



# Financial Audit Report 2018

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**PACIFIC AVIATION SAFETY OFFICE**  
**FINANCIAL STATEMENTS**

PO Box 139  
Port Vila

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## PACIFIC AVIATION SAFETY OFFICE

### GENERAL MANAGER'S REPORT TO THE COUNCIL OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

Your General Manager presents this report on the financial statements of the Organisation for the year ended 31 December 2018. The following held offices in the Council of Representatives at the date of this audit report:

<b>Delegate</b>	<b>Position</b>	<b>Appointed</b>	<b>Resigned</b>
Wilson Sagati, Papua New Guinea	Chairman	2003	
Joseph Niel, Vanuatu	Co-deputy Chairman	2011	
Afamasaga P. Onesemo, Samoa	Co-deputy Chairman	2016	2018
Andrew Valentine, PASO	General Manager	2016	
Ned Howard, Cook Island	Member	2013	2018
John Hosking, Cook Island	Member	2018	
Dennis Hoskins, Cook Island	Alternate Member	2017	
Mitateti Mote, Kiribati	Member	2018	
Aako Teikake, Kiribati	Alternate Member	2016	
Melaney Bill, Nauru	Member	2011	
Remus Capelle, Nauru	Alternate Member	2017	
Bill MacGregor, Niue	Member	2006	
Andre Siohane, Niue	Alternate Member	2015	
Sonya Talagi, Niue	Alternate Member	2015	
Michael Terrim, Papua New Guinea	Alternate Member	2016	
Nanai Saaga, Samoa	Alternate Member	2014	2018
Brian Halisanau, Solomon Island	Member	2017	
Ringo Kalahuni Faoliu, Tonga	Member	2018	
John Wycliffe Havea, Tonga	Alternate Member	2018	
Dr Tapugao Falefou, Tuvalu	Member	2017	
Uigaese Paelate, Tuvalu	Alternate Member	2011	
Michelle McShane, Australia	Member	2017	
Nisha Lad, Australia	Alternate Member	2010	
Tracey Wong, Fiji	Member	2017	
Netava Waqa, Fiji	Alternate Member	2014	2018
Mark Everitt, New Zealand	Member	2013	
Adam Linnell, New Zealand	Alternate Member	2018	

#### **State of affairs**

The result of the organisation's operations for the financial year was a surplus of AUD 560,645 (2017: surplus AUD 37,897).

#### **Activities**

The principal and continuing activity of the organisation is the conduct of aviation oversight and safety in the Pacific Region.

#### **Property, plant and equipment**

During the financial year, the organisation purchased AUD 19,519 worth of plant and equipment (2017: AUD 2,945).

#### **Events subsequent to balance date**

There does not exist at the date of this report any other contingent liability or any charge on the organisation's assets securing the liability of any other person, which has arisen since 31 December 2018. No contingent or other liability has become enforceable on or before the date of this report which, in the General Manager's opinion, will or may substantially affect the ability of the organisation to meet its obligations as and when they fall due (2017: Nil).

**PACIFIC AVIATION SAFETY OFFICE**

**GENERAL MANAGER'S REPORT TO THE COUNCIL OF REPRESENTATIVES  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**Loan and Grant covenants**

The following have been produced in accordance with:

- (i) Section 4.02 of the ADB Loan Agreement
- (ii) Section 3II .B. 3 of the WB Financing Agreement IDA-H883
- (iii) Article 24 of the Government Hosting Agreement
- (iv) Dedicated Bank accounts
  - (a) In Australian Dollars for the ADB loan related funds
  - (b) In USD Dollars for WB Grant funds
- (v) Audited financial statements have been furnished to ADB no later than 6 months following the end of the financial year; and
- (vi) Furnish ADB such other information concerning such accounts and financial statements and the audit thereof.

**Other circumstances**

At the date of this report, the General Manager is not aware of any circumstances that would render any amount stated in the accounts misleading.

**Place of business**

The Pacific Aviation Safety Office is a non-profit International Organisation set up under the Pacific Islands Civil Aviation Safety and Security Treaty and operated for the benefit of member states. PASO is currently headquartered in Port Vila, Vanuatu.

**Distributions**

Any surpluses are used in the furtherance of its objectives and no distributions are made to members.

Signed on behalf of the Council of Representatives.



22/05/2019

.....  
**Mr Andrew Valentine**  
General Manager

.....  
Date



22/05/2019

.....  
**Mr Wilson Sagati**  
Chairman

.....  
Date



CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
& BUSINESS  
ADVISORS

## **Independent Auditors' Report**

### **To the Council Representatives of Pacific Aviation Safety Office**

We have audited the accompanying financial statements of Pacific Aviation Safety Office which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, the 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 set out on pages 6 to 18.

#### **Council of Representatives' responsibility for the financial statements**

The Council of Representatives of the Organisation are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS). 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.

#### **Auditors' 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. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Organisation'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 controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by 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 opinion.

#### **Opinion**

In our opinion, the financial statements have been properly prepared in accordance with the provisions of the Charitable Associations (Incorporation) Act [CAP 140] and give a true and fair view of the financial position of the Organisation as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

#### **Emphasis of matter**

Without variation to the opinion expressed above, we draw attention to Note 2 to the financial statements concerning the preparation of the financial statements on a going concern basis. Our opinion is not modified in respect of this matter.

Port Vila, 22 May 2019

**Martin St-Hilaire**, CA, CPA, MBA  
**AJC**, Chartered Accountants  
(Qualified auditors under Section 130 of the  
Companies Act No.25 of 2012 of the  
Republic of Vanuatu).

**PACIFIC AVIATION SAFETY OFFICE**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018  
INDEPENDENT AUDIT REPORT TO THE MEMBERS**

**Audit Findings**

In addition to our opinion on the statutory audit, as auditors of PASO we are required to form an opinion for the following items:

**(a) Repayment of ADB Loan Funds**

In our opinion PASO fully utilised ADB funds for purposes as indicated in the loan agreement, as at 31 December 2018 and currently conforms with the repayment schedule.

**(b) Compliance with Specific and Financial ADB Covenants**

In our opinion, PASO has complied with the Particular Covenants set out in Article IV of the loan agreement.

In our opinion PASO has adhered to the requirements of the Financial Covenants in Schedule 5 paragraphs 13, 14, 18 - 20 of the loan agreement, except that PASO has not complied with paragraph 21 of the loan agreement which requires PASO to ensure its member countries to provide, in a timely manner, all necessary counterpart funds and in-kind contributions for successful project implementation. The main reason for PASO not being able to comply with this particular covenant is due to the failure by some member countries to comply with their treaty obligations with regards to payment of subscriptions and consulting services.

**(c) Utilisation of Designated Funds under the WB Grant Funds**

In our opinion, PASO was compliant with the operation of the Designated Account as indicated in the Finance Agreement.

**(d) Statement of Expenditure Procedures**

We are unable to form an opinion on the Statement of Expenditure (SOE) Procedures, as they are not currently applicable to PASO.

**(e) Conformity with WB Procurement Guidelines**

In our opinion, PASO adhered to the WB Procurement Guidelines.

PACIFIC AVIATION SAFETY OFFICE  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018

*Expressed in Australian dollars*

**2018**

	<b>Note</b>	<b>Operations</b>	<b>World Bank Project</b>	<b>Consolidated</b>
<b>Revenue</b>				
Operating revenue		2,234,773	696,170	2,930,943
Interest income		5,798	-	5,798
Total revenue	3	<u>2,240,571</u>	<u>696,170</u>	<u>2,936,741</u>
<b>Expenses</b>				
Operating expenses	3	<u>(1,679,926)</u>	<u>(696,170)</u>	<u>(2,376,096)</u>
<b>Net surplus</b>		560,645	-	560,645

**2017**

	<b>Note</b>	<b>Operations</b>	<b>World Bank Project</b>	<b>Consolidated</b>
<b>Revenue</b>				
Operating revenue		1,509,951	525,838	2,035,789
Interest income		2,062	-	2,062
Total revenue	3	<u>1,512,013</u>	<u>525,838</u>	<u>2,037,851</u>
<b>Expenses</b>				
Operating expenses	3	<u>(1,474,116)</u>	<u>(525,838)</u>	<u>(1,999,954)</u>
<b>Net surplus</b>		37,897	-	37,897

*The income statement is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.*

PACIFIC AVIATION SAFETY OFFICE  
STATEMENT OF MOVEMENTS IN EQUITY  
AS AT 31 DECEMBER 2018

*Expressed in Australian dollars*

**2018**

	<b>Operations</b>	<b>World Bank Project</b>	<b>Consolidated</b>
<b>Accumulated deficit at the beginning of the financial year</b>	(1,381,826)	-	(1,381,826)
Net surplus for the financial year	560,645	-	560,645
<b>Accumulated deficit at the end of the financial year</b>	<u>(821,181)</u>	<u>-</u>	<u>(821,181)</u>

**2017**

	<b>Operations</b>	<b>World Bank Project</b>	<b>Consolidated</b>
<b>Accumulated deficit at the beginning of the financial year</b>	(1,419,723)	-	(1,419,723)
Net surplus for the financial year	37,897	-	37,897
<b>Accumulated deficit at the end of the financial year</b>	<u>(1,381,826)</u>	<u>-</u>	<u>(1,381,826)</u>

*The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.*



PACIFIC AVIATION SAFETY OFFICE  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2018

*Expressed in Australian dollars*

	Note	Operations 2018	World Bank Project 2018	Consolidated 2018
<b>CURRENT ASSETS</b>				
Cash	4	750,258	623,744	1,374,002
Receivables	5	303,624	-	303,624
Other assets	6	8,542	-	8,542
<b>TOTAL CURRENT ASSETS</b>		<u>1,062,424</u>	<u>623,744</u>	<u>1,686,168</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	7	32,302	-	32,302
<b>TOTAL NON-CURRENT ASSETS</b>		<u>32,302</u>	<u>-</u>	<u>32,302</u>
<b>TOTAL ASSETS</b>		<u>1,094,726</u>	<u>623,744</u>	<u>1,718,470</u>
<b>CURRENT LIABILITIES</b>				
Payables	8	92,891	-	92,891
Prepaid subscriptions		-	-	-
Provisions	11	14,997	-	14,997
Deferred revenue	19	282,420	-	282,420
Loan – ADB	10	93,221	-	93,221
Other Creditors	9	14,395	1,843	16,238
<b>TOTAL CURRENT LIABILITIES</b>		<u>497,924</u>	<u>1,843</u>	<u>499,767</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	11	38,356	-	38,356
Loan – ADB	10	1,379,626	-	1,379,626
Vanuatu Govt Hosting Grant		-	-	-
WB Revolving Fund	18	-	621,901	621,901
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,417,982</u>	<u>621,901</u>	<u>2,039,883</u>
<b>TOTAL LIABILITIES</b>		<u>1,915,906</u>	<u>623,744</u>	<u>2,539,650</u>
<b>EXCESS OF LIABILITIES OVER ASSETS</b>		<u>(821,181)</u>	<u>-</u>	<u>(821,181)</u>
Accumulated deficit		(821,181)	-	(821,181)
<b>TOTAL ACCUMULATED DEFICIT</b>		<u>(821,181)</u>	<u>-</u>	<u>(821,181)</u>

Mr Wilson Sagati  
Chairman

Mr Andrew Valentine  
General Manager

22/05/2019  
Date

*The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.*

PACIFIC AVIATION SAFETY OFFICE  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017

*Expressed in Australian dollars*

	Note	Operations 2017	World Bank Project 2017	Consolidated 2017
<b>CURRENT ASSETS</b>				
Cash	4	265,992	317,742	583,734
Receivables	5	460,959	-	460,959
Other assets	6	1,354	-	1,354
<b>TOTAL CURRENT ASSETS</b>		<u>728,305</u>	<u>317,742</u>	<u>1,046,047</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	7	27,424	-	27,424
<b>TOTAL NON-CURRENT ASSETS</b>		<u>27,424</u>	<u>-</u>	<u>27,424</u>
<b>TOTAL ASSETS</b>		<u>755,729</u>	<u>317,742</u>	<u>1,073,471</u>
<b>CURRENT LIABILITIES</b>				
Payables	8	4,547	-	4,547
Prepaid member subscriptions		335,431	-	335,431
Provisions	11	6,829	-	6,829
Deferred revenue	19	249,090	-	249,090
Loan – ADB	10	84,544	-	84,544
Other Creditors	9	8,864	-	8,864
<b>TOTAL CURRENT LIABILITIES</b>		<u>689,305</u>	<u>-</u>	<u>689,305</u>
<b>NON-CURRENT LIABILITIES</b>				
Provisions	11	32,637	-	32,637
Loan – ADB	10	1,430,005	-	1,430,005
Vanuatu Govt Hosting Grant		(14,392)	-	(14,392)
WB Revolving Fund	18	-	317,742	317,742
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>1,448,250</u>	<u>317,742</u>	<u>1,765,992</u>
<b>TOTAL LIABILITIES</b>		<u>2,137,555</u>	<u>317,742</u>	<u>2,455,297</u>
<b>EXCESS OF LIABILITIES OVER ASSETS</b>		<u>(1,381,826)</u>	<u>-</u>	<u>-</u>
Accumulated deficit		(1,381,826)	-	(1,381,826)
<b>TOTAL ACCUMULATED DEFICIT</b>		<u>(1,381,826)</u>	<u>-</u>	<u>(1,381,826)</u>

*The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.*

PACIFIC AVIATION SAFETY OFFICE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018

*Expressed in Australian dollars*

	Note	Operations 2018	World Bank Project 2018	Consolidated 2018
<b>Cash flows from operating activities</b>				
Cash receipts in the course of operations		2,168,363	948,637	3,117,000
Cash payments in the course of operations		(1,616,292)	(642,635)	(2,258,927)
Interest received		5,798	-	5,798
Interest expense		(12,383)	-	(12,383)
<b>Net cash provided by operating activities</b>	12(b)	<u>545,486</u>	<u>306,002</u>	<u>851,488</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(19,518)	-	(19,518)
Proceeds on sale from property, plant and equipment		-	-	-
<b>Net cash used in investing activities</b>		<u>(19,518)</u>	<u>-</u>	<u>(19,518)</u>
<b>Cash flows from financing activities</b>				
Movement in borrowings		(41,702)	-	(41,702)
<b>Net cash used in financing activities</b>		<u>(41,702)</u>	<u>-</u>	<u>(41,702)</u>
<b>Net cash increase</b>		484,266	306,002	790,268
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>265,992</u>	<u>317,742</u>	<u>583,734</u>
<b>Cash and cash equivalents at the end of the financial year</b>	12(a)	<u>750,258</u>	<u>623,744</u>	<u>1,374,002</u>

*The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.*

PACIFIC AVIATION SAFETY OFFICE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017

*Expressed in Australian dollars*

	Note	Operations 2017	World Bank Project 2017	Consolidated 2017
<b>Cash flows from operating activities</b>				
Cash receipts in the course of operations		1,564,191	488,222	2,052,413
Cash payments in the course of operations		(1,589,135)	(548,814)	(2,137,949)
Interest received		2,062	-	2,062
Interest expense		(25,277)	-	(25,277)
<b>Net cash provided by / (used in) operating activities</b>	12(b)	<u>(48,159)</u>	<u>(60,592)</u>	<u>(108,751)</u>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(2,945)	-	(2,945)
Proceeds on sale from property, plant and equipment		-	-	-
<b>Net cash used in investing activities</b>		<u>(2,945)</u>	<u>-</u>	<u>(2,945)</u>
<b>Cash flows from financing activities</b>				
Movement in borrowing		<u>116,285</u>	<u>-</u>	<u>116,285</u>
<b>Net cash provided by financing activities</b>		<u>116,285</u>	<u>-</u>	<u>116,285</u>
<b>Net cash increase/(decrease)</b>		65,181	(60,592)	4,589
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>200,811</u>	<u>378,334</u>	<u>579,145</u>
<b>Cash and cash equivalents at the end of the financial year</b>	12(a)	<u>265,992</u>	<u>317,742</u>	<u>583,734</u>

*The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 12 to 18.*

*Expressed in Australian dollars*

**1. Statement of significant accounting policies**

Pacific Aviation Safety Office is a non-profit International Organisation set up under the Pacific Islands Civil Aviation Safety and Security Treaty and operated for the benefit of member states.

The significant policies which have been adopted in the preparation of these financial statements are:

**(a) Statement of compliance**

The financial statements of the organisation are drawn up in accordance with International Public Sector Accounting Standards (IPSAS) adopted by the International Public Sector Accounting Standards Board (IPSASB) and the requirements of the Charitable Associations (Incorporation) Act [CAP 140].

**(b) Basis of preparation**

They are prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements are presented in Australian dollars (AUD).

The accounting policies are consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year. There were no changes in accounting policies during the current financial year.

**(c) Revenue recognition**

*Grant revenue*

Grants are recognised in the income statement principally on an accrual basis. Grants that compensate the organisation for expenses paid are recognised as revenue in the income statement in the same periods in which the expenses are incurred.

*Service revenue*

Incomes from services are recognised in the income statement upon completion of the service.

**(d) Foreign currency**

*Transactions*

Foreign currency transactions are translated to Australian dollars at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the profit and loss account in the financial year in which the exchange rates change.

**(e) Property, plant and equipment**

*Acquisitions*

Items of property, plant and equipment are recorded at cost and depreciated as outlined on the next page.

*Expressed in Australian dollars*

#### *Disposal of assets*

The gain or loss on disposal of assets are calculated as the difference between the carrying amount of the assets at the time of disposal and the proceeds on disposal, and is included in the result in the year of disposal.

#### *Depreciation*

Depreciation is charged on a straight line basis and the following rates are used:

- Office furniture 20%
- IT and office equipment 20%
- Motor vehicles 20%

Assets are depreciated from the date of acquisition.

### **(f) Employee entitlements**

#### *Wages, salaries and annual leave*

The provision for employees' entitlements to wages, salaries and annual leave represents the amount that the organisation has a present obligation to pay resulting from employees' services provided up to balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

#### *Severance allowance*

Severance allowance is calculated at the rate of a month's salary for each year of service. It is assumed that employees will remain in the organisation employment for the period necessary to qualify for the respective entitlements.

#### *Vanuatu National Provident Fund*

Contributions to the Vanuatu National Provident Fund are recognised as an expense in the income statement in the period in which they are incurred.

### **(g) Receivables**

Receivables are stated at nominal values, less write-downs for any amounts expected to be irrecoverable.

### **(h) Value Added Tax (VAT)**

Under the Host State Agreement between the Government of the Republic of Vanuatu and the Organisation, its assets, income and property, owned or occupied in Vanuatu shall be exempt from all forms of taxation including Customs duties and Value Added Tax.

### **(i) Impairment**

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

*Expressed in Australian dollars*

**(j) Comparatives**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

**(k) Foreign currencies**

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**2. Going concern**

The financial statements of the organisation have been prepared on a going concern basis, which assumes continuity of normal business activities and the settlement of liabilities in the ordinary course of business. The Council representatives consider the going concern principle to be applicable in the preparation of these financial statements given the ongoing financial support provided by the organisation's aid donors and member nations' utilisation of its services in generating income as well as yearly subscriptions of each member nations.

<b>3. Net surplus</b>	<b>2018</b>	<b>2017</b>
Net surplus has been arrived at after including:		
<b>Operating revenue</b>		
Service revenue	746,137	758,891
Members subscriptions	335,211	335,246
Grant Income – Vanuatu government hosting	157,799	164,170
Grant Income – MFAT NZ	530,398	123,987
USOAP funding	200,812	-
General administration funds	244,743	140,577
Interest income	5,798	2,062
Net foreign exchange gain – unrealised	19,673	(12,986)
Proceeds on sale of fixed assets	-	66
Total operating revenue	<u>2,240,571</u>	<u>1,512,013</u>
<b>Operating expenses</b>		
Depreciation	14,641	14,454
Wages and salaries	527,981	334,267
Other expenses	<u>1,137,304</u>	<u>1,125,395</u>
Total operating expenses	<u>1,679,926</u>	<u>1,474,116</u>
<b>Net surplus</b>	<u>560,645</u>	<u>37,897</u>

PACIFIC AVIATION SAFETY OFFICE  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2018

*Expressed in Australian dollars*

<b>4. Cash</b>	<b>2018</b>	<b>2017</b>
Petty cash	249	226
Cash in bank – AUD account	358,764	227,126
Cash in bank – AUD ADB account	294,562	14,590
Cash in bank – Vatu account	48,371	7,546
Cash in bank – NZD account	48,312	11,254
	<u>750,258</u>	<u>260,742</u>
<u>Term deposits</u>		
Term deposit – AUD	-	5,250
	<u>750,258</u>	<u>265,992</u>
 <b>5. Receivables</b>		
Trade debtors – AUD	147,076	277,223
Trade debtors – VUV	108,738	207,643
Trade debtors – NZ	47,810	-
Less: Provision for doubtful debts	-	(63,864)
	<u>303,624</u>	<u>421,002</u>
Sundry debtors	-	39,957
Total receivables	<u>303,624</u>	<u>460,959</u>
 <b>6. Other assets</b>		
Bonds	5,608	-
Prepayments	2,934	1,354
	<u>8,542</u>	<u>1,354</u>
 <b>7. Property, plant and equipment</b>		
<i>Office furniture</i>		
At cost	27,307	14,397
Less: Accumulated depreciation	(13,649)	(12,623)
	<u>13,658</u>	<u>1,774</u>
 <i>IT and office equipment</i>		
At cost	157,869	151,260
Less: Accumulated depreciation	(145,658)	(141,693)
	<u>12,211</u>	<u>9,567</u>
 <i>Motor vehicles</i>		
At cost	48,248	48,248
Less: Accumulated depreciation	(41,815)	(32,165)
	<u>6,434</u>	<u>16,083</u>
Total property plant and equipment - at net book value	<u>32,302</u>	<u>27,424</u>



PACIFIC AVIATION SAFETY OFFICE  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2018

*Expressed in Australian dollars*

**7. Property, plant and equipment (cont'd)**

*Movement in property, plant and equipment*

Opening net book value	27,424	38,933
Additions	19,519	2,945
Depreciation	<u>(14,641)</u>	<u>(14,454)</u>
Closing net book value	<u>32,302</u>	<u>27,424</u>

**8. Creditors**

Trade creditors - AUD	43,948	1,236
Trade creditors - VUV	5,682	1,039
Trade creditors - NZD	<u>43,260</u>	<u>2,272</u>
	<u>92,891</u>	<u>4,547</u>

**9. Other payables**

Accrued expenses	8,737	8,864
Staff payables	<u>5,658</u>	<u>-</u>
	<u>14,395</u>	<u>8,864</u>

**10. Borrowings**

*Current*

Loan - Asian Development Bank	<u>93,221</u>	<u>84,544</u>
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*Non-current*

Loan - Asian Development Bank	<u>1,379,626</u>	<u>1,430,005</u>
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**Bank loan details**

The loan from Asian Development Bank is for a Special Project, the objective of which is to ensure that the Pacific Aviation sector meets all international requirements for safety and security regulation and oversight. The loan facility is for USD1,500,000. PASO has fully exhausted its loan from ADB as at 31 December 2010 resulting in no drawdowns for the current year ended 31 December 2018. An interest rate of 1.5% per annum is charged on the amount of the loan withdrawn on the loan account and outstanding from time to time.

**11. Provisions**

**2018**

**2017**

**Current**

Employees' entitlements	<u>14,997</u>	<u>6,829</u>
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**Non-current**

Employees' entitlements	<u>38,356</u>	<u>32,637</u>
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*Expressed in Australian dollars*

## 12. Notes to the statement of cash flows

### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank, net of outstanding bank overdrafts. Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2018	2017
Cash in bank and on hand	750,258	265,992

### (b) Reconciliation of net surplus to net cash provided by operating activities

Net surplus	560,645	37,897
<i>Non-cash items</i>		
- Depreciation	14,641	14,454
- Provision for doubtful debts	<u>(63,864)</u>	<u>-</u>
Net cash provided by operating activities before change in assets and liabilities	511,422	52,351
<i>Change in assets and liabilities during the financial year</i>		
- Decrease / (Increase) in receivables	221,199	41,254
- (Increase) / Decrease in other assets	(7,188)	415
- Increase (Decrease) in payables	88,344	(113,855)
- (Decrease) / Increase in deferred revenue	33,330	(33,199)
- Decrease / (Increase) in hosting grant	14,392	-
- (Decrease) / Increase in other payables	(329,900)	-
- Increase / (Decrease) / increase in provisions	<u>13,887</u>	<u>4,875</u>
Net cash provided by operating activities	545,486	(48,159)

## 13. Principal activities

Pacific Aviation Safety Office's primary activity is providing technical services for aviation safety in compliance with international requirements for safety and security regulation and oversight within the 13 member South Pacific nations. The organisation receives income as follows:

- (a) Annual subscription fees from member nations and income from services rendered to various Civil Aviation Authorities.
- (b) Grants from the Government of Vanuatu, the New Zealand Ministry of Foreign Affairs and Trade and other organisations.
- (c) A soft term loan from the Asian Development Bank.

*Expressed in Australian dollars*

**14. Auditors' remuneration**

	<b>2018</b>	<b>2017</b>
Amounts received or due and receivable by the auditors of the company for:		
Auditing the financial statements (WB Reform Project)	1,843	-
Auditing the financial statements (PASO)	<u>7,984</u>	<u>8,552</u>

**15. Contingent liabilities**

The Council of Representatives are aware of no contingent liabilities as at the date of signing the General Manager's report (2017: Nil).

**16. Post balance sheet events**

No events have occurred since the balance sheet date, which would require adjustments or disclosure in the financial statements (2017: Nil).

**17. Employees**

The number of full time permanent employees as at 31 December 2018 was 8 (2017: 6).

**18. WB Revolving Fund**

	<b>2018</b>	<b>2017</b>
<i>Movement in WB Revolving Fund</i>		
Opening balance	317,742	378,334
Add: Receipts (increase)	948,637	488,222
Less: Funds utilised during the year (decrease)	(642,635)	(548,814)
Less: Accrued audit fee (decrease)	<u>(1,843)</u>	<u>-</u>
Closing balance	<u><u>621,901</u></u>	<u><u>317,742</u></u>

**19. Deferred Revenue**

NZ MFAT Grant	<u>282,420</u>	<u>249,090</u>
	<u><u>282,420</u></u>	<u><u>249,090</u></u>

In 2017 the New Zealand Government, through its international aid and development programme managed by the Ministry of Foreign Affairs and Trade (MFAT), provided a one-off contribution of AUD372,000 towards future operational expenditures of PASO. In 2018 another funding agreement was signed for NZD 1.5 million over 3 years to support the implementation of the Pacific Regional Aviation Safety and Security project. The unspent portion of the grant is treated as deferred revenue in the balance sheet of PASO

**PACIFIC AVIATION SAFETY OFFICE**

**AUDITOR'S DISCLAIMER**

The additional financial data presented on pages 20 to 21 are in accordance with the books and records of the Organisation which have been subjected to the auditing procedures applied in our audit of the Pacific Aviation Safety Office for the year ended 31 December 2018. It will be appreciated that the additional financial data is provided for management information purposes only and does not form part of the audited financial statements presented on pages 1 to 18.

Accordingly, we do not express an opinion on the additional financial data.

Port Vila, 22 May 2019



**Martin St-Hilaire**, CA, CPA, MBA  
**AJC**, Chartered Accountants

*(Qualified auditors under Section 130  
of the Companies Act No.25 of 2012  
of the Republic of Vanuatu).*

PACIFIC AVIATION SAFETY OFFICE  
 INCOME AND EXPENDITURE ACCOUNT - OPERATIONS  
 FOR THE YEAR ENDED 31 DECEMBER 2018

*Expressed in Australian dollars*

	<b>2018</b>	<b>2017</b>
<b>Income</b>		
Members subscriptions	335,211	335,246
Service revenue	746,137	758,891
Grant income – Vanuatu Government	157,799	164,170
Grant income – MFAT	530,398	123,987
USOAP Funding	200,812	-
Travel reimbursement	240,270	140,577
Sundry income	4,472	66
	<b>2,215,099</b>	<b>1,522,937</b>
<b>Other income</b>		
Foreign exchange gain/(loss) - unrealised	19,673	(12,986)
Interest received	5,799	2,062
	<b>2,240,571</b>	<b>1,512,013</b>
<b>Expenditures</b>		
Consultancy expenses	444,640	574,666
Travel	258,301	301,750
USOAP Service Fees & Travel Costs	223,129	-
Salaries and wages - Administration	329,295	276,687
Salaries and wages - Operations	119,305	57,580
Severance	5,718	35,337
Council expenses	30,177	30,193
Rent	43,243	28,635
Staff recruitment and relocation	33,796	25,425
Interest paid	12,283	25,277
Depreciation	14,641	14,454
Staff entitlements – Operations	17,230	13,454
ICT support	14,725	13,225
Light and power	12,643	11,291
Office expenses	10,812	11,027
Auditor's remuneration	7,984	8,552
Communication expenses	12,044	8,259
Insurance	6,441	5,397
Bank charges	6,203	5,051
Advertising and promotion	378	-
Printing and stationery	3,953	4,800
Provision for doubtful debts	(63,864)	-
Annual leave - Administration	5,995	4,797
Annual leave – Operations	2,172	3,850
Superannuation	3,452	3,312
Motor vehicle expenses	4,820	2,901
Staff subsidy – Operations	11,018	2,232
Miscellaneous expense	8,303	2,840
Office improvements	26,655	1,823
Entertainment expenses	3,583	761
Postage and freight	451	210
Transport – taxi/bus	457	330

PACIFIC AVIATION SAFETY OFFICE  
INCOME AND EXPENDITURE ACCOUNT - OPERATIONS  
FOR THE YEAR ENDED 31 DECEMBER 2018

*Expressed in Australian dollars*

	<b>2018</b>	<b>2017</b>
Legal consultant	67,472	-
Implementation of Annual Business Plan	1,340	-
Production of Annual Reports	1,131	-
	<hr/>	<hr/>
<b>Total expenses</b>	<b>1,679,926</b>	<b>1,474,116</b>
	<hr/>	<hr/>
<b>Net Surplus</b>	<b>560,645</b>	<b>37,897</b>

## **Independent Auditors' Report**

### **To the Council of Representatives of the Pacific Aviation Safety Office**

We have audited the statement of income and expenditures (“the Financial Statements”) for the Pacific Aviation Safety Office Reform Project (“The Project”) as set out on page 24, for the year ended 31 December 2018. These financial statements are the responsibility of the Council of Representatives.

#### **Council of Representatives' responsibility for the financial statements**

The Council of Representatives of the Organisation are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS). 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.

#### **Auditors' 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. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Organisation'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 controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by 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 opinion.

## Unqualified Opinion

In our opinion:

- The financial statements present fairly, in all material respects, the actual expenditure incurred and funds received by the Project for the period 1 January 2018 to 31 December 2018 in conformity with the applicable contractual conditions; and
- The funds provided by the World Bank have, in all material respects, been used in conformity with the applicable contractual conditions.



Port -Vila

22 May 2019

SAINT HILAIRE & ASSOCIATES  
AJC

Chartered Accountants

(Qualified auditors under Section 130 of the  
Companies Act No.25 of 2012 of the Republic of  
Vanuatu)



PACIFIC AVIATION SAFETY OFFICE  
INCOME AND EXPENDITURE ACCOUNT – WORLD BANK GRANT  
FOR THE YEAR ENDED 31 DECEMBER 2018

*Expressed in Australian and United States dollars*

	Note	2018 AUD	2018 USD	2017 AUD	2017 USD
<b>Income</b>					
Grant income – World Bank		696,170	520,597	525,838	393,118
		<b>696,170</b>	<b>520,597</b>	<b>525,838</b>	<b>393,118</b>
<b>Expenditures</b>					
A.02 Financial Sustainability Analysis		-	-	224,678	169,218
A03.2 W/Shop PASO State – A07	(a)	-	-	(10,474)	(7,793)
A06.0 Recruitment of New Staff		2,447	1,845	1,720	1,209
A07.0 Training		169,718	127,313	-	-
A08.0 Project Implementation Support (TFSU)		100,789	75,000	60,132	45,000
A08.2 Project Manager		77,076	57,723	45,313	34,176
A08.2.1 Project Manager – 3		9,571	6,900	-	-
A09 PASO steering committee		36,277	26,880	29,417	22,263
A010 Stakeholder Engagement		72,149	53,693	29,460	22,390
A11.4 Stakeholder Engagement – AF2		22,127	16,688	-	-
A11.5 Strategic Engagement		789	595	-	-
B.01.1 Regulatory Specialist		-	-	2,997	2,280
B06 PIDP Training		14,205	10,713	-	-
Audit Fee		1,843	1,305	-	-
Training for Council Members		50,081	37,648	-	-
AO.8.3 Project IOC		9,965	7,186	43,557	32,303
C.01 Design PASO quality system		-	-	72,416	52,200
C.02 PASO Net		45,494	34,030	26,622	19,872
D02 – VSAT		52,408	39,526	-	-
D04.1 RPAS Working Group		31,231	23,554	-	-
<b>Total Expenses</b>		<b>696,170</b>	<b>520,597</b>	<b>525,838</b>	<b>393,118</b>
<b>Net Surplus</b>		-	-	-	-

**Notes**

- (a) Negative expenditure amounts are due to the reclassification of incorrect expenditure allocations in previous years.