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MEDIA STATEMENT
Immediate Release

Report details Crown's portfolio performance

The Treasury's Crown Ownership Monitoring Unit (COMU) has published the 2011 Annual Portfolio Report, which provides an overview of the performance of major entities in the Crown's commercial and financial portfolio, and describes its overall performance.

There are 41 government-owned enterprises in the portfolio. Worth over \$100 billion, it represents almost half the Crown's asset base.

The Commercial Priority portfolio has continued its recovery in profitability. Independent SOE commercial valuations confirm that the uplift achieved across the portfolio in 2010 has been sustained.

The Report notes that though dividends have increased from last year, from a "Crown as Shareholder" perspective the portfolio will need to convert a period of significant capital expenditure into higher profitability and dividends. An economic profit analysis indicates that over time, the portfolio has met its cost of invested capital and suggests that appropriate returns can be achieved.

Crown Financial Institutions (CFIs) achieved a strong 16.7% return on funds in 2010/11, but the five-year return capturing the impact of the global financial crisis is still tracking behind government bond yields and CFIs' own objectives.

"In order to be a worthwhile investment, both CFIs and Commercial Priority companies need to make returns that cover the Crown's cost of borrowing and a margin that reflects their risk," COMU Deputy Secretary Andrew Turner said.

The Report is one of a number of transparency initiatives that aims to emulate the information disclosure disciplines faced by listed companies. Others are continuous disclosure requirements for SOEs, annual public meetings, and publication of performance information.

Along with independent commercial valuation reports for all SOEs and the full report on economic profit, the Annual Portfolio Report is available on the COMU website: <http://www.comu.govt.nz/>

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