832	(659)	21,722
Depreciation and amortisation	59,267	39,293	13,187	111,747
Other material non-cash items:				
Impairment losses on trade receivables and contract assets	3,719	5,435	(659)	8,495
Impairment losses on non-financial assets	-	6,300	-	6,300
Segment assets	1,181,342	478,905	(453,817)	1,206,430
Capital expenditure	45,499	116,314	(6,770)	155,043
Segment liabilities	555,949	320,699	(136,264)	740,384

NOTE 33. EVENTS SUBSEQUENT TO BALANCE DATE

On 27 April 2021, the holding company issued an additional 4,000,541 shares on the SPX platform subsequent to the rights issue expiry offer dated 19 April 2021.

Regarding the rights issue offer, a total of 26,677,646 new share applications were received.

Result of the Offer and Placement of shortfall shares:

A total of 63,379,109 shares were offered under the rights issue offer. A total of 56,485,231 pro-rata entitlement applications and short fall share applications were received.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect significantly the operations of the Group, the results of those operations, or the state of the affairs of the Group, in subsequent financial years.

NOTE 34. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorised for issue on 31 August 2021