

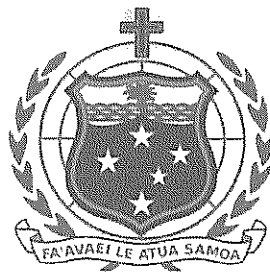
OFFICE OF THE REGULATOR

FINANCIAL STATEMENTS

30 JUNE 2015

OFFICE OF THE REGULATOR
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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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 comprise the statement of financial position as at 30 June 2015, income statement, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Accounting Firm of Isitolo Leota, Chartered Accountants, assisted in this audit.

The Responsibility of the Board of Directors for the Financial Statements

The Governing Body comprising the 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 misstatements, 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 present fairly, in all material respects, the financial position of the Office of the Regulator as at 30 June 2015, and of its income statement, 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.

Other Legal and Regulatory Requirements

Under Section 104 of the Public Finance Management Act 2001, a public body shall submit to the Minister of Finance and the Responsible Minister the audited financial statements within four months after the end of the public body's financial year. The Office of the Regulator has not complied with Section 104 of the Public Finance Management Act 2001 as it has not submitted its audited financial statements for the year ended 30 June 2015 by the deadline of 31 October 2015.

Our audit was completed on the 4th May 2016 and our opinion is expressed as at that date.

Apia, Samoa
15 June 2016


Violet Roebeck-Fasavalu
ACTING CONTROLLER AND AUDITOR GENERAL

OFFICE OF THE REGULATOR
BALANCE SHEET
AS AT 30 JUNE 2015

	NOTE	2015 SAT\$	<i>Restated</i> 2014 SAT\$
ASSETS			
Current Assets			
Cash and cash equivalents	3	184,356	55,172
Accounts and Other Receivables	5	4,734,772	6,179,701
Total Current Assets		4,919,128	6,234,873
Non-Current Assets			
Property, plant & equipment	8	200,225	194,736
Total Non-Current Assets		200,225	194,736
TOTAL ASSETS		5,119,353	6,429,609
EQUITY & LIABILITIES			
Capital & Accumulated Funds			
Government Contribution	4	1,300,015	1,300,015
Accumulated Funds		- 1,729,467	- 1,560,967
Total Equity		- 429,452	- 260,952
Current Liabilities			
Accounts and Other Payables	6	5,548,805	6,690,561
Total Current Liabilities		5,548,805	6,690,561
TOTAL EQUITY & LIABILITIES		5,119,353	6,429,609

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 2015

	NOTE	2015 SAT\$	<i>Restated</i> 2014 SAT\$
INCOME			
Government Grants		1,511,932	1,150,724
Telecom Licence Fees		2,192,827	2,342,453
Radio Spectrum Licence Fees		907,120	529,381
Grants from PSIF	12	144,693	577,842
Other income	9	38,965	50,754
TOTAL INCOME		4,795,537	4,651,154
EXPENSES			
Allowances		273,953	337,183
Audit Fees		30,520	30,520
Consultancy Fees		-	439,630
Depreciation	8	79,950	64,726
Due to Government		3,138,911	2,909,168
Other Operating Expenses	10	507,054	444,574
Personnel Expenses	11	908,411	825,729
Office Renovations		25,238	26,762
TOTAL EXPENSES		4,964,037	5,078,292
(LOSS)/SURPLUS		(168,500)	(427,138)

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 2015**

	NOTE	Government Contribution \$	Accumulated Funds \$	Total \$
2014 Restated				
Balance at 1 July 2013	4	1,300,015	(1,133,829)	166,186
Loss for the period		-	(427,138)	(427,138)
Balance at 30 June 2014		1,300,015	(1,560,967)	(260,952)
2015				
Balance at 1 July 2014		1,300,015	(1,560,967)	(260,952)
Loss for the period		-	(168,500)	(168,500)
Balance at 30 June 2015		1,300,015	(1,729,467)	(429,452)

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 2015

	NOTE	2015 SAT\$	2014 SAT\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from customers		4,752,592	3,033,908
Cash paid to suppliers and employees		(1,216,634)	(2,144,532)
<i>Net Cash Inflow/(Outflow) from Operating Activities</i>		<u>3,535,958</u>	<u>889,376</u>
CASH FLOWS FROM/(TO) INVESTING ACTIVITIES			
Acquisition of fixed assets		(76,954)	(133,813)
<i>Net Cash Outflow from Investing Activities</i>		<u>(76,954)</u>	<u>(133,813)</u>
CASH FLOWS FROM/(TO) FINANCING ACTIVITIES			
Grant from the Government of Samoa		1,568,323	791,355
Grant from PSIF		205,602	-
Payment to the Government of Samoa		(5,103,745)	(2,909,168)
<i>Net Cash Inflow/(Outflow) from Financing Activities</i>		<u>(3,329,820)</u>	<u>(2,117,813)</u>
Net Decrease In Cash Flows		129,184	(303,114)
Cash and Cash Equivalent at the beginning of year		55,172	358,286
CASH AND CASH EQUIVALENT AT YEAR END		<u>184,356</u>	<u>55,172</u>
<i>Represented by:</i>			
Cash and cash equivalents	3	<u>184,356</u>	<u>55,172</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 basis of historical costs except where stated. Reliance is placed on the fact that the Regulator is a going concern, which assumes continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business.

The management of the Regulator considers that it is appropriate to prepare the financial statements on a going concern basis given the continued financial support of the Government.

The Regulator's current ratio is 0.89 to 1.00 (4,919,128/5,548,805) which shows that its current assets are not sufficient to pay its current liabilities when they fall or working capital is in deficit by \$629,677 at balance date.

This condition indicates the existence of uncertainty which may cast significant doubt about the ability of the Regulator to continue as a going concern.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Going Concern (Continued)

However, the directors believe that the Regulator should adopt the going concern basis for preparation of these financial statements. In the event that the Regulator does not continue to receive the financial support of the Government, the going concern basis used in the preparation of the financial statements would not be appropriate.

(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.

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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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%

(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.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Retrospective restatement of errors

Since the inception of the Office of the Regulator up to the financial year ended 30 June 2014, the Office of the Regulator treated the invoices issued for Telecom License Fees, Radio Spectrum License Fees, Broadcasting Fees and Administrative Fees as income. However when these invoices are paid by the customers, they are receipted and paid to the Ministry of Finance (MOF) and recorded as expense during the year. Therefore, there will also be a mismatched of income and expenses recorded during the year as income is recorded using the accrual basis but expenses (payments to MOF) are recorded as cash basis, thus there is inconsistency in the method applied. It is for this reason, that expenses should be recorded using the accrual basis in parallel to recording income. Therefore, the above treatment is to be retrospectively applied to the preparation of financial statements. Consequently, the financial statements as of 30 June 2014 have been restated to correct this error. The effect of the restatement on the financial statements are summarised below.

	2014 SAT\$ Restated Effects on 2014 SAT\$
<u>Effects on Income Statement</u>	
(Increase) in amount due to Government	(1,059,136)
(Increase)/(Decrease) in profit	<u>(1,059,136)</u>
<u>Effects on Balance Sheet</u>	
(Increase) in VAGST Receivable	(60,748)
(Increase) /Decrease in Assets	<u>(60,748)</u>
Increase in Deferred Revenue	5,568,007
Increase in VAGST Payable	75,703
Increase/(Decrease) in Liabilities	<u>5,643,710</u>
(Decrease) in profit	(1,059,136)
(Decrease) in retained earnings	(5,582,962)
Increase/(Decrease) in equity	<u>(6,642,098)</u>
Net Increase/(Decrease) in Equity	<u>(1,059,136)</u>

3. CASH AND CASH EQUIVALENTS

	2015 SAT\$	2014 SAT\$
Petty Cash	500	500
Cash at Bank	183,856	54,672
	<u>184,356</u>	<u>55,172</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>

OFFICE OF THE REGULATOR
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

4. GOVERNMENT CONTRIBUTION (Continued)

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	2015	<i>Restated</i> 2014
Accounts and other receivables are specified as follows:	SAT\$	SAT\$
Accounts receivables	3,161,037	5,576,757
	<u>(195,317)</u>	<u>(195,317)</u>
	2,965,720	5,381,440
Add: Other Receivables		
Prepayments	2,708	2,777
VAGST Receivable	266,014	60,748
Accrued Revenue	1,500,330	734,736
Total accounts and other receivables	<u>4,734,772</u>	<u>6,179,701</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 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	14,602	1,374
Provision for Audit fees	34,020	43,520
	<u>48,622</u>	<u>44,894</u>
Add: Other Payables		
Deferred revenue	4,661,367	6,311,493
Accrued allowances & salaries	21,882	22,452
Other employee benefits accrued	88,945	86,520
Revenue received in advance	28,756	8,744
Withholding tax payable	7,776	12,795
Vagst payable	691,457	203,663
Total accounts and other payables	<u>5,548,805</u>	<u>6,690,561</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

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

OFFICE OF THE REGULATOR
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

8. PROPERTY, PLANT & EQUIPMENT

	Furniture & Fittings	Office Equipment	Motor Vehicles	Spectrum Monitoring Mobile System	Computer Software	TOTAL
	\$	\$	\$	\$	\$	\$
COST						
Balance at 1 July 2013	108,186	127,628	125,756	1,240,335	39,015	1,640,920
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 1 July 2014	119,626	155,827	200,466	1,240,674	42,714	1,759,307
Additions	27,946	40,527	2,722	3,362	13,824	88,381
Disposals	(5,896)	(43,635)	(3,893)	-	-	(53,424)
Balance at 30 June 2015	141,676	152,719	199,295	1,244,036	56,538	1,794,264
ACCUMULATED DEPRECIATION						
Balance at 1 July 2013	78,179	102,316	122,468	1,175,707	35,749	1,514,419
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 1 July 2014	84,267	108,883	134,323	1,199,878	37,220	1,564,571
Depreciation	14,737	20,431	15,604	25,326	3,852	79,950
Disposals	(5,896)	(42,633)	- 1,953	-	-	(50,482)
Balance at 30 June 2015	93,108	86,681	147,974	1,225,204	41,072	1,594,039
30 June 2014	35,359	46,944	66,143	40,796	5,494	194,736
30 June 2015	48,568	66,038	51,321	18,832	15,466	200,225

9. OTHER INCOME

	2015 SAT\$	2014 SAT\$
Administrative fees	16,630	6,495
Broadcasting fees	22,335	30,839
Doubtful debts recovered	-	4,120
Reversal of doubtful debts	-	9,300
	38,965	50,754

10. OTHER OPERATING EXPENSES

Advertising	13,964	12,247
Bank Charges	1,657	1,619
Electricity	42,062	36,461
Insurance	19,414	19,259
Internet & Email	49,265	17,631
Loss on disposal of fixed assets	2,940	852
Motor vehicle running expenses	26,361	13,772
Office equipment	19,676	18,832
Other Operating Expenses	269,893	289,690
Postages and telephone	5,070	4,986
Stationery	23,943	14,527
Subscription to publications	32,809	14,698
	507,054	444,574

OFFICE OF THE REGULATOR
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2015

11. PERSONNEL EXPENSES	2015	2014
	SAT\$	SAT\$
Salaries and Wages	855,318	779,742
ACC Levy & NPF Contribution	53,093	45,987
	<u>908,411</u>	<u>825,729</u>
12. GRANTS FROM PSIF		
Grant	144,693	577,842
	<u>144,693</u>	<u>577,842</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 December 2015.

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	664,770	669,106
Employers contribution to:		
National Provident Fund	25,802	24,058
Accident Compensation Levy	5,115	4,743
	<u>30,917</u>	<u>28,801</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 2015. (2014: SAT\$nil)

15. CONTINGENT LIABILITIES

i) Bluesky Communication Ltd vs Regulator and Other in 2007. The hearing of this matter commenced on 11 July 2007 and judgement was given on 31 July 2007. The decision of the Court as to costs was reversed.

ii) Digicel Samoa Ltd v Regulator and SamoaTel Ltd on 2008. This matter was heard in the Supreme Court on 4 and 5 October 2007 and judgment was given on 30 March 2008 if there is no agreement on costs between the parties involved.

As of today, the Attorney General has not received the Court's decision as to costs for the above matters.

16. APPROVAL OF FINANCIAL STATEMENTS

The Management of the Office of the Regulator approved the financial statements on 03 May 2016.