

OFFICE OF THE REGULATOR

FINANCIAL STATEMENTS

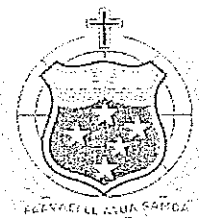
30 JUNE 2013

OFFICE OF THE REGULATOR
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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TELEPHONE: 27751
FAX: 24167
EMAIL: info@audit.gov.ws
Website: www.audit.gov.ws

P.O. Box 13
APIA, SAMOA



AUDIT OFFICE

REPORT OF THE AUDIT OFFICE

OFFICE OF THE REGULATOR

We have audited the accompanying financial statements of Office of the Regulator, which comprises the balance sheet as at 30 June 2013, the income statement, the statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Telecommunications Act 2005. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Office of the Regulator as at 30 June 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and give in the prescribed manner the information required by the Telecommunications Act 2005.

Apia, Samoa
1st August 2014


Fuimaono Papaliri Camillo Afele
CONTROLLER AND AUDITOR GENERAL

**OFFICE OF THE REGULATOR
CERTIFICATION BY MANAGEMENT
FOR THE YEAR ENDED 30 JUNE 2013**

We certify that the attached financial statements for the Office of the Regulator comprising of the Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and Notes forming part of the financial statements for the year ended 30 June 2013:

- a) give a true and fair view of the matters to which they relate; and
- b) have been prepared in accordance with International Financial Reporting Standards; and
- c) comply with the Public Finance Management Act 2001 in relation to the form or content of financial statements made under the Public Bodies (Performance and Accountability) Act 2001.

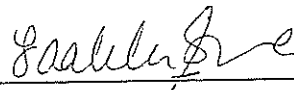
We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on behalf of the Office of the Regulator



Donnie De Freitas
Regulator
Office of the Regulator
Apia, Samoa

/ /



Faalelei Sua
Manager-Corporate Services
Office of the Regulator
Apia, Samoa

01/08/14

OFFICE OF THE REGULATOR
BALANCE SHEET
AS AT 30 JUNE 2013

	NOTE	2013 \$	2012 \$
<u>CAPITAL</u>			
Government Contribution	4	1,300,015	1,300,015
Accumulated Funds		3,375,042	853,871
		<u>4,675,057</u>	<u>2,153,886</u>
<i>Represented by:</i>			
<u>CURRENT ASSETS</u>			
Cash and cash equivalents	3	358,286	988,957
Accounts and Other Receivables	5	5,253,518	1,290,998
Total Current Assets		<u>5,611,804</u>	<u>2,279,955</u>
<u>Less: CURRENT LIABILITIES</u>			
Accounts and Other Payables	6	1,063,248	241,206
Total Current Liabilities		<u>1,063,248</u>	<u>241,206</u>
WORKING CAPITAL		4,548,556	2,038,749
<u>Add: NON CURRENT ASSETS</u>			
Property, Plant and Equipment	8	126,501	115,137
NET ASSETS		<u><u>4,675,057</u></u>	<u><u>2,153,886</u></u>

The relevant accompanying notes form an integral part of the above Balance Sheet.

OFFICE OF THE REGULATOR
 INCOME STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 \$	2012 \$
INCOME			
Government Grants		1,858,378	1,708,973
Telecom Licence Fees		2,155,451	2,017,164
Radio Licence Fees		485,623	457,151
Other Fees		9,955	11,420
TOTAL INCOME		4,509,407	4,194,708
EXPENSES			
Allowances		231,226	242,572
Audit Fees		10,000	10,000
Doubtful Debts	7	-	127,642
Consultancy Fees		43,779	87,764
Depreciation	8	44,084	207,295
Grants to Ministry of Finance		92,867	2,469,503
Other Operating Expenses	9	351,316	197,614
Personnel Expenses	10	713,659	620,915
Office Renovations		474,632	-
Rent		26,673	62,366
TOTAL EXPENSES		1,988,236	4,025,671
SURPLUS		2,521,171	169,037

The relevant accompanying notes form an integral part of the above Income Statement.

OFFICE OF THE REGULATOR
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	Government Contribution \$	Accumulated Funds \$	Total \$
2012				
Balance at 1 July 2011	4	1,300,015	684,834	1,984,849
Surplus for the period		-	169,037	169,037
Balance at 30 June 2012		1,300,015	853,871	2,153,886
2013				
Balance at 1 July 2012		1,300,015	853,871	2,153,886
Surplus for the period		-	2,521,171	2,521,171
Balance at 30 June 2013		1,300,015	3,375,042	4,675,057

The relevant accompanying notes form an integral part of the above Statement of Changes in Equity.

OFFICE OF THE REGULATOR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013 \$	2012 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Licence fees		2,518,641	2,598,818
Cash paid to suppliers and employees		(4,898,459)	(1,365,352)
<i>Net Cash Inflow/(Outflow) from Operating Activities</i>		<u>(2,379,818)</u>	<u>1,233,466</u>
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES			
Acquisition of fixed assets		(11,364)	(5,365)
<i>Net Cash Outflow from Investing Activities</i>		<u>(11,364)</u>	<u>(5,365)</u>
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES			
Grant from the Government of Samoa		1,853,378	1,708,973
Payment to the Government of Samoa		(92,867)	(2,469,503)
<i>Net Cash Inflow/(Outflow) from Financing Activities</i>		<u>1,760,511</u>	<u>(760,530)</u>
Net Decrease In Cash Flows		(630,671)	467,571
Cash and Cash Equivalent at the beginning of year		988,957	521,386
CASH AND CASH EQUIVALENT AT YEAR END		<u><u>358,286</u></u>	<u><u>988,957</u></u>
<i>Represented by:</i>			
Cash and cash equivalents	3	<u><u>358,286</u></u>	<u><u>988,957</u></u>

The relevant accompanying notes form an integral part of the above Statement of Cash Flows.

OFFICE OF THE REGULATOR
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. GENERAL INFORMATION

The Office of the Regulator was established in July 2006 and its mandate is set out in Section 3 of the Telecommunications Act 2005, Section 3 of the Broadcasting Act 2010, Section 3 of the Postal Services Act 2010 and Section 3 of the Electricity Act 2010. The main purpose of the Office is to regulate the Telecommunications, Broadcasting, Postal and Electricity Sectors in Samoa.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Set out below is a summary of significant accounting policies adopted by the Office in the preparation of its financial statements.

a) Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Public Finance Management Act 2001 which requires the adoption of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

b) Basis of preparation

The financial statements are prepared on the basis of historical costs. Reporting financial statements in accordance with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period and future periods.

c) Comparative information

Comparative information has been restated where necessary to achieve consistency in disclosure with current financial year amounts.

d) Functional and presentation currency

The financial statements are presented in Samoan Tala (SAT\$), which is the Office's functional currency and all values presented in Samoan Tala have been rounded to the nearest tala.

e) Going Concern

The financial statements are prepared on the going concern basis in the belief that the Office will continue its operations for the foreseeable future and will not dispose of or realize any material part of its assets or operations.

f) Foreign currency

Transactions in foreign currency are translated to Samoan tala at the foreign exchange rate ruling at the date of the transaction. Amounts receivable and payable denominated in foreign currencies are translated at the rates of exchange ruling at balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

g) Bad and doubtful debts provision

Collectability of receivables is reviewed on an ongoing basis. A provision is raised for any doubtful debt based on a general review of the outstanding amounts at the end of the reporting period. Bad debts are written off against the provision for doubtful debts in the period in which they are identified as unrecoverable. Unless there was no provision raised before, then write off in income statement.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Revenue Recognition

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the reporting date. The revenue is recognised when:

- The amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and,
- The probable economic benefits with the transaction will flow to the entity.

No revenue is recognized if there are significant uncertainties regarding collection of the revenue due.

Government Grant

Grants from the Government of Samoa which are intended to support and finance the operations of the Office are taken to income in the period they are receivable.

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholder's equity. When the grant relates to an asset, the fair value is credited to a deferred income account and amortised to income statement in the same amount as the related depreciation expense on the asset. That is, amortised over the expected useful life of the relevant asset by equal annual instalments.

i) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and on hand. Cash is recognised at its nominal amount.

j) Accounts and other receivables

Accounts and other receivables are recorded at expected realization value after providing for bad and doubtful debts. At the end of each reporting period, the carrying amounts of accounts and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in the income statement.

k) Provisions

A provision is recognized in the balance sheet when the Office has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

l) Accounts and other payables

Accounts payable and other payables are recognized at cost and represent liabilities for goods and services provided to the Office before the end of the financial year that are unpaid and arise when the Office becomes obliged to make future payments in respect of the purchase of these goods and services.

m) Value Added Goods and Services Tax (VAGST)

The Office does not lodge VAGST returns. Hence, all amounts in the income statement are shown exclusive of VAGST, with a VAGST line item rather reported separately. Similarly debtors and payables are also stated exclusive of VAGST (where applicable).

OFFICE OF THE REGULATOR
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2013

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Income Tax

The Office is exempt from income tax.

o) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method.

The following rates are used for the depreciation of property, plant and equipment:-

<u>Item</u>	<u>Annual rate</u>
Furniture and Fittings	20%
Office equipment	20%
Motor vehicles	20%
Spectrum Monitoring Mobile System	20%
Computer software	20%

p) Leases

Leases are classified as either finance leases or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee, who reports the assets in its balance sheet. In contrast, an operating lease exists where the leased assets are allocated to the lessor.

In its capacity as a lessee, the Office mainly uses property under operating leases. Payments due to the lessor under operating leases are charged to equipment and occupancy expenses on a straight-line basis over the term of the lease.

q) Grants to Ministry of Finance

All daily collections received from Licenses Fees and other fees relating to Office operations are issued a master receipt by the Ministry of Finance and lodged into the Treasury Revenue Fund. Therefore cash paid back is treated as an expense of the office.

r) Employee benefits

i) Salaries and wages, annual leave and long service leave

Liabilities for employees' entitlements to salaries and wages, annual leave, long service leave and other current employee entitlements (that are expected to be paid within twelve months) are accrued at undiscounted amounts, and calculated at amounts expected to be paid as at reporting date.

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of reporting date, are accrued in respect of all employees at the present value of future amounts expected to be paid.

No provision is made for non-vesting sick leave as the pattern of sick leave taken indicates that no additional liability will arise for non-vesting sick leave.

ii) Superannuation contributions

The Office contributes towards the Samoa National Provident Fund (NPF), a defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of contribution. Obligations for contributions to the defined contribution plan are recognised immediately in the income statement.

OFFICE OF THE REGULATOR
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

3. CASH AND CASH EQUIVALENTS	2013	2012
	\$	\$
Petty Cash	500	500
Cash at Bank	357,786	988,457
	<u>358,286</u>	<u>988,957</u>

4. GOVERNMENT CONTRIBUTION	2013	2012
	\$	\$
Net book value of Fixed Assets transferred from the Ministry of Communications & Information Technology as at 1 July 2007	156,734	156,734
Net book value of Fixed Assets purchased by the World Bank Telecommunications & Postal Sector Project as at 1 July 2007	1,143,281	1,143,281
	<u>1,300,015</u>	<u>1,300,015</u>

The cost of fixed assets transferred from the Ministry of Communications and Information Technology and those acquired through the World Bank Telecommunications and Postal Sector Reform Project are determined by reference to its net book value at 1 July 2007, the date when the Office of the Regulator operated independently.

5. ACCOUNTS AND OTHER RECEIVABLES	Note	2013	2012
		\$	\$
Accounts and other receivables are specified as follows:			
Accounts receivables		1,372,907	254,362
Less: Provision for doubtful debts	7	(208,737)	(208,737)
Net Accounts Receivables		1,164,170	45,625
Add: Other Receivables			
Prepayments		2,242	2,978
Accrued Revenue		4,087,106	1,242,395
Total accounts and other receivables		<u>5,253,518</u>	<u>1,290,998</u>

Accrued Revenue represents estimated revenue from telecommunications licence fees for this financial year that have not yet been invoiced. Estimates based on previous periods' licence fees and once invoices are issued, the relevant amounts will be transferred to Accounts Receivables. The amount of licence fees are in accordance with the Telecommunications Licence Fee Regulations 2007.

OFFICE OF THE REGULATOR
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

6. ACCOUNTS AND OTHER PAYABLES

	2013	2012
	\$	\$
Accounts and other payables are specified as follows:		
Accounts payables	5,564	8,459
Provision for Audit fees	23,000	11,500
Net Accounts Payables	<u>28,564</u>	<u>19,959</u>
Add: Other Payables		
Deferred revenue	958,351	154,051
Accrued allowances & salaries	15,140	18,168
Other employee benefits accrued	55,684	49,028
Revenue received in advance	5,509	-
Total accounts and other payables	<u><u>1,063,248</u></u>	<u><u>241,206</u></u>

Deferred revenue relates to both telecommunications and radio spectrum licence fees for the next financial year that have already been invoiced in the current financial year. This amount will be reversed in the next financial year and revenue will be recognised then.

7. PROVISION FOR DOUBTFUL DEBTS

	2013	2012
	\$	\$
Balance at the beginning of the year	208,737	81,095
Add: Additional provision	-	127,642
	<u>208,737</u>	<u>208,737</u>
Less: Write offs charged against provisions	-	-
Balance as at year end	<u><u>208,737</u></u>	<u><u>208,737</u></u>

8. PROPERTY, PLANT & EQUIPMENT

	Furniture & Fittings	Office Equipment	Motor Vehicles	Spectrum Monitoring Mobile System	Computer Software	TOTAL
	\$	\$	\$	\$	\$	\$
COST						
Balance at 1 July 2012	80,286	105,100	122,605	1,240,335	36,624	1,584,950
Additions	27,900	22,528	3,151	-	2,391	55,970
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	<u>108,186</u>	<u>127,628</u>	<u>125,756</u>	<u>1,240,335</u>	<u>39,015</u>	<u>1,640,920</u>
ACCUMULATED DEPRECIATION						
Balance at 1 July 2012	68,801	93,457	121,699	1,150,624	35,232	1,469,813
Depreciation	9,006	8,709	769	25,083	517	44,084
Disposals	372	150	-	-	-	522
Balance at 30 June 2013	<u>78,179</u>	<u>102,316</u>	<u>122,468</u>	<u>1,175,707</u>	<u>35,749</u>	<u>1,514,419</u>
30 June 2013	<u><u>30,007</u></u>	<u><u>25,312</u></u>	<u><u>3,288</u></u>	<u><u>64,628</u></u>	<u><u>3,266</u></u>	<u><u>126,501</u></u>

OFFICE OF THE REGULATOR
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

8. PROPERTY, PLANT & EQUIPMENT (Continued)

	Furniture & Fittings	Office Equipment	Motor Vehicles	Spectrum Monitoring Mobile System	Computer Software	TOTAL
	\$	\$	\$	\$	\$	\$
COST						
Balance at 1 July 2011	81,631	108,100	121,645	1,240,335	36,624	1,588,335
Additions	2,855	1,550	960	-	-	5,365
Disposals	(4,200)	(4,550)	-	-	-	(8,750)
Balance at 30 June 2012	<u>80,286</u>	<u>105,100</u>	<u>122,605</u>	<u>1,240,335</u>	<u>36,624</u>	<u>1,584,950</u>
ACCUMULATED DEPRECIATION						
Balance at 1 July 2011	62,203	78,869	119,423	976,885	30,217	1,267,597
Depreciation	9,680	16,585	2,276	173,739	5,015	207,295
Disposals	(3,082)	(1,997)	-	-	-	(5,079)
Balance at 30 June 2012	<u>68,801</u>	<u>93,457</u>	<u>121,699</u>	<u>1,150,624</u>	<u>35,232</u>	<u>1,469,813</u>
30 June 2012	<u>11,485</u>	<u>11,643</u>	<u>906</u>	<u>89,711</u>	<u>1,392</u>	<u>115,137</u>

9. OTHER OPERATING EXPENSES

	2013	2012
	\$	\$
Advertising	1,305	1,980
Bank Charges	1,295	1,531
Electricity	37,615	44,103
Insurance	17,956	19,793
Internet & Email	22,899	19,322
Loss on disposal of fixed assets	522	3,671
Motor vehicle running expenses	12,988	10,496
Office equipment	12,661	6,813
Other Operating Expenses	116,463	28,234
Postages and telephone	536	4,743
Stationery	7,393	3,781
Subscription to publications	1,742	15,656
VAGST paid	117,941	37,491
Total	<u>351,316</u>	<u>197,614</u>

10. PERSONNEL EXPENSES

	2013	2012
	\$	\$
Salaries and Wages	615,469	574,259
ACC Levy & NPF Contribution	40,572	36,909
Other employee benefits	57,618	9,747
	<u>713,659</u>	<u>620,915</u>

OFFICE OF THE REGULATOR
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

11. CAPITAL COMMITMENTS

The Office of the Regulator is not aware of any capital commitments as at 30 June 2013.

12. CONTINGENT LIABILITIES

The Office of the Regulator is not aware of any contingent liabilities as at 30 June 2013.

13. RELATED PARTIES

i) Key management personnel costs

The remuneration of key management personnel during the year were as follows:

	2013	2012
	\$	\$
Salaries and short term employment benefits	551,416	583,200
Employers contribution to:		
National Provident Fund	19,434	19,536
Accident Compensation Levy	3,853	3,907

ii) There were no other transactions with Related Parties during the year.