

SOE Performance Report

January-March 2015 YTD

SOE Monitoring Division, Ministry of Finance

June 2015

BACKGROUND

There are 26 State Owned Enterprises (also referred to as Public Bodies) providing various services for the benefit of the people of Samoa. 15 are Public Trading Bodies, 11 Public Beneficial Bodies which include the 3 Mutual Bodies. This report covers all 15 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.

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). Public Trading Bodies 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 31st March 2015. 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 January-March 2015. All amounts are in Samoan Tala (ST).

PUBLIC TRADING BODIES' PERFORMANCE (YTD⁴ JANUARY-MARCH 2015)

PUBLIC TRADING BODIES		REVENUES			EXPENSES			NPAT		ROE	
		2015	2014	Variance	2015	2014	Variance	2015	2014	2015	2014
1	Agriculture Stores Corporation	-	0.00	-	-	0.00	-	0.0	-	0%	
2	Development Bank of Samoa	8.00	4.39	3.61	9.50	8.82	0.68	(1.5)	(4.4)	-0.1%	-9%
3	Electric Power Corporation	102.38	92.13	10.25	91.80	78.97	12.83	10.58	13.2	4.8%	7%
4	Land Transport Authority	27.81	5.28	22.53	22.83	4.40	18.43	4.98	0.9	535%	29%
5	Polynesian Airlines Limited	14.85	12.13	2.72	12.75	10.47	2.28	2.10	1.7	8.44%	8%
6	Public Trust Office	0.45	0.27	0.18	0.70	0.65	0.05	(0.25)	(0.4)	-7%	-14%
7	Samoa Airport Authority	10.27	10.08	0.19	9.72	9.01	0.71	0.55	1.1	1%	2%
8	Samoa Housing Corporation	3.87	3.33	0.54	2.22	2.43	-0.21	1.65	0.9	3.7%	3%
9	Samoa Land Corporation	5.04	6.46	-1.42	3.34	6.82	-3.48	1.24	(0.4)	2.3%	-1%
10	Samoa Post Limited	1.62	1.54	0.08	1.28	1.27	0.01	0.27	0.3	13%	12%
11	Samoa Ports Authority	10.67	11.34	-0.67	22.46	8.75	13.71	(11.79)	2.6	-8.6%	1%
12	Samoa Shipping Corporation	6.15	6.51	-0.36	5.20	3.88	1.32	0.94	2.6	19.7%	8%
13	Samoa Shipping Services	2.59	5.21	-2.62	1.92	6.68	-4.76	0.67	(1.5)	11.28%	23%
14	Samoa Trust Estate Corporation	0.13	0.22	-0.09	1.17	1.68	-0.51	(1.30)	(1.5)	-3.1%	-3%
15	Samoa Water Authority	16.38	17.04	-0.66	18.26	17.41	0.85	(1.88)	(0.4)	-2.89%	-1%
16	Unit Trust of Samoa (Management) Ltd	1.21	1.11	0.1	0.15	0.48	-0.33	0.27	0.6	17%	49%

Key:

¹NPAT – Net Profit after tax

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

²ROE – Return on Equity

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

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

⁴YTD – Year to Date.

SUMMARY OF ANALYSIS OF PUBLIC TRADING BODIES PERFORMANCES

1. Development Bank of Samoa (DBS)

- At the end of the quarter, 59 applications to a value of \$1.5m were approved compared to budget of \$3.4m. This represent a decrease of 56% compared to budget.
- Loan collection for the quarter was recorded at \$3.9m compared to budget of \$4.5m representing a decrease of 13%.
- Total portfolio of \$155 million and exceeded budget by 17%.

2. Electric Power Corporation (EPC)

- Revenue for the Quarter exceeds the Budget by 4.48% but has decreased by .2% compared to the previous quarter. The decline in Revenue was mainly due to the drop in Total Electricity Sales for the quarter.
- Total expenditure for the quarter is 1.4% below the recorded Expenditure of the previous quarter but is 1.5% above budget. While operating Costs fall below budget for this quarter, generation costs exceeded budget limits mainly the hydro/civil generation expenses and local consumption.
- EPC recorded YTD Net Profit of \$4.98 million and have exceeded budget figures by 14%. It should be noted that this profit is before debt services and capex.
- Fuel costs constitute 56% of total expenditure for the quarter and YTD.

3. Land Transport Authority (LTA)

- LTA is continually committed to the implementation of major activities including roads rehabilitation and management systems for roads users.
- Revenue for the quarter is above budget by 8.4% mainly due to an increase in vehicle registration and government contribution.
- Expenditure for the quarter and YTD are below budget by 20.8% and 5.4% respectively. Asset Management expenses is the dominant factor followed by Personnel for the quarter under review budget.

4. Polynesian Airlines (PAL)

- Loading factor of 73% is below budget by 2%. Total passengers flow of 18,243 is below budget by 7%.
- Revenue for the quarter is 3% above budget. Aside from the General Agency services and Fagalii Airport operation, all of PAL's other business units exceeded revenue projections. Sundries were the biggest contributor with revenue being 36% above budget.
- Expenditure was 2.2% below budget for the quarter.
- PAL's recorded profit of \$2,100,489 is above budget by 14%.

5. Public Trust Office (PTO)

- The Office is collaborating with an IT specialist to obtain and develop a legal management practice software system as well as other relevant software packages available to improve its service delivery to the public as well as the swift and accurate preparations of reports.
- Total revenue for the quarter is below budget by 18% as a result of decrease in administration fees, commission earned, interest on term deposits and other income declining below budget.
- Total expenditure reported in the period is below budget by 5%.

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

- Shanghai Construction had completed geo-technical testing at the airport in preparation for the construction of the new terminal building.
- Total Revenue is below budget by 5%. This was mainly due to the reduction in operating income which includes departure tax and landing fees.
- Total Expenditure is 0.25% below budget as a result of the increase in expenses in the first and second quarter.

7. **Samoa Housing Corporation (SHC)**

- SHC performance indicated an improvement from the previous quarter. The revenue capacity exceeded total spending which resulted in an increase in NPAT. Annualized ROE for the current quarter is significant although YTD ROE is below the 7% benchmark set under the Public Bodies Act 2001.
- The cash flow has improved compared the negative performance in the previous quarter. It is crucial for the corporation to continue this improvement for the last quarter of the FY 2015.
- The value of new loans is below budget as a result of the decrease in number of new loan approved. However, number of total portfolio increases together with value of continuing loans.

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

- Management continues to monitor and control spending as reflected by the decrease in expenses for the reported period. The fluctuation by the movement in Real Estate revenues was mainly due to the current practice of land being accepted for full payment if a client wants to pay off their land at any time.
- Revenues for the reported period recorded a shortfall of 14% resulted mainly from the decrease in Land Sales for the current period. YTD is below budget by 34% compare to previous quarter mainly due to the movement in land sale revenues from previous quarters.
- Expenditure for the current quarter is below budget by 21.6% due mainly to the drop in operating spending except for Audit fees increase by 6.7%.

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

- Total revenue collected fell by 13% in comparison to projections. Unfavorable results in revenue collected were basically generated from massive fall in outward mail volumes, transmitted during the period. Postal Services noted the highest deviation of 25% from targets, while Agent Services decreased by 5%, and Retail Revenue fell by 1%.
- Total expenditures were continuously controlled and remained below anticipated spending by 18%. The practical controls generated favorable results in NPAT and dividend payable, both were above budget by 22%.

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

- SPA achieved a positive financial position in this quarter, which reflects good controls and effects of the new regulated rates as approved by Cabinet in October 2014. Meeting the 7% ROE benchmark still remains to be the challenge.
- Revenue is above budget both in this quarter and YTD by 26% and 25% respectively, reflects the increase in income from operations. The non operating income is also above budget both in this quarter and YTD by 113% and 37% respectively.

- Total expenses in this quarter are above budget by 2% mainly due to the above budget of operation & administration expenses and financial expenses, by 10% and 9% respectively. The total YTD expenses are substantially above budget by over than 400%, largely as a result of the unbudgeted \$1.4 million loss on disposal of fixed assets in the last quarter.
- SPA recorded a profit in this quarter which is above budget by over 700%. SPA also recorded a \$1.1 million profit before deferred revenue and depreciation in this quarter, which again indicates a profitable operation. The only issue is its ROE that still lower compared to the 7% benchmark. On the other hand, the YTD loss and a negative ROE are totally against budgets, due to reasons as mentioned earlier.

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

- The Corporation celebrated its 40th Anniversary for a week which took place in Upolu and Savaii. The celebration includes Float Competition, Gala Dinner, 50% discounted on passenger fares and etc. This was funded by the corporation and contributed to the overall spending for the current quarter.
- Quarterly revenue is above budget by 6% mainly due to the increase in other operating income and vessel income by 44% and 3% respectively. Other operating income includes MEFS outside jobs, interest receive, Domestic Ports and Slipway service. YTD income is short of budget by 3% due to previous quarter income results.
- Expenditure for both this quarter and YTD is below budget by 3% and 8% respectively largely due to the reduction in operation, administration and vessel expenses by 21%, 19% and 2% respectively compared to budget. Financial expense is above budget by 146% due to increase in exchange variance, interest on loan and directors' fees by 808%, 131% and 21% respectively

12. **Samoa Shipping Services (SSS)**

- The numbers of seafarers have slightly increased compared to the last period. SSS recorded 477 seafarers employing on international vessels. This continues to increase benefits to seafarers' families and Samoa through remittances and foreign reserves.
- The major contributing factor in the positive results for this quarter's net profit of \$243,599 was mainly due to an increase in the number of seafarers as well as an overall reduction in expenses.
- The Company continues to monitor the minimization of various overhead costs as well as maintaining the number of the Samoan seafarers working on board MSC vessels to assist improving its financial position.

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

- This period has shown a shortfall in projected revenue by 43% compare to the budget. A major set-back prohibiting STEC's development, particularly property investment, is the dispute over land with Satapuala Village, which has caused a delay in finalizing lease agreements with private sector entrepreneurs. The court case between the Satapuala village and STEC has now been resolve.
- 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.

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

- Water quality results from the Ministry of Health confirmed 100% compliant with the national drinking water quality standards, for each month of this quarter from our main treatment plant supplies.
- Major Rehabilitation of Intake Infrastructure for the Gataivai supply completed. Savaii team now working on fixing leaks on the line. This will improve water supply for the Gataivai area.
- SWA continued to record losses as from previous quarter. Outstanding payments from debtors, is at a very high level. The main reason behind this is the delay in addressing non revenue water issues.

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

- UTOS Management now obtains 26% of shares in Bluesky Pacific Holdings Ltd. It remains crucial for Management Company to continue improvement in future quarters.
- UTOS continues to assist SOEs via capital notes. For the current quarter ASC, SSS, SLC & STEC contain \$307k, \$2.47m, \$6.86m and \$3.13m respectively. Total notes of \$12.8m was issued for the current quarter and secured by a Government General Guarantee. It remains for the trust to continue monitoring the viability of the above Corporation in financing future repayments.

ANNEX 1: MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD JANUARY-MARCH 2015)

Mutual and Beneficial Bodies		REVENUES			EXPENSES			NPAT	
		2015	2014	Var	2015	2014	Var	2015	2014
	<u>Mutual Societies</u>	-							
1	Accident Compensation Corporation	11.4	11.2	0.2	3.94	3.05	0.89	7.44	8.2
2	Samoa Life Assurance Corporation	7.22	7.4	-0.18	7.02	6.09	0.93	0.24	1.1
3	Samoa National Provident Fund	33.87	30.0	3.87	10.35	7.11	3.24	23.52	22.9
	TOTAL	52.49	48.6		21.31	16.24		31.2	32.2
	<u>PUBLIC BENEFICIAL BODIES</u>								
1	National Health Services of Samoa	53.16	0.1	53.06	46.07	0.06	46.01	(7.53)	(0.0)
2	National Health Kidney Foundation of Samoa	4.37	4.0	0.37	4.41	4.73	-0.32	(0.30)	(0.7)
3	National University of Samoa	17.21	0.0	17.21	16.20	-	16.20	1.0	0.0
4	Samoa Qualifications Authority	2.18	1.9	0.28	2.25	1.80	0.45	0.60	0.1
5	Scientific Research of Samoa	2.81	2.7	0.11	2.82	2.71	0.11	(0.12)	0.0
6	Samoa Sports Facilities Authority	2.33	3.5	-1.17	3.0	3.78	-0.78	(0.66)	(0.3)
7	Samoa Fire and Emergency Service Authority	3.43	3.0	0.43	3.16	2.82	0.34	0.27	0.2
8	Samoa Tourism Authority	-	9.2	-	-	8.73	-	-	0.5
	TOTAL	85.49	24.3		63.3	24.63		(6.74)	(0.3)

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⁴YTD – Year to Date