

SOE Board Talk

Welcome to SOE Board Talk, a state-owned enterprise monitoring unit (SOEMU) initiative to engage with SOE boards and share important information and developments on SOE reform.

SOEMU has been busy developing useful guidelines and monitoring tools to support implementation of the SOE Act, 2015 (as amended). Each initiative and direction are underpinned by the Act and the overall aim for SOEs to be a successful business.

This month sees the requirement for SOEs to complete and submit their **Half-Year Reports** for FY19. All SOE Board Chairpersons are requested to ensure the Half-Year Reports are completed, in accordance with SOEMU guidelines and template provided and submitted by 31 May.

Please contact SOEMU if there are any concerns or clarifications needed.

SOE Act section 610

- (1) The primary objectives of each State-owned enterprise are:
 - (a) To be a successful business and, to this end, to be at least as profitable and efficient as comparable businesses; and
 - (b) To maximize the net worth of the public investment in the State-owned enterprise.
- (2) Each State-owned enterprise must conduct its business and operations with a view to achieving its primary objectives.
- (3) Non-compliance with subsection (2) does not affect the validity or enforceability of a contract or other transaction

SOE Act section 634

- (1) No later than 2 months after the end of the first half of each financial year, each State-owned enterprise must submit to the Minister a report of the operations of the State-owned enterprise during that half-year. The report must include:
 - (a) A report of the extent to which the State-owned enterprise and its subsidiaries have achieved the outcomes specified in the applicable statement of corporate intent; and
 - (b) Any other matter that the Minister has directed the State-owned enterprise to include in the report.

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Remember: The Half-Year Report template requires SOEs to include:

1 CEO'S REPORT

(2 – 3 pages to summarize:

- *Overview of main business results and achievements in six-months*
- *Comments on relevant issues of business strategy and compliance*
- *Brief explanation of reasons for performance to plan variances*
- *Any reasons why full year SCI targets may not be met; why?*
- *Confirmation that board have endorsed this half-year report)*

2 HALF-YEAR FINANCIAL STATEMENTS

*(Financial statements should be presented for the 6-months period in the **same format** as presented in the Annual Report and required for the audit report, excluding the detailed disclosure notes, but some notes may be added to enhance understanding.*

Additional statements, including a detailed breakdown of revenues; expenditures; assets and liabilities may be provided in comparison to budget; and a breakdown of the capital expenditure actual versus budget to date).

3 RECONCILIATION – PERFORMANCE TO PLAN

3.1 Table of Key Results Plan to Actual

(Each item of \$ value, % or other should be completed for 'Budget' and 'Actual' and an explanation provided for significant variances. Significant is a matter of directors' judgment, but a guideline is all items of +/- 20% should render a proper explanation. The Explanation column in the table can be used to reference a fuller detailed explanation that can follow the table – section 3.2.

Explanations require reference to factors causing adverse variances and should be consistent with discussion and explanations in section 3. Why is the result different to budget/plan?)

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Note: The following listed items are indicative only

Item	Budget YTD	Actual YTD	Full Year Budget	Explanation
Revenue				
Cost of Sales				
Gross Profit				
Selling & Distribution expenses				
Administrative & Other expenses				
EBIT				
etc.				

3.2 Explanation of key variances

- (1)
- (2)
- (3) etc.

3.3 Revised outlook for full year

(A statement is required to confirm that the board and CEO believe the SCI plan and targets can be met, or to detail, with specific items and indicators, where it is considered plans and targets may not be met after review and consideration of the 6-months performance. If it is considered that the full-year SCI targets may no longer be achieved, indicate the issues and circumstances influencing this re-consideration of views after 6-months).

3.4 Other matters

(A statement indicating there are no other matters to report at this time OR a statement indicated other matters to be reported as required under section 634 (1))

Best wishes for this week in the boardroom

SOEMU