

# SOE Performance Report

---

October - December 2014 YTD

SOE Monitoring Division, Ministry of Finance  
April 2015

## A. BACKGROUND

There are 27 Public Bodies (PBs) providing various services for the benefit of the people of Samoa. 16 are Public Trading Bodies (PTBs), 8 Public Beneficial Bodies (PBBs) and 3 Mutual Societies (MSs). 24 out of 27 Public Bodies submitted quarterly reports on time for the purpose of this report, as required under the Public Bodies (Performance and Accountability) Act 2001 (Act). This report covers the PB's financial performance.

All PBs are under the Shareholding Ministers who act as "owners" on behalf of the people of Samoa. The Ministry of Finance (MOF) as stipulated in the Act provides advice to the Shareholding Ministers and Government on all PBs matters. Advice from MOF is furnished through its State-Owned Enterprises Monitoring Division (SOEMD) which is principally responsible for the monitoring of PBs performance and the provision of Government's divestment policy. Directors are appointed to oversee the operation of each PB in accordance with agreed strategies and business objectives. At present 90% of directors are from the private sector with the remaining 10% being ex-officio members appointed in line with the Act.

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

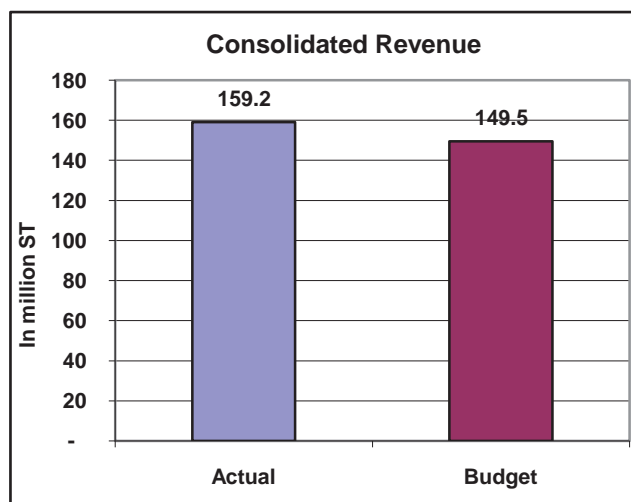
The purpose of this report as mandated under the Act is to provide an overview of performance of all PBs for the quarter ended 30<sup>th</sup> September 2014. The content of the report includes the following:

1. Overview of PBs Performance by Consolidation
2. Compliance with Acts.
3. Comparison of KPIs.
4. Fiscal Risk Analysis

## B. OVERVIEW OF PBs PERFORMANCE BY CONSOLIDATION

The following analysis is a consolidated analysis for all PBs combined.

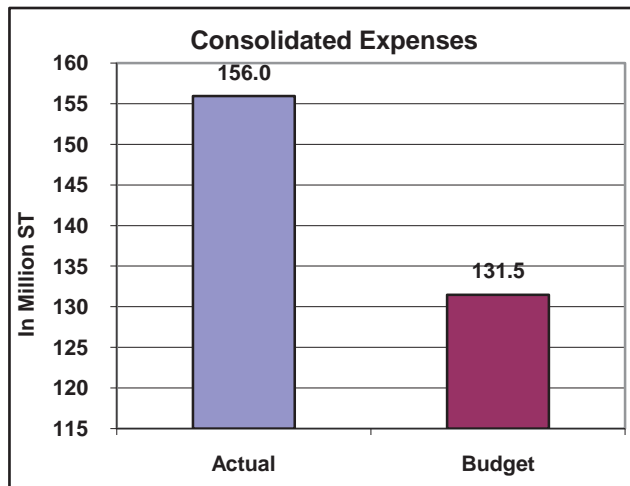
### i. Consolidated Revenue (YTD):



Revenue is slightly above budget by 6.5%, as a result of PTBs and PBBs portfolios managed to achieve above budgeted revenue as highlighted above.

The PBBs portfolio is the main contributor for the increase noted.

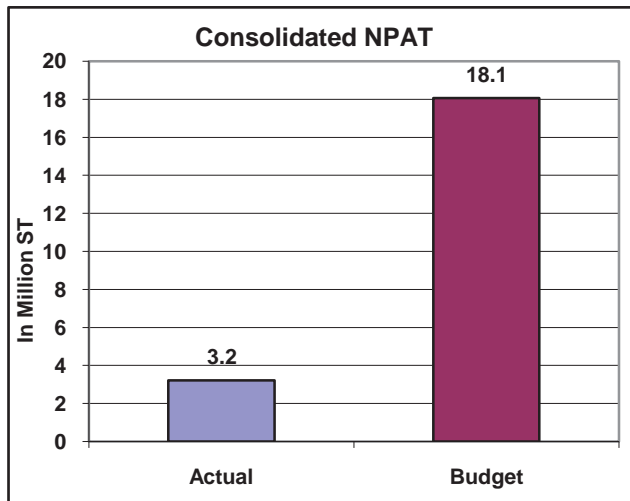
ii. **Consolidated Expenses (YTD):**



Expenses are above budget by 18.6%, mainly due to all three portfolios managed spend above budgeted.

PBBs have recorded the highest expenses above budget of 16%.

iii. **Consolidated NPAT (YTD):**



NPAT is dramatically lower than expected by 82.3%, mainly as a result of the negative performance by PTBs, with a recorded loss of \$7.9 million. PBBs also contributed with a deficit of \$4.1 million.

The concern lies with PTBs; take into account its principal objective to perform profitable as highlighted earlier.

**C. COMPLIANCE WITH THE REPORTING REQUIREMENTS OF THE PUBLIC BODIES ACT 2001**

96% of PBS submitted their reports in compliance with the required deadline (one month from the end of each quarter). Despite delay in submission of a few reports, 24 PBs managed to submit their reports in time for compiling of this overall report.

In general, the 24 PBs submitted QRs are complied with the required format. There are some minor concerns varied from quarters to quarters such as not providing parts of required budget figures so that the reporting actual figures can be effectively compared against budgets during analysis and errors in calculations of KPIs, but in overall they have complied. These minor issues are mostly resolved during the process. Despite fluctuations from these minor concerns, we can identify a huge improvement compared to the past years.

The PBs, who are not included in this overall report due to delays, is also expected to change in next quarter.

## **D. COMPARISON OF KPIS**

The following is a brief report on the performance of the 24 PBs that submitted their quarterly reports for the quarter October-December 2014. All amounts are in Samoan Tala (ST)

### **PUBLIC TRADING BODIES (PTBs)' PERFORMANCE (YTD<sup>4</sup> OCTOBER – DECEMBER 2014)**

PTBs		REVENUES			EXPENSES			NPAT <sup>1</sup>		ROE <sup>2</sup>	
		2014	2013	Var <sup>3</sup>	2014	2013	Var <sup>3</sup>	2014	2013	2014	2013
1	Development Bank of Samoa	5.3	2.7	98%	6.7	5.6	19%	-1.5	-3.0	-3%	-5.9%
2	Electricity Power Corporation	n/a	59.5	n/a	n/a	52.7	n/a	n/a	6.8	n/a	3.6%
3	Land Transport Authority	5.13	74.8	-93%	3.12	70.7	-96%	2.0	4.1	267%	165.9%
4	Polynesian Limited	9.9	8.1	22%	8.4	7.0	20%	1.5	1.1	7%	5.1%
5	Public Trust Office	0.3	0.21	35%	0.48	0.5	1%	-0.2	-0.3	-6%	-9.7%
6	Samoa Airport Authority	7.04	6.9	2%	6.6	5.9	13%	0.4	1.0	1%	1.8%
7	Samoa Housing Corporation	2.6	2.3	15%	1.6	1.6	-3%	1.0	0.6	4%	2.3%
8	Samoa Land Corporation	4.9	4.8	2%	4.02	5.1	-21%	0.8	(0.3)	18%	-0.6%
9	Samoa Post Limited	1.13	1.1	8%	0.93	0.9	8%	0.2	0.1	10%	8.1%
10	Samoa Ports Authority	6.6	6.6	1%	19.3	5.9	229%	-12.7	0.7	-7%	0.7%
11	Samoa Shipping Corporation	11.5	11.3	1%	9.6	8.0	20%	1.9	3.3	7%	14.7%
12	Samoa Shipping Services	1.27	3.9	-67.4%	2.04	4.7	-56.6%	-0.75	-0.8	-164%	-11.2%
13	Samoa Trust Estate Corporation	0.25	0.15	68%	1.14	1.2	-1%	-0.9	-1.0	-2%	-2.3%
14	Samoa Water Authority	11.4	12.3	-7%	11.7	11.6	1%	-0.3	0.7	0%	1.0%
15	Unit Trust of Samoa (Management)	0.78	0.69	14%	0.33	0.3	13%	0.5	0.4	21%	37.8%
	<b>Total</b>	<b>68.05</b>	<b>193.46</b>	<b>-65%</b>	<b>75.94</b>	<b>178.9</b>	<b>-58%</b>	<b>(7.9)</b>	<b>14.9</b>	<b>-2%</b>	<b>2.3%</b>

**MUTUAL SOCIETIES (MSs) AND PUBLIC BENEFICIAL BODIES (PBBs) PERFORMANCE (YTD<sup>4</sup> OCTOBER – DECEMBER 2014)**

MSs and PBBs		REVENUES			EXPENSES			NPAT <sup>1</sup>	
		2014	2013	Var <sup>2</sup>	2014	2013	Var <sup>2</sup>	2014	2013
	<b><u>Mutual Societies</u></b>								
1	Accident Compensation Corporation	n/a	7.6	n/a	n/a	2.1		n/a	5.5
2	Samoa Life Assurance Corporation	4.5	4.6	-2%	4.60	4.34	6%	-0.1	0.2
3	Samoa National Provident Fund	21.6	20.3	6%	6.27	5.10	23%	15.3	15.2
	<b>TOTAL</b>	<b>26.1</b>	<b>24.9</b>	<b>5%</b>	<b>10.87</b>	<b>9.44</b>	<b>15%</b>	<b>15.2</b>	<b>15.3</b>
	<b><u>PUBLIC BENEFICIAL BODIES</u></b>								
1	National Health Services of Samoa	38.3	31.8	20%	42.7	35.9	18%	-4.2	-4.1
2	National Kidney Foundation of Samoa	2.9	2.7	8%	3.02	2.9	3%	-0.1	-0.2
3	National University of Samoa	10.8	9.6	13%	10.7	9.7	10.5%	0.2	-0.08
4	Samoa Qualifications Authority	1.5	1.3	20%	1.43	1.1	32%	0.1	0.2
5	Scientific Research of Samoa	1.8	1.8	1%	1.9	1.8	4%	-0.02	0.02
6	Samoa Sports Facilities Authority	1.5	2.7	-45%	2.02	2.6	-23%	(0.5)	0.1
7	Samoa Fire and Emergency Service Authority	2.3	2.0	16%	2.05	1.8	13%	0.3	0.2
8	Samoa Tourism Authority	5.9	6.0	-1%	5.7	6.8	-11%	0.2	-0.4
	<b>TOTAL</b>	<b>65.0</b>	<b>48.2</b>	<b>35%</b>	<b>69.14</b>	<b>52.53</b>	<b>32%</b>	<b>(4.1)</b>	<b>(4.3)</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 PB. This represents the return on government funds)

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

<sup>4</sup>YTD – Year to Date.

## **KEY HIGHLIGHTS OF EACH PTB**

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

- At the end of the quarter, DBS achieved the following:
  - ✓ Approved 125 applications to a value of \$1.4million which has decreased by 58% compared to budget of \$3.4million;
  - ✓ Loan collection amounts to \$4.6million, which has increased by 2% compared to budget of \$4.5million.
  - ✓ Total outstanding portfolio was \$143million, and is less than budget by 5%.

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

- Continues to explore renewable energy projects to improve its services to the people of Samoa, and to achieve its vision of having “Clean energy sources for affordable and sustainable electricity supply for Samoa”.

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

- Routine roads rehabilitation and management systems are on targets
- Paid dividend of \$1 million to Government in November 2014.

### **4. Polynesian Limited (PL)**

- Continues to perform profitable with a healthy liquidity and cash flow positions.
- The Airline and Ground handling operations continue to be PL’s main sources of revenue.

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

- A loss and a negative ROE were recorded. How its financial position reported a positive cash flow of \$5.9 million with 95% of this amount invested on term deposits.
- Continues to look for more estates and wills to be written and registered, to enhance its profitability level. This is very difficult take into account competition with the private solicitors.

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

- A loss and a negative ROE were recorded for the quarter.
- At the end of the quarter, major achievements included the following:
  - ✓ Leasing of 30 acres of land to EPC and Solar Samoa for solar power generation.
  - ✓ Installed the solar power street lights.
  - ✓ Reviewed and revised its organizational structure to reflect the separation of the HR and Planning from the Finance & Commercial Unit. In this effect, SAA has 4 divisions in line with its Corporate Plan.
- Paid a dividend to Government of \$222,843 in July 2014.

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

- A profit was recorded with an acceptable liquidity position. However, the negative cash flow position is against its profit level.
- Loan approvals recorded a total of 259 valued at \$4,587,000.
- Collections have decreased by 4% and disbursements are higher compared to last quarter by 5%.

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

- A profit was recorded with adequate liquidity and cash flow positions.

- Continues to provide lands to assist with farming which contributes to enhancing Samoa's food security as part of the government strategies in the SDS.
- Continues to participate in offering its lands for investments by people of Samoa. Malifa accommodation continues to be profitable.
- Collection of income from leasing lands remains to be the challenge for the business in the future.

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

- A profit was recorded with an acceptable cash flow position.
- The business continues to perform its normal post operations, covering all of Samoa. It also continues to perform as agent to other business such as UTOS.
- Paid dividends to Government, The total dividend paid is \$281,150 (\$36,838 in September 2014 and \$244,312 in December 2014).

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

- Profit was recorded which reflects good controls and effects of the new regulated rates as approved by Cabinet in October 2014. This supported by its positive liquidity position.
- Transfer of assets (domestic ports) to the Samoa Shipping Corporation (SSC) is completed. Liabilities are yet to be transferred.
- In terms of non financial measures, SPA achieved the following:
  - ✓ Reduction in number of vessels handled due to the decrease in the number of yachts.
  - ✓ The number of containers handled shows an improvement;
  - ✓ The amount of cargo discharged is increased.

#### **11. Samoa Shipping Services (SSS)**

- The MSC operation as a core segment continues to produce profit, subsidizing the ongoing losses of the Forum Samoa II vessel operation. The sale of the FSII vessel is in progress.
- Irrespective of the overall financial results, SSS through its MSC operation has been providing benefits to the economy, not only in terms of remittances, employment, but also promoting Samoa internationally.
- Total number of seafarers employed by SSS now reached 272 seafarers. This is an improvement compared to the 252 recorded in the last quarter, and 238 recorded in the quarter before last. This is also substantial if compared to the last fifteen to twenty years, where Samoa only had around forty to sixty seafarers employed on international vessels.
- The amount of remittances received from seafarers in this quarter is about \$2 million, apart from foreign exchange and reserves benefits.

#### **12. Samoa Trust Estate Corporation (STEC)**

- Loss was recorded as a result of ongoing low level of income compared to spending. Liquidity and cash flow positions continue to be in unsustainable conditions.
- Negotiations are currently underway with foreign developers/investors for proposed developments on STEC lands adjacent to the Mulifanua wharf.
- 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.

#### **13. Samoa Water Authority (SWA)**

- A profit was recorded during the quarter as a direct result of grant for CSO payments.
- SWA achievements in the quarter include the following:

- ✓ Sufficient supply of water regardless of the dry season.
- ✓ Secured a 5 year Capacity Enhancement Project with JICA that focus on NRW, Leak Detection and pressure management. This also gives opportunity to SWA staff to expose to trainings in Japan on these topics/areas.
- ✓ Launched its urban raw schemes systems upgrade project. It included construction of 2 new Slow Sand Filtration WTPs for the Vailima & Tapatapao schemes and provided treated water supply for Vaivase Uta area from the Alaoa treatment plant.
- ✓ Continues to activate its chlorination units at 4 (Saleimoa, Fasitoo-Uta, Nofolii and Leulumoega) chlorination borehole supplies;
- ✓ Completed the extension of pipeline towards Falelima extending coverage and increase access to water supply for Savaii Island.

#### **14. Unit Trust Of Samoa Ltd (UTOS Management)**

- UTOS Management company continues to achieve a profit which mainly driven by its management fee.
- New unit holders 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 unit holders. It reached 178 new unit holders from July to December 2014.
- UTOS also continues to assist Government through its SOEs by way of issuing capital notes to SOEs. This has been assisting SOEs in terms of low interest rates compare to other local financial institutions.
- UTOS also paid a dividend to Government amounts to \$468,650.50, in February 2015.

#### **E. FISCAL RISK**

The PBs contribution to the fiscal risk is determined by the PBs debts to financial institutions which are guaranteed by Government, and on-lending quarter balances.

The following is the status of the above risk:

- (i) The total loans by PBs to financial institutions guaranteed by Government as at 31<sup>st</sup> December 2014 amounts to **\$159,027,078**.
- (ii) The total PBs on-lending borrowings are \$219,138,734, with EPC holding 87%, and DBS 13%. The EPC on-lending includes the Power Sector Expansion Project (PSEP).
- (iii) The loans that Government has taken over repayments amounts to \$49,696,898.14.

MOF continues its best to monitor the PBs debts in accordance to its Medium Term Debt Strategy.