

# SOE Performance Report

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April-June 2014 YTD

SOE Monitoring Division, Ministry of Finance

August 2014

## **BACKGROUND**

There are 27 State Owned Enterprises (also referred to as Public Bodies) providing various services for the benefit of the people of Samoa. 16 are Public Trading Bodies, 11 Public Beneficial Bodies which include the 3 Mutual Bodies. This report covers all 16 Public Trading Bodies. The Mutual and Beneficial bodies' financial performance are attached as Annex 1 to this report. In line with Section 26 of the Act, all SOEs are required to submit financial reports on a quarterly and annual basis to MOF.

Each SOE has a Shareholding Minister who acts as the "owner" on behalf of the people of Samoa. The Ministry of Finance as stipulated in the Public Bodies (Performance & Accountability) Act 2001 ('the Act') provides advice to the Shareholding Ministers and Government on all Public Bodies (PBs) matters. Advice from the Ministry is furnished through its State-Owned Enterprises Monitoring Division (SOEMD) which is principally responsible for the monitoring of SOE performance and the provision of Government's divestment policy.

Directors are appointed to oversee the operation of each SOE in accordance with agreed strategies and business objectives. At present 85% of directors are from the private sector with the remaining 15% being ex-officio members appointed in line with the Act. During the reviewing period, there were 4 Directors resign under a competitive process including 1 who passed away, 4 Directors were appointed for SIFA accordingly.

The performance of SOEs has a significant impact on the public and the economy in general through the goods and services SOEs provide. The government has set a target for Public Trading Bodies to earn at least a 7% return on equity (ROE) and are also required by Government to provide a 50% dividend payment on its Net Profit after Tax.

The purpose of this report as mandated under the Act is to provide an overview of performance of all PBs for the quarter ended 30<sup>th</sup> June 2014. The content of the report includes the following:

1. Overall view of all SOEs in providing service to the community for Beneficial and profit making for trading Bodies.
2. Compliance with Acts.
3. Comparison of KPIs to benchmarks.

The following is a brief report on the performance of each Public Trading Body for the quarter April-June 2014. All amounts are in Samoan Tala (ST).

**PUBLIC TRADING BODIES' PERFORMANCE (YTD<sup>4</sup> April-June 2014)**

PUBLIC TRADING BODIES		REVENUES			EXPENSES			NPAT		ROE	
		2014	2013	Variance	2014	2013	Variance	2014	2013	2014	2013
1	Development Bank of Samoa	6.82	10.64	-36%	11.37	12.6	-9%	(4.6)	(1.9)	-9%	-3.5%
2	Electric Power Corporation	127.62	99.27	29%	111.77	97.8	14%	15.8	1.5	7%	0.8%
3	Land Transport Authority	42.52	41.03	4%	40.49	37.4	8%	2.0	3.6	48%	59.5%
4	Polynesian Airlines Limited	16.85	15.27	10%	14.28	13.6	5%	2.6	1.7	11%	8.1%
5	Public Trust Office	1.15	0.64	80%	1.03	0.8	36%	0.1	(0.1)	4%	-3.7%
6	Samoa Airport Authority	13.21	13.12	1%	12.54	12.2	3%	0.7	0.9	1%	1.6%
7	Samoa Land Corporation	8.06	8.40	-4%	7.74	11.2	-31%	0.3	(2.8)	1%	-2.5%
8	Samoa Post Limited	2.21	2.54	-13%	1.82	1.8	-1%	0.4	0.7	21%	29.2%
9	Samoa Ports Authority	13.09	11.58	13%	6.66	13.4	-50%	6.4	(1.8)	3%	-1.9%
10	Samoa Shipping Corporation	22.50	22.94	-2%	20.61	20.5	0%	1.9	2.4	8%	8.3%
11	Samoa Trust Estate Corporation	0.39	0.28	38%	2.23	1.8	26%	(1.8)	(1.5)	-4%	-3.4%
12	Samoa Water Authority	22.73	19.80	15%	24.38	27.3	-11%	(1.7)	(7.5)	-2%	-10.9%
13	Unit Trust of Samoa (Management) Ltd	1.57	0.54	189%	0.62	0.6	-2%	0.9	(0.1)	56%	-14.4%
<b>TOTAL</b>		<b>278.71</b>	<b>246.07</b>	<b>3.23</b>	<b>255.55</b>	<b>251.03</b>	<b>-0.13</b>	<b>23.16</b>	<b>-4.95</b>	<b>1.44</b>	<b>0.67</b>

**Key:**

<sup>1</sup>NPAT – Net Profit after tax

Calculated on Revenue less Expenses less any tax and dividend paid.

<sup>2</sup>ROE – Return on Equity

ROE is calculated as NPAT divided by Equity for each SOE. This represents the return on government funds.

<sup>3</sup>Var = Variance – This represents the percentage change compared to corresponding quarter of the previous year.

<sup>4</sup>YTD – Year to Date.

## SUMMARY OF ANALYSIS OF PUBLIC TRADING BODIES PERFORMANCES

### 1. **Development Bank of Samoa (DBS)**

- Expenditure is below budget by 23% due to reduction in administration expense, interest on borrowing, printing and stationeries and provision for doubtful debts.
- DBS continues to incur losses as a result of lower revenue earned compared to expenses.
- At the end of the quarter, DBS reaches:
  - ✓ 114 loan applications valued at \$9.6million were approved compared to budget of \$12.4million.
  - ✓ \$3.7 million loan collections, which represents an increase of 16% compared to budget of \$3.2million.
  - ✓ \$141 million total outstanding portfolio, which is a decrease by 5% compare to budget.

### 2. **Electric Power Corporation (EPC)**

- Revenue for the quarter is \$30,828,064 and it is recorded as the highest revenue ever achieved. This is due to strong growth in total electricity sales which account for 84% of total revenue.
- Expenditure for the quarter is 3% above budget mainly due to fuel and operating costs.
- EPC recorded a Net Profit for this quarter of \$4.4 million.
- Solar Photovoltaic Project; construction well underway on all 3 sites includes 150kw in Tanugamanono, 200kw in Vaitele, and 150kW for Salelologa.
- Solar Photovoltaic Project, Power Sector Expansion Programme (PSEP); Construction for SCADA System, Taelefa Hydro Plants System, Fiaga Water Pump system and Salelologa Substation Subproject, are all ongoing EPC projects

### 3. **Land Transport Authority (LTA)**

- LTA continues to commit in implementing its major activities such as roads rehabilitation and management systems for roads users.
- Revenue for the quarter is below budget by 2.17%. However it is increased by 2.6% compared to last quarter due to increase in Government contribution.
- Expenditure for the quarter is reduced compared to budget and last quarter by 6.61% and 4.5% respectively, largely as a result of reduction in administration expense.

### 4. **Polynesian Airlines (PAL)**

- Revenue for the quarter is above budget by 18% reflecting increase in number of passengers, in particular airline operation (20% above budget), general sales agency activities (38% above budget), Fagalii airport operation (14% above budget; and sundries (57% above budget).
- Expenditure for the quarter is also increase both compared to budget by 5%, largely as a result of costs associated to the above revenue increase.
- PAL recorded a profit for the quarter, which is 136% above budget reflecting the increase in revenue.

### 5. **Public Trust Office (PTO)**

- Revenue for the quarter is above budget by 4% reflecting the increase in administration fees, interest on term deposits (UTOS) and other income.

- Expenditure for the quarter is above budget by 17%, reflecting an increase in unbudgeted spending.
- A file/database server, a proper intranet network and genuine software licenses have been installed, as part of the ongoing project with an IT specialist to enhance its legal management practice software system.

6. **Samoa Airport Authority (SAA)**

- Revenue is below budget by 7% due to the reduction in income from departure tax by 4%, and other income by 2%.
- Expenditure is above budget by 9% primarily due to the increase in operating expenses by 16%.
- The refurbishment of the old VIP Building has been completed catering the SIDS conference.

7. **Samoa Land Corporation (SLC)**

- Revenue for the quarter is below budget by 42% mainly attributes to overestimation in income from real estates including sale and leasing of lands, and income from investments including markets and golf course.
- Expenditure for the quarter is below budget by 43% mainly due to 70% below budget in administration and operation costs, and 60% reduction in depreciation costs.
- SLC recorded a profit for the quarter which is higher than budget, reflects the below budget in expenses.
- Financial returns from its investment including markets and golf course have been improved compare to last quarter.
- Malifa accommodation has been completed to cater for the SIDS conference.

8. **Samoa Post Limited (SPL)**

- Revenue for the quarter is above budget by 7% mainly as a result of the 5% increase in postal revenue from outbound international stamp sales and terminal dues rate for international inbound mails
- Expenditure for the quarter is below budget by 21% mainly as a result of the decrease in personal and maintenance expenses.
- SPL signed a contract with Freipost in Australia on mailing business. The International expansion is a tool to tap into the E-commerce market and be part of the international boom online trading and delivery.

9. **Samoa Ports Authority(SPA)**

- Revenue for the quarter is above budget by 6% mainly attributes to incomes from part charges and dues, and also other incomes. Incomes from wharfage on the other hand is lower than budget by 6%.
- Expenses for the quarter is lower than budget by 4%, largely attributes to the below budget of operating and administration costs, and also financial costs.
- SPA recorded a profit for the quarter, which has been sustained from the first quarter of this financial year.
- Profit before deferred revenue and depreciation, is highly above budget reflecting effective financial management of profits before netting off non cash transactions.
- The cash flow and liquidity positions are adequate reflecting good collection and \$2.2 million grant from Government.

10. **Samoa Shipping Corporation (SSC)**

- Revenue for the quarter is below budget by 5.8% as a result of the decrease in revenue from the Domestic Service.
- Expenditure for the quarter is slightly above budget by 0.1% due costs of vessel and administration expenses.
- The upgrade works for the Mulifanua and Salelologa channel markers and lights are in progress. Mulifanua is completed and now move to Salelologa.

11. **Samoa Trust Estate Corporation (STEC)**

- STEC continues to record losses as a result of revenue continuing to be below its level of spending. As a result, liquidity and cash flow positions continue to be in unsustainable conditions.
- STEC's movement to utilize its abundant land resources is slowly but still in progress, together with issues impacting on STEC's position to implement its planned strategies already in place. STEC developments are expected to support the national development in many ways, such as in agricultural development, renewable energy alternatives from coconut oil, and biomass gasification.
- While progressing with its main developments, STEC continues to perform coconut harvesting for copra production for local markets, cattle grazing, weeding paddocks to improve pasture and repair barbed wire fence.

12. **Samoa Water Authority (SWA)**

- Revenue for the quarter is above budget by 7.6% mainly due to the increase in water revenue and grant.
- Expenditure for the quarter is above budget by 11% mainly due to increase in personnel cost and other personnel related expenses.
- The Authority's performance is unsatisfactory for this quarter producing a loss of \$1,243,007.
- SWA continues to record losses mainly attributes to the above budget of expenses and revenue which are still not enough to cover spending. Once again, non revenue water and systems in place still are issues and SWA continues to work in resolving them.

13. **Unit Trust Of Samoa Ltd (UTOS Management)**

- UTOS Management company continues to achieve a profit, which mainly driven by its management fee.
- New unitholders continues to increase every quarter indicating effective marketing strategies and awareness, on top of good result in last year in terms of dividends provided to unitholders.
- UTOS also continues to assist Government through its SOEs by way of issuing capital notes to SOEs. To date, total Capital notes stands at \$12.09million. This has been assisting SOEs in terms of low interest rates compare to other local financial institutions.

**ANNEX 1: MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD April-June 2014)**

Mutual and Beneficial Bodies		REVENUES			EXPENSES			NPAT	
		2014	2013	Var	2014	2013	Var	2014	2013
<b><u>Mutual Societies</u></b>									
1	Samoa Life Assurance Corporation	9.6	10.3	-6%	11.37	9.35	22%	1.2	1.0
2	Samoa National Provident Fund	41.0	36.6	12%	111.77	8.61	1199%	31.2	28.0
	<b>TOTAL</b>	<b>50.7</b>	<b>46.9</b>	<b>0.1</b>	<b>123.1</b>	<b>18.0</b>	<b>12.2</b>	<b>32.4</b>	<b>29.0</b>
<b><u>PUBLIC BENEFICIAL BODIES</u></b>									
1	National Health Services of Samoa	69.3	62.9	10%	80.65	72.98	11%	(11.4)	(10.1)
2	National Health Kidney Foundation of Samoa	5.3	5.3	-1%	6.43	5.54	16%	(1.1)	(0.2)
3	National University of Samoa	20.5	n/a		18.43	n/a		2.1	0.0
4	Samoa Qualifications Authority	2.6	2.3	14%	2.46	2.13	16%	0.1	0.2
5	Scientific Research of Samoa	3.9	3.6	9%	3.84	4.06	-6%	0.1	(0.5)
6	Samoa Sports Facilities Authority	4.3	3.8	13%	4.87	4.70	4%	(0.6)	(0.9)
7	Samoa Fire and Emergency Service Authority	4.0	3.6	12%	3.86	3.70	4%	0.2	(0.1)
8	Samoa Tourism Authority	11.8	11.7	1%	11.01	11.93	-8%	0.8	0.3
	<b>TOTAL</b>	<b>48.2</b>	<b>44.1</b>	<b>9%</b>	<b>52.53</b>	<b>47.87</b>	<b>10%</b>	<b>(9.8)</b>	<b>(1.3)</b>

**Key:**

<sup>1</sup>NPAT – Net Profit after tax

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<sup>3</sup>Var = Variance – This represents the percentage change in comparison to the similar quarter for the previous year.

<sup>4</sup>YTD – Year to Date