

## Independent Auditor's Report

### To the readers of Telecom Niue Limited's financial statements for the year ended 30 June 2023

The Auditor-General is the auditor of Telecom Niue Limited (the Company). The Auditor-General has appointed me, Rehan Badar, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Company on his behalf.

We have audited the financial statements of the Company on pages 2 to 13, that comprise the statement of financial position as at 30 June 2023, the statement of financial performance, statement of changes in equity and statement of cash flows for the year ended 30 June 2023, and the notes to the financial statements that include accounting policies and other explanatory information.

#### Qualified opinion

In our opinion, except for the possible effects of the matters described in the *Basis for our qualified opinion* section of our report, the financial statements of the Company have been prepared, in all material respects, in accordance with the accounting policies described in note 2, Summary of Significant Accounting Policies.

Our audit was completed on 28 November 2024. This is the date at which our qualified opinion is expressed.

The basis for our qualified opinion is explained below, and we draw attention to other matters. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

#### Basis for our qualified opinion

The scope of our audit was limited because we were unable to obtain sufficient appropriate audit evidence for the matters described below to determine whether they were completely and properly recorded and disclosed. There were no satisfactory audit procedures that we could adopt to determine the effect of these limitations in scope.

#### ***Our work over sale of goods and services, debtor impairments, the calculation of income tax expense, Niue Consumption Tax (NCT) payable and unrecognised tax losses was limited***

The Company did not maintain adequate systems and controls, nor provide all supporting documentation for recording some sale of goods and services. Therefore, we were unable to determine whether any adjustments were needed to international communication \$41,625 (2022: \$45,988), local communication \$34,962 (2022: \$41,339), shop sales (internet access) \$2,284,765 (2022: \$1,862,953) (as set out in note 4); nor the associated debtor impairments of \$nil (2022: \$8,904), income tax expense of \$nil (2022: \$nil), unrecognised tax losses of \$801,869 (2022: \$710,280) (as set out in note 8) and Niue Consumption Tax (NCT) payable of \$856,691 (2022:

\$877,397) (as set out in note 12). Attention is drawn to the fact that our work on the 20 June 2022 financial statements was limited for the same reasons outlined above.

### ***Our work cost of goods sold was limited***

We were unable to obtain sufficient assurance over the valuation of inventory as at 30 June 2022 as the Company did not maintain adequate systems and controls, or provide documentation to support the value of inventory or the associated costs of goods sold. This meant that our work over inventory and the associated cost of goods sold in the prior period, presented as comparative information, was limited.

While we obtained sufficient assurance over the valuation of inventory as at 30 June 2023, any misstatement of the carrying value of inventory as at 30 June 2022 would consequently affect the cost of goods sold for the year ended 30 June 2023 of \$1,686,741.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

### **Emphasis of Matter - Financial sustainability of the Company**

Without further modifying our opinion, we draw attention to note 2.1 on page 5 which outlines that the Company prepared the financial statements using the going concern basis of accounting. This is on the basis that the Board of Directors obtained a letter of support from the Government of Niue which confirms that it will continue to provide support to the Company to ensure that it remains a going concern.

### **Other legal requirements**

In accordance with the Niue Companies Act 2006 (the Act) we report that, in our opinion:

- except for the matters described in the Basis for our qualified opinion section of the report, proper accounting records have been kept by the Company, as far as appears from an examination of those records; and
- the financial statements comply with applicable regulations made under the Act.

### **Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible on behalf of the Company for preparing financial statements that comply with the accounting policies described in note 2, Summary of Significant Accounting Policies.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Company for assessing the Company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Niue Companies Act 2006.

## **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures

in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Our responsibility arises from Article 60 of the Niue Constitution 1974 and Niue Companies Act 2006.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1, but does not include the financial statements, and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Independence**

We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Company.



Rehan Badar  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand