



**SOLOMON ISLANDS NATIONAL PROVIDENT FUND
DR AARON ORITAIMAE
VICE CHAIRMAN
SINPF Board Room, 1 March 2019**

ACCEPTANCE OF SOUTH PACIFIC OIL LIMITED (SPO) 2018 DIVIDEND

1. *Chairman Gideon Zoleveke and Board of SPO Limited*
2. *Chief Executive Officer of SPO Limited, Mr Carson Korowa*
3. *Chief Finance Officer of SPO Limited, Mr Kunal Nandan*
4. *Chief Operating Officer of SPO Limited, Mr. Jason Lunga*
5. *Management of SPO*
6. *Colleague Trustees on SINPF Board*
7. *SINPF CEO and your Management Team*
8. *Members of the media*

I am really pleased and happy to receive a dividend announcement of \$70,000,000 (Seventy million dollars) from the Chairman of the Board of the South Pacific Oil Limited (SPO) for the financial year ended 31 December 2018, for our members' 100% shareholding in SPO.

For the past 12 years, our equity investment in SPO has been performing exceptionally well averaging a return of 35% pa in terms of cash dividend and capital growth in the value of the 53,333,333 (100% shares) the Board owns in the company. Our original investment of \$196 million for the purchase of the 100% shares has been recovered in full against a total of \$497 million dividends received over the past 12 years.

For 2018 financial year, the SINPF Board is pleased to receive and accept from the South Pacific Oil Limited at its Annual General Meeting (AGM) held today, the following;

1) A clean audit for the 2018 financial year.

It must be acknowledged that this year's audit was completed and signed off by the SPO Management, Board and the external auditor, KPMG (Fiji) Ltd in less than 2 months on 22 February 2019. Under SPO rules, it is required to do so by no later than 31 March 2019, 3 months after the end of the financial year on 31 December 2018. This is an exceptional performance.

2) 2018 audited profit and loss statement before tax of \$136,458,415 and after tax profit of \$95,595,183.

These are the highest profitable levels that the company has achieved so far.

- 3) **An audited 2018 revenue statement** that shows a revenue turnover of more than \$806 million from selling more than 118 million litres of fuel and related products, both in terms of sales and volume, are the highest so far.
- 4) **And a dividend payout of \$70 million** representing about 73% of the net profit after tax, for the shareholder - the SINPF Board for its members. T

This is slightly lower than last year dividend of \$73 million, due to the SPO Board retaining about 27% of the profit for its capital expenditure program for this year.

The shareholder notes that out of the more than \$806 million revenue, \$160 million (accounting for about 20% of total revenues) are transferred to the government in terms of sales tax, payroll tax, and profit tax.

Though our members' dividend represented only about 8.6% of the company's total revenue for the year; as shareholders, Board, Management, and staff of the company we are happy to contribute to our Government resources to pay for the services that she delivers for our people.

The SPO is a strong employer, employing about 100 employees, has contributed more than \$1.07 million for its employees' retirement for the year. This is in addition to their employees 5% contribution.

In this regard the SINPF is proud that within its group of companies that comprises of SPO, SI Telekom Ltd, Soltuna Ltd, Heritage Park Hotel, Solomon Housing, and Bank South Pacific are employing a lot of Solomon Islanders as well as non-Solomon Islanders contributing to the Fund large sums of annual contributions.

The shareholder is aware that there are several headwinds that the company will face going into the future, these include; 1) undue competition from foreign high seas fuel operators who do not invest in land fuel facilities and do not employ people in our country, 2) increasing use of alternative sources of energy i.e. solar and hydro, and 3) challenges with land acquisition for SPOL's expansion to the provinces.

As the only shareholder in the company on behalf of the more than 100,000 members of the Fund, we will raise with the relevant authorities that a level playing field must be maintained between onshore oil facility owners and high sea fuel operators.

Some of the risks we noted are being highlighted for mitigation documented in the company's next 5 year strategic business plan.

I now on behalf of the Shareholder, the SINPF Board and members of the Fund, greatly appreciate and want to thank the Board, and in particular the management and staff of the SPO for achieving another exceptional year of operational and financial performance. Thus resulting in a \$70 million dividend being declared today for payment to the Fund and its members. Simply put, this is a tremendous achievement by SPO Board, Management and Staff.

God bless South Pacific Oil Limited, the SINPF and its members and employers, and Solomon Islands.