

**PEPA FAAOPOOPO I**

**PUBLIC BODIES HEALTH CHECK  
ASSESSMENT**

**FOR YEAR ENDED JUNE 2022**

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## PUBLIC BODIES HEALTH CHECK ASSESSMENT 2022

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All the Public Bodies were assessed using the Health Check Tool (HCT). All financial data were extracted from audited accounts except for PAL and STEC. The information disclosed for PAL were from its draft accounts for 2020, 2021 and 2022. STEC's results were extracted from the aggregate of quarterly reports for FY 2021 and 2022.

The presentation and analysis of results using the HCT is prepared in accordance with the classification of Public Bodies as per Public Bodies (Performance and Accountability) Act 2001 as tabulated below.

PUBLIC TRADING BODIES	MUTUAL BODIES	PUBLIC BENEFICIAL BODIES
1. Development Bank of Samoa	1. Samoa Life Assurance Corporation	1. Accident Compensation Corporation
2. Electric Power Corporation	2. Samoa National Provident Fund	2. Gambling Control Authority
3. Polynesian Airlines Ltd		3. Land Transport Authority
4. Public Trust Office		4. National Kidney Foundation of Samoa
5. Samoa Airport Authority		5. National University of Samoa
6. Samoa Housing Corporation		6. Samoa Fire and Emergencies Services Authority
7. Samoa International Finance Authority		7. Samoa Qualifications Authority
8. Samoa Land Corporation		8. Samoa Sports Facilities Authority
9. Samoa Ports Authority		9. Samoa Tourism Authority
10. Samoa Post Limited		10. Scientific Research Organization of Samoa
11. Samoa Shipping Corporation		
12. Samoa Shipping Services		
13. Samoa Trust Estates Corporation		
14. Samoa Water Authority		
15. Unit Trust of Samoa (Mngt) Ltd		

Table 1: Public Bodies Classification

### 1. THE HEALTH CHECK TOOL

The HCT has four indicators to assess the level of risk the Public Body is at, at a particular point in time. In the absence of a clear risk rating in Samoa, MPE has put together the following parameters based on the review of ROE and Dividend Policies as well as benchmarks adopted by pacific countries for their SOEs and to assist in assessing whether the results from each PB presents high or low risk.

	Very Low	Low	Medium	High	Very High
<b>Profitability</b>					
Return on Assets	greater than	10%	5%	0%	-7%
Return on Equity	greater than	7%	5%	0%	-7%
Cost Recovery	greater than	1.5	1.0	1.0	0.8
<b>Liquidity</b>					
Current Ratio	greater than	2.0	1.5	1.3	1.0
Quick Ratio	greater than	1.2	1.0	0.8	0.7
Debtor Turnover Days	less than	30.0	40.0	50.0	75.0
Creditor Turnover Days	less than	30.0	60.0	90.0	120.0
<b>Solvency</b>					
Debt to Assets	less than	30%	50%	75%	100%
Debt to Equity	less than	0.5	1.0	1.5	2.0
Debt to EBITDA	less than	1.5	2.0	3.0	5.0
Interest Coverage	greater than	2.0	1.5	1.2	1.0
Cash Interest Coverage	greater than	3.0	2.0	1.5	1.0
Debt Coverage	greater than	0.5	0.3	0.2	0.1
<b>Government Relationship</b>					
Government Transfers to Total Revenue	less than	30%	40%	50%	60%
50% Test	less than	20%	30%	40%	50%

Table 2: Parameters

The tool computes the ratios using defined formulas accepted and used internationally by all types of organizations whether it's public or private companies.

The Tool produces a Heat map for each individual PB and these were presented to individual Public Bodies at the forum held on the 28<sup>th</sup> July 2023.

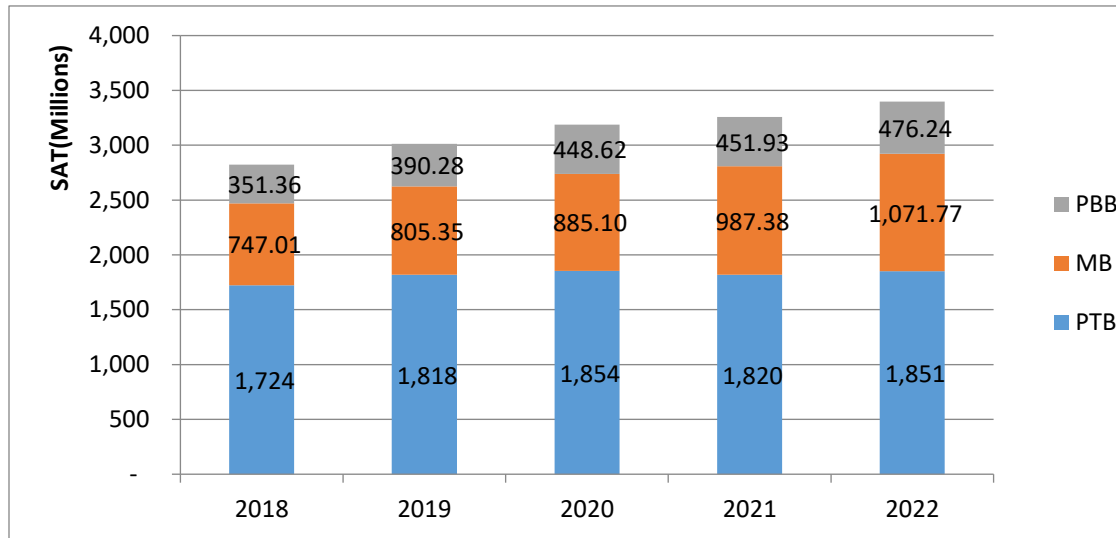
## 2. CONSOLIDATED RESULTS 2018 - 2022

The following table shows results for all the 27 Public Bodies including unaudited accounts for PAL and STEC. The results are in millions Samoan Tala.

	2018	2019	2020	2021	2022
TOTAL ASSETS	2,822.37	3,013.96	3,188.07	3,258.98	3,398.70
TOTAL LIABILITIES	991.45	1,089.43	1,125.35	1,029.34	1,130.51
TOTAL REVENUE	505.39	564.50	588.46	514.89	540.35
TOTAL EXPENDITURE	394.19	463.69	467.88	373.72	409.12
TOTAL NPAT	87.24	107.60	103.62	129.21	117.70

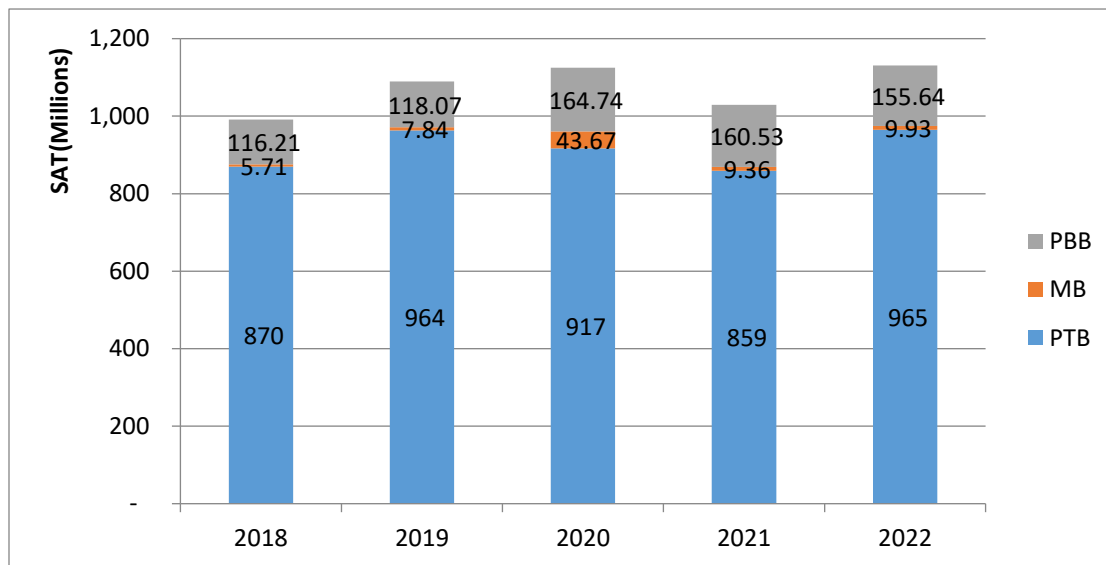
Table 3: Consolidated PB Results SAT[m]

Graph 1: Total Asset by PB Portfolio



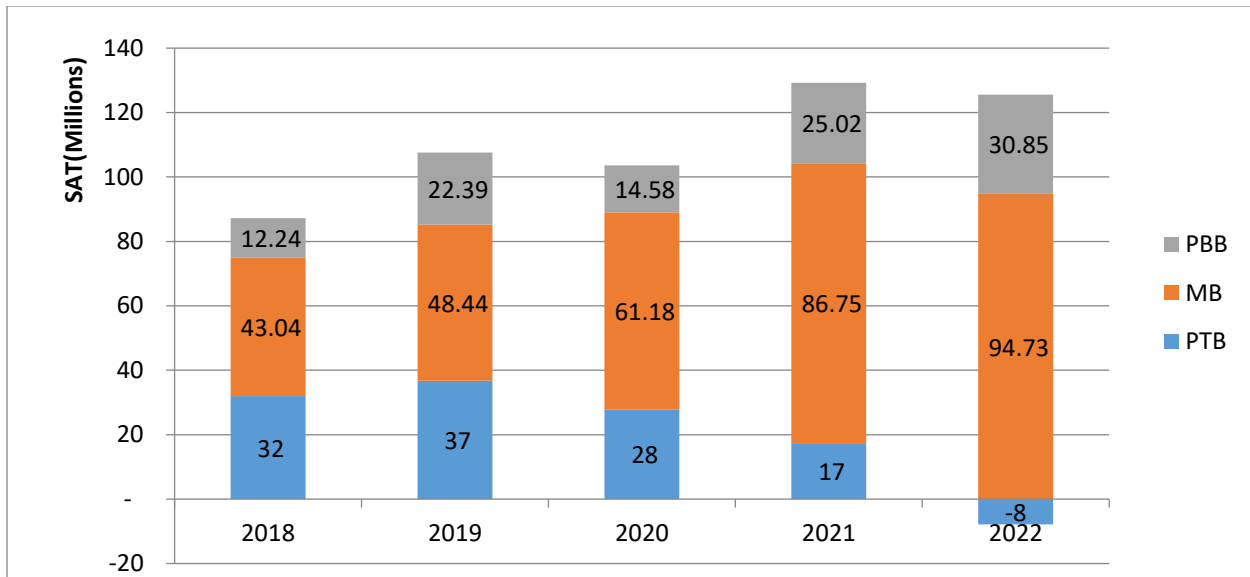
The total assets by Public Body Portfolio graph reflects majority of assets are held by Public Trading Bodies (PTB). Of the \$3.4b worth of assets in 2022, 54% is held by PTB, 31.5% by MB and the remaining by PBB

Graph 2: Total Liabilities by Portfolio 1



The total liabilities by Public Body Portfolio graph reflects majority of liabilities are held by Public Trading Bodies. The increased liabilities by PTB includes interest bearing debts, deferred income and other operating liabilities. The significant liability recorded by the Mutual Bodies (MB) in 2020 was a result of the dividend declared (payable) to contributors recorded by SNPF before the end of FY 2020 and was paid in cash to contributors in FY2021.

Graph 3: Total Profit by PB Portfolio



Notwithstanding the significant increase in assets held by PTB, the overall performance of PTB has decreased over the five years with 2022 incurring a consolidated net loss of \$8m. The MB performance has improved over the last five years with PBB’s performance fluctuating. The major increase in PBB is due to ACC and GCA profitable results combined with other PBBs.

### 3. PUBLIC TRADING BODIES RISK ANALYSIS 2022

#### a. PTB Profitability Risk Analysis 2022

	Return on Assets	Return on Equity	Cost Recovery
Samoa Airport Authority	Very High	Very High	Very High
Electric Power Corporation	High	Very High	High
Samoa Water Authority	High	High	Very High
Samoa Ports Authority	Medium	Low	Low
Development Bank Samoa	High	High	Very High
Samoa Land Corporation	Medium	Medium	High
Samoa Shipping Corporations	High	High	High
Polynesian Airlines Ltd	Very High	Very High	Very High
Samoa Housing Corporation	Medium	Low	Very Low
Public Trust Office	Medium	Low	High
Samoa Post Limited	Very Low	Very Low	Low
Samoa International Finance Authority	Very Low	Very Low	Very Low
Unit Trust Of Samoa (Mngt) Ltd	Low	Very Low	Low
Samoa Shipping Services	Medium	Very Low	Low
Samoa Trust Estate Corporation	Very High	Very High	Very High

The Profitability risk assessment using 2022 results shows SAA, PAL, STEC at very high risk on the returns on equity and assets as well as cost recovery. The EPC, SWA, DBS and SSC are also

at high risk which also warrants in depth analysis as to what needs to be done to improve results. The year 2022 there were 7 PTBs incurring losses with SAA recording the highest loss as there were continued closure of borders until it was lifted in August 2022. EPC the second highest loss recorded was due to the reduced tariff and increased fuel cost all realized within FY 2022. PAL in its draft accounts has reflected the return of the aircraft and the gradual reduction in the loss incurred in 2022 compared to 2018-2020 and the continued deficit net assets recorded over the five-year period. DBS being high risk is due to the increase in non-performing loans and interest suspension on majority of its tourism clients.

### ***b. PTB Liquidity Risk Analysis***

	<b>Current Ratio</b>	<b>Quick Ratio</b>	<b>Debtor Turnover Days</b>	<b>Creditor Turnover Days</b>
Samoa Airport Authority	Very High	Very High	Low	Very Low
Electric Power Corporation	Very Low	Very Low	Very Low	Low
Samoa Water Authority	Very Low	Very Low	Very High	Very Low
Samoa Ports Authority	Very Low	Very Low	High	Very Low
Development Bank Samoa	Low	Very Low	Very High	Very Low
Samoa Land Corporation	Very High	Medium	Very High	Very Low
Samoa Shipping Corporations	Very Low	Very Low	Very Low	Very Low
Polynesian Airlines Ltd	Very High	Very High	Very High	Very High
Samoa Housing Corporation	Very Low	Very Low	Very Low	
Public Trust Office	Very Low	Very Low	Very Low	
Samoa Post Limited	Very Low	Very Low	Very Low	Very High
Samoa International Finance Authority	Very Low	Very Low	Very Low	Very Low
Unit Trust Of Samoa (Mngt) Ltd	Very Low	Very Low	High	Very Low
Samoa Shipping Services	Very Low	Very Low	Very Low	Low
Samoa Trust Estate Corporation	High	Medium	Very High	Low

The very high risk PTBs are SAA, SLC, PAL and STEC in terms of the ability to pay its immediate financial obligations when fall due. SAA was in 2022 unable to generate sufficient operational cash due to the continued closure of borders. SLC in 2022 had implemented changes in International Financial Reporting Standards in particular IFRS 15 where all revenue is recognized when control is transferred to the customer on the use of lands irrespective of the consideration whether it is fully paid and the legal title for the land does not pass until it is fully paid. This has resulted in the increase in dividend payable and VAGST payable to Government from SLC hence the increase in current liabilities which decreases is current and quick ratios. PAL in its draft accounts in 2022 shows negative net assets which means its liabilities exceeded assets and a high number of debtors who owed the company as well as creditors that hasn't been paid due to the financial situation of PAL as a direct impact of Covid-19 and the loss it continued to incur as a result of the restatement of jet operations in 2018 until the recently leased aircraft that was successfully terminated and returned. STEC continued to have poor liquidity position as lands are underutilized and income from operations is insufficient to cover its normal operations.

### c. PTB Solvency Risk Analysis

	Debt to Assets	Debt to Equity	Debt to EBITDA	Interest Coverage	Cash Interest Coverage	Debt Coverage
SAA	High	Very High	Very High			Very High
EPC	Low	Low	Very High	Very High	Very High	Very High
SWA	Medium	Very High	Very High			Very Low
SPA	Low	Low	Very High	Very Low	Very Low	
DBS	Medium	Medium	Very High			Very High
SLC	Low	Low	Very High	Very Low	Very Low	Medium
SSC	Low	Low	Very High	Very High	Very Low	
PAL	Very High	Very High	Very High	Very High	Very High	Very High
SHC	Low	Low	Very High	Very Low	Low	High
PTO	Medium	Medium	Very High	Very Low	Very Low	
SPL	Low	Low	Low			Very Low
SIFA	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low
UTOS	Low	Low	Medium			Very Low
SSS	High	Very High	Very High	Medium	Low	Very Low
STEC	Very Low	Very Low	Very High			

The solvency position as reflected by the Debt to EBITDA is at very high risk rate, reflecting the rate of cash generation the PTB has in relation to the amount of years required to pay of its debt. The high risk indicates a more indebted PTB where there is a higher risk that it may not be able to service its debt. The liabilities is significantly high at PTBs but the low interest and cash interest coverage is due to the fact that some liabilities are not interest bearing debts but deferred income representing in kind assets transferred directly to PTB's balance sheet and amortized over the years until it is fully realized.

## 4. MUTUAL BODIES RISK ANALYSIS 2022

### a. Mutual Bodies Profitability Risk Analysis 2022

	Return on Assets	Return on Equity	Cost Recovery
SNPF	Low	Low	Very Low
SLAC	Very Low	Very Low	Low

The Profitability Risk assessments for both MBs are below the medium range for financial year 2022. This indicates that there is a low likelihood that the MBs will not be profitable in the future. This is mainly due to the sound financial management as well as diversified product and service offerings by these public bodies.

### *b. Mutual Bodies Liquidity Risk Analysis 2022*

	<b>Current Ratio</b>	<b>Quick Ratio</b>
SNPF	Very Low	Very Low
SLAC	Very Low	Very Low

The Liquidity positions of both Mutual Bodies are at a very low risk for the financial year 2022. This is due to their high levels of cash & cash equivalents as well as diversified portfolios of assets. The low risk liquidity position of both entities is a positive sign for their financial soundness and ability to meet its financial obligation in the future.

### *c. Mutual Bodies Solvency Risk Analysis 2022*

	<b>Debt to Assets</b>	<b>Debt to Equity</b>	<b>Debt to EBITDA</b>	<b>Interest Coverage</b>	<b>Cash Interest Coverage</b>	<b>Debt Coverage</b>
SNPF	Very Low	Very Low	Very Low			Very Low
SLAC	Very Low	Very Low	Very High	Very Low	Very Low	

The solvency ratios for all MBs are rated very low risk except for SLAC's Debt to EBITDA ratio, which is rated very high. The very high risk for SLAC's Debt to EBITDA ratio is mainly due to the increase in its superannuation plan fund compared to 2021.

## **5. PUBLIC BENEFICIAL BODIES RISK ANALYSIS 2022**

### *a. Public Beneficial Bodies Liquidity Risk Analysis 2022*

	<b>Current Ratio</b>	<b>Quick Ratio</b>
SSFA	Very High	Very High
NUS	Very Low	Very Low
LTA	High	Low
ACC	Very Low	Very Low
SFESA	Very Low	Very Low
SQA	Very Low	Very Low
SROS	High	Medium
GCA	Medium	Very Low
STA	Very Low	Very Low
NKF	Very Low	Very Low

The liquidity positions for all the PBBs are rated very low risk except for SSFA, LTA and SROS. The very high risk for SSFA is due to the increase in liabilities mainly its deferred income. These are the facilities funded by donor partners that are treated as deferred income and amortized over

a period of time. The high risk for LTA is due to the increase in provision for road works and accruals. The provision for road works is an estimate of the cost of future road works that LTA is committed to undertake and the accruals are expenses that have been incurred but not yet paid. The high risk for SROS is due to the increase in deferred income for projects implemented by the Organization.

***b. Public Beneficial Bodies Government Relationship Risk Analysis 2022***

	2018	2019	2020	2021	2022
Government Relationship					
Government Transfers to Total Revenue	0.58	0.58	0.62	0.71	0.75

The Government relations risk for PBBs is rated very high, indicating that they rely heavily on Government Grant to support their operations. This means that they are vulnerable to changes in Government policy or funding levels. The ACC and GCA are the only PBBs that do not rely on Government grants as they are self-funded.