



Appendix seven – Financial analysis

Indicator	Formula	Description
Adjusted net result - surplus/(deficit) (\$000)	Net result from audited financial statements adjusted for large one-off (non-recurring) transactions	A positive result indicates a surplus and a negative result indicates a deficit. Operating deficits can only be sustained in the long-term with supplementary funding.
Operating margin (%)	Adjusted net result/Total underlying revenue	Net result and total underlying revenue is obtained from the Statement of Comprehensive Income and is adjusted to take into account large one-off (non-recurring) transactions.
Liquidity (ratio)	Current assets/Current liabilities	<p>This measures the ability to pay existing liabilities in the next 12 months.</p> <p>A ratio above one means there is more cash and current assets than short-term liabilities.</p> <p>Current liabilities exclude long-term employee provisions and revenue in advance.</p>
Expense growth rate (%)	(Total expenditure 2018 less total expenditure 2017)/Total expenditure 2017	This measures the rate of growth in expenditure for an agency in the current year, compared to the prior year. A positive rate indicates that expenses have increased compared to prior year, while a negative rate indicates that expenses have decreased compared to prior year.
Net assets/(liabilities) (\$000)	Total assets less total liabilities	Net assets/(liabilities) is the residual interest in the assets of the entity after deducting all its liabilities. A net liability position may indicate that the entity is facing a potential going concern issue.
