

**PUBLIC BODIES HEALTH CHECK
ASSESSMENT**

FOR YEAR ENDED JUNE 2023

PUBLIC BODIES HEALTH CHECK ASSESSMENT 2023

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 unaudited accounts for 2020, 2021 and 2022. STEC’s results were extracted from the aggregate of quarterly reports for FY 2022 and 2023.

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
Profitability					
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
Liquidity					
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
Solvency					
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
Government Relationship					
Government Transfers to Total Revenue	less than	30%	40%	50%	60%
50% Test	less than	20%	30%	40%	50%

Table 2: Parameters

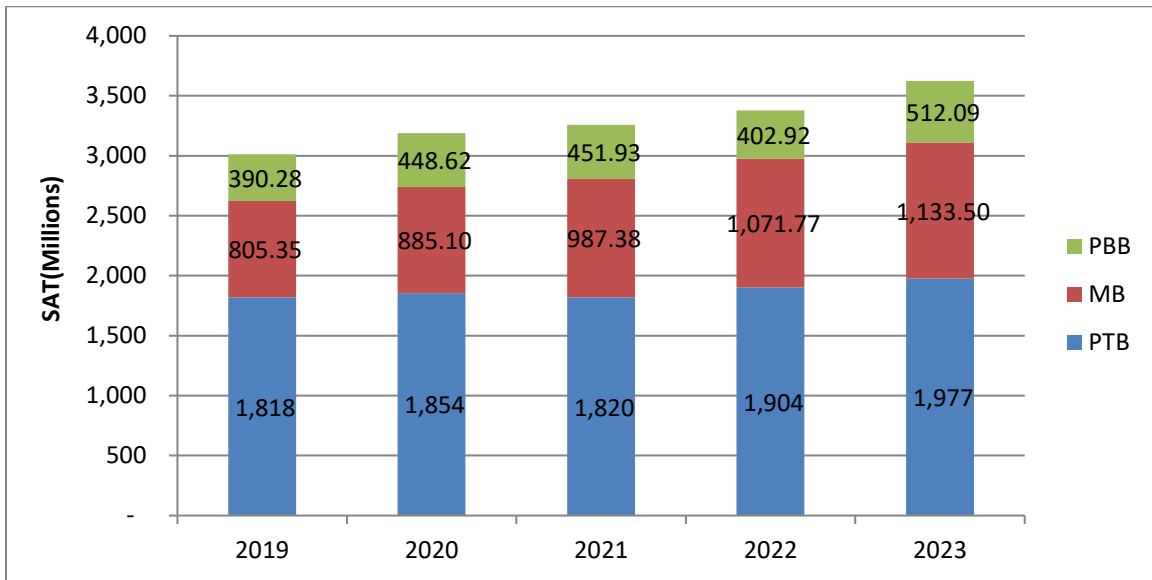
The tool computes the ratios using defined formulas accepted and used internationally by all types of organizations whether it is public or private companies. The Tool produces a Heat map for each individual Public Bodies.

2. CONSOLIDATED RESULTS 2019 – 2023

	2019	2020	2021	2022	2023
TOTAL ASSETS	3,013.96	3,188.07	3,258.98	3,378.31	3,622.99
TOTAL LIABILITIES	1,089.43	1,125.35	1,029.34	1,185.39	1,284.16
TOTAL REVENUE	564.50	588.46	535.98	557.28	587.29
TOTAL EXPENDITURE	463.69	467.88	377.01	473.06	518.13
TOTAL NPAT	107.60	103.62	119.25	83.49	68.32

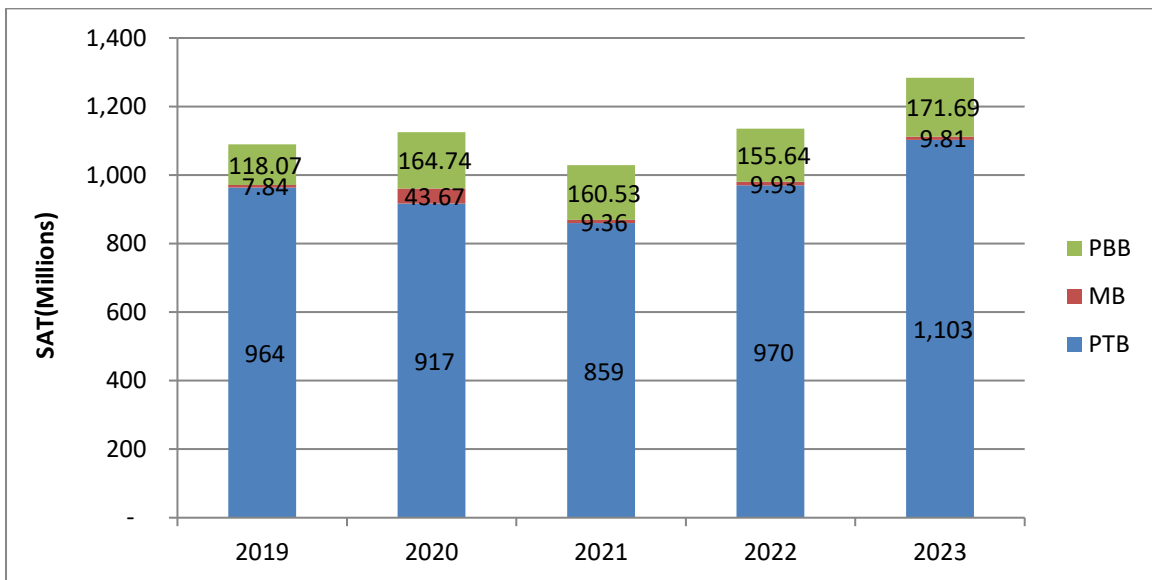
Table 3: Consolidated PB Results SAT [m]

Graph 1: Total Assets by PB Portfolio



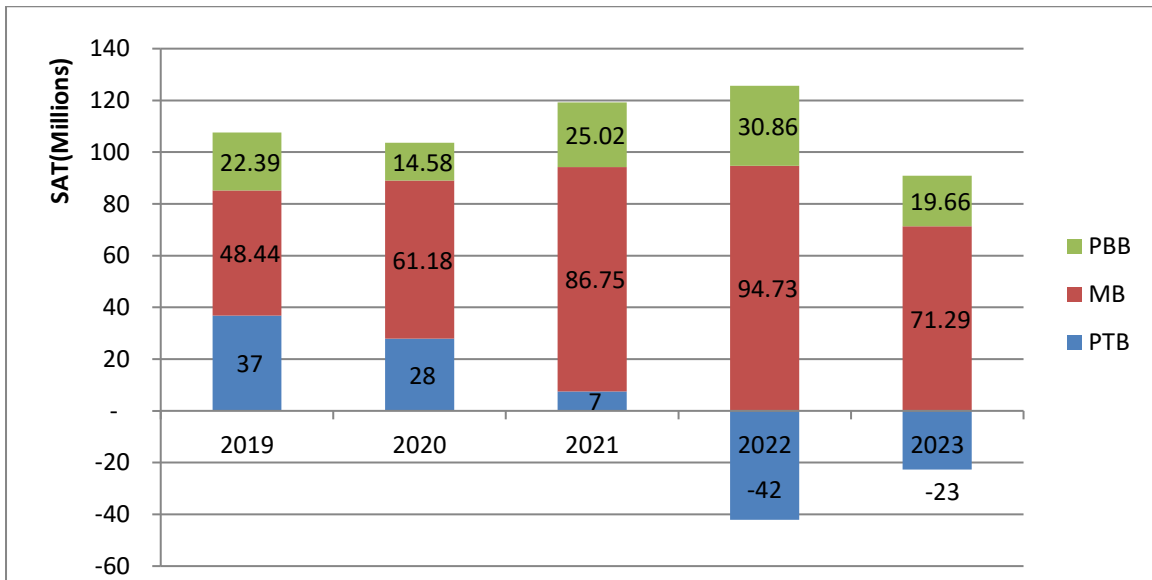
The total assets by Public Body Portfolio graph reflects majority of assets are held by the Public Trading Bodies (PTB). Of the \$3.6billion worth of assets in 2023, 55% is held by PTB, 31% by MB and 14% by PBB.

Graph 2: Total Liabilities by PB Portfolio



The graph above reflects majority of liabilities are held by Public Trading Bodies of 86%; an 8% increase compared to last year due to a significant increase in EPC lease liabilities by 4,126% of which are EPC lease agreements with two of its projects under the International Power Producer (IPPs) that are now treated under lease liabilities.

Graph 3: Total Profit by PB Portfolio



Following an increase in expenditure by PBs this year, net profit after tax has decreased from \$83 million in 2022 to \$68 million this fiscal year. PTB's net loss of \$23 million has improved compared to last year's net loss of \$42 million, mainly due to profitable results generated by PAL and SAA this year, unlike last year's net losses. MB's total profit has declined compared to last year due to a reduction in revenue generated by both SNPF and SLAC. PBB's total profit also declined this year, following a significant loss by STA.

3. PUBLIC TRADING BODIES RISK ANALYSIS 2023

a. PTB Profitability Risk

	Return on Assets	Return on Equity	Cost Recovery
EPC	Very High	Very High	Very High
SAA	Medium	Very Low	Very Low
SWA	High	Very High	High
SPA	Medium	Low	Very Low
DBS	High	High	High
SSC	Medium	Medium	Low
SLC	Medium	Medium	Very Low
SHC	Medium	Medium	Very Low
PAL	Very Low	Very Low	Low
PTO	Medium	Very Low	High
STEC	High	High	Very High
SIFA	Very Low	Very Low	Very Low
SPL	Medium	Low	Low
SSS	Very Low	Very Low	Very Low
UTOS	Very Low	Very Low	Low

The Profitability risk assessment using 2023 results shows EPC at very high risks on the return on equity and assets as well as cost recovery, as a result of the 20% reduction in tariff and increased fuel costs which resulted in a net loss incurred of \$54million. SWA, DBS and STEC also shows results of high risks following losses incurred during the reporting period. PTO high risk in cost recovery is a reflective of insufficient revenue generated to cover for operating expenses.

a. PTB Liquidity Risk

	Current Ratio	Quick Ratio	Debtor Turnover Days	Creditor Turnover Days
EPC	Medium	Low	Very Low	Low
SAA	High	Low	Very Low	Low
SWA	Very Low	Very Low	Very High	Very Low
SPA	Very Low	Very Low	High	Low
DBS	Low	Very Low	Very High	Very Low
SSC	Very Low	Very Low	Very Low	Very Low
SLC	Very High	Medium	Very High	Very Low
SHC	Low	Very Low	Very High	
PAL	Very High	Very High	Medium	Very High
PTO	Very Low	Very Low	Very Low	
STEC	Very High	Very High	Very High	Very High
SIFA	Very Low	Very Low	Very Low	Very Low
SPL	Very Low	Very Low	Very High	Very High
SSS	Very Low	Very Low	Very High	
UTOS	Very Low	Very Low	Very High	Very Low

The very high risk PTBs are SLC, PAL and STEC in terms of the ability to pay its immediate financial obligations when fall due. SLC 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 income tax and VAGST payable to Government from SLC hence the increase in current liabilities which decreases is current ratio. PAL in its draft accounts in 2023 shows 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.

Debtor turnover requires improvement indicated by very high-risk rating for majority PTBs; this is a poor reflection of existing collection measures.

b. PTB Solvency Risk

	Debt to Assets	Debt to Equity	Debt to EBITDA	Interest Coverage	Cash Interest Coverage	Debt Coverage
EPC	Very Low	Very Low	Very High	Very High	Very High	Very High
SAA	Very Low	High	Medium	Very Low	Very Low	Low
SWA	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low
SPA	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low
DBS	Medium	Medium	Very High	Very High	Very High	Very High
SSC	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low
SLC	Very Low	Very Low	High	Very Low	Very Low	Very Low
SHC	Low	Low	Very High	Low	Low	High
PAL	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low

PTO	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low
STEC	Very Low	Very Low	Very High	Very Low	Very Low	Very High
SIFA	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low
SPL	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low
SSS	Low	Low	Very Low	Very Low	Very Low	Very Low
UTOS	Very Low	Very Low	Very Low	Very Low	Very Low	Very Low

The solvency position, indicated by the Debt to EBITDA ratio, is at a very high risk level. This ratio shows the cash generation ability of PTB relative to the number of years needed to repay its debt. The elevated risk suggests that PTB is heavily indebted and faces a greater risk of being unable to service its debt. While PTB's liabilities are significantly high, the low interest and cash interest coverage are because some liabilities are not interest-bearing debts but deferred income, which represents in-kind assets added directly to PTB's balance sheet and amortized over time until fully realized.

4. MUTUAL BODIES RISK ANALYSIS 2023

a. Mutual Bodies Profitability Risk Analysis 2023

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

For the financial year 2023, both MBs' profitability risk assessments fall below the high range. This suggests that the chance of the MBs becoming unprofitable in the future is minimal. This is mostly because these public bodies offer a variety of products and services as well prudent financial management.

b. Mutual Bodies Liquidity Risk Analysis 2023

	Current Ratio
SLAC	Very Low
SNPF	Very Low

The Liquidity positions of both Mutual Bodies are at a very low risk for the reviewed FY23. 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 2023

	Debt to Assets	Debt to Equity	Debt to EBITDA	Interest Coverage	Cash Interest Coverage	Debt Coverage
SLAC	Very Low					
SNPF						

The solvency ratios for all MBs are rated very low risk.

5. PUBLIC BENEFICIAL BODIES RISK ANALYSIS 2023

a. Public Beneficial Bodies Liquidity Risk Analysis 2023

	Current Ratio
ACC	Very Low
GCA	
SQA	
NKFS	
NUS	
SFESA	
SSFA	
SROS	
LTA	High
STA	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 a huge amount of deferred income resulting in liabilities being 1490% above assets. 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 Very high risk for SROS is due to current liabilities being 62% above current assets. The huge amount of liabilities is due to an increase in deferred income for projects implemented by the Organization.

b. Public Beneficial Bodies Government Relationship Risk Analysis 2023

	Government transfers to Total Revenue
ACC	N/A
GCA	N/A
SQA	High
NKFS	Very High
NUS	Medium
SFESA	Very High
SSFA	Medium
SROS	Very High
LTA	Very High
STA	Very High

The Government relationship risk analysis for ACC and GCA are not available as they are self – sufficient without the need of government grant, however the other eight beneficial bodies have Government relations risk that are very high, indicating that they rely largely on government grants to fund their activities. This means they are sensitive to changes in government policies or funding levels.