



CROWN OWNERSHIP MONITORING UNIT

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The Crown Ownership Monitoring Unit (COMU) uses the following set of financial performance measures externally to measure the financial performance of Crown Research Institutes (CRIs). The aim is to promote transparency and consistency through the use of standardised set of measures.

The primary purpose of CRIs is to provide economic, social or environmental benefits to New Zealand, and the measures are not intended to capture this. Measures developed by the Ministry of Research, Science and Technology (soon to become the Ministry of Science and Innovation) are likely to capture non-financial performance.

Efficiency

Measure	Description	Calculation	Definitions
Operating margin	The profitability of the CRI per dollar of revenue	EBITDAF/ Revenue	6 and 17
Operating margin per FTE	The ability of the CRI to generate a return from its staff	EBITDAF/ FTEs	6 and 9

Risk

Measure	Description	Calculation	Definitions
Quick ratio	The CRI's short-term solvency	Current assets <i>less</i> inventory <i>less</i> prepayments/ Current liabilities <i>less</i> revenue received in advance	3, 4, 12, 14 and 18
Interest coverage	The number of times that the CRI can cover interest expense with its margin	EBITDAF/ Interest paid	6 and 11
Operating margin volatility	Stability of operating margin	Standard deviation of EBITDAF for past five years/ Average EBITDAF for the past five years	6
Forecasting risk	The ability of the CRI to meet forecasts	Five year average of return on equity <i>less</i> forecast return on equity	10 and 16



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Growth/investment

Measure	Description	Calculation	Definitions
Adjusted return on equity	Return on equity after removing the impact of fair value movements	NPAT excluding fair value movements (net of tax)/ Average of share capital plus retained earnings	8, 13, 15 and 19
Revenue growth	Measure of whether the CRI is growing revenue	% change in revenue	17
Capital renewal	Measure of the level of capital investment being made	Capital expenditure/ Depreciation expense <i>plus</i> amortisation expense	1, 2, and 5



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Definitions of Key Terms Used in Calculations

No.	Term	Definition
1	Amortisation expense	As per the income statement or notes to the income statement.
2	Capital expenditure	From investing activities in the cash flow statement. Payments for the purchase of property, plant and equipment, intangibles, patents, intellectual property, shares in associates and shares in subsidiaries, minus sales of these. Should exclude capitalised interest.
3	Current assets	As per the balance sheet. Includes all current assets.
4	Current liabilities	As per the balance sheet. Includes all current liabilities.
5	Depreciation expense	As per the income statement or notes to the income statement.
6	EBITDAF	Earnings before interest and taxation, depreciation and amortisation and fair value movements. Also excludes fair value movements, impairment, gains/losses on the sale of assets, equity accounted earnings of associates and realised gains/losses on financial instruments.
7	Equity	As per the balance sheet. Includes share capital, retained earnings, revaluation reserves, hedge reserves and minority interests.
8	Fair value movements (net of tax)	Unrealised changes in asset values recognised in the income statement. Tends to apply to financial instruments and biological assets. Stated at its amount less any tax impact.
9	FTEs	Full-time equivalent employee. Includes all staff (e.g. research and support staff).
10	Forecast return on equity	Forecast NPAT divided by forecast average equity. See definitions 7 and 13. Use one year forecast in most recent SCI.
11	Interest paid	From the statement of cash flows. May be under operating activities or financing activities. Not net of interest received.
12	Inventory	From the balance sheet. Includes finished goods, work in progress and raw materials.
13	NPAT	Net profit after tax. Equal to total revenue minus total expenses as per the income statement. Excludes amounts recognised directly in equity such as upwards asset revaluations. Includes one-off or extraordinary items such as asset write-downs, impairment and restructuring expenses.
14	Prepayments	A current asset, as per the balance sheet. May be in notes to the financial statements relating to receivables.
15	Retained earnings	As per the balance sheet. Profits retained in the business (i.e. after dividends).
16	Return on equity	NPAT divided by average equity. See definitions 7 and 13.
17	Revenue	As per the income statement. Includes revenue from all sources except for interest and gains.
18	Revenue received in advance	A current liability, as per the balance sheet. May be in the notes to the financial statements relating to payables. Typically for FRST or MoRST funding in advance of research being completed.
19	Share capital	As per the balance sheet. Represents the dollar value of capital contributed by the shareholder. Sometimes called "paid-up capital".