

STATEMENT TO PARLIAMENT



30 June 2020

The Honorable Speaker

Legislative Assembly of Samoa

TUANAIMATO

Sir,

In pursuant of Part VI, Section 23 of the Public Bodies (Performance and Accountability) Act 2001, I present to the Legislative Assembly for discussion, Samoa Post's Annual report for the financial year ended on the 30th June 2020.

Samoa Post VISION is:

To excel in the provision of profitable, affordable, reliable and accessible Postal, Electronic and Financial services to domestic and international customers.

Through the Mission Statement of:

To move towards postal digitization, facilitating physical distribution of parcels, express and e-commerce items, and strengthens networks for the provision of Electronic and Financial services for the community supporting Government drive towards a Digital Economy.

Ma le faaaloalo,

A handwritten signature in black ink on a light blue background. The signature is stylized and appears to read 'Rico Tupa'i'.

Afamasaga Toeolesulusulu Lepuiai Rico Tupa'i

MINISTER OF SAMOA POST

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CHAIRMAN'S REPORT

I am pleased to present the annual audited accounts of Samoa Post, at the completion of one of the most challenging year of postal operations. Covid 19 and international border lock down disrupted postal operations significantly, creating substantial uncertainty on financial performance. These events, risks and economic implications were not encountered before, revealing the fragility of the postal business environment, in respect to the nature of its business and reliance on the international network for business, growth and profitability.

Capital and Dividend

Capital reserves remained strong providing a healthy cushion during immediate suspension of international mail services from its UTOS investment which eases liquidity pressure during the State of Emergency, particularly when there's no financial assistance from Government's Covid 19 stimulating budget.

Mandatory obligations of profitability and dividend payable were reduced dramatically from substantial financial pressures of the pandemic as expected. Under these extraordinary circumstances, the company struggled to adjust and cope with the pandemic's financial effects and preparing for the Government's PPP project at the same time. These led to changes reflected in financial statements this year.

Director's Information

We farewell three directors in February 2020, when their tenure ended and welcomed four new directors in April 2020, increasing total number of directors from four to six, thereby increasing Director's expenses accordingly. The Chief Executive Officer now becomes the sixth Ex- Officio Director.

Board meetings were held as scheduled with directors performing their respective responsibilities diligently for good governance, accountability and transparency contributing towards improving Samoa Post's attainment of mandatory obligations every year.

Director's role has become essential than ever before, as the State Of Emergency lockdown extended during the remaining months of this financial year. Responsibilities extended to supporting possible and urgent measures from the Management, if Covid 19 effects worsen than the current situation and responding to a possible total lockdown.

Social Responsibility

District Post Offices in Savaii and twenty eight Sub Post Offices operations were maintained with weekly mail deliveries around Savaii and Upolu. District Post Offices operations were restricted to two working days, under the State of Emergency Order and in accordance with constant reduction in transactions performed at these outlets.

Losses incurred from DPO operations this year was \$58,561 and considered as Community Service Obligation cost absorbed by the Company since 2008.

Faafetai

The journey this year was very challenging, from the measles epidemic at the end of 2019 and continued to the Covid 19 pandemic at the beginning of 2020 with travel restrictions. In this regard, I thanked the outgoing Directors who worked diligently for the first eight months of the financial year, and the new directors joining the company for the last four months, for their continuous and invaluable support during the period.

With the ongoing State Of Emergency, Samoa Post continues to operate under restricted capacity for an unpredictable time. The Board and Management explored all possibilities and worked diligently, to reduce adverse effects of the pandemic on financial performance.

My full appreciation goes to the CEO, Management and staff, who have shown strong leadership and coordination, implementing appropriate measures in the face of serious health crisis, which subsequently led to minimal negative effects in this year's financial results and on employees and their families.

May God's continue to protect Samoa from the pandemic and guide Samoa Post through these hard times.

God Bless,



Fa'avaeolenuu Ioane Tagata

CHAIRMAN - BOARD OF DIRECTORS

CHIEF EXECUTIVE OFFICER'S REPORT

Postal operations were immensely affected by Covid 19 border restrictions. E-commerce shipments with our business partners in Asia were suspended earlier when the pandemic emerged in China in January 2020. International mail services to and from Samoa were suspended indefinitely due to international border lockdown in March 2020.

Postal services were re-opened in May but with restricted capacity, utilizing one international flight a week for New Zealand market only, and a huge deviation from daily flights before covid. The unexpected change in postal operations prompted urgent implementation of specific and ad hoc relevant measures mitigating negative financial, social and legal obligation impacts.

We entertained immediate variations to service supplier contracts and monitored liquidity closely. Special negotiations with debtors for immediate settlements and creditors for delayed payment were made, curbing adverse financial effects of the pandemic to yearend results. Planned business developments and potential e-commerce partnerships arrangements, were delayed indefinitely, when movements of cross border e-commerce consignments were suspended due to international border closure.

Revenues from international mail services and private e-commerce partnerships, which normally guaranteed Samoa Post's profitability position every year, dropped unexpectedly instigating immediate application of critical expenditure measures to make ends meet. Private security, cleaning services and IT support services were suspended temporarily. Mail operational staffs were reorganized and redirected to provide these services maintaining staff employment and salary payments, as the border lockdown extended beyond initial predictions. Travel restrictions instigated by our overseas trading countries impacted greatly on financial performance, financial reporting and were constantly monitored. Total mail volume plunged by 42 percent compared to the prior period demonstrating the degree of uncertainty, of the pandemic on operations and financial performance.

Corporate Plan, Operational and Delivery Performance

The annual budget was urgently revised to reflect serious realities of the pandemic. Financial uncertainties increased specifically with our private e-commerce business partnerships increasing credit risks. The corporate plan financial forecasts were also reviewed, to reduce performance variations of actual and intended results, to an acceptable and realistic normal.

The unpredictability of the pandemic becomes increasingly difficult and operations continued, on an ongoing concern. The greatest threat was, more than 70 percent of postal revenue each year is generated from international mails and private business partnerships now disappearing. Adverse economic impacts were greater than previously calculated when international border closure extended as the second wave emerges.

Delivery Performance Measures were suspended temporarily by the Universal Postal Union, as postal administrations struggled to find available connecting flights for mail transshipments, when international flights were suspended unexpectedly, to contain the virus.

Minimal inbound mails received from repatriation flights, were quarantined for one week, as an additional security measure to protect postal employees and closing any potential infection through mail items. It delayed domestic delivery affecting postal customers who demanded immediate access to their mail items. However, our security measures continued on the mutual understanding with customers, that we must not be complacent during these unprecedented times. Despite of financial and operational hurdles, we managed negative effects of the pandemic well.

Overview of Financial Performance

This was the most challenging year since Samoa Post's Corporatization in 2008. Financial impacts of operational restrictions, international partnership suspensions and the pandemic's economic uncertainties affected the company to a great extent. Preparations towards Government's Public Private Partnership (PPP) project instigated a full review of financial position and changes in financial reporting preparing the company for privatization. Overall financial performance remains tenuous signifying increasing risks and volatile postal trading environment.

Total revenue increased by 64 percent with \$2.31 million, comparable to projections of \$1.41 million, and 15 percent higher from the prior period of \$2.0 million. However, the increase was triggered by a nonrecurring income of \$892,362 included in the report, in accordance with International Financial Reporting Standards. Nevertheless, if the nonrecurring income is excluded, then total revenue was just as the revised covid budget.

Total Expenditure was \$2.38 million and above projections, and prior year spending by 79 and 59 percent respectively. The increase was caused by doubtful debt provision that linked to nonrecurring income reported in revenues. The change in reporting this period was recommended by auditors, to be in accordance with International Financial Reporting Standards. Nonetheless, these were included in Debtors and Creditors' report in prior periods in accordance with business agreements with our business partners.

The increase in expenses instigated a recorded loss before tax of \$75,095, and the first time a loss before tax is recorded. However, a positive tax credit of \$91,180 enabled the generation of a marginal Net Profit After Tax of \$15,235 and Dividend of \$5,332. Both were 97 percent lower than the prior period and 73 percent, below the forecast.

Cash Flow remained strong with a closing balance of \$354,557, although it was 66 percent lower from the previous year, connected to a UTOS investment of \$825,000 made earlier in the year, before the health crisis. Dividend of \$261,758 from UTOS investments, strengthen our financial position and liquidity, offsetting a huge backdrop from internationally generated revenues, during the last six months of the financial year.

Total investment at UTOS was valued on the 30 June 2020 at \$5,286,921, inclusive of the unrealized gain reported as 'other comprehensive income' arising from the variation in units repurchase price on the 30 June 2020, and included in the statement of financial performance. A proportion of these invested funds are related to payables to international postal administrations under our e-commerce business, and will be settled when due in accordance

with the Universal Postal Union regulations. Investment in UTOS, enables earning additional revenues, before payments are settled at later agreed dates.

Return on Equity dropped significantly to negative 2 percent compared to the 15% in the previous period, and below the forecast of 2 percent. It's the first year since Corporatization in 2008, Samoa Post failed to achieve this key performance indicator and triggered by factors explained earlier. Retained Earnings increased by 6 percent from last year, linked to recorded profits plus other comprehensive income.

Assets - Non-Current assets increased by 159 percent compared to the previous year, accounting for the right of use of assets in accordance with IFRS 16 introduced this year. Current Assets dropped by 22 percent, activated by declining receivables due to mails and business partnerships' suspension, reducing Total Assets by 14 percent.

Liabilities – Current Liabilities decreased by 37 percent, reflecting creditors' settlements coupled with decreasing ecommerce business during the period. Non-Current liabilities recorded an enormous increase of 295%, accounting for lease liability, in accordance with newly introduced IFRS 16 this year, but generally led to a reduction in Total Liabilities of 28 percent for the period.

Movements in assets and liabilities caused a slight increase of 4 percent in Net Assets in respect to the prior period and financial forecast.

Other Comprehensive Income

A total of \$140,796 recorded as 'other comprehensive income' occasioned from an unrealized gain when UTOS investments were revalued at the repurchase unit price at the close of the period, a drop of 54 percent from last year, due to investment withdrawal to settle international creditors due during the period.

Projects and Human Resource Development

The pandemic also disrupted business developments and training opportunities. Business developments were delayed as cross border ecommerce consignments were suspended and will resume when border restrictions are lifted and postal services normalized.

Partnerships with international partners for financial services, for district post offices are on hold as overseas countries are on lock down. Operations at district post offices are now reduced to two working days, as transactions and revenues declined significantly, reducing operational costs and financial losses during these trial times.

Three international trainings were attended by three employees during the first six months, before the pandemic, with only two local trainings. The drive is to utilize all Human Resource opportunities available, enhancing service skills and constantly strengthens capacity building for employees.

Regional meetings during the final quarter of the year were conducted online through Zoom reducing travel costs and corresponding to diminishing revenues from international mail operations.

Challenges were well managed particularly adapting to difference time zones with countries in Asia and Europe where online meetings were hosted. However, we managed to successfully participate in regional meetings and completed online operational trainings afterhours during the last quarter.

The Universal Postal Union Congress planned for this year, is postponed until a later date, while countries around the world monitored new developments of Covid 19.

Samoa Post Training Program in 2019/2020

	Employee	Training	Period	Country	Funding
1	Ms Alefa Reupena	International Mail Accounting	3 weeks (12 – 30 August 2019)	Thailand	NZ Post Fellowship
2	Mr Esera Junior Mose	International Mail Accounting	3 weeks (12 – 30 August 2019)	Thailand	UPU Fellowship
3	Mr Lole Pokati	Customs Asycuda System Training	1 week 3 – 6 September 2019	MORC	Local
4	Ms Betty Pitovao	Disaster Risk Management Workshop	11 – 13 November 2019	Thailand	UPU Fellowship
5	Mr Fulisia Sefo Mulipola	Conflict Management	22 – 26 June 2020	PSC	Local

Challenges

1. Covid 19 brought about new challenges never encountered before. Mail volumes gradually declined since the past seven years, however, this period recorded a huge drop of 42 percent from the prior period, facilitated by the health crisis. The declining trend was also linked to a drop of 16 percent in mail box occupancy rate.
2. Postal tariff is projected to increase annually moving forward, accommodating increasing delivery costs and self-declared rates from overseas postal administrations. Traditional concessionary remuneration rates from the Universal Postal Union will be removed, as movement towards cost recovery models are entertained and justified.
3. District Post Office operations continue in accordance with *Postal Act 2010*, and considered as Community Service Obligation. The Post incurred losses every year for the performance of this legal obligation and total deficit this year was \$58,560, further impacting on profitability and dividend payable to shareholders in the future.

4. The Public Private Partnership for Samoa Post progresses with the Ministry of Public Enterprises spearheading this Government initiative. The Board supports this Government's initiative, expecting minimum postal service disruption to the public, guaranteed staff employment, continuation of postal services throughout the contracted period and compliance with Universal Postal Union's regulations.

Looking Ahead

Covid 19 uncertainties significantly determines Samoa Post operations, profitability and employees' future moving forward, as economic impacts now evolved from short term to medium-term and could extend to the next two years. Private partnerships with international logistics companies for cross border ecommerce business remained on hold as Covid 19 pandemic remained as a health threat to trading countries.

We continue to work collaboratively with our potential international financial business partners to progress with planned financial services for district post offices utilizing online tools for training and system access. We foresee outbound mail service to recover gradually when postal customer's fully utilized the once a week cargo flight for their mailing needs.

Recommendations to Cabinet

We respectfully requests Cabinet to approve Samoa Post's Annual Report for the financial year ended on the 30 June 2020.

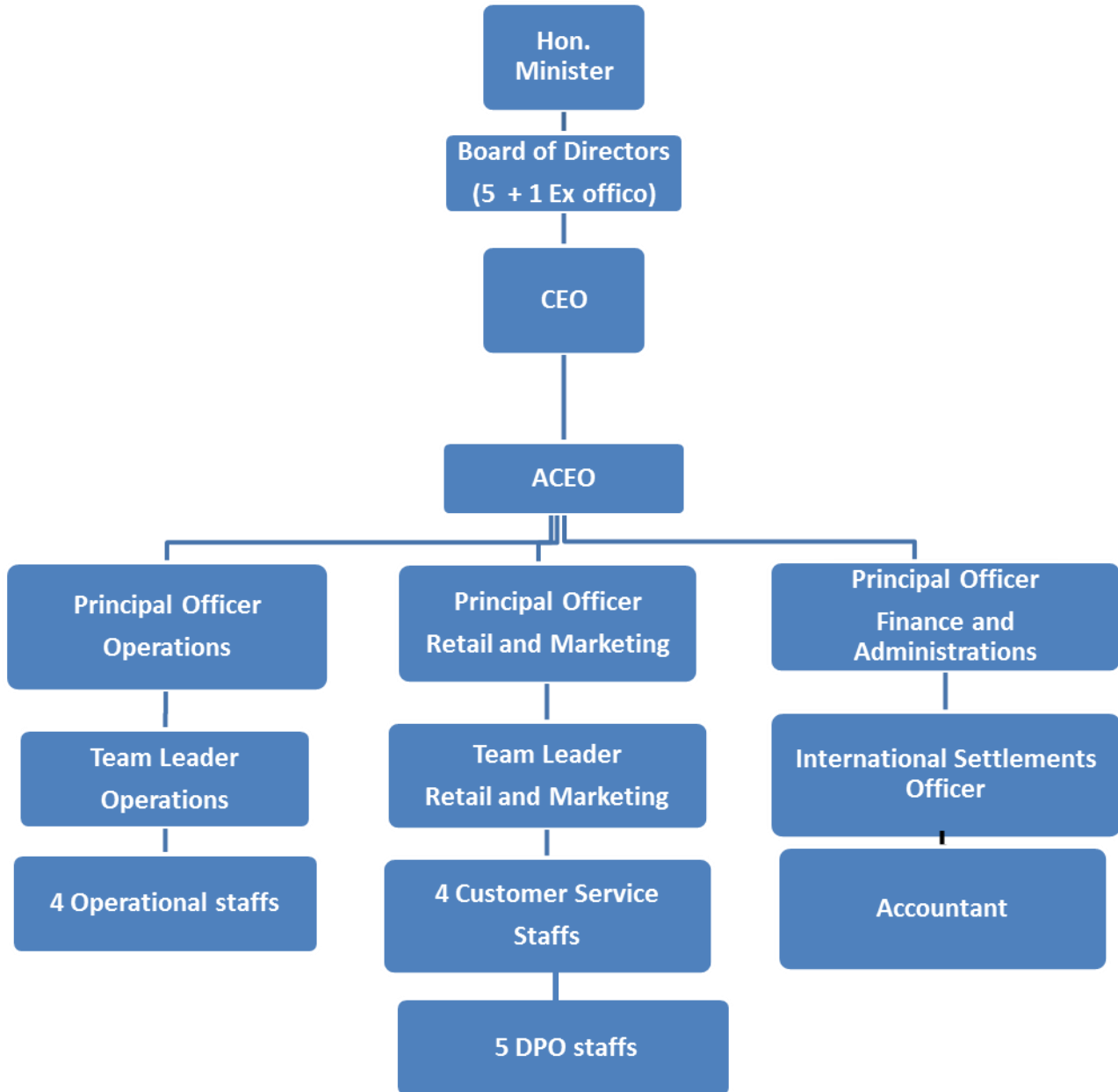
Faafetai lava,



Lafaitupa'itea Tupe Ualolo Nun Yan

CHIEF EXECUTIVE OFFICER

SAMOAPOST ORGANIZATION CHART 2019/2020



Casual Workers – 2 (1 Caretaker + 1 Back Up officer)

Samoa Post Key Financial Indicators for the year ended on the 30 June 2020

SAMOA POST LIMITED
ANALYSIS OF KEY FINANCIAL & NON-FINANCIAL INDICATORS
 FOR THE YEAR ENDED ON THE 30 JUNE 2020

	Period			CP-2020	Variance
	2020	2019			
KEY FINANCIAL MEASURES	\$	\$		\$	
Revenue:	2,311,293	2,017,177	15%	1,412,000	64%
Expenditure	2,387,238	1,500,399	59%	1,336,000	79%
Net Profit Before Tax	(75,945)	516,778	-115%	76,000	-200%
Income Tax	(65,549)	61,311	-207%	20,520	-419%
Net Profit After Tax	15,235	455,467	-97%	55,480	-73%
Current Assets	6,257,858	8,023,446	-22%	7,870,000	-20%
Total Assets	7,210,531	8,391,151	-14%	8,223,000	-12%
Current Liabilities	2,964,450	4,699,393	-37%	4,470,000	-34%
Total Liabilities	3,504,992	4,836,311	-28%	4,669,000	-25%
Retained Earnings	3,250,539	3,054,840	6%	3,100,000	5%
Total Equity	3,750,539	3,554,840	6%	3,600,000	4%
Profitability:					
NPAT as % of sales	1%	23%	Decreased	4%	Decreased
Return on Equity	-2.0%	15%	Decreased	2%	Decreased

Liquidity:					
Current Ratio	2.1 : 1	1.7 : 1	Improved	1.8 : 1	Improved
KEY NON-FINANCIAL MEASURES					
	2020	2019		CP- 2020	Variance
No. of SPO's	28	28	No change	28	No change
No. of CPO + DPO	1 + 5	1 + 5	No change	1 + 5	No change
No. of Occupied Post Boxes	1,431	1,713	-16%	1,300	10%
Postal Volumes	74,416	127,945	-42%	104,391	-29%

Progress with Corporate Plan 2020

Performance Measures	Actual Performance 2020	Corporate Plan 2020 Targets	Assessment to CP 2020
Revenue	\$2,311,293	\$1,412,000	Total Revenue increased by 64% triggered by Other Income a non-recurring income from our business partners and linked to provision in expenditures.
Expenditure	\$2,387,238	\$ 1,336,000	Total Expenditure was 79% higher due to interest on lease liability and provisions for bad debt now accounted in accordance with IFRS 16 & 9.
Net Profit Before Tax	(\$75,945)	\$76,000	A loss was recorded this period due to poor revenue collection and higher expenses.
Income Tax	(\$91,180)	\$20,520	An income Tax Credit is recorded arising from Tax free UTOS dividend.
Net Profit After Tax	\$15,235	\$ 55,480	NPAT dropped by 73% driven by lower revenues and higher expenses.
Dividend	\$5,332	\$19,418	Dividend dropped by 73% due to lower NPAT for the period.
Retained Earnings	\$3,205,539	\$3,100,000	Retained Earnings was 5% stronger than expected due to slight Net Profit After Tax recorded for the period.
Total Equity	\$3,705,539	\$ 3,600,000	Total Shareholders' Equity increased by 4% in respect to growth in retained earnings.
Return of Equity (ROE)	(2%)	2%	ROE was lower than the forecast due to poor performance recorded in Net Profit Before TAX for the period.
Current Ratio	2.2.1	1.8.1	Current ratio was stronger than projected, due to reduction in liabilities when creditors were settled within the period.