
1 Introduction

This report contains a consistent set of financial performance indicators for 86 government trading enterprises (GTEs) covering the period 2004-05 to 2006-07. It is one in a series of reports published since 1991 by the Productivity Commission and its predecessor, the Industry Commission.

This monitoring forms part of the Commission's research into the performance of Australian industries and the progress of microeconomic reform. Reporting on performance also increases transparency and, thereby, strengthens accountability. In addition, a comparable set of performance indicators can facilitate 'yardstick' competition, which is particularly important in industries where businesses do not face vigorous direct competition.

The information presented in this report covers annual financial performance and management. This information is suitable for making a general assessment of financial performance within and across sectors. It cannot be used for a detailed performance analysis of individual GTEs. A thorough examination of their financial statements and the market circumstances that they face would be required for that purpose.

1.1 Scope

Government trading enterprises are government-owned or government-controlled entities that produce goods and services on a commercial basis by substantially or fully covering their costs. They are outside the general government sector and are separate from government financial enterprises in banking, insurance and related sectors. GTEs are also commonly referred to as:

- government business enterprises (GBEs)
- government-owned corporations (GOCs)
- public trading enterprises (PTEs)
- public corporations
- state-owned corporations (SOCs)

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- state-owned enterprises (SOEs) or
 - territory-owned corporations (TOCs).

These terms are often used interchangeably. In some cases, they have specific local and statutory relevance. For example, the term GBE in Tasmania refers to specific entities in schedule 1 of the *Government Business Enterprises Act 1995* (Tasmania), such as Forestry Tasmania and the Hydro-Electric Corporation.

The monitored GTEs represent the majority, but not all, of the GTEs currently operating in their respective sectors. Data for GTEs monitored in previous reports are not included in this report if the GTE was not operating in 2006-07. These GTEs have generally been privatised or had their assets and operations transferred to other GTEs or new entities.

1.2 Approach

The performance indicators presented in this report were derived from data in annual report financial statements. While the indicators and data presented are broadly consistent over time and across jurisdictions, care should be exercised when comparing these measures with those presented in previous reports. There have been changes in accounting standards, data sources and the indicators employed, all of which affect such comparisons.

Performance framework

This is the second report in this series to assess performance based on Australian-equivalent International Financial Reporting Standards (AIFRS). The performance framework has been further refined for this report to ensure that it continues to provide reliable measures of performance under AIFRS.

Specifically, changes to the aggregation of data items reported in the income statement and balance sheet allow a more accurate and holistic measure of GTE performance.

Changes to income statement aggregates

The performance framework used in the past did not distinguish between different types of income. However, under AIFRS, income is defined broadly to include all

potential increases in economic benefit accruing during the accounting period (AASB 2004). Consequently, the following are separately identified:

- *Revenue before movements in fair value* — actual flow of funds (or payables) associated with business activity including the cash received from customers and governments for the provision of services, from the sale of assets or through grants. Revenue before movements in fair value comprises operating and non-operating revenue.
- *Movements in fair value and actuarial gains* — net accounting gains arising from the revaluation of certain types of assets and liabilities — such as derivative financial instruments, superannuation, insurance and emission rights — recorded as net revenue gains in the income statement.

Revenue before movements in fair value is of most interest when assessing how well a GTE is managing its productive assets and other factors under management's control (for example, the GTE's ability to service its liabilities, return dividends to shareholders or fund investments from retained profits). Movements in fair value and actuarial gains, on the other hand, largely reflect the impact of changes outside the control of the GTE.¹ While movements in fair value represent changes in equity at the accounting date, they do not represent a flow of funds into, or out of, the GTE until the assets are realised or the liabilities are settled.

Changes to balance sheet aggregates

Measures of assets, liabilities and equity are essential for assessing performance. They provide a means of normalising the observed performance of individual GTEs over time, against similar organisations and in comparison with accepted benchmarks.

The performance framework used in the past did not distinguish between different types of assets and liabilities other than to differentiate between current and non-current assets and liabilities. However, under AIFRS a much broader range of assets and liabilities are brought onto the balance sheet, highlighting the need for more flexible definitions. Consequently, the following were separately identified:

- *Operating assets and liabilities* — include assets and liabilities directly related to the GTE's ongoing activities. Operating assets includes the physical infrastructure used to produce services, cash, receivables and other assets that can be converted to cash or used to meet expenses and other liabilities (including

¹ Management's financial and risk management strategies influence the extent to which a GTE's net worth is exposed to such changes.

investments). Operating liabilities include those incurred as a consequence of normal operating practices (including interest-bearing financial liabilities).

- *Non-operating assets and liabilities* — include assets and liabilities less closely related to ongoing activities such as derivative financial instruments, tax assets (liabilities) and other intangibles. Changes in the value of these assets and liabilities can be largely outside management control.

Different measures of assets and liabilities are appropriate depending on the perspective from which performance is assessed. Where performance is assessed from a sustainability perspective, operating assets and liabilities are most relevant. Alternatively, measures including both operating and non-operating assets and liabilities are more appropriate where performance is assessed from the perspective of the opportunity cost of equity invested.

For a more holistic view of performance, it is also useful to supplement the traditional measure of equity (the residual of total assets over total liabilities) with a measure of equity which excludes non-operating assets and liabilities:

- *Equity based on operating assets and liabilities* — measured as the residual of operating assets less operating liabilities, provides a useful measure of the equity that can be more easily converted into cash to service debts, settle liabilities, fund investments or be returned to shareholders.

Improvements to indicators

The revised income statement and balance sheet aggregates allow for a more informed view of performance by allowing for some indicators to be supplemented and others to be revised:

- *Supplemented* — For example, ‘liabilities to equity’ and ‘return on equity’ are assessed against measures of equity based on both total assets and liabilities, and operating assets and liabilities. This facilitates a more detailed assessment of differences in performance against these indicators. In particular, it provides a greater insight into the performance volatility that can arise where accounting standards such as *Financial Instruments: Recognition and Measurement* (AASB 139) are based on atypical or transient market movements (box 1.1).
- *Revised* — Some indicators were revised to better illustrate the relationship of primary interest. For example, debt exposure is measured as ‘debt to equity based on operating assets and liabilities’ and ‘debt to operating assets’ because these represent the assets that generate income directly or can be more easily converted to cash to service that debt. For the same reason, both the ‘current ratio’ and ‘leverage ratio’ are based on operating assets and liabilities.

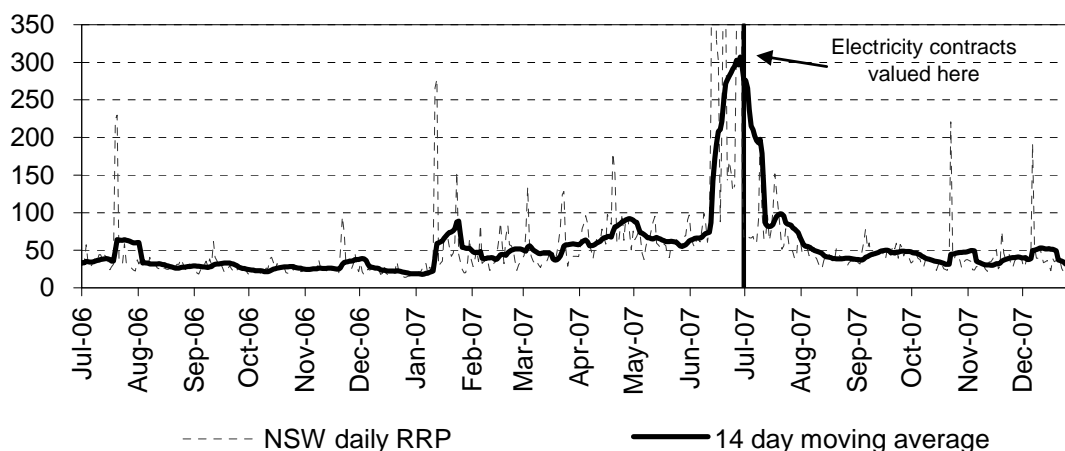
Box 1.1 The impact of AASB 139 and atypical electricity price movements on Macquarie Generation's balance sheet

Under AIFRS *Financial Instruments: Recognition and Measurement* (AASB 139), all financial instruments are recognised in the balance sheet and must be remeasured to fair value at the end of the financial reporting period.^a Any movements in the value of these instruments have implications for measures of assets, liabilities and equity. Where revaluation results in movements in the fair value of financial instruments classified as 'financial instruments held for trading', these movements are recognised in the income statement with consequent implications for income, profit and tax.

One effect of AASB 139 is the potential for fair value movements based on atypical or transient market movements. This introduces changes in performance indicators that do not reflect changes in underlying performance.

This is illustrated by the effect of a significant increase in electricity prices in late 2006-07 on Macquarie Generation's reported equity. Macquarie recorded an equity deficit of \$57 million at 30 June 2007, which was attributed to the application of AASB 139 in the context of the substantial increase in market prices in response to drought conditions and supply interruptions in late 2006-07.

NEMCO daily recommended retail prices for New South Wales



In its annual report, Macquarie argued that:

This result was brought about by the accounting effect of the rising forward curve in the price of electricity but does not reflect any underlying weakness or change in the health of the business. (Macquarie Generation 2007, p. 6)

Macquarie noted that if the fair value of financial instruments had been calculated at 17 August 2007, the value of financial derivative assets would have been \$1 million higher and financial derivative liabilities would have been \$1 billion lower. The net effect would have been an estimated equity of \$600 million as at 17 August 2007 (Macquarie Generation 2007, p. 65).

^a Excludes financial assets, held-to-maturity investments, and loans and receivables. For a more complete discussion of the AASB 139 requirements, refer to PC (2006), attachment 3A.

Sources: Macquarie Generation (2007); NEMCO (2008).

Similarly, profits, return on assets and dividend payout ratios are based on income before movements in fair value. Accounting gains are excluded because they can only be returned to shareholders by increasing debt or when the organisation is sold.

In addition, a new indicator, grants revenue ratio (the proportion of total income attributed to government grants), was introduced. This indicator provides information about the reliance by GTEs on government funding to support their ongoing operations.

Consultation

State and Territory Governments were given the opportunity to comment on the individual GTE reports to ensure accuracy of the information presented.

1.3 Performance indicators

Financial performance indicators provide an overall picture of how a GTE is performing over time as well as relative to other GTEs. These indicators are presented under three broad headings — profitability, financial management and transactions with government.

Generally, it is reasonable to make comparisons across GTEs in the same sector in Australia, although the different range of activities undertaken by the various GTEs should be taken into account. For example, the WA Horizon Power and the NT Power and Water were vertically integrated electricity GTEs during the reporting period — undertaking generation, transmission, distribution and retail activities. In contrast, other GTEs in the electricity sector generally specialise in only one, or in some cases two, of these activities.

Analyses of privately-owned businesses operating in similar sectors in Australia and overseas can also provide useful benchmarks against which the performance of GTEs can be compared. However, this is beyond the scope of this report.

Profitability indicators

Profitability indicators are a concise and consistent way of presenting financial information. In the absence of stock market valuations, they are an important guide

to the performance of a GTE.² Profitability indicators provide governments and the community with a means of evaluating how well GTEs are using the assets vested in them.

Profitability, however, can be affected by factors outside the control of GTEs. For example, the weather can affect the revenue of many GTEs in the water and electricity sectors. This can significantly affect profitability from year to year, particularly as many GTEs have relatively high fixed costs.

The five profitability indicators used in this report are listed in box 1.2, along with an explanation of what they represent and how they are interpreted. Definitions for data items used in the estimation of these indicators are provided in attachment 1.1.

Box 1.2 Profitability indicators

Profit before tax — is an indicator of the performance of an entity, before income tax is paid. It measures the difference between revenue before movements in fair value and total expenses (excluding income tax).

$$\text{Profit before tax} = \text{Revenue before movements in fair value} \\ - \text{Total expenses (excluding income tax)}$$

Operating profit margin — is an indicator of the surplus (before interest expense and income tax) earned on operating revenue. It measures trends in operating revenue and expenses that are independent of changes in capital structure and tax regimes.

$$\text{Operating profit margin} = \frac{\text{Earnings before interest and tax (EBIT) from operations}}{\text{Operating revenue}} \times 100$$

Cost recovery — is an indicator of the ability of an entity to generate adequate revenue to meet operating expenses. Investment income, government grants and gross interest expense are excluded. A cost recovery ratio of 100 per cent or more indicates that a government trading enterprise (GTE) is able to meet its operating expenses from its operating revenue, excluding the cost of servicing debt.

$$\text{Cost recovery} = \frac{\text{Operating revenue}}{\text{Operating expenses}} \times 100$$

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² If a company is listed on the stock exchange, the market assessment of the value of its equity is generally expressed through the price of its shares. Expected returns are capitalised into the value of the company through movements in its share price which encapsulates, at any particular time, investors' views of its current and prospective financial performance.

Box 1.2 (continued)

Return on operating assets — is an indicator of the rate of return earned from operating assets. The ratio provides a measure of the efficiency with which an entity uses the operating assets vested in it to produce profit before interest and tax. It is a useful indicator for comparing the profitability of GTEs and businesses in similar industries against a benchmark rate of return equal to the risk-adjusted weighted average cost of capital.

The return on operating assets is affected by changes in asset values arising from asset revaluations, transfers or sales. For example, GTEs use different asset valuation methods. Reported asset values can vary significantly for a given GTE over time, which reduces comparability.

If assets are overvalued, GTEs might not appear to earn sufficient returns. Further, inappropriate asset valuations have implications for the efficiency of prices because they do not properly incorporate the actual cost of depreciation and might lead to imperfect measures of the rate of return on assets.

$$\text{Return on operating assets} = \frac{\text{Earnings before interest and tax (EBIT)}}{\text{Average operating assets}} \times 100$$

Return on equity — is an indicator of the rate of return that an entity is providing to shareholders. The ratio allows the rate of return achieved by a GTE to be contrasted with that expected from alternative investments with a similar level of risk.

Two measures of return on equity are reported. The first is based on an all inclusive measure of assets and liabilities:

$$\text{Return on total equity} = \frac{\text{Operating profit after tax}}{\text{Average total equity}} \times 100$$

The second is measured as the residual of operating assets over operating liabilities (excluding tax, derivative instruments and other intangibles assets and liabilities).

$$\text{Return on equity based on operating assets and liabilities} = \frac{\text{Operating profit after tax}}{\text{Average equity based on operating assets and liabilities}}$$

A significant difference in the trend of these two indicators suggests that total equity is being influenced by the valuation of non-operating assets and liabilities.

Financial management

Debt is a major source of funds from which GTEs finance their activities. The capital structure of a GTE is partly determined by the financial risk associated with the use of debt finance. This risk stems from the commitment to pay interest and repay the principal, irrespective of earnings. For example, a decline in operating

revenue or an increase in the cost of servicing debt can result in liquidity problems if a GTE's capital structure is poorly managed.

Financial management indicators provide information on the extent to which debt is used to finance a GTE's assets, and the GTE's ability to meet periodic interest payments and short-term liabilities.

Various factors — including the impact of government directives, changes in asset values and financial restructuring — should be taken into account when assessing financial management performance, particularly over time.

Changes in liabilities affect the debt to equity indicator based on operating assets and liabilities because equity is a residual measure obtained by deducting operating liabilities from operating assets. An adjustment to provisions for employee entitlements would, if it leads to an increase in total liabilities, decrease equity (and vice versa), other things being equal. Debt to operating equity and debt to operating assets are also affected by financial restructuring. These ratios are influenced by debt for equity swaps, debt transfers to government, retirement of debt and debt revaluations — either directly through their impact on debt levels or indirectly through their impact on the value of equity.

The six financial management indicators used in this report are listed in box 1.3 along with an explanation of what they represent and how they are interpreted. Definitions of data items used in the estimation of these indicators are provided in attachment 1.1.

Box 1.3 Financial management indicators

Debt to equity — is an indicator of the risk associated with the entity's capital structure in terms of the amount of capital sourced from borrowing and the amount from shareholders (governments in the case of wholly-owned government trading enterprises (GTEs)).

$$\text{Debt to equity} = \frac{\text{Debt}}{\text{Equity based on operating assets and liabilities}} \times 100$$

Debt to operating assets — is an indicator of the proportion of assets that are financed with borrowed capital. It gives an indication of the level of exposure to creditors and their interest in the GTE.

$$\text{Debt to operating assets} = \frac{\text{Debt}}{\text{Average operating assets}} \times 100$$

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Box 1.3 (continued)

Liabilities to equity — is an indicator of the exposure to claims over the assets of the GTE by all creditors, in the event that the business ceases operations. An acceptable level for these debt ratios is likely to vary over time and between industries.

Two liability to equity ratio measures are reported to allow for any volatility in these valuations. The first is based on an all inclusive measure of assets and liabilities:

$$\text{Total liabilities to equity} = \frac{\text{Total liabilities}}{\text{Total equity}} \times 100$$

The second excludes non-operating assets and liabilities such as income tax, derivative financial instruments and other intangibles.

$$\text{Operating liabilities to equity based on operating assets and liabilities} = \frac{\text{Operating liabilities}}{\text{Equity based on operating assets and liabilities}} \times 100$$

A significant difference in the trend of these two indicators suggests that total equity is being influenced by the valuation of non-operating assets and liabilities.

Interest cover — is an indicator of an entity's ability to meet periodic interest payments from current profit (before interest expense). The level of interest cover gives an indication of how much room there is for interest payments to be maintained in the face of interest rate increases or reduced profitability.

$$\text{Interest cover} = \frac{\text{Earnings before interest and tax (EBIT)}}{\text{Gross interest expense}}$$

Current ratio — is an indicator of an entity's ability to meet short-term operating liabilities by realising short-term operating assets. A current ratio greater than 100 per cent indicates that current operating assets exceed current operating liabilities and, if realised, their disposal would meet short-term obligations. The acceptable level for the current ratio will be related to the stability of cash flows.

$$\text{Current ratio} = \frac{\text{Current operating assets}}{\text{Current operating liabilities}} \times 100$$

Leverage ratio — is an indicator of an entity's ability to meet long-term debt through the disposal of current and non-current operating assets. A ratio of 100 per cent indicates that there are no operating liabilities. A ratio greater than 100 per cent indicates that operating liabilities are greater than zero, but less than operating assets. A negative ratio indicates that operating liabilities exceed operating assets.

$$\text{Leverage ratio} = \frac{\text{Total operating assets}}{\text{Equity based on operating assets and liabilities}} \times 100$$

Transactions with government

Transactions with government consist of:

- transfers to government in the form of income tax-equivalent and dividend payments
- payments from government in the form of payments for specific agreed services, community service obligations (CSOs) and grants.

Changes in policies and practices by GTEs and governments over the reporting period can sometimes make comparisons difficult. For example, prior to July 2005, the Victorian Government required rural water GTEs to achieve a 4 per cent return on the assets used to provide bulk water services to regional urban authorities. This revenue was used to fund dividend payments to government as well as activities such as water quality monitoring and provision of recreational facilities at storages. Subsequently, the *Securing our Water Future Together* white paper announced the Victorian Government's decision to:

- forgo the dividend paid by rural authorities attributable to the 4 per cent rate of return in the 2005-06 financial year, and
- implement alternative arrangements for activities previously funded by the 4 per cent rate of return revenue, by 1 July 2005 (DSE 2004).

The six indicators used in this report to measure transactions with government are listed in box 1.4, along with an explanation of what they represent and how they are interpreted. Definitions for data items used in the estimation of these indicators are provided in attachment 1.1.

Box 1.4 Transactions with government indicators

Dividends — are the value of funds transferred from the present and past after-tax profits of an entity to its owners. In some cases, governments have effected changes to the capital structure of a government trading enterprise (GTE) by requiring the payment of special dividends.

Under AASB 110, dividends must be reported in the financial year that they are declared rather than the year to which they relate. For example, a dividend from 2006-07 profits will not be reported in the 2006 07 operating result if it is not declared prior to 30 June 2007.

Unless otherwise noted, dividends for the financial year were not adjusted or re-allocated to previous years to take account of changes in practices or policies.

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Box 1.4 (continued)

Dividend to equity based on operating assets and liabilities ratio — is an indicator of the size of an entity's dividend payments relative to equity based on operating assets and liabilities. A low measure may indicate that profits are being retained by the entity to fund capital expenditure.

In some cases, comparisons of dividend ratios have to be interpreted with caution. The timing of dividend payments, declarations of dividends by boards, and ministerial approval or directions to pay dividends can result in instances where dividends reported for a financial year relate to operating results in previous years.

$$\text{Dividend to equity based on operating assets and liabilities ratio} = \frac{\text{Dividends paid or provided for}}{\text{Average equity based on operating assets and liabilities}} \times 100$$

Dividend payout ratio — is an indicator of the size of an entity's dividend payments relative to its profits before movements in fair value. It gives an indication of the share of profit after tax that is returned to shareholders. The greater the dividend payout ratio, the higher the share of profit after tax that is returned to shareholders. A ratio greater than 100 per cent indicates that an entity has paid a dividend that exceeds its current profit after tax.

$$\text{Dividend payout ratio} = \frac{\text{Dividends paid or provided for}}{\text{Operating profit after tax}} \times 100$$

Income tax expense — is the value of income tax or income tax-equivalent expenses payable to government by GTEs. Trends in the value of income tax-equivalent payments do not always follow trends in pre-tax operating profit because of past income tax losses, changes in tax rates and timing, and other differences between accounting and taxable income.

Grants revenue ratio — is an indicator of a GTE's reliance on government grants to finance operations. The ratio measures the proportion of revenue before movements in fair value that was provided by government grants (excluding funding for community service obligations (CSOs) and specifically contracted services). A larger ratio implies a greater reliance on government support.

$$\text{Grants revenue ratio} = \frac{\text{Grants to cover deficits in operations}}{\text{Revenue before movements in fair value}} \times 100$$

CSO funding — is the sum of payments by governments to GTEs for the specific non-commercial activities that they direct GTEs to undertake. CSO payments are reported only when separately disclosed in financial statements, unless otherwise noted.

Data

The data used in calculating the financial performance indicators for 2004-05 to 2006-07 were taken from General Purpose Financial Statements reported in published annual reports.

Unless otherwise stated, the data presented in this report are in nominal values — amounts denominated in terms of values at a particular point in time using ‘dollars of the day’. Where changes in real (inflation adjusted) values are reported, nominal values were adjusted to their 2006-07 values using a price deflator.

The Australian Bureau of Statistics’ *implicit price deflator for gross fixed capital formation — public corporations* was used to convert nominal into real data. It was judged to most closely reflect the underlying cost structure of GTEs. However, there are alternative measures of price change that could have been used, which would have resulted in different real values (table 1.1).

Table 1.1 **Selected deflators, index 2006-07 = 100**

Year	Implicit price deflator			Consumer price index
	Gross fixed capital formation (public corporations)	Final consumption expenditure (government)	Gross domestic product	All groups (Australia)
2002-03	86.6	85.3	84.9	89.7
2003-04	86.9	87.5	87.9	91.9
2004-05	90.3	91.1	91.1	94.2
2005-06	91.9	94.7	95.4	98.0
2006-07	100.0	100.0	100.0	100.0

Sources: ABS (2007a, 2007b).

1.4 Capital management research

The Commission is currently undertaking a program of research into GTE capital management in conjunction with the financial performance monitoring. Capital management was identified as warranting closer analysis given that most GTEs have capital intensive operations. Improvements to capital productivity arguably offer the greatest scope for further gains in financial performance.

The topics covered in the previous report were asset valuation and capital management, and rate of return measures and capital management (PC 2007). The areas covered this year are the impact on capital management and investment of:

- inadequate compensation for CSOs (chapter 3)
- profitability and capital management (chapter 4).

Many GTEs are required by government to undertake non-commercial activities for community benefit. Such CSOs affect the financial performance of a GTE if not appropriately identified, costed and funded. Chapter 3 investigates the effect of mandating under-funded CSOs on capital management and the policies and practices of Australian Governments and GTEs. It also focuses on the adequacy of transparency in reporting.

More than half of the GTEs included in this report did not achieve a commercial rate of return on average over the period 2004-05 to 2006-07. In addition to limiting the return to owner governments, poor performance might have implications for GTE capital management that affect both the GTE and wider economy. The research in chapter 4 was undertaken to explore the possible effects of poor profitability on the capital management strategies of GTEs.

1.5 Report structure

For the remainder of this part of the report, Part A, an overview of the financial performance of the monitored GTEs over the last three years is presented in chapter 2. The findings of the research into implications of inadequate compensation for CSOs, and implications of inadequate rates of return for capital management are presented in chapters 3 and 4 respectively.

In Part B, GTE performance reports are presented by sector, with commentary on the influence of structural reforms and the market environment on performance. State and Territory treasury departments were given the opportunity to review these performance reports.

Attachment 1.1 Data item definitions

Definitions for data items used to estimate the financial performance indicators used in this report are provided in tables 1.2 and 1.3.

Table 1.2 **Income statement data item definitions**

<i>Data item</i>	<i>Definition</i>
Earnings before interest and tax (EBIT)	'Profit before income tax' plus 'gross interest expense'.
EBIT from operations	'Profit before tax' plus 'gross interest expense' less 'other revenue before movements in fair value' (which includes 'investment income').
Government grants	See 'receipts from government to cover deficits on operation'.
Gross interest expense	Includes interest, finance charges on finance leases and all debt related financial expenses.
Income tax	The current income tax expense, or income tax-equivalent expense, on profit before movements in fair value calculated using tax-effect accounting (AASB 112).
Investment income	Income received and receivable on financial assets and other investments, including interest, rent and royalties.
Operating expenses	Total expenses less gross interest expense.
Operating profit after tax	'EBIT from operations' less income tax.
Operating revenue	Revenue related to core operations including receipts from governments for community service obligations (CSOs) or specific agreed services, other revenue from sales and levies and developer contributions (but excludes equity contributions from governments).
Other revenue before movements in fair value	Includes government grants, investment income, net gains from asset sales and other revenue not related to core operations or to movements in fair value. Excludes governments equity contributions.
Profit before tax	'Revenue before movements in fair value' less 'total expenses'.
Receipts from government to cover deficits on operation	Includes receipts from governments to cover deficits on operations, capital works and debt reduction, but excludes receipts from governments for CSOs and specific agreed services. Excludes governments equity contributions.
Revenue before movements in fair value	'Revenue from operations' plus 'other revenue before movements in fair value'.
Revenue from movements in fair value.	Includes movements in fair value and actuarial gains reported as revenue in the income statement such as financial instrument fair value movement, superannuation actuarial gains, changes in the fair value of emission rights.
Total expenses	Includes salaries and wages, purchases, interest, bad and doubtful debts, charges for depreciation, amortisation or diminution in the value of assets and abnormal expenses.
Total income	'Revenue before movements in fair value' plus 'revenue from movements in fair value and actuarial gains'.

Table 1.3 Balance sheet and equity data item definitions

<i>Data item</i>	<i>Definition</i>
Average equity based on operating assets and liabilities	Average of equity based on operating assets and liabilities at the beginning and end of the reporting period.
Average operating assets	Average of the value of operating assets at the beginning and end of the reporting period.
Average total assets	Average of the value of assets at the beginning and end of the reporting period.
Average total equity	Average of total equity at the beginning and end of the reporting period
Current assets	'Current operating assets' plus 'current non-operating assets'.
Current liabilities	'Current operating liabilities' plus 'current non-operating liabilities'.
Current non-operating assets	Includes derivatives, income tax and other intangible assets that would, in the ordinary course of operations, be exercised or consumed within 12 months after the end of the reporting period.
Current non-operating liabilities	Includes derivatives, income tax and other liabilities with values outside the control of management that would, in the ordinary course of operations, be due and payable within 12 months after the end of the reporting period.
Current operating assets	Includes cash, current receivables, inventories, investments and other current assets that would, in the ordinary course of operations, be exercised or consumed within 12 months after the end of the reporting period.
Current operating liabilities	Includes interest-bearing liabilities, trade and other payables, provisions and other liabilities that would, in the ordinary course of operations, be due and payable within 12 months after the end of the reporting period.
Debt	'Current interest-bearing liabilities' plus 'non-current interest bearing liabilities'. Excludes non-interest bearing loans.
Dividends paid or provided for	The amount included in the statement of changes in equity for dividends. Includes normal and special dividends and statutory levies on profits and revenue. Excludes returns on capital.
Equity based on operating assets and liabilities	'Operating assets' less 'operating liabilities'.
Non-current assets	'Non-current operating assets' plus 'non-current non-operating assets'.
Non-current liabilities	'Non-current operating liabilities' plus 'non-current non-operating liabilities'.
Non-current non-operating assets	Includes derivatives, deferred income tax and other intangible assets that could, in the ordinary course of operations, not be exercised or consumed within 12 months after the end of the reporting period.

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Table 1.3 (continued)

<i>Data item</i>	<i>Definition</i>
Non-current non-operating liabilities	Includes derivatives, deferred income tax and other liabilities with values outside the control of management that would, in the ordinary course of operations, be due and payable more than 12 months after the end of the reporting period.
Non-current operating assets	Includes property, plant and equipment, investments and other non-current assets that would, in the ordinary course of operations, not be exercised or consumed within 12 months after the end of the reporting period.
Non-current operating liabilities	Includes interest-bearing liabilities, provisions and other liabilities that would, in the ordinary course of operations, be due and payable more than 12 months after the end of the reporting period.
Non-operating assets	'Current non-operating assets' plus 'non-current non-operating assets'.
Non-operating liabilities	'Current non-operating liabilities' plus 'non-current non-operating liabilities'.
Total assets	'Current assets' plus 'non-current assets'.
Total equity	Total assets less total liabilities.
Total liabilities	'Current liabilities' plus 'non-current liabilities'.
Total operating assets	'Current operating assets' plus 'non-current operating assets'.
Total operating liabilities	'Current operating liabilities' plus 'non-current operating liabilities'.
