

**OFFICE OF THE REGULATOR**

**FINANCIAL STATEMENTS**

**30 JUNE 2014**

CONTENTS	Page (s)
Report of the Audit Office	1
Certification by Management	2
Balance Sheet	3
Income Statement	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to and forming part of the financial statements	7 - 12

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## AUDIT OFFICE

### REPORT OF THE AUDIT OFFICE

#### OFFICE OF THE REGULATOR

We have audited the accompanying financial statements of the Office of the Regulator, which comprises the Balance Sheet as at 30 June 2014, the Income Statement and Statements of Changes in Equity and Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes. The Accounting Firm of Isitolo Leota, Chartered Accountants, assisted in this audit.

#### The Responsibility for the Financial Statements

The Governing Body comprising of the Regulator, Acting Regulator and the Executive Management, is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, Public Finance Management Act 2001, the Public Bodies (Performance and Accountability) Act 2001, Telecommunications Act 2005, Broadcasting Act 2010, Telecom and License Fee Regulation 2007 and Radio Spectrum Fees Regulation 2007. 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 about 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 Governing Body, 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 present fairly, in all material respects, the financial position of the Office of the Regulator as at 30 June 2014, and of its financial performance, changes in equity and 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 Public Finance Management Act 2001, the Public Bodies (Performance and Accountability) Act 2001, Telecommunications Act 2005, Broadcasting Act 2010, Telecom and License Fee Regulation 2007 and Radio Spectrum Fees Regulation 2007.

Our audit was completed on the 23<sup>rd</sup> June 2015 and our opinion is expressed as at that date.

Apia, Samoa  
1 July 2015

*C. Afele*  
Fuimaono Papali'i C.G. Afele  
CONTROLLER AND AUDITOR GENERAL

OFFICE OF THE REGULATOR  
CERTIFICATION BY MANAGEMENT  
FOR THE YEAR ENDED 30 JUNE 2014

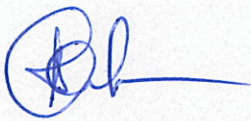
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We certify that the attached financial statements for the Office of the Regulator comprising of the Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and Notes forming part of the financial statements for the year ended 30 June 2014:

- 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.

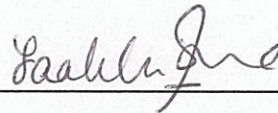
We are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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



*Unutoa Fonoti*  
**Interim Regulator**  
Office of the Regulator  
Apia, Samoa

23 / 06 / 2015



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

23 / 06 / 15

OFFICE OF THE REGULATOR  
BALANCE SHEET  
AS AT 30 JUNE 2014

	NOTE	2014 SAT\$	2013 SAT\$
<b><u>CAPITAL</u></b>			
Government Contribution	4	1,300,015	1,300,015
Accumulated Funds		4,021,995	3,375,042
		<u>5,322,010</u>	<u>4,675,057</u>
<i>Represented by:</i>			
<b><u>CURRENT ASSETS</u></b>			
Cash and cash equivalents	3	55,172	358,286
Accounts and Other Receivables	5	6,118,953	5,253,518
<b>Total Current Assets</b>		<u>6,174,125</u>	<u>5,611,804</u>
<b><u>Less: CURRENT LIABILITIES</u></b>			
Accounts and Other Payables	6	1,046,851	1,063,248
<b>Total Current Liabilities</b>		<u>1,046,851</u>	<u>1,063,248</u>
<b>WORKING CAPITAL</b>		<b>5,127,274</b>	<b>4,548,556</b>
<b><u>Add: NON CURRENT ASSETS</u></b>			
Property, Plant and Equipment	8	194,736	126,501
<b>NET ASSETS</b>		<u>5,322,010</u>	<u>4,675,057</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 2014

	NOTE	2014 SAT\$	2013 SAT\$
<b>INCOME</b>			
Government Grants		1,187,033	1,858,378
Telecom Licence Fees		2,342,453	2,155,451
Radio Licence Fees		529,381	485,623
Grants from PSIF	12	577,842	-
Other income	9	50,754	9,955
<b>TOTAL INCOME</b>		<b>4,687,463</b>	<b>4,509,407</b>
<b>EXPENSES</b>			
Allowances		337,183	231,226
Audit Fees		30,520	10,000
Consultancy Fees		439,630	43,779
Depreciation	8	64,726	44,084
Grants to Ministry of Finance		1,850,032	92,867
Other Operating Expenses	10	465,928	351,316
Personnel Expenses	11	825,729	713,659
Office Renovations		26,762	474,632
Rent		-	26,673
<b>TOTAL EXPENSES</b>		<b>4,040,510</b>	<b>1,988,236</b>
<b>SURPLUS</b>		<b>646,953</b>	<b>2,521,171</b>

*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 2014

	NOTE	Government Contribution SAT\$	Accumulated Funds SAT\$	Total SAT\$
<b>2013</b>				
Balance at 1 July 2012	4	1,300,015	853,871	2,153,886
Surplus for the period		-	2,521,171	2,521,171
<b>Balance at 30 June 2013</b>		<b>1,300,015</b>	<b>3,375,042</b>	<b>4,675,057</b>
<b>2014</b>				
Balance at 1 July 2013		1,300,015	3,375,042	4,675,057
Surplus for the period		-	646,953	646,953
<b>Balance at 30 June 2014</b>		<b>1,300,015</b>	<b>4,021,995</b>	<b>5,322,010</b>

*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 2014

	NOTE	2014 SAT\$	2013 SAT\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash received from customers		3,033,908	2,518,641
Cash paid to suppliers and employees		<u>(2,144,532)</u>	<u>(4,898,459)</u>
<i>Net Cash Inflow/(Outflow) from Operating Activities</i>		<u>889,376</u>	<u>(2,379,818)</u>
<b>CASH FLOWS FROM/(TO) INVESTING ACTIVITIES</b>			
Acquisition of fixed assets		<u>(133,813)</u>	<u>(11,364)</u>
<i>Net Cash Outflow from Investing Activities</i>		<u>(133,813)</u>	<u>(11,364)</u>
<b>CASH FLOWS FROM/(TO) FINANCING ACTIVITIES</b>			
Grant from the Government of Samoa		791,355	1,853,378
Payment to the Government of Samoa		<u>(1,850,032)</u>	<u>(92,867)</u>
<i>Net Cash Inflow/(Outflow) from Financing Activities</i>		<u>(1,058,677)</u>	<u>1,760,511</u>
Net Decrease In Cash Flows		(303,114)	(630,671)
Cash and Cash Equivalent at the beginning of year		358,286	988,957
<b>CASH AND CASH EQUIVALENT AT YEAR END</b>	<b>3</b>	<u>55,172</u>	<u>358,286</u>

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



**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.

**(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.

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Revenue Recognition (con't)**

***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).

**(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:-

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

**2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(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.

**3. CASH AND CASH EQUIVALENTS**

	2014 SAT\$	2013 SAT\$
Petty Cash	500	500
Cash at Bank	54,672	357,786
	<u>55,172</u>	<u>358,286</u>

**4. GOVERNMENT CONTRIBUTION**

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.

OFFICE OF THE REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

5. ACCOUNTS AND OTHER RECEIVABLES	2014 SAT\$	2013 SAT\$
Accounts and other receivables are specified as follows:		
Accounts receivables	5,576,757	1,372,907
Less: Provision for doubtful debts - refer note 7	<u>(195,317)</u>	<u>(208,737)</u>
	<b>5,381,440</b>	<b>1,164,170</b>
<b>Add: Other Receivables</b>		
Prepayments	2,777	2,242
Accrued Revenue	<u>734,736</u>	<u>4,087,106</u>
<b>Total accounts and other receivables</b>	<b><u>6,118,953</u></b>	<b><u>5,253,518</u></b>

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.

6. ACCOUNTS AND OTHER PAYABLES		
Accounts and other payables are specified as follows:		
Accounts payables	1,374	5,564
Provision for Audit fees	<u>43,520</u>	<u>23,000</u>
	<b>44,894</b>	<b>28,564</b>
<b>Add: Other Payables</b>		
Deferred revenue	743,486	958,351
Accrued allowances & salaries	22,452	15,140
Other employee benefits accrued	86,520	55,684
Revenue received in advance	8,744	5,509
VAGST payable	127,960	-
Withholding tax payable	<u>12,795</u>	<u>-</u>
<b>Total accounts and other payables</b>	<b><u>1,046,851</u></b>	<b><u>1,063,248</u></b>

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		
Balance at the beginning of the year	208,737	208,737
Add: Additional provision	<u>-</u>	<u>-</u>
	<b>208,737</b>	<b>208,737</b>
<b>Less:</b>		
Doubtful debts recovered	(4,120)	-
Reversal of doubtful debts	<u>(9,300)</u>	<u>-</u>
<b>Balance as at year end</b>	<b><u>195,317</u></b>	<b><u>208,737</u></b>

OFFICE OF THE REGULATOR  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

8. PROPERTY, PLANT & EQUIPMENT

	Furniture & Fittings	Office Equipment	Motor Vehicles	Spectrum Monitoring Mobile System	Computer Software	TOTAL
<b>COST</b>						
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 1 July 2013	<b>108,186</b>	<b>127,628</b>	<b>125,756</b>	<b>1,240,335</b>	<b>39,015</b>	<b>1,640,920</b>
Additions	17,565	35,427	74,927	2,195	3,699	133,813
Disposals	(6,125)	(7,228)	(217)	(1,856)	-	(15,426)
Balance at 30 June 2014	<b>119,626</b>	<b>155,827</b>	<b>200,466</b>	<b>1,240,674</b>	<b>42,714</b>	<b>1,759,307</b>
<b>ACCUMULATED DEPRECIATION</b>						
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 1 July 2013	<b>78,179</b>	<b>102,316</b>	<b>122,468</b>	<b>1,175,707</b>	<b>35,749</b>	<b>1,514,419</b>
Depreciation	12,164	13,795	11,938	25,358	1,471	64,726
Disposals	(6,076)	(7,228)	(83)	(1,187)	-	(14,574)
Balance at 30 June 2014	<b>84,267</b>	<b>108,883</b>	<b>134,323</b>	<b>1,199,878</b>	<b>37,220</b>	<b>1,564,571</b>
<b>30 June 2013</b>	<b>30,007</b>	<b>25,312</b>	<b>3,288</b>	<b>64,628</b>	<b>3,266</b>	<b>126,501</b>
<b>30 June 2014</b>	<b>35,359</b>	<b>46,944</b>	<b>66,143</b>	<b>40,796</b>	<b>5,494</b>	<b>194,736</b>

9. OTHER INCOME

	2014 SAT\$	2013 SAT\$
Administrative fees	6,495	-
Broadcasting fees	30,839	9,955
Doubtful debts recovered	4,120	-
Reversal of doubtful debts	9,300	-
	<b>50,754</b>	<b>9,955</b>

10. OTHER OPERATING EXPENSES

Advertising	12,247	1,305
Bank Charges	1,619	1,295
Electricity	36,461	37,615
Insurance	19,259	17,956
Internet & Email	17,631	22,899
Loss on disposal of fixed assets	852	522
Motor vehicle running expenses	13,772	12,988
Office equipment	18,832	12,661
Other Operating Expenses	289,692	116,463
Postages and telephone	4,986	536
Stationery	14,527	7,393
Subscription to publications	14,698	1,742
VAGST paid	21,352	117,941
	<b>465,928</b>	<b>351,316</b>

OFFICE OF THE REGULATOR  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2014

11. PERSONNEL EXPENSES	2014 SAT\$	2013 SAT\$
Salaries and Wages	779,742	615,469
ACC Levy & NPF Contribution	45,987	40,572
Other employee benefits	-	57,618
	<u>825,729</u>	<u>713,659</u>

12. GRANTS FROM PSIF		
Grant	577,842	
	<u>577,842</u>	<u>-</u>

The Public Sector Improvement Facility ("PSIF") Facility Management Unit of the Ministry of the Prime Minister and Cabinet provided Institutional Support for the Office of the Regulator by way of funds. The Project commenced in August 2012 and expired in 2013 but was extended to April 2014, and subsequently further extended to 19 December 2014.

**13. RELATED PARTIES**

**i) Key management personnel costs**

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

Salaries and short term employment benefits	669,106	583,200
<b>Employers contribution to:</b>		
National Provident Fund	24,058	19,434
Accident Compensation Levy	4,743	3,853
	<u>28,801</u>	<u>23,287</u>

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

**14. CAPITAL COMMITMENTS**

The Office of the Regulator is not aware of any capital commitments as at 30 June 2014. (2013: SAT\$nil)

**15. CONTINGENT LIABILITIES**

The Office of the Regulator is not aware of any contingent liabilities as at 30 June 2014. (2013: SAT\$nil)

**16. APPROVAL OF FINANCIAL STATEMENTS**

The management of the Office of the Regulator approved the financial statements on 23/06/15.