

SOE Performance Report

October-December 2013 YTD

SOE Monitoring Division, Ministry of Finance

July 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 including 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.

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.

In line with Section 26 of the Act, all SOEs are required to submit financial reports on a quarterly and annual basis to MOF. The template for reporting was developed by MOF and agreed to by all SOEs. It is through these reporting requirements that MOF bases its monitoring and performance reports to Shareholding Ministers and Cabinet.

The following is a brief report on the performance of each Public Trading Body for the quarter October-December 2013. All amounts are in Samoan Tala (ST).

PUBLIC TRADING BODIES' PERFORMANCE (YTD OCTOBER - DECEMBER 2013)

PUBLIC TRADING BODIES		REVENUES			EXPENSES			NPAT		ROE	
		2013	2012	Variance	2013	2012	Variance	2013	2012	2013	2012
1	Agriculture Stores Corporation	2.26	0.00	-	2.05	-	-	0.2	0.0	10%	-
2	Development Bank of Samoa	2.65	5.00	-47%	5.63	5.9	-4%	(3.0)	(0.9)	-6%	0.0%
3	Electric Power Corporation	59.53	49.10	21%	52.71	49.4	7%	6.8	(0.3)	4%	1.7%
4	Land Transport Authority	74.76	21.82	243%	70.66	21.5	229%	4.1	0.4	166%	38.4%
5	Polynesian Airlines Limited	8.06	0.00	-	6.97	-	-	1.1	0.0	5%	-
6	Public Trust Office	0.21	0.00	-	0.47	-	-	(0.3)	0.0	-10%	-
7	Samoa Airport Authority	6.89	7.01	-2%	5.88	6.2	-5%	1.0	0.9	2%	1.3%
8	Samoa Housing Corporation	2.25	1.83	23%	1.64	1.4	19%	0.6	0.5	2%	1.5%
9	Samoa Land Corporation	4.77	4.79	0%	5.06	5.6	-10%	(0.3)	(0.8)	-1%	0.5%
10	Samoa Post Limited	1.05	1.21	-13%	0.86	0.9	-9%	0.2	0.3	8%	16.4%
11	Samoa Ports Authority	6.56	0.00	-	5.87	-	-	0.7	0.0	1%	-
12	Samoa Shipping Corporation	11.34	12.24	-7%	8.01	9.9	-19%	3.3	2.4	15%	2.0%
13	Samoa Shipping Services	0.00	2.49	-100%	-	2.6	-100%	0.0	(0.1)	-	-
14	Samoa Trust Estate Corporation	0.15	0.00	-	1.15	-	-	(1.0)	0.0	-2%	-
15	Samoa Water Authority	12.30	8.93	38%	11.63	11.8	-2%	0.7	(2.9)	1%	0.1%
16	Unit Trust of Samoa (Management) Ltd	0.69	0.19	267%	0.29	0.3	-8%	0.4	(0.1)	38%	-32.2%

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. **Agriculture Store Corporation (ASC)**

- The Store is now in the process for re-tendering following the unsuccessful bid in its 1st round.
- ROE is below the 7% benchmark required by all Public Trading indicating that there is still a need to improve revenue and reduce expenses.

2. **Development Bank of Samoa (DBS)**

- Loan collections for the quarter amounts to \$3.6million, representing an increase of 24% compared to budget of \$2.9million.
- Total outstanding portfolio at the end of the quarter was \$126.9million, an increase of 11% and 35% compared to budget and prior year respectively.

3. **Electric Power Corporation (EPC)**

- EPC continued to monitor several major projects under Solar 440KW Photovoltaic (JICA) program and the Power Sector Expansion Program.
- The Corporation is having difficulty meeting its debt obligation to the Government specifically with regards to its Power Sector Expansion Project (PSEP).

4. **Land Transport Authority (LTA)**

- LTA remains committed to the implementation of major activities including roads rehabilitation and management systems for roads users.
- Quarterly revenue is below budget by 1.4% but has increased by 49% compared to last quarter.
- NPAT is below budget as a result of the increase in expenditure and reduction in revenue for the current period.

5. **Polynesian Airlines (PAL)**

- The ROE and ROA are both above budget for the quarter and YTD. In a positive sign the ROE of the company for the quarter and YTD is above the recommended 7% target rate set by Cabinet.
- Cash Flow position remains healthy and is an indication of the positive performances achieved by the company over the last few quarters.
- The Company owes Government an outstanding total dividend with an estimate of \$6.086 million.

6. **Public Trust Office (PTO)**

- The Office plans 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 preparation of reports.
- Total revenue and Total expenditure for the quarter are both below budget by 42% and 29% respectively. Following the excess expenditure over revenue, PTO 's current control measures have not lessen the continuous negative trend.

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

- The arrival of secondhand chairs donated by Cairns International Airport has now seen as a facelift of the Faleolo Airport terminals.
- The World Bank/EIB funded airport project is in the final stages of negotiation. It is expected to be submitted for approval by the World Bank Council in early 2014.
- The profit of \$501,281 is above budget by 66% as a result of a controlled spending within its revenue capacity. This has also impacts on the ROE and ROA for the reporting period.
- Passenger and aircraft movement has decreased by 9% and 20% respectively for this quarter.

8. Samoa Housing Corporation (SHC)

- Total value of loans at the end of the quarter is \$36.40m, including new loans with a value of \$6.9m. It is noted that income from loan administration have increased, indicating an increase in the number of loans processed during the quarter. This includes loans for rehabilitation from Cyclone Evan as part of Government's recovery program.
- There are still concerns with SHC's ROE level which is lower compared to the 7% benchmark. SHC needs to impose controls and strategies to ensure its profit is sufficiently enough to reach the 7%.
- The ongoing increase in value of loans, always lead to higher risks in collection especially loans to low income earners. While loans continue to increase, controls should be strong enough to counteract to ensure valuable returns are earned despite any issues from customers.

9. Samoa Land Corporation (SLC)

- The Corporation continues its efforts on completing their website for their clients to view all operation and services online.
- The Corporation completed its first ever Finance Policy in December and implementation phase will take place in early 2014.
- Malifa Accommodation currently under construction with other projects in the pipeline including plans to acquire the Fugalei Market. These capital expenditures are being funded by the Corporation's cashflow and will also seek assistance from local financial institutions when the need arises.

10. Samoa Post Limited (SPL)

- Relocation of the Salelologa Office to the Salelologa market and also the repainting of the Samoa Post Office at Matafele have been materialized in the reporting quarter.
- Revenue and Expenditure were both below budget.
- ROE has reduced as a result of the decrease in NPAT and is below the 7% benchmark.

11. Samoa Ports Authority(SPA)

- The YTD revenue is above budget by 9% mainly due to Government grant and increase in income from wharfage and port charges against budget.
- The YTD expenses have been below budget by 4%, mainly due to combination of good controls and overestimation of operation & administration costs and salaries & wages for the quarter.

- The results indicate a profitable performance compared to last quarter. The substantial increase in revenues was mainly as a result of Government grant of \$0.75 million (\$1.51 million YTD) and slight improvement in SPA revenue.
- As from the last quarterly report, the key issue and challenge for SPA board of directors and management is the sustainability of its operations.

12. Samoa Shipping Corporation (SSC)

- Samoa Shipping Corporation achieved a positive NPAT.
- Financial results indicate continued profitability as well as the achievement of the 7% required ROE.

13. Samoa Shipping Services (SSS)

- SSS was unable to submit its report for this reviewed quarter.

14. Samoa Trust Estate Corporation (STEC)

- The key issue for STEC is its continued unsatisfactory performance. This is reflected in the following:
 - Slow turnover on the agricultural production and cattle grazing activities while other projects do not materialize within a 12 months period.
 - Increased recorded trade debtors of \$1.3m which impacts both on its cash flow and profitability status.

15. Samoa Water Authority (SWA)

- Non Revenue Water (NRW) reduction and management programs continued for all targeted water supply schemes.
- NPAT is positive for the quarter under review; however it has regularly been on the unfavorable side of the graph. The Authority should aim at improving its profitability in the future.
- Land issues continue to be a major challenge that causes delays in the implementation of capital works and system upgrades.
- 165 accounts receivable days is still high and it is a factor considered to be very critical to the operation.
- Bad and Doubtful Debts are more than half a million which indicates poor collection by the Corporation.

16. Unit Trust Of Samoa Ltd (UTOS Management)

- Management Company recorded another successful quarter achieving a profit of approximately \$238k. UTOS and CBS have agreed to a format for reporting guidelines monthly reports to CBS in its capacity as the regulator for financial Institutions.
- Management is currently working towards acquiring an I.T. system to integrate the financial accounts, investment instruments and units registry.

ANNEX 1: MUTUAL AND BENEFICIAL BODIES PERFORMANCE (YTD JULY-SEPTEMBER 2013)

Mutual and Beneficial Bodies		REVENUES			EXPENSES			NPAT	
		2013	2012	Var	2013	2012	Var	2013	2012
<u>Mutual Societies</u>									
1	Accident Compensation Corporation	Data not available							
2	Samoa Life Assurance Corporation	4.6	0.0	-	4.34	-	-	0.2	0.0
3	Samoa National Provident Fund	20.3	17.9	13%	5.10	3.19	60%	15.2	14.7
	TOTAL	24.9	17.9	39%	9.44	3.19	196%	15.3	14.7
<u>PUBLIC BENEFICIAL BODIES</u>									
1	National Health Services of Samoa	31.8	30.7	4%	35.96	33.56	7%	(4.1)	(2.9)
2	National Health Kidney Foundation of Samoa	2.7	2.7	1%	2.93	2.27	29%	(0.2)	0.4
3	National University of Samoa	Data not available							
4	Samoa Qualifications Authority	1.3	1.2	8%	1.09	0.99	10%	0.2	0.2
5	Scientific Research of Samoa	1.8	1.8	-1%	1.78	2.08	-14%	0.0	(0.3)
6	Samoa Sports Facilities Authority	2.7	1.8	46%	2.61	2.53	3%	0.1	(0.7)
7	Samoa Fire and Emergency Service Authority	2.0	0.0	-	1.81	-	-	0.2	0.0
8	Samoa Tourism Authority	6.0	5.9	1%	6.36	6.45	-1%	(0.4)	(0.6)
	TOTAL	48.2	44.1	9%	52.53	47.87	10%	(4.3)	(3.8)

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⁴YTD – Year to Date