SAMOA POST ANNUAL REPORT FOR FINANCIAL YEAR 2023/2024

STATEMENT TO PARLIAMENT

30 June 2024

The Honorable Speaker

Legislative Assembly of Samoa

Mulinuu

Sir,

In pursuant of Part VI, Section 23 of the Public Bodies Act 2001 (Performance and Accountability), I present to the Legislative Assembly for discussion, Samoa Post's Annual Report for the Financial Year ended on the 30^{th} June 2024.

Samoa Post VISION is:

To excel in the provision of affordable, reliable, accessible and profitable 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 fa'aaloalo,

Toelupe Poumulinuku Onesemo

MINISTER OF SAMOA POST

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CHAIR'S REPORT

As the Chair of the Board of Directors and on behalf of my fellow directors, I am privileged to present to you Samoa Post's Annual Report, the audited Financial Statements for the Financial Year 2023/2024, and an overall report on the board's governance role for the company for the year.

Performance for the period

Samoa Post Limited is committed to performing its mandate to provide postal services for Samoa through commercial business partnerships with the international and domestic business communities for bill payment, financial services, and E-commerce.

It has been a challenging year, and as shown by monthly and quarterly financial reports, the company's performance has been unstable throughout. These results were caused by revenue declines in mail volumes and weights for both inbound and outbound traffic. The new operational requirements demanded by international postal administrations are one contributing factor to the decline in outbound mail.

However, the Board fully supports the management in exploring all possible avenues for additional revenues and strategies to help overcome the obstacles and enhance Samoa Post's performance in the near future.

Capital and Dividend

Samoa Post's financial position remains strong at $5.14 million, indicating sufficient capital for any financial commitments and financial development plans. It has grown by 4 percent from last year's total of $4.97 million. Management controlled expenditures wisely, guaranteeing a sustainable financial position during and against any unforeseen disruption in the future.

Retained earnings increased by 4 percent from the prior period, though lower than the Ministry of Enterprises minimum threshold of 7 percent. However, operations are still recovering post-COVID. Retained earnings still exceed the Corporate Plan forecast for 2023/2024 by 30 percent.

Samoa Post did not undertake any borrowings due to solid cash flows from operations, which adequately supported operational requirements. Excess funds continued to be invested to earn additional interest, supporting declining revenue earnings.
The dividend dropped by 79 percent compared to the previous period due to challenges explained earlier that were linked to lower profitability and could not meet the Corporate Plan

forecasts.

Samoa Post settled a total dividend of $18,650.45 to the Ministry for Public Enterprises (MPE) during the year. This was the final dividend for the financial year 2022/2023, when the audit was completed. However, the final dividend for the period will be paid when the audited accounts are completed.

Dividend received from the UTOS investment for financial year 2023/2024 amounted to a total of $176,096.00 The Board approved the withdrawal to assist with the company's cash flow and projects.

Directors' Information

Three directors steered the company from the beginning of this financial year until December 2023, when one of the directors' terms ended on December 24, 2023. Twelve board meetings were held during this period. Board meetings were scheduled on the last Friday of each month; however, other meetings were also scheduled on the first week of the following month.

One of the directors, Toleafoa Joe Toleafoa, ended his contract on 24 December 2023 and was replaced by Shorley Mariner as the Chairperson on 19 January 2024.

During the period, directors attended five training seminars organized by the Institute of Directors. These seminars covered the role of the board chair, building a workable partnership, managing risks, managing finance for directors, and working together for accountability. These trainings strengthened and built directors' capabilities in their directorship roles annually.

Directors' Expenses

Categories	*Expenses*	*Comments*
Salaries	$56,352.00	Salaries for the financial year
Miscellaneous	$3,430.00	Meals and Other Expenses
Institute of Directors Training	$1,380.00	Institute of Directors fees for training and Luncheon
Total	**$61,162.00**	

Community Service Obligations (CSO)

Samoa Post does not provide official Community Service Obligations (CSO) within the strict framework of CSO provision and Government subsidies. However, Samoa Post provides postal services through five (5) District Post Offices in Savaii to serve these rural communities, though this contradicts State-Owned Enterprises' mandate of operating purely on commercial lines.

The commitment to serve these rural communities through postal and additional complementary services is in accordance with our strategic drive towards service inclusion and accessibility. We instantly achieved our Universal Postal Union mandate for Universal Service Obligation (USO), which is delivering every mail to wherever the addressee resides.

We constantly review district post office operations' overall financial position every year, ensuring the company's mandates of profitability and dividend payment obligations are not compromised at year-end.

Gratitude

We are grateful to God for His guidance throughout the year. Despite the many challenges and difficulties, we have completed this financial year well.

I commend the valuable contribution and support of my former fellow directors as we worked together to explore ways to overcome the difficulties during these challenging times.

We thank our international and domestic business partners and customers for their confidence and support in persistently using postal services during the year.

To Honorable Sector Minister Afioga Toelupe Poumulinuku Onesemo, Minister of Telecommunication & Information Technology, and Shareholder Ministers, Honorable Leatinu'u Wayne So'oialo, Minister of Public Enterprises, and Honorable Lautimuia Afoa Vaai, Minister of Finance, we sincerely thank you for your support during the financial year 2023/2024. Faafetai tele lava.

Lastly, I would like to acknowledge and thank the former Chief Executive Officer (CEO) of Samoa Post Limited, Tupai Tupe Ualolo, who resigned in February 2024. Tupa'i successfully served and demonstrated an impressive professional journey with the Samoa Post. It is remarkable to see her dedication with twenty four years as an employee and sixteen years as a CEO. The total of forty years, from 1984 to 2024, truly speaks volumes about her commitment and leadership. Tupa'i steered Samoa Post Limited through tumultuous times and kept operations going against some insurmountable odds. I wish her well in her next chapter.

May our Lord continue to bless Samoa and protect it from natural disasters and potential pandemics in the future.

Respectfully Submitted

Shorley Mariner
Chair
Board of Directors

CHIEF EXECUTIVE OFFICER'S REPORT

Samoa Post has been facing lots of challenges in this financial year period. This transformative year marked by declining mail volumes and evolving customer expectations. The changes in the international operational requirements, mail security risks all contributed to the financial performance for the year ending, while addressing key challenges and outlining strategic initiatives for continued growth.

However Samoa Post still managed to strive at its best offering postal services to the local and overseas communities in a trustworthy manner.

Highlights for the year:

Performance during the year

In the beginning of the Year the results were enormously unstable experiencing financial impacts continuing since reopening of borders in August 2022.

Travelers keep increasing which is a major contributed factor to the huge decrease in Outbound mail flow as the gifts and parcels that were used to send by mail are now being carried by the travelling public.

However with the decline of postal services, Samoa Post has been trying to diversify in its services so to tap into new revenue streams and working in cost optimization to identify areas to improve overall profitability. It must be noted that even in the middle of revenue challenges; the ability to generate profit remains a positive aspect especially if it enables Samoa Post to fulfill its dividend payment obligations.

Overview of operating performance and results for the year

There has been a significant decrease in both inbound and outbound mail volumes attributed to the shift towards digital communications, public travelling abroad impacts revenue and necessitates a re-evaluation of service offerings.

The prioritizing of the travelling public by airlines from overseas has resulted in offloading huge volumes of Inbound consignments which has contributed to the challenges we faced. The rise of private courier services has drawn customers away from traditional postal services.

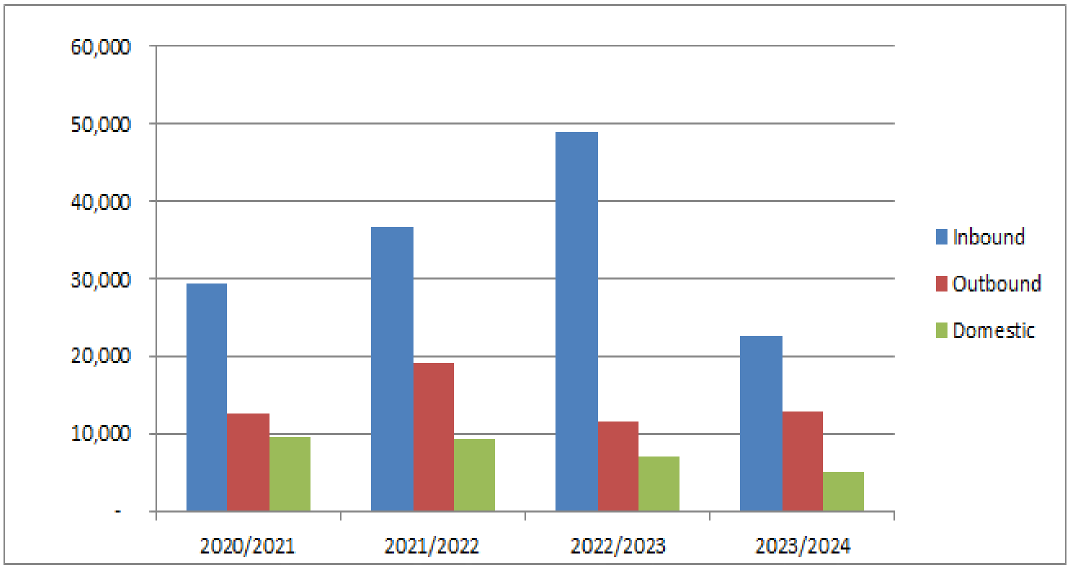
The new changes of operational requirements by International Postal Administrators to comply with, have an impact on the Outbound and Inbound customers. This was first aroused from discovering of illegal substances and it was a prodigious concern for Postal and Customs.
However Samoa Post was given the opportunity by the World Customs Organisation to train Postal staff and equipped them with methods how to detect these illegal substances.

In the overall results, Outbound Mails slightly increased by 12% compared to the previous Year with Inbound mails declined by 54% compared to the previous year, though the final quarter of the year was slightly improved but still unable to cover the decline in revenues from the beginning.

Table 1

Mail Statistics for FY 2020/2021 – 2023/2024					
	2020/2021	**2021/2022**	**2022/2023**	**2023/2024**	**(+/-)**
Inbound	29,255.00	36,567.00	48,803.00	22,565.00	-54%
Outbound	12,611.00	19,036.00	11,454.00	12,819.00	12%
Domestic	9,485.00	9,358.00	7,077.00	5,147.00	-27%
Total	51,351.00	64,961.00	67,334.00	40,531.00	-40%

Graph 1



Overview of financial performance and financial results for the year.

There are no changes to revenue and expenditures trend as from the past years with corporate plan forecast structured. However a reduction in total revenue as explained earlier resulted from the huge decline in Postal Mail Outbound and Inbound Mail Volumes.

Revenue

Total income collected dropped by 31 percent compared to the prior year and this was extremely affected by dropped in postal services by 38 percent, retail services dropped by 23 percent which has impact from dropping in the postal mail volumes. Agency services increased by 4 percent as the partnership with Western Union is improving. Whereas other revenues dropped by 3 percent due to the decrease in UTOS dividend from eight sene in the prior year to seven sene this year.

From budget forecasts, all revenue streams were under target and it has clearly explained by the financial performance results at year end.

Comparing to the Corporate Plan forecast it was noted, revenue streams were under their budget figures, except for postal retail services which has increased by 21 percent.

Corporate Plan was prepared without picturing challenges and disruption Samoa Post operation faced during this financial year period. Hopefully, in the next financial year 2024/2025 will have some improving and conservative.

Table 2

Performance Comparisons to Last Financial Year, Budget and Corporate Plan Forecast							
Revenues	**Year 2024**	**Year 2023**	**(+/-)**	**Budget**	**(+/-)**	**CP Forecast**	**(+/-)**
Postal service revenue	976,116.66	1,580,232.20	-38%	1,862,000.00	-48%	1,323,000.00	-26%
Postal retail revenue	60,324.28	78,680.64	-23%	72,000.00	-16%	50,000.00	21%
Agency commission	90,856.04	87,673.95	4%	103,000.00	-12%	120,000.00	-24%
Other revenue	267,484.47	277,144.25	-3%	260,816.00	3%	320,000.00	-16%
Deferred income	71,593.60	90,773.47	-21%	90,000.00	-20%	80,000.00	-11%
Other income		-					
Total Income	**1,466,375.05**	**2,114,504.51**	**-31%**	**2,387,816.00**	**-39%**	**1,893,000.00**	**-23%**

x

Expenses:

Total expenses were 19 percent below previous year's spending. As noted from personnel and Board Costs showed decrease due to two main positions vacant and reduction of directors for Board of Directors. The International Postal Cost is also decreasing as outbound mail traffic was also decreasing. Other operating expenditures also decreased as the company was monitoring and optimize spending's to balance the decline in revenues.

In comparisons to budget figures, total expenses were 30 percent lower than the forecast with all costs items strictly within their allocated funds, with the International Postal Cost decreasing and the monitoring of other operating expenses to keep within their budget.

For Corporate Plan comparisons, total spending were below the forecast figures by 10 percent. However other areas of spending's were higher than forecast due to inflation given CP estimates were done three years ago. Favorable results were in Cost of Goods sold and Board expenses, due to the reduction of Director's numbers from 5 to 3 this financial year.

Operations continued under challenging circumstances managing inflationary operational costs against declining revenues.

Table 3

Key Expenditures and Variations							
Expenditures	**Year 2024**	**Year 2023**	**(+/-)**	**Budget**	**(+/-)**	**CP Forecast**	**(+/-)**
Cost of goods sold	8,261.69	41,419.38	-80%	41,200.00	-80%	40,000.00	-79%
Audit fees	25,054.92	21,000.00	19%	25,055.00	-	21,000.00	19%
Doubtful debts	26,831.14	-	100%	-	-	-	0.00
Personnel	534,910.50	655,676.42	-18%	718,555.00	-26%	651,000.00	-18%
Board expenses	61,161.07	83,531.12	-26%	69,000.00	-11%	100,000.00	-39%
Depreciation	172,797.02	184,755.44	-6%	200,000.00	-14%	143,000.00	21%
International postal cost	156,750.70	247,245.21	-37%	260,000.00	-40%	125,000.00	25%
Other operating expenditure	494,730.72	601,188.57	-18%	790,409.00	-37%	569,000.00	-13%
Total Expenditures	**1,480,497.76**	**1,834,816.14**	**-19%**	**2,104,219.00**	**-30%**	**1,649,000.00**	**-10%**

Progress with the Corporate Plan:

Performance not articulated compared to Corporate Plan forecasts, as Corporate Plan figures were prepared three years ago and did not estimates difficulties and challenges that will face by the company in years to come.

Cash Flow

Operating Cash Flows are inclusive of all cash collected on behalf of our business partners such as Vodafone, Samoa Water Authority, Electric Power Corporation and Western Union cash outs. The funds collected are later transferred to our business partners' accounts, on a daily and weekly basis in accordance with business agreements.

Cash from Investing activities a matured term deposit with Bank of the South Pacific and it was drawn out to settle due international creditors within the financial year period 2023/2024. We received payment from UPU for final settlement of Assets being donated to Samoa Post during this financial year period 2023/2024.
We are regularly monitored our financial obligations from time to time, to guarantee they are within our financial capabilities when due.

Capital structure

Controlling financial spending rewarded successfully with strong capital structure of 5.12 million tala at year end, an increase of 3 percent from last year of 4.97 million tala, and 26 per cent higher from Corporate Plan forecast of 4.07 million tala.

Furthermore, 84 per cent of this amount invested in UTOS, guaranteeing additional annual interest, forming part of Other Revenues, reported in the Profit and Loss and Other Comprehensive Income Statement. It must also be noted, UTOS dividend accolades the financial prestige of Samoa Post each year.

It's imperative to note that, a proportion of UTOS investment is related to creditor's funds payable when due at a later date, but securely invested for additional earnings. The remaining portion is accumulated retained earnings, reserved for development capital projects, upgrade and grow Samoa Post's network for business sustainability moving forward.

Equity

Equity decreased its annual injection of $150,698 this year compare to the prior year 2023/2024 from UTOs dividend, however management has been monitoring challenges faced during this year and to maintain the efficient utilization of shareholder's funds.

Our paramount objective is to constantly building shareholder's wealth each year, which currently stands at 5.122 million tala at year end and 26 percent higher from Corporate Plan equity forecast.

There were no borrowings this year 2023/2024, Samoa Post Ltd has positive and strong capital position. We have been tightly authoritarian and stayed focused on operating within budget lines and to monitor consciously that overspending can result in harmful results at year end. That determination rewarded successfully without challenging our financial investments, and able to pay dividend to shareholders at the close of this financial year ending.

Capital expenditure and projects:

There were no major projects in this period due to process being on going and to forecast completely in the new financial year 2024/2025

Outlook for next year:

Business and Development Plans

New Business Plans

The company is tapping into avenues of re-establishing passport photo business and strengthen e-commerce platform for financial year 2024/2025. The initiative will coincide with Government drive for Digital Economy and digitization of the whole country and leaving no one behind.

New developments:

Samoa Post has just completed the renovation of the existing Salelologa Post Office in the current year 2024/2025 as this was highly recommended by the Parliamentary Sub Committee for Revenue and Expenses. Total Cost $25K

Progress for Renovations for Tuasivi, Salailua and Asau Post Offices are ongoing and we are planning to complete in this financial year 2024/2025.

The building of the new Salelologa Post Office is also in progress.
These development plans are projected to be fully funded from UTOS invested funds without any borrowing.

Renewing of the company Information Technology Systems and hardware is in progress to support business developments and facilitates international postal services and to improve connectivity locally and internationally.

These are funded by United States Postal and the Universal Postal Union for the financial year 2024/2025.

Our marketing imagery revamp campaign, produce awareness programs and adapt to communities especially traditional postal services provided and development of our mail boxes to align with our Government numbering system, using our postal codes and overhauling of addresses of the public.

Future Risks and Uncertainties:

Operational Risks

As technology is being used all over the world, this has been a major challenge facing postal services, physical letter communication between people and businesses continues to decline because of digital communication such as emails, messaging apps etc.

Operation Challenges from changing international regulations has become more costly with serious effects delaying parcels and courier services delivery. A number of postal items sent overseas were seized by international border securities for noncompliance.

The rise of private couriers (eg. DHL, Fedex) offering faster and more reliable delivery options has drawn customers away from traditional postal services.

Samoa Post is being a recipient of Universal Financial Assistance, Developments Projects and Training fellowships for many years now. We foresee a time in the future when these financial assistance is removed adding more costs to postal operations that could have negative impacts on the company's operational capability.

Infrastructure Risks

Operations is constantly challenged with our current location at the Matafele Building which is understandably in a very run down status.

Samoa Post kept renovating some parts of the building from time to time for the safety and security of the customers' mails and most importantly and very concern the safety and health of the staff.

It's a red flag raised in regards to the Samoa Post building, very old building good history and need major renovations. We hope the landlord and our Government with their plans to recall this building back to Samoa Post Ltd and its operation to envisaged 150 years of the first ever printed Samoa stamp and to be noticeable in year 2027.

CSO implementation:

Samoa Post is not offering Community Service Obligation for the year.

However at the end of the financial year despite so many challenges that affected the postal services, we were able to strive and continue to provide the postal and other services to the communities and the country as a whole as well as to the overseas customers.

We trust and are grateful to God for keeping and guiding the Samoa Post through uncertain times without major problems.

Recommendation to Cabinet

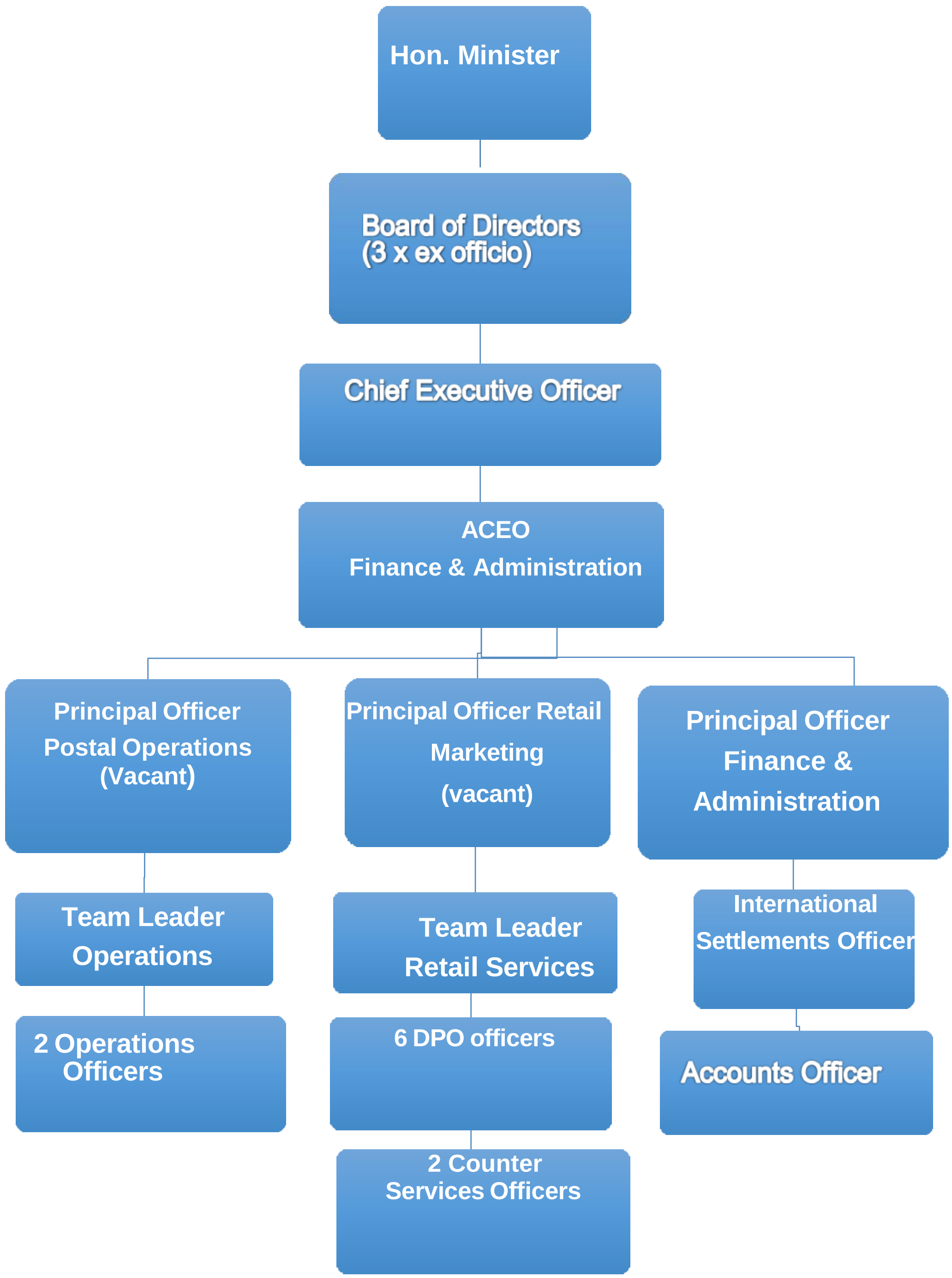
We respectfully requests Cabinet to approve Samoa Post's Annual Report for the financial year ended on the 30 June 2024.

Ma le fa'aaloalo lava,

Tavu'i Mikaele Lemisio

CHIEF EXECUTIVE OFFICER

SAMOA POST ORGANISATION STRUCTURE FOR FINANCIAL YEAR 2023/2024



Note :

There were 17 employeess in this Year 2023/2024

And 1 x Caretaker at Asau Post Officer