



CROWN OWNERSHIP MONITORING UNIT

1 The Terrace, PO Box 3724, Wellington, New Zealand, 6140
tel. 64-4-472 2733, fax. 64-4-473 0982, www.comu.govt.nz

The Crown Ownership Monitoring Unit (COMU) uses the following set of financial performance measures externally to measure shareholder return, profitability and solvency for state-owned enterprises. The aim is to promote transparency and consistency through the use of standardised set of measures.

Shareholder Returns

Measure	Description	Calculation
Total shareholder return	Performance from an investor perspective – dividends and investment growth	$(\text{Commercial value}_{\text{end}} \text{ less Commercial value}_{\text{beg}} \text{ plus dividends paid less equity injected}) / \text{Commercial value}_{\text{beg}}$
Dividend yield	The cash return to the shareholder	$\text{Dividends paid} / \text{Average commercial value}$
Dividend payout	Proportion of a SOEs net operating cash flows less allowance for capital maintenance paid out as a dividend to the shareholder	$\text{Dividends paid} / \text{Net cash flow from operating activities less depreciation expense}$
Return on equity	How much profit a company generates with the funds the shareholder has invested in the company	$\text{Net profit after tax} / \text{Average equity}$
Return on equity adjusted for IFRS fair value movements and asset revaluations	Return on equity after removing the impact of IFRS fair value movements and asset revaluations	$\text{Net profit after tax adjusted for IFRS fair value movements (net of tax)} / \text{Average of share capital plus retained earnings}$



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Profitability/Efficiency

Measure	Description	Calculation
Return on capital employed	The efficiency and profitability of a company's capital from both debt and equity sources	EBIT adjusted for IFRS fair value movements /Average capital employed
Operating margin	The profitability of the company per dollar of revenue	EBITDAF/Revenue
Generator efficiency ¹	The efficiency and profitability of the company's electricity generation	EBITDAF/MWh

Leverage/Solvency

Measure	Description	Calculation
Gearing ratio (net)	Measure of financial leverage - the ratio of debt (liabilities on which a company is required to pay interest) less cash, to debt less cash plus equity	Net debt/Net debt plus equity
Interest cover	The number of times that earnings can cover interest	EBITDAF/Interest paid
Solvency	Ability of the company to pay its debts as they fall due	Current assets/Current liabilities

¹ This measure is only applicable for Genesis, Meridian, and Mighty River Power



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Definitions of Key Terms Used in Calculations

Term	Definition
Capital employed	Interest-bearing debt plus share capital plus retained earnings.
Capital expenditure	Payments for the purchase of property, plant and equipment items taken from the cash flow statement.
Commercial value	This is the board's estimate of the current commercial value of the Crown's investment in the Group as per the company's Statement of Corporate Intent.
Depreciation expense	Depreciation expense per the profit and loss account.
Dividends paid	Dividends paid to the shareholder during the financial year per the cash flow statement.
EBIT	Earnings before interest and taxation.
EBITDA	Earnings before interest and taxation, depreciation and amortisation.
EBITDAF	Earnings before interest and taxation, depreciation and amortisation and fair value adjustments.
Equity	Total shareholders' equity taken from the balance sheet.
Fair value adjustments	Includes unrealised fair value gains/losses on derivatives or all fair value gains/losses on derivatives where the entity does not separately identify unrealised items. Also includes changes in the fair value of biological assets and investment properties.
Interest paid	Interest paid for the financial year on interest-bearing debt per the company's cash flow statement.
Net cash flow from operating activities	Taken directly from the cash flow statement – this is cash flows from operating activities less cash flows to operating activities. Ensure that interest paid is included in operating activities.
Net debt	Interest-bearing debt such as loans, bonds and commercial paper plus interest-bearing finance leases less cash.
Retained earnings	Profits retained in the business (i.e. after dividends to the shareholder).
Revaluation reserve	When an asset is revalued to fair market value for accounting purposes the increase in the value of the asset is reflected in a revaluation reserve within equity.



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Term	Definition
Revenue	Revenue from the operations of the business. Interest revenue should be excluded.
Share capital	The amount of capital originally invested by the shareholder and any subsequent equity injections.
Tax on fair value adjustments	This is the tax effect relating to changes in fair values.