



cutting through complexity

Operating and Financial Reviews

Application of ASIC's
regulatory guide

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Foreword

The debate on the current corporate reporting model has now reached the highest international business agenda. This publication is an assessment of one recent domestic contribution to that debate – ASIC's Regulatory Guide 247 *Effective disclosure in an operating and financial review* (RG 247) issued in March 2013.

A year on, listed companies are applying RG 247, with many making additional and better quality disclosures about operations, financial position, business strategies and prospects for future financial years in the operating and financial reviews included in annual reports. However, there continues to be opportunities for companies to enhance these disclosures. Indeed, there are opportunities for companies to improve the corporate reporting suite more generally so as to better tell their own value creation story, providing a clear explanation of their business model, value drivers and risks, and their prospects for the future.

This publication, the third in the series, is intended to help Boards and Management address the gap in current corporate reporting. It includes observations on the application of RG 247 in the most recent reporting season, highlighting disclosure areas where entities should continue to focus their attention, using over 30 pages of good disclosure examples drawn from recent practice within the ASX51-100.

Acknowledging the growing importance of better business reporting, this document also explores the similarities and differences between RG 247 and another better business reporting initiative, Integrated Reporting (<IR>). It identifies the benefits of taking the operating and financial review disclosures beyond a compliance exercise and provides tips on how a company could further enhance communication with the market.

We believe this publication will assist companies in achieving better corporate reporting. If you have any questions about this publication, please contact your KPMG adviser, or one of the professionals listed in section 7 of this publication: How can KPMG assist you?

"Good corporate reporting has an important role to play in helping to restore the trust that has been lost. Companies need to communicate more clearly, openly and effectively with investors and other stakeholders about how they plan to grow in a sustainable way. For their part, stakeholders are demanding greater transparency around strategy, business models and risks, and the commercial prospects of the enterprises and institutions with which they engage.

The adoption of International Financial Reporting Standards in more than a hundred countries has brought increased comparability of financial information for the global capital markets. However, more generally there are valid concerns about increased complexity and disclosure overload in current financial reporting. Moreover, financial statements are only one element of the corporate reporting chain. Investors obtain key information from many other sources, including directors' reports, earnings releases and analysts' presentations."

Michael Andrew, Global Chairman, KPMG International, in *The future of corporate reporting: towards a common vision*, KPMG International, January 2013

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1 Background

An effective operating and financial review (OFR), incorporating a discussion of financial performance, position, strategies and future prospects can be a powerful tool for a company to tell a story of their past, present and future performance and direction.

Companies tell this story using many different formats and mediums, including analyst presentations, media releases, annual reviews and even sustainability reports. However, it is the OFR in the directors' report, forming part of the annual or accompanying a financial report that is governed by specific legislation – the Corporations Act 2001 (Corporations Act).

Legislative requirements

In Australia, s299A(1) of the Corporations Act requires the directors' report of a listed entity to include information that members would reasonably require to make an informed assessment of an entity's:

- a) operations
- b) financial position, and
- c) business strategies and prospects for future financial years.

Section 299A(3) allows an entity to omit disclosure of business strategies and future prospects that would likely result in unreasonable prejudice to the entity if disclosed (unreasonable prejudice exemption). Should an entity omit such information using this exemption, the Corporations Act requires the directors' report to disclose this fact.

Compliance with these Corporations Act requirements is closely monitored by the Australian Securities and Investment Commission (ASIC), who have had the quality of OFRs as an area of focus in their surveillance programs since 2010. The OFR continues to be an area of focus for ASIC in 2014.

Guidance issued by ASIC

In March 2013, ASIC released Regulatory Guide 247 *Effective disclosure in an operating and financial review* (RG 247 or regulatory guide) to provide guidance to listed entities preparing OFRs under s299A(1) of the Corporations Act.

ASIC released this guide after observing the significant diversity in the quality of OFRs presented by entities and to address their concerns that shareholders were not receiving the same quantity and quality of information through the annual report when compared to information received by other members of the investment community through, for example, analyst briefings.

Although there is no legal requirement to comply with RG 247, the regulatory guide represents ASIC's interpretation of the Corporations Act. A year after RG 247's release, our review shows there has been significant improvement in the quality of OFR disclosures.

Purpose of this publication

Section 4 of this publication contains an overview of ASIC's regulatory guide and provides observations of how current practice, based on the ASX51-100 companies, compares to the regulatory guide. This section also includes over 30 pages of practical examples drawn from current practice which, in our view, reflect good practice OFR disclosures.

We believe this publication, with its focus on ASX51-100 companies, will provide a useful tool for all listed entities seeking to enhance their OFRs including:

- Medium to large listed companies may draw on the observations in this report to enhance their OFR given the size of companies subject to our review.
- Larger companies such as those within the ASX50 may find the good practice examples on strategies and business risks useful. These companies, may also wish to refer to our previous publications *Operating and financial reviews – review of practice*, April 2013 and *Enhancing Management Commentary – review of practice*, July 2011 which include good practice disclosure examples from within the ASX50 on financial performance, position and prospects.
- Smaller listed companies looking to step up and further enhance their OFRs as some of the ASX51-100 good practice disclosures illustrate concise, effective OFR discussions of less complex businesses.

Section 5 on <IR> discusses how an entity looking to improve their communication with their stakeholders may wish to build on their OFRs by considering the principles of <IR>. This section addresses the growing global momentum behind <IR> and showcases additional examples of disclosures covering business model, risk and strategy that we are not seeing in current OFRs. These examples reflect disclosures that regulators and the capital markets are highly interested in and which many companies are currently challenged in providing.

This publication has been designed to be an interactive PDF document, enabling the reader to navigate between specific areas of interest such as general observations of market practice, improvement opportunities, specific sections related to RG 247, reviewing example disclosures or Integrated Reporting.

Appendix 1 of this publication includes a summary of all the good practice disclosure examples included in this publication along with a description of which disclosure area of RG 247 and Integrated Reporting they relate to.

KPMG observations of market practice

KPMG's observations from review of the ASX51-100 annual reports for the December 2012 to September 2013 reporting season are consistent with ASIC's findings regarding the OFR in June 2013 annual reports¹. Our review noted a significant increase in the number of companies discussing their business strategies, material business risks, and financial position, coupled with a significant decrease in companies relying on the s299A(3) unreasonable prejudice exemption when compared to prior years.

Even with this improvement in OFRs, there remains further opportunities for improvement. These include better descriptions of business models, strategies, risks and underlying drivers and reasons for the company's financial performance, particularly disclosures about expenses and movements in key financial position items.

Companies are encouraged to consider the upcoming annual reporting season as another opportunity to refine and enhance their OFR to best reflect their story on financial performance, position, strategies and prospects for future financial years.

A step on the journey to Integrated Reporting²

The International Integrated Reporting Council (IIRC) was formed in 2010³ and its International Integrated Reporting *<IR>* Framework was issued in December 2013, with aims of improving the clarity of corporate reporting, delivering business performance improvements from the integrated reporting journey, and ultimately providing a better basis for the allocation of capital to investment – in other words, making corporate reporting more conducive to investment decision making⁴. Australian companies have improved their OFRs since the release of RG 247 and have achieved more clarity on business strategies and risks. Less has been achieved on reporting on business models and on risk mitigation. These elements along with the specific business model value drivers and the key performance indicators used to measure them, are required to better enable more forward looking investment analysis and decision-making.

This review has identified that many companies are starting to move beyond the basic disclosure guidance of RG 247 in better articulating their strategy, and the alignment of risks and performance to their strategic objectives. However in many cases richer disclosures are still more commonly communicated outside the OFR, in a range of other corporate reports, presentations and communications.

Accordingly, there is still work required before OFRs (or in some instances annual reviews) provide investors and other readers with a clear understanding on how the company is set up to create value over the long term.

Section 5 provides an update on key developments in Integrated Reporting over the past year. It overviews the *<IR>* Framework, compares the *<IR>* Framework to the guidance contained in RG 247, and benchmarks Australian OFRs for ASX51-100 companies for the December 2012 to September 2013 reporting season against the *<IR>* Framework. It concludes by reviewing the benefits of and business case for *<IR>* in 2014 and beyond having regard to recent OFR experiences.

The South African and IIRC pilot⁵ companies have reported improving corporate reporting clarity and deriving business performance improvements from their integrated reporting journeys to date. Their investors are reporting that they like the information being reported, and anecdotal feedback is that it is contributing to improved investment decision-making capability.

Companies are encouraged to make the most of their work on their OFRs in 2013 as they develop their 2014 OFRs, having regard to the availability of the *<IR>* Framework, and what it offers for enabling corporate reporting clarity, business performance improvement, and ultimately a better basis of capital allocation. This can only make corporate reporting more conducive to investment.

¹ Refer ASIC Media Release 13-341 Findings from 30 June 2013 financial reports

² *<IR>* is about more than just the preparation of an integrated report. It is a process that emphasises the importance of 'integrated thinking' within an organisation, facilitating a deeper understanding of the interconnections between all aspects of a business and its ability to create value over time.

³ The IIRC is supported by and working with other global standard setters and peak industry, investment and regulatory bodies to improve corporate reporting. The IIRC has signed several Memoranda of Understanding with organizations such as IFAC, IFRS Foundation, GRI, WBCSD. In addition, a Corporate Reporting Dialogue was established in late 2013 (IIRC, IASB, FASB, GRI and SASB) to discuss more broadly the future of corporate reporting, and especially *<IR>*. The level of global activity demonstrates a growing and common interest towards improving the quality and consistency of global corporate reporting, and the development of *<IR>*.

⁴ *The International <IR> Framework*, IIRC, 2013, www.theiirc.org/international-ir-framework

⁵ Over 400 leading companies across all industry sectors and geographies have been trialling prototypes of the *<IR>* Framework under the guidance of the IIRC.

2 General observations and recommendations related to RG 247

As RG 247 was released by ASIC in March 2013 most companies have now had an opportunity to reflect on the guidance and ASIC's views on what should be included in an OFR prepared under s299A(1) of the Corporations Act.

This is reflected in our review of the ASX51-100 company annual reports. Many companies have considered the regulatory guide, refreshing their OFRs to take into account this guidance.

A comparison of the ASX51-100 annual reports for the most recent and prior reporting periods enabled us to make the following general observations:

Strategies, prospects, risks and financial position discussion increased

- When compared to their prior year disclosures:
 - Over 30 percent of companies included information on strategies and prospects which were either enhanced compared to the prior year or new disclosures in the current year.
 - Nearly half the companies included business risk information that was either enhanced compared to the prior year or new disclosures in the current year.
 - Thirty percent of companies included a discussion of their financial position either for the first time in the current year or took the opportunity to provide more in-depth analysis than in the prior year.

Use of unreasonable prejudice exemption decreased

- The number of companies making explicit reference to using the s299A(3) unreasonable prejudice exemption has decreased in the current year. Only 38 percent of companies made an explicit reference to their use of the exemption in their most recent annual reports, compared to over 60 percent of these same companies referring to its use in the prior year.

Length of OFR's increased

- Whilst ASIC indicated that compliance with the regulatory guide need not increase the length of the OFR⁶, over half of the companies increased the length of their OFRs compared to the prior year. Only a small minority of companies shortened the length of their OFR and the reductions were observed as minor.
- Over 70 percent of the companies presented their OFR in under 20 pages, with 40 percent of these companies able to contain it to within less than 10 pages in the current year.

Even with these positive developments, there remains room for improvement and many of the observations we had made from our review of practice in our April 2013 report *Operating and Financial Reviews – review of practice*, continue to be relevant.

Based on our review of the ASX51-100 company annual reports for the December 2012 to September 2013 reporting period, we have identified the following 10 key improvement opportunities that will enable companies to achieve the RG 247 guiding principles and objectives:

Top 10 opportunities for improvement

- Check that all key information, especially information relating to strategies, prospects and risks, in investor presentations and market announcements have been included in the OFR. This would ensure that additional useful information often provided in these other documents are also included in the annual report.
- Provide an analysis of key expense items such as impairments, restructuring, operating costs, including drivers impacting performance such as commodity and foreign exchange prices, relevant movements in assets and liabilities, competitive activities, market expansion activities, rather than just focusing on revenue and income items.⁷
- Clearly identify non-IFRS measures and explain why they are useful. Additionally, provide a basis of preparation for these measures and ensure they are not disclosed with more prominence in the OFR compared to the equivalent IFRS measures.
- Include all significant assets and liabilities in the financial position discussion. Ensure the discussion enhances a reader's understanding of the company's financial position, linking to financial performance discussion where relevant.⁷
- Discuss strategy and prospect, including risk information beyond the next financial year.⁷
- When discussing material business risks, tailor them so they are specific to the company; make it clear how these risks could impact on the financial performance and prospects of the company over the short, medium and long term; and include commentary on the company's expectations of how these risks may move over time.⁷
- Discuss the company's business model (possibly in diagram form) to provide better context to the review of financial performance and operations.⁷
- Discuss the undervalued or unrecognised assets and liabilities relevant to the company's financial position. These are the assets and liabilities that tend to drive future performance, opportunities and value.
- Locate all OFR information in one section of the annual report (or other report containing the directors' report such as the concise annual report). This can be achieved by placing the information in one section titled operating and financial review or in multiple sections that are sequenced together within the annual report.
- Include a cross reference from the directors' report to relevant pages of the annual report when OFR information is located outside the directors' report.

⁶ RG 247.16

⁷ ASIC's review of 30 June 2013 Annual Reports identified similar findings, as announced in their Media Release 13-341 [Findings from 30 June 2013 financial reports](#)

Where a company is looking to maximise the benefits of their OFR and take their disclosure beyond RG 247 compliance, below are some additional matters for consideration that may enhance the value of the OFR:

Further opportunities to enhance value of OFR beyond complying with RG 247

- 1 Incorporate discussion of some of the other non-financial drivers of financial performance in the OFR, such as the intellectual, human, social and relationship and natural elements contemplated in the <IR> framework. These elements, along with the financial and manufactured elements generally discussed in an OFR already, will directly influence the longer term prospects and performance of a company.
- 2 Work towards a more integrated OFR which clearly links a company's key objectives and strategies to its current period performance and prospects for the longer term. Focusing on the key strategic drivers when compiling the OFR key messages will ensure the OFR reflects the material items relevant to a reader's understanding of the business, operations, position and prospects for the future.
- 3 When relying on the s299A(3) unreasonable prejudice exemption from providing information on business strategies and future prospects, clearly and specifically articulate the types of information excluded from the OFR rather than just stating commercially sensitive information has been excluded.
- 4 Consider fully trialling the principles of <IR>.



3 The corporate reporting suite

Companies communicate to the market in different ways, producing many documents and reports relating to their annual results and performance as part of their corporate reporting suite of information. The suite of documents produced by companies has grown over time to respond to a range of stakeholders' needs, including to support long term investment decisions over the allocation of capital, regulatory oversight and to assess the company's impact on the economy, environment and wider community.

In our review of the ASX51-100 companies for the December 2012 to September 2013 reporting periods, we noted a host of information was made available to the investment community at or around the same time and in addition to the annual reports and media releases associated with the annual results. These included:

- investor presentations or briefing packs that detail the company's performance, position, operations, prospects, strategies and challenges related to the financial year just gone and the years ahead
- annual reviews or similar reports which provide either summarised financial information or additional supplementary information on the company
- sustainability reports providing insight into the company's approach, strategy and performance on sustainability matters
- other reports under various names such as AGM presentations, fact books, separate chairman's reports, all with the objective of providing additional information on the company, its performance, direction and prospects.

Unlike the annual report, this information is not subject to the guidance and requirements of RG 247, consequently these documents take many different forms and focus on different areas. Regardless, there is a wealth of information in these other reports that sometimes does not make it into the annual report, even though this information may be relevant and also required by the Corporations Act and RG 247. Other times, this information is replicated word for word in the annual report which raises the question of whether these other reports are really necessary.

Our observations on this corporate reporting suite of information include:

Type of document	Observation
Annual report	<ul style="list-style-type: none">• Front section of the annual report up to the start of the financial statements varied in length from 35 to 236 pages.• Many of these pages were taken up by the directors' report, OFR, corporate governance statement, MD and CEO reports.• Over 60 percent of the annual reports included some sustainability information, either a full or summary sustainability report or a high level discussion on sustainability related matters.
Annual review	<ul style="list-style-type: none">• Forty percent of companies prepared an annual review in addition to their OFR in the annual report.• The length of this annual review varied from four to 50 pages.• These annual reviews generally contained summarised information about the company's operations, financial results, sustainability matters, strategies, prospects and director related information.
Sustainability report	<ul style="list-style-type: none">• Fourteen percent of companies made available a sustainability report that was separate and stood alone from the annual report and/or annual review.• The length of the sustainability reports varied from 23 to 93 pages or was presented in an online interactive form.
Investor presentation or briefing pack	<ul style="list-style-type: none">• All companies reviewed prepared an investor briefing pack to supplement their results announcement.• The length of this briefing pack varied from 11 to 110 pages.• These briefing packs generally contained information on the financial performance and position of the company, outlook, segments, operations updates and safety related matters. Less common but also discussed was information related to strategy, challenges and reasons why someone should invest in the company.

Type of document	Observation
Other reports and presentations related to year end	<ul style="list-style-type: none"> Over 30 percent of companies prepared other reports or presentations that were released at the same time as the annual results⁸. These additional reports/presentations varied in length from 14 to 88 pages. These reports and presentations contained very similar information to that presented in the annual reports, annual reviews and investor briefing packs.

From these observations, we note the reporting suite of information made available by companies at and around the time of their annual results often involves replication of the same or similar information between reports and presentations.

Given the significant time, effort and cost involved in developing this suite of reporting, we see an opportunity for companies to consider streamlining their corporate reporting. This could be achieved by reducing the different reports and publications through which they communicate, and reassessing their corporate reporting strategy by reviewing the purpose and value of any additional reports or presentations, assessing whether a consistent theme or messaging exists and what benefit these additional reports provide.

This could enable companies to free up time and resources to focus on the key information and messages that needs to be delivered and maximise the impact of their key reports, including the annual report.



⁸ This excludes media releases related to the annual results and the ASX Appendix 4E.

4 RG 247 principles and observations

4.1 RG 247 good disclosure principles

The purpose of the OFR requirements is to help ensure that the financial report and directors' report are presented in a manner that maximises their usefulness, with a particular focus on the needs of people who are unaccustomed to reading financial reports.⁹

From our review of the ASX51-100 annual reports, there appeared to be a high level of compliance with the general principles or 'good disclosure practices' included in RG 247 (detailed below). However, we have identified some opportunities for improvement, many of which are consistent with our 2013 publication including:

- Locate all OFR information in one section of the annual report (or other report containing the directors' report). This can be achieved by placing the information in one section titled operating and financial review or in multiple sections that are sequenced together within the annual report.¹⁰
- Include a cross reference from the directors' report to relevant pages of the annual report when OFR information is located outside the directors' report. This eliminates the need for duplication of OFR content in the directors' report and throughout the remainder of the annual report.¹⁰
- Check that all key information, especially information relating to strategies, prospects and risks, in investor presentations and market announcements have been included in the OFR. This would ensure that additional useful information often provided in these other documents are also included in the annual report.

ASIC emphasises in the regulatory guide that the OFR need only include information that shareholders would 'reasonably require' to make an informed assessment of a company's financial performance, position, business strategies and future prospects and that this information should not be false or misleading.

When determining what may be reasonably required in an OFR, a company should consider its size and maturity; the industry it operates in; the complexity of its business; its performance, activities, strategies and prospects; and the overall function of the OFR.

⁹ RG 247.25

¹⁰ ASIC Class order 98/2395 *Transfer of information from the directors' report* regulates when information required by the Corporations Act in the directors' report can be disclosed outside the directors' report. The information required by s299(A) can only be excluded from the directors' report if:

- that information is included in a document which includes the directors' report and financial report (including concise report) i.e. annual report
- the directors' report includes a clear cross-reference to the pages containing this information
- the entity never distributes or makes available the directors' report and financial report to anyone without this information, and
- a document containing this information is lodged with ASIC as if it were a part of the report required to be lodged with ASIC under section 319 or 320 of the Corporations Act for the year.

In preparing an OFR, we encourage companies to avoid lengthy 'boiler-plate' disclosures that fail to provide effective communication. Some practical considerations that may assist include:

- Apply the concept of materiality to determine the extent that disclosures previously provided (e.g. as part of the continuous disclosure requirements or in a prospectus) need to be duplicated in the OFR.
- Avoid simply reproducing content from financial statements e.g. segment tables, and instead focus on the narratives that explain the performance.
- Avoid lengthy narratives through the use of tables and diagrams such as waterfall diagrams to illustrate an analysis of financial performance.

A summary of the key RG 247 good disclosure principles and our observations from the ASX51-100 annual reports are provided below.

RG principle	Description	Our observations
Location	Locate the OFR in a single location in the annual report.	Just over 30 percent of companies presented their OFR solely within the directors' report. Thirty-four percent included OFR information in multiple locations both within the directors' report and outside it. The remaining 36 percent of companies located OFR information solely outside the directors' report, in the front section of the annual report. ✖ Regardless of where in the annual report the OFR was located, fewer than 50 percent of companies included their OFR in either a single section or multiple sections that were sequenced together in the annual report. ✖ Of the 70 percent of companies that presented OFR information outside the directors' report, fewer than 50 percent included a cross reference to this information in their directors' report as required by ASIC Class Order 98/2395.

RG principle	Description	Our observations
Consistent and complementary	Information disclosed is consistent with and complements that included in the financial report and released publicly by other means i.e. ASX media releases.	<ul style="list-style-type: none"> ✓ In our view, nearly all OFR's disclosed information that was consistent with and complemented the financial report. ✓ Ninety percent of companies presented information in their OFR that was consistent with ASX media releases made over the course of the reporting period. ✗ Of these, over 35 percent provided more information and analysis on key events, strategies, prospects and outlook in these media releases that, in our view, would have been useful to include in the OFR.
Balanced and unambiguous	Disclosures are balanced, focusing on both 'good' and 'bad' news and are unambiguous.	<ul style="list-style-type: none"> ✓ Eighty percent of companies presented an OFR that, in our view, was balanced and unambiguous, providing equal prominence to both good and bad news. ✗ In our view, the remaining companies either tended to focus more on the positive aspects of their performance or there was some ambiguity in their OFR discussion.
Clear, concise and effective	Information is presented in a clear, concise and effective manner, highlighting key information in a logical order, using plain language and explaining complex concepts.	<ul style="list-style-type: none"> ✓ Over 90 percent of companies, in our view, presented the OFR information in a clear, concise and effective manner, highlighting key information, using plain language and explaining complex concepts where applicable.



4.2 Review of operations

OFR should include matters that are relevant to understanding an entity's performance and the factors underlying its results – in other words, the underlying drivers and reasons for the entity's performance.¹¹

The review of financial performance has always been an item companies included in their OFR prior to the release of RG 247 and continues to be the area with the greatest volume of information and analysis provided. Consistent with the findings in our previous publications, the majority of companies reviewed provided a discussion of their financial performance, incorporating details of the key factors that impacted their results.

However, also consistent with previous findings, we observed that many companies focus this discussion and analysis on their revenue and income items, with limited or high level only information provided on expenses. Only telling half the story can result in an incomplete or unbalanced view of the net financial result for the year, increasing the risk of investors being unaware of the key drivers and challenges to future results. Further, with sufficient disclosure of expenses, and with a focus on the future benefits of operational initiatives such as brand and marketing programs, redundancy programs, planned maintenance, off-shoring, the disclosure can be very effective at demonstrating management's plans for the future.

Non-IFRS financial measures of performance continued to be prevalent in the OFR. In our view, compliance with RG 230 *Disclosing non-IFRS financial information* (RG 230) could still be improved to ensure these non-IFRS measures are clearly identified and explained. Further, companies should take care in presenting these measures in their OFR, to ensure the prominence principle articulated in RG 230 is complied with¹².

Key areas of improvement identified from the ASX51-100 companies reviewed included:

- Discuss the company's business model (possibly in diagram form) in order to provide better context to the review of financial performance and operations. The business model should demonstrate how the organisation creates sustainable value.
- Provide an analysis of key expense items such as impairments, restructuring, operating costs, including drivers impacting performance such as commodity and foreign exchange prices, relevant movements in assets and liabilities, competitive activities, market expansion activities, rather than just focusing on revenue and income items.
- Clearly identify non-IFRS measures and explain why they are useful. Additionally, provide a basis of preparation for these measures and ensure they are not disclosed with more prominence in the OFR compared to the equivalent IFRS measures.

When considering information to include in the OFR on financial performance, the following are items that may be relevant to discuss:

Income	Expenses
<ul style="list-style-type: none">• New businesses*• New major products*• Discontinued products• Significant changes in product availability• New markets*• New competitors*• Acquisitions and disposals*• Discontinued operations*• Changes in exchange rates*• Changes in hedging policy*• Changes in economic and market conditions*• Changes in regulatory and legal conditions*• Changes in accounting policy*• Change in market share, customer satisfaction and retention*• Significant changes in prices of outputs*• Changes in turnover and margins and brand profitability*	<ul style="list-style-type: none">• Reasons for changes in impairment losses*• Restructuring costs*• Significant changes in borrowings*• Significant changes in borrowing rates*• Changes in significant supplier relationships*• Significant changes in prices of inputs*• Changes in cost structure and operating efficiency*• Changes in relationship between tax expense and tax payable*• Commodity, foreign exchange and inflation rate changes*• Changes in related assets and liabilities such as property, plant and equipment for depreciation and impairment or assets and liabilities recognised at fair value for fair value gains or losses• Research and development activities

¹¹ RG 247.43

¹² RG 230.56

* Examples of items for discussion obtained from RG 247 and G100 *Guide to Review of Operations and Financial Condition*, Table 4

A summary of the key RG 247 guiding principles related to the review of operations and our observations from the ASX51-100 annual reports are provided below.

RG principle	Description	Our observations	RG principle	Description	Our observations
Describe operations and business model	<p>Describe and provide a review of the operations the entity undertakes.</p> <p>Provide information to assist a user to understand the entity's business model such as:</p> <ul style="list-style-type: none"> • how the entity makes money and generates income or capital growth for shareholders • how the entity achieves its objectives • key dependencies such as important contracts. 	<p>✓ Ninety percent of companies provided a description of the operations they undertake.</p> <p>✓ The remaining 10 percent appeared to rely on a reader's ability to obtain this information implicitly from the narrative provided on the results of operations. Interestingly in these cases, the company's operations were often described in a separate document such as an annual review.</p> <p>✗ Only just over 60 percent of companies provided information on their business model, in particular how the company makes money, generates income or capital growth and achieves its objective. When provided, a lot of this information was at a very high level.</p> <p>We observed in these instances, that many companies included more in-depth information in other reports such as an annual review.</p>	Discuss significant factors	<p>Discuss significant factors affecting total income and overall expenses for the group and major operating segments, including major events during the year.</p> <p>Ensure it is clear why operating segments are significant to the business.</p>	<p>✓ Over 90 percent of companies discussed the significant factors affecting their income.</p> <p>✓ Over 70 percent of companies that had more than one reportable segment discussed income at the segment level.</p> <p>The most common items discussed relating to income included changes in turnover and margins, changes in economic and market conditions, acquisitions and disposals, new businesses and new major products.</p> <p>✗ Fewer than 80 percent of companies discussed the significant factors impacting expenses. Of those that did include some discussion, it was often very limited or at a high level, particularly when compared to the income discussion.</p> <p>The most common items discussed relating to expenses included changes in borrowings, changes in the price of inputs, changes to the company's cost structure and restructure costs.</p> <p>✗ Only 56 percent of the companies that discussed expenses, extended this discussion to the segment level.</p> <p>✓ Seventy percent of companies included key performance indicators (KPI's) as part of their financial performance discussion. These KPI's were often financial measures of profitability such as earnings before interest and tax, profit after tax, underlying profit and earnings per share, with the most common non-financial KPI relating to safety performance such as lost time injury frequency rates.</p> <p>The majority of these companies compared their KPI's to prior periods, with some companies providing trends over a number of years.</p> <p>✓ Over 90 percent of OFR's, in our view, made it clear why a particular segment was significant to the company.</p>
Provide useful and meaningful information	Ensure information is useful and meaningful and not just a self evident analysis of income statement items i.e. revenue has increased by X percent due to an increase in sales.	✓ The information provided in each company's OFR, in our view, was generally meaningful and useful. However, quite often, the disclosures were high level or brief, particularly in relation to expenses, reducing the effectiveness of the financial performance disclosure.			

RG principle	Description	Our observations
Apply RG 230 to non-IFRS information	<p>Where non-IFRS financial information is included, consideration must be given to the requirements of RG 230.</p>	<p>Nearly 90 percent of companies included at least one non-IFRS measure in their review of operations.</p> <p>The most common measures used related to EBIT/EBITDA measures either unadjusted or adjusted for specific items and underlying profits.</p> <ul style="list-style-type: none"> ✖ In our view, there were many opportunities to improve compliance with RG 230 requirements. Although reconciliations to IFRS measures were generally included in the OFR, clear identification of the non-IFRS measure, explaining why it is useful, providing a basis of preparation, stating whether it was subject to audit or review and the prominence of the measure relative to the equivalent IFRS measure are all areas where improvements can be made.

Disclosures 1 to 6 contain practical examples of good reviews of operations. More examples of good practice review of operations disclosures are contained in our 2013 publication [Operating and Financial Reviews – review of practice](#).

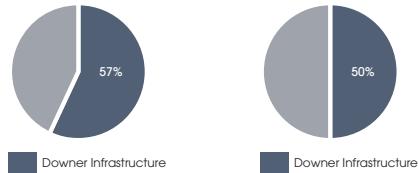


Disclosure 1: Downer EDI description of business

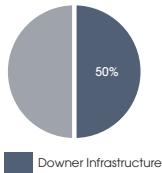
Downer EDI provide a detailed and specific description of its business operations including details of the relative size of each business segment, its position in the market place and key customers.

DOWNER INFRASTRUCTURE

Total revenue¹ (FY13)



EBIT (FY13)



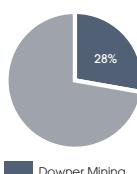
For public sector and industrial water customers in Australia, Downer provides design and construction, operations and maintenance services for water and waste water infrastructure. The New Zealand business offers complete asset lifecycle solutions (design, build, operate and maintain) for municipal and industrial water, wastewater treatment plants and reticulation networks.

Downer Infrastructure also operates three subsidiary companies that offer innovative services to customers in the mining and resources sector:

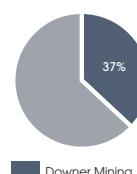
- Mineral Technologies is a leading provider of mineral separation and mineral processing solutions worldwide, delivering a comprehensive range of integrated equipment and services that cost-effectively transform ore bodies into high grade mineral products;
- QCC Resources delivers process and materials handling solutions for all stages of the project lifecycle from initial concept, prefeasibility and feasibility studies, to innovative coal handling preparation plant (CHPP) design and engineering, procurement and construction management (EPCM); and
- Snowden provides consultancy services on a wide range of mineral commodities to customers around the world.

DOWNER MINING

Total revenue¹ (FY13)



EBIT (FY13)



Downer Infrastructure has also been providing engineering, construction, commissioning and maintenance services to the power, transmission and electricity distribution markets for more than 50 years. These services cover the whole lifecycle of customers' assets, from design and planning through to operation and maintenance in areas including transmission lines, substations, distribution and renewable energy.

Downer Infrastructure also offers one of the largest non-government owned road infrastructure services businesses in both Australia and New Zealand, maintaining more than 40,000 kilometres of road in Australia and more than 32,000 kilometres in New Zealand. The road infrastructure market in both countries is evolving from pure road maintenance activity to the provision of efficient road network infrastructure management solutions. Downer has responded successfully to this evolution by investing in technology and forming strategic partnerships, for example with the UK-based company Mouchel. Downer has a vertically integrated model and is a leading producer of asphalt in Australia. Downer's road infrastructure customers include all Australia's State road authorities and the New Zealand Transport Agency.

A substantial portion of revenue in New Zealand is derived from government customers including the New Zealand Transport Agency, local councils, government-owned businesses and agencies. Downer is a member of the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) that is rebuilding Christchurch's earthquake-damaged roads, sewerage, water supply pipes and parks.

In the Australian telecommunications sector, Downer builds, operates and maintains network and wireless infrastructure for customers including Foxtel, Telstra and the National Broadband Network (NBN). In New Zealand, Downer is a major supplier to New Zealand's three main telecommunication providers - Chorus, Vodafone and Telecom.

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionally consolidated.

Processing Units and four state-of-the-art emulsion-manufacturing facilities. Its capabilities include "down-the-hole" and "rock-on-ground" services, emulsion manufacturing, supply and delivery of bulk explosives and accessories, shotfiring and blast management.

- Tyre management

- Otraco International provides Off-The-Road tyre management services at over 40 mine sites in Australia, New Zealand, Asia, South America and Southern Africa. Its capabilities include web-based, real-time software solutions, electronic tread-depth and pressure metering, haul road surfacing solutions, distribution and supply of rim and wheel accessories and the repair and maintenance of rims.

- Sustainable development

- Downer Mining is an industry leader in delivering low emissions mining solutions for its customers. Downer Mining is the largest consumer of renewable fuels in the Australian mining industry. Downer Mining recently launched ReGen, a business that offers complete solutions for mine reclamation and land rehabilitation.

Downer Mining's largest projects as at 30 June 2013 were:

- Christmas Creek, Pilbara region of Western Australia (Fortescue Metals Group);
- Goonyella Riverside, Daunia and Blackwater mines, Goonyella Basin (BHP Mitsubishi Alliance (BMA));
- Boggabri, Gunnedah Basin, New South Wales (Idemitsu Australia Resources);
- Karara, Mid West region of Western Australia (Karara Iron Ore Project); and
- Meandu Mine, South East Queensland, (TEC Coal Pty Ltd, a wholly owned subsidiary of Stanwell Corporation Limited).

Downer Mining's other key customers include AngloGold Ashanti, Ok Tedi Mining, Solid Energy, Energy Australia (formerly known as TRU Energy) and Wesfarmers Resources.

DOWNER RAIL

Total revenue¹ (FY13)



EBIT (FY13)



Downer Rail employs more than 2,000 people and is a leading Australian provider and maintainer of passenger and freight rolling stock. Downer Rail's capabilities also include rail signalling, security and safety solutions for passenger cars, freight wagons, locomotives and light rail.

Downer's key freight rail customers include Pacific National, Aurizon, BHP Billiton, Fortescue Metals Group, Rio Tinto, Genesee & Wyoming, SCT Logistics and CFCLA.

¹ Total revenue is a non-statutory disclosure and includes revenue, other income and notional revenue from joint ventures and other alliances not proportionally consolidated.

Downer's passenger rail customers include Sydney Trains (formerly RailCorp, New South Wales), Public Transport Authority (Western Australia), Queensland Rail, MTM (Victoria), and VLine (Victoria).

Downer has formed strategic joint ventures (JVs) with leading technology and knowledge providers to support its growth objectives in the passenger market. These include partnerships with:

- Keolis, one of Europe's leading public transport operators. The Keolis Downer JV operates and maintains Yarra Trams in Melbourne and has signed a contract to operate and maintain the Gold Coast Light Rail fleet (scheduled to commence operations in mid-2014);
- Bombardier, an international rolling stock supplier. The Downer Bombardier JV has been supplying both Queensland Rail and the Public Transport Authority of Western Australia with trains for a number of years and also provides maintenance services for the majority of the Public Transport Authority of Western Australia's fleet; and
- Hitachi, a leading supplier of railway systems. Downer's partnership with Hitachi includes the supply of electric multiple units (EMUs) and electric and diesel tilt trains.

Disclosure 2: Bendigo and Adelaide Bank description of operations

Bendigo and Adelaide Bank provide a very clear and logically presented description of their operations and business model, including the key sources of revenue for each segment.

About the Group

The Group operates solely in Australia and is a community focussed retail bank that commenced operations in 1858. Today's business is, to a large degree, the result of the successful merger of the antecedent businesses of Bendigo Bank Limited and Adelaide Bank Limited in 2007.

Our business activities

The principal activities of the Group are the provision of banking and other financial services including lending, deposit taking, leasing finance, superannuation and funds management, insurance, treasury and foreign exchange services (including trade finance), financial advisory and trustee services.

Our business model

The Group provides the above services primarily to retail customers and small to medium sized businesses. The business activities are primarily conducted through four specific customer-facing business divisions – Retail Bank, Third Party Banking, Bendigo Wealth and Rural Bank.

The Group's customer facing brands are depicted in the diagram below.



Retail Bank

The Retail banking business, operating under the 'Bendigo Bank' brand, provides a full suite of traditional retail banking, wealth and risk management services to retail customers via our national network of more than 500 branches (company-owned and **Community Bank®**), call centres, agencies and online banking services.

The major revenue sources are net interest income from traditional banking services (i.e. lending and taking deposits) and fee income for the provision of services. The Group shares revenue with the **Community Bank®** branch network.

Community Bank® is a franchise with the community owning the rights to operate a Bendigo Bank branch. Essentially, a locally owned public company invests in the rights to operate a bank branch. The Group supplies all banking and back office

services while the community company operates the retail outlet. Revenue is shared, enabling communities to earn revenue from their own banking and channel this revenue back into community enterprise and development.

Delphi Bank (formerly Bank of Cyprus Australia) is the division which provides retail banking services to Greek and Cypriot communities across New South Wales, Victoria and South Australia. Delphi Bank is the largest banker of the Hellenic community in Australia.

Third Party Banking

The Third Party Banking business includes the Adelaide Bank branded business which distributes residential mortgage, commercial and consumer finance through intermediaries, including mortgage managers and brokers.

Third Party Banking also includes the Group's portfolio funding business which provides wholesale funding to third party financiers in the commercial and consumer finance markets.

The major revenue sources are net interest income and fees derived from the provision of residential, commercial, consumer and business lending.

Bendigo Wealth

Bendigo Wealth is the Group's wealth management division providing margin lending, superannuation, managed investments, traditional trustee services and financial planning services through subsidiaries including Sandhurst Trustees and Leveraged Equities.

The major revenue sources are fees, commissions and interest from the provision of wealth management, margin lending, wealth deposit, cash management and financial planning products and services.

Rural Bank

Rural Bank is a wholly-owned subsidiary with a separate banking licence. Rural Bank provides specialised banking products and services to primary producers, agribusiness participants and individuals or businesses seeking business loans. Rural Bank products and services are available at regional locations nationally including Bendigo Bank branches, Elders Rural Services branches, selected Ray White Rural agencies and two metropolitan Investment Centres in Adelaide and Perth.

The major revenue source is net interest income and fees predominantly derived from the provision of loans and deposits to agribusiness, rural and regional Australian communities.

Bendigo and Adelaide Bank Limited
2012-2013 Annual Financial
Report, page 6



Disclosure 3: Beach Energy review of financial performance

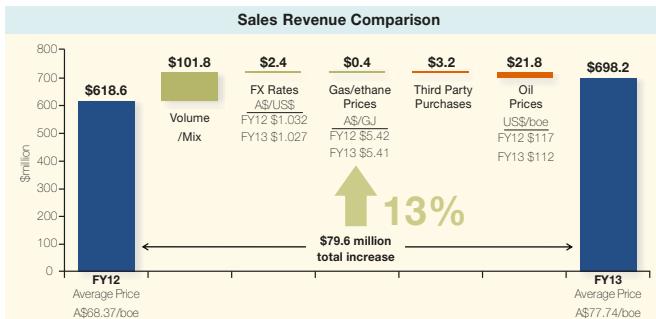
Beach Energy's use of waterfall charts provide a clear snapshot of key drivers of income, gross profit and expenses impacting results. This is further supported by additional narrative to frame the context of these key drivers of performance.

Revenue

Sales revenue was up 13% from \$619 million, to a record \$698 million, mainly due to higher oil sales volumes and favourable foreign currency movements, partly offset by lower prices. Sales revenue from production was \$83 million higher, partly offset by a \$3 million fall in 3rd party sales. Sales volumes were in line with the prior year, with increased sales volumes from higher oil production, offset by lower gas and ethane sales volumes driven by certain contracts expiring during the period.

The average realised oil price fell to A\$111/bbl compared to A\$115/bbl in FY12, due to a lower US\$ oil price with minimal change to the average AUD/USD exchange rate during the year.

Total revenue for FY13 increased by 13% to a \$700 million, up from \$619 million in FY12.



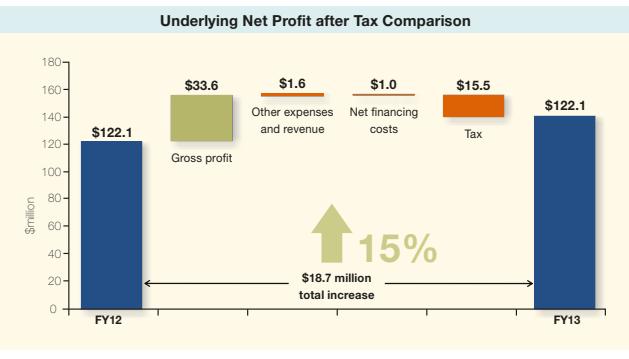
Gross profit

Total cost of sales was \$467 million for FY13, up 11% from FY12, primarily due to higher royalties - \$20 million, carbon cost - \$13 million, depreciation - \$18 million, higher third party purchases - \$5 million and higher operating costs, partly offset by increased inventories - \$14 million. The increases in operating costs, royalties and depreciation are mainly due to increased production

and activity on the Cooper Basin Western Flank. With the introduction of the Clean Energy Legislation from 1 July 2012, carbon costs were incurred for the first time for Beach's share of emissions from joint venture facilities. Third party purchases increased due to additional oil deliveries through the SACP JV facilities at Moomba, with a further build up in third party oil inventories not yet sold at 30 June 2013.

In comparing the FY13 gross profit to that of FY12, as summarised in the waterfall below, the key drivers are as follows:

- Higher sales revenue from higher oil sales volumes; and
- A build-up of third party inventory in FY13, offset by
 - Carbon costs incurred for the first time in FY13;
 - Higher royalties from increased sales; and
 - Higher depreciation from increased production.



Net profit after tax (NPAT)

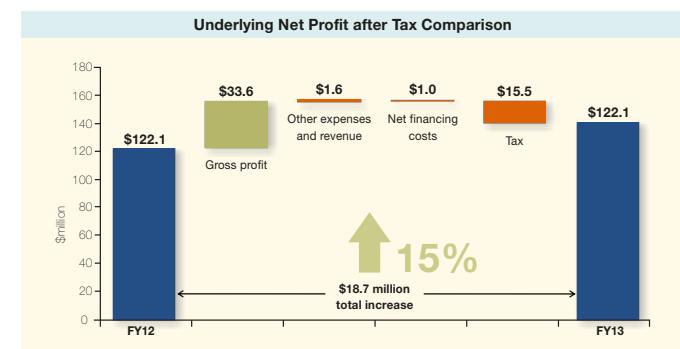
Other income was \$29 million, down by \$16 million from FY12, and mainly consisted of \$27 million of gains on the sale of joint venture interests, including the farm-out of 18% of ATP 855 to Chevron.

Other expenses were down \$8 million to \$41 million, mainly due to reduced impairment losses.

The NPAT for FY13 of \$154 million is \$10 million lower than FY12, primarily due to a loss in FY12 on the mark to market of the convertible note conversion rights as compared to a gain in FY12, as well as FY12 recognising a tax benefit on the acquisition of Adelaide Energy Limited partly offset by a higher gross profit in FY13.

Underlying NPAT

By adjusting FY13 NPAT to exclude impairment, unrealised and non-recurring items (as per the table shown), the underlying NPAT for the consolidated entity for FY13 is \$141 million. This represents a 15% increase on FY12, driven primarily by a stronger operating result with increased oil sales volumes.



Comparison of underlying profit	FY13	FY12	Movement from PCP
Net profit after tax	\$000	153,650	164,225
Remove unrealised hedging (gains) / losses	\$000	404	(3,184)
Remove mark to market of convertible note conversion rights	\$000	3,091	(21,564)
Remove profit on asset sales	\$000	(26,563)	(11,527)
Remove impairment of assets	\$000	3,475	18,111
Remove gains on acquisition / disposal of subsidiaries	\$000	–	(11,616)
Remove takeover costs	\$000	–	2,149
Remove tax benefit from consolidation of subsidiary	\$000	–	(24,898)
Tax impact of above changes	\$000	6,699	10,363
Underlying net profit after tax	\$000	140,756	122,059
			18,697

Disclosure 4: BlueScope Steel business unit review of financial performance

BlueScope Steel provide a concise yet informative review of its segment results, particularly the key factors impacting its revenues, including external market drivers and the effect they have had on performance for the year.

BUSINESS UNIT REVIEWS

BLUESCOPE AUSTRALIA & NEW ZEALAND

COATED & INDUSTRIAL PRODUCTS AUSTRALIA

CIPA is the leading supplier of flat steel products in Australia, offering a wide range of products to Australian and export customers, including hot rolled coil, plate, cold rolled coil, zinc/aluminium alloy-coated ZINCALUME® steel and galvanized and pre-painted COLORBOND® steel. The CIPA segment includes manufacturing facilities at Port Kembla (NSW) and Western Port (Victoria).

KEY FINANCIAL & OPERATIONAL MEASURES

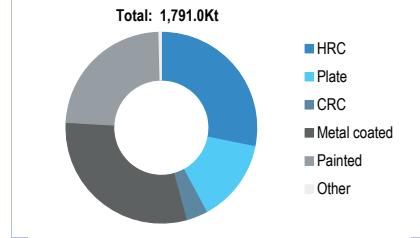
Table 3: Segment financial performance

\$M	FY2013	FY2012	Var %	2H FY2013
Sales revenue	3,349.4	4,279.6	(22%)	1,681.5
Reported EBIT	(44.9)	(725.8)	94%	(52.3)
Underlying EBIT	(20.3)	(327.3)	94%	(14.7)
NOA (pre tax)	2,067.5	2,003.3	3%	2,067.5

Table 4: Steel sales volume

'000 tonnes	FY2013	FY2012	Var %	2H FY2013
Domestic	1,791.0	1,990.6	(10%)	888.4
Export	823.9	1,553.6	(47%)	478.6
Total	2,614.9	3,544.2	(26%)	1,367.0

Chart 1: CIPA domestic steel sales volume mix FY2013



FINANCIAL PERFORMANCE – FY2013 VS. FY2012

Sales revenue

The \$930.2M decrease in sales revenue is primarily due to:

- lower export volumes following the closure of No. 6 Blast Furnace
- lower domestic volumes (predominantly HRC and plate, driven mainly by increased import competition and lower activity levels)
- lower global steel prices and flow-on impact to domestic prices.

These were partly offset by an improved mix with a higher proportion of domestic painted sales and lower export slab sales.

EBIT performance

The \$307.0M increase in underlying EBIT was largely due to:

- improved spread driven by lower coal and iron ore purchase prices combined with favourable iron ore feed mix, but partly offset by lower global steel prices and flow-on impact to

- domestic prices combined with increased competition from imports
- a decrease in loss making export volumes
- one-off \$36.6M favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy
- continued delivery of cost improvement initiatives combined with tight control of spend rates.

These were partly offset by:

- higher per unit costs due to fixed conversion costs spread over lower production volumes as a result of the move to single blast furnace operations in October 2011
- lower domestic volumes, predominantly HRC and plate, driven by increased import competition and lower demand levels in the Australian economy.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets were 3% higher than at 30 June 2012 primarily due to a decrease in the defined benefits superannuation provision driven mainly by actuarial adjustments and fewer members following business restructuring.

MARKETS AND OPERATIONS

Direct sales to Australian building sector

- Sales volume within the domestic building sector declined 17kt to 616kt in FY2013 compared to 633kt in FY2012.
- Conditions within both residential and non-residential construction continue to remain challenging:
 - Residential: Whilst positive trends are emerging in both housing finance and new building approvals data, the loss of first home buyer incentives and constrained confidence appear to be dragging on the market.
 - Non-residential: Activity remains constrained by lack of investor confidence and funding availability. The Australian Industry Group's Performance of Construction index remained very weak over the course of FY2013, averaging around 36 points (unchanged from FY2012).
- BlueScope maintained market share for its painted and non-painted metallic coated steel products.
- Average pricing for non-painted metallic coated products declined compared to FY2012, largely due to weaker global steel prices and increased competition from imports.
- Pricing of COLORBOND® steel increased 4% in October 2012.

Sales to Distributors and direct non-building sector customers

- Sales volumes to distributors and non-building sector customers declined 180kt to 1,169kt in FY2013 compared to 1,350kt in FY2012.
- Pipe and tube industry customers have been impacted by weak market conditions in the structural pipe market, with closures in both the oil & gas and precision tube segments, combined with low project activity.
- Slowing demand growth for Australian commodities (including from China) and cost containment by the major mining companies is seeing a slowing in mining investment and therefore sales to this end-use segment.

- Sales to manufacturing and automotive industry customers have continued to be impacted by soft domestic consumer demand as well as reduced competitiveness due to the relatively strong Australian dollar and rising conversion costs. The Australian Industry Group's Performance of Manufacturing index remained very weak over the course of FY2013, averaging around 43 points (down 3 points from FY2012).
- Distribution customers maintained low to moderate inventory levels throughout FY2013 due to volatility in prices and market conditions with volume growth weakened by slowing investment in the mining, engineering construction, residential construction and automotive industries.
- Intense import competition (particularly in plate products) continued in FY2013, driven by the high Australian dollar and low global demand for steel products. BlueScope maintained relative price competitiveness to defend against market share loss.
- Average pricing for industrial products declined compared to FY2012 largely due to soft global steel prices and increased competition from imports.

Export markets

- Despatches to export market customers in FY2013 of 0.82Mt (~75% uncoated flat products / ~25% coated products) were significantly lower than the 1.55Mt in FY2012 following the closure of No.6 Blast Furnace in October 2011.
- Prices in FY2013 softened compared to FY2012 as continued global uncertainty fuelled weaker steel demand, declines in raw material prices and steel over-capacity worldwide.

Operations

- To enable manufacturing of our new Next Generation ZINCALUME® steel with Activate™ technology, metal coating lines No.1 and No.3 at Port Kembla underwent equipment upgrades. This technology forms the platform for manufacturing of the next generation of coated steel products that commenced in 2H FY2013.
- In March 2013, cold rolling, metal coated and painted steel production was reconfigured. This has resulted in a decrease to production levels at Western Port, while still allowing for additional throughput when demand improves. Some 110 employees and 60 contractors located at Western Port left the business. The cash cost to implement this change was \$17M, which will be recovered within one year through ongoing improvements to the operating cost base.
- Changes to iron ore supply arrangements:
 - The Grange Resources contract for the supply of iron ore pellets concluded in November 2012.
 - 126Kt of iron sands was supplied to the Port Kembla Steelworks from New Zealand Steel during FY2013.
- Enterprise bargaining agreement negotiations:
 - Western Port agreement completed in August 2012, applicable until expiry on 31 October 2014.
 - Port Kembla and Springhill agreement approved by employees in June 2013. Agreement awaiting procedural Fair Work Australia approval.

BlueScope Steel Limited Annual Report 2012/13, pages 8-9

Disclosure 5: Perpetual segment review of financial performance

Perpetual's discussion of its Perpetual Private segment's financial performance is concise yet informs the reader of the key positive and negative drivers of revenue and expenditure for the year, including details of expectations of expenditure items for the forthcoming period where relevant.

PERPETUAL PRIVATE

Perpetual Private provides holistic financial solutions for high net worth individuals in the target segments of business owners, established wealthy and professionals. It aims to be the leading provider of wealth advice for financially successful individuals, families, businesses and not-for-profit organisations.

Perpetual Private manages financial assets for private clients, estates, trusts and charitable trusts, with funds under advice (FUA) of \$9.0 billion at the end of FY13, up 13% from \$8.0 billion at the end of FY12.

Perpetual is one of Australia's largest managers of philanthropic funds, including as trustee for over 550 charitable trusts and endowment funds, with over \$1.3 billion in funds under management at the end of FY13.

In late 1H13, Mr Mark Smith joined the Group as Group Executive for Perpetual Private. Mr Smith has over 20 years of experience in the financial services industry.

Key accomplishments for FY13 included:

- an improvement in net flows by \$0.3 billion
- a full year's contribution from the new Super Wrap product which was launched in April 2012 with FY13 sales of around \$0.2 billion
- the launch in April 2013 of the new enhanced portfolio wrap service
- the implementation of management initiatives, as part of Transformation 2015, that are designed to improve both the customer experience and productivity, such as:
 - transitioning from a separate sales and service model to an integrated model where senior advisers are responsible for both developing new business and servicing existing clients, and
 - transitioning a number of clients with less complex advice needs into the Perpetual Plus advice team, where the business can continue to service these clients to the same standard with less advisers, and
- Perpetual Private was awarded the 2013 Institutional Dealer Group of the Year by Money Management.

FINANCIAL SUMMARY

FY13 has continued to be a further year of investment for Perpetual Private with a focus on scale, structure and efficiency for future growth. FY13 profit before tax was \$9.2 million, an increase of \$0.9 million or around 11% on FY12.

FOR THE PERIOD	1H12 \$M	2H12 \$M	1H13 \$M	2H13 \$M	FY12 \$M	FY13 \$M
Market related revenue	33.7	33.9	34.5	36.7	67.6	71.2
Non-market related revenue	23.1	24.0	22.0	22.5	47.1	44.5
Total revenues	56.8	57.9	56.5	59.2	114.7	115.7
Operating expenses	(48.4)	(50.1)	(48.4)	(49.9)	(98.5)	(98.3)
EBITDA	8.4	7.8	8.1	9.3	16.2	17.4
Depreciation and amortisation	(3.1)	(3.2)	(2.6)	(3.3)	(6.3)	(5.9)
Equity remuneration expense	(0.4)	(1.2)	(1.1)	(1.2)	(1.6)	(2.3)
Profit before tax	4.9	3.4	4.4	4.8	8.3	9.2
Closing funds under advice (FUA)	\$8.1b	\$8.0b	\$8.8b	\$9.0b	\$8.0b	\$9.0b
Average funds under advice (FUA)	\$8.2b	\$8.2b	\$8.5b	\$9.1b	\$8.2b	\$8.8b
Market related revenue margin	82 bps	83 bps	81 bps	81 bps	82 bps	81 bps

Note: During 1H13, a review of the business segment's classification of revenue accounts was undertaken. This review identified that certain revenue accounts previously classified as market related revenue should be classified as non-market related revenue. These revenue accounts have now been reclassified for 1H13 and 2H13. 1H12 and 2H12 revenues have been re-presented using the same classification methodology adopted in FY13 to provide comparability. This reclassification has no impact on the total revenue for Perpetual Private, or any other business segment.

REVENUES

FY13 revenues of \$115.7 million represented an increase of \$1.0 million on FY12. While market related revenue increased, this was offset by a decline in non-market revenue.

The main revenue driver for Perpetual Private is FUA, with market related revenue contributing approximately 62% of total revenues in FY13 compared to 59% in FY12. In FY13, market related revenue was \$71.2 million, an increase of \$3.6 million or 5% on FY12. This increase in revenue was broadly in line with the increase in average FUA experienced during the year, underpinned by the rebound in equity markets that occurred over the period. The FY13 market related revenue margin of 81 basis points was broadly unchanged from the prior year.

FY13 non-market revenue of \$44.5 million represented a decline of \$2.6 million or 6% on FY12. While insurance sales revenue increased around \$0.3 million in FY13, the following business lines experienced a decline in revenue:

- property related placement fees, by \$0.8 million, due to fewer market opportunities
- business advisory services, by \$0.7 million, due to lower demand for discretionary business services
- administration fees, by \$0.6 million, due to the departure of an external dealer group
- estate administration fees by \$0.3 million, and
- other business lines, by \$0.5 million due to lower client activity.

EXPENSES

Total expenses in FY13 were \$106.5 million, broadly unchanged from \$106.4 million in FY12. Transformation 2015 savings were \$7.8 million.

Operating expenses in FY13 were \$98.3 million, \$0.2 million lower than incurred in FY12.

Key variances between FY13 and FY12 were:

- a \$5.3 million net decrease in fixed remuneration expense as a result of Transformation 2015 initiatives to improve business productivity
- a \$0.6 million decrease in Group shared services costs in response to the implementation of a leaner and more efficient operating model, coupled with a decrease in shared service

allocations based on resources utilised and the transition to an IT outsourcing arrangement in early 2H13 offset by

- a \$2.6 million increase in variable remuneration underpinned by the improved financial performance of the Group and an improvement in certain business measures, as well as sign-on payments
- a \$1.9 million IT expense following the transition to an IT outsourcing arrangement in early 2H13
- a \$0.8 million increase in the costs associated with the new portfolio wrap service (Project ICE), and
- a \$0.4 million increase in various other expenses.

The FY13 depreciation and amortisation expense of \$5.9 million was \$0.4 million less than incurred in FY12. The business received a \$1.0 million lower expense due to the reduction in the carrying value of the underlying IT assets in 2H12 as a result of Transformation 2015. This reduction was offset by a \$0.6 million expense as a result of the commissioning of the new wrap service in the last quarter of FY13. The business has invested a total of \$15 million in capital expenditure in relation to Project ICE.

The FY13 equity remuneration expense of \$2.3 million represented an increase of \$0.7 million on FY12. In FY12, equity remuneration was lower due to the write-back of previously amortised long-term incentives (LTIs) as a result of performance measures not being met.

PERPETUAL PRIVATE PORTFOLIO WRAP SERVICE (PROJECT ICE)

In April 2013, the business completed the roll-out of the new enhanced portfolio wrap service. The completion of the two-year project, known as Project ICE (Improving the Client Experience), fundamentally modernises the business' service offering. The market-leading platform can administer master fund, wrap and fiduciary activity, and caters for a diverse range of assets, essential prerequisites for high net worth and fiduciary clients. It has been designed to support the current and foreseeable future needs of the business. The Perpetual Private portfolio wrap service will significantly improve the client experience by offering sophisticated web-based reporting and self-service capabilities.

By partnering with an external administration provider, the business will be able to focus on the provision of advice to its target client segments rather than incur prohibitive maintenance and development spend on its existing in-house platform administration service (PACT).

In FY13, the business incurred \$5.7 million of operating expenses in relation to the new wrap service, compared to \$5.3 million in FY12. Based on the level of FUA on the wrap platform at the end of FY13, operating expenses for client administration in FY14 are expected to increase by around \$2 million when the operating expense savings associated with the retirement of the PACT system are included. As previously mentioned, depreciation and amortisation will also increase in FY14 in line with the first full year's utilisation of the new enhanced service.

FUNDS UNDER ADVICE

Perpetual Private's FUA at the end of FY13 was \$9.0 billion, an increase of \$1.0 billion or 13% from the end of FY12. Average FY13 FUA was \$8.8 billion or 7% higher than in FY12. This increase in average FUA was principally as a result of improved investment markets and a significantly lower level of net outflows than experienced in the prior year.

In FY13, there were \$0.1 billion of net outflows, compared to \$0.4 billion in the prior corresponding period. This improvement in net flows was due to a 38% improvement in gross inflows to \$0.7 billion and a 19% fall in gross outflows to \$0.8 billion.

In April 2012, the business launched the Perpetual Private Super Wrap. The product is designed for clients who are ideally seeking an alternative to a self managed superannuation fund, where they don't want the responsibility or risk of being a trustee, but still want flexibility and control over their investments. In FY13, gross inflows were around \$0.2 billion, of which around 40% was new client inflow.

At the end of FY13, around 55% of Perpetual Private's FUA was invested in equities.

The table on the following page details the closing FUA for the last two financial years.

Disclosure 5: Perpetual segment review of financial performance (continued...)

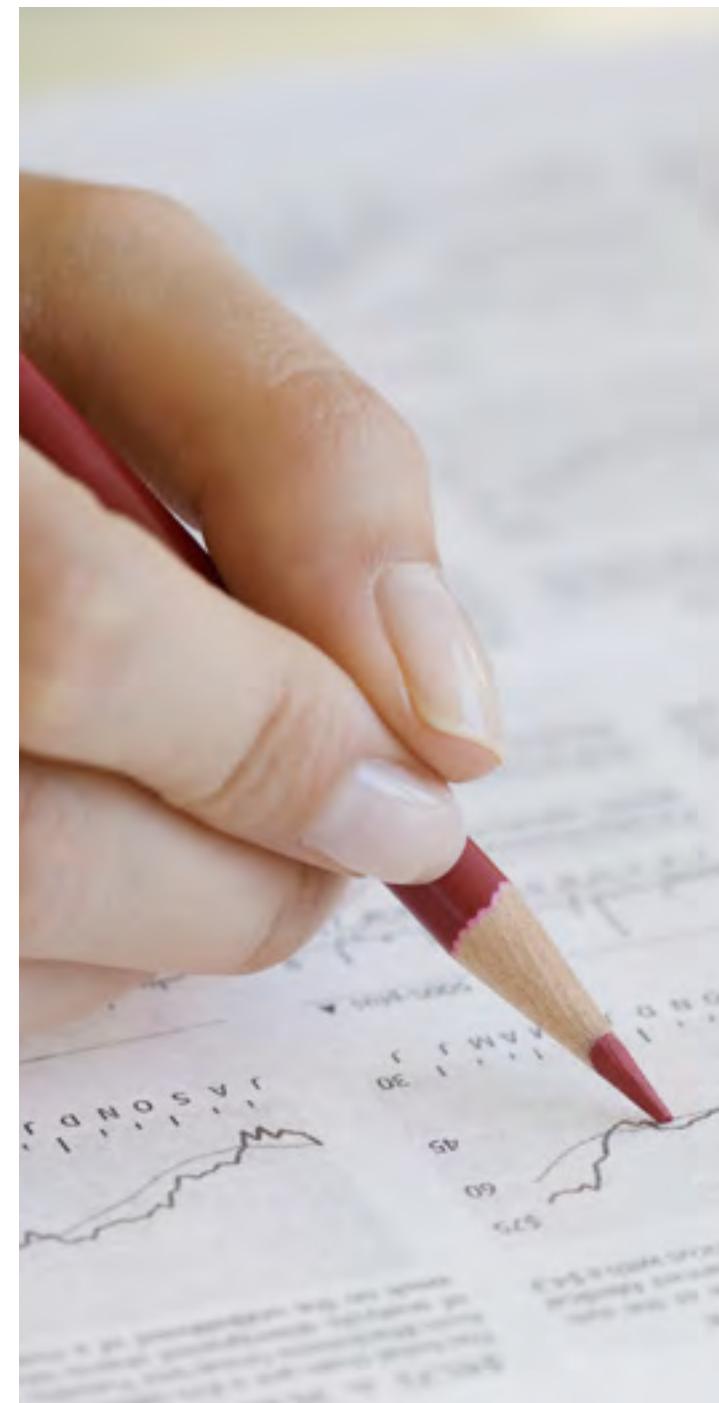
AT END OF	FY12 \$B	NET FLOWS \$B	OTHER ¹ \$B	FY13 \$B
Financial advisory:				
• superannuation	3.3	(0.1)	0.6	3.8
• non-superannuation	1.9	-	0.2	2.1
	5.2	(0.1)	0.8	5.9
Fiduciary services:				
• philanthropic	1.1	-	0.1	1.2
• trusts and estates	1.7	-	0.2	1.9
	2.8	-	0.3	3.1
Total funds under advice (FUA)	8.0	(0.1)	1.1	9.0

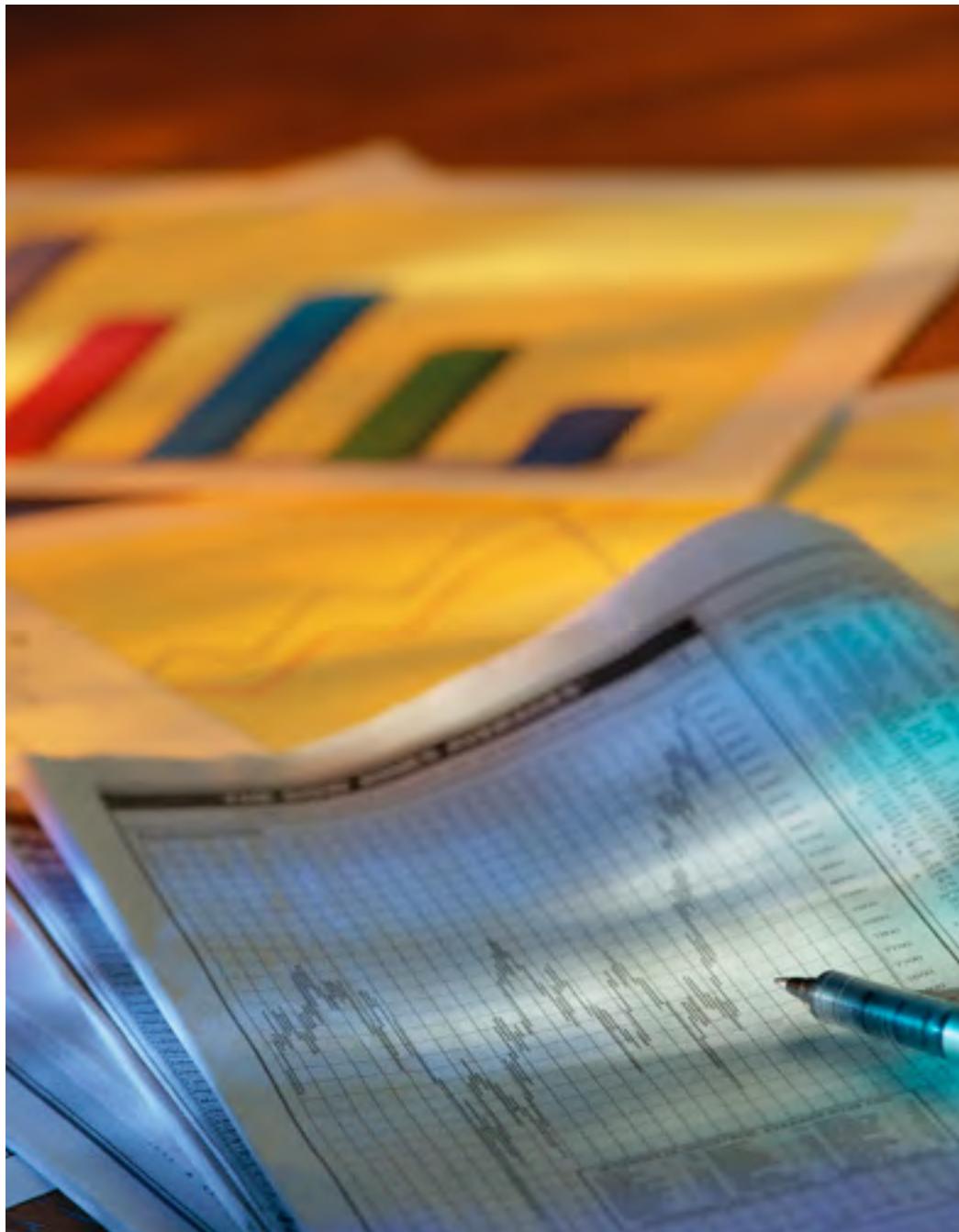
1. Includes reinvestments, distributions, income, and asset growth.

At the end of FY13:

- around 50% of FUA was held in direct investments and
- around 50% of FUA was held in managed investments, of which
 - around 40% was managed by Perpetual Investments, and
 - around 60% was managed by other managers.

Perpetual Limited Annual Report 2013, pages 80-82





Disclosure 6: Boral financial performance – income

Boral provide a good description of the key drivers of revenue by segment, including external market/economic impacts, long-term expectations, future challenges and risks.

Financial review

Boral's divisional results were mixed, with Construction Materials & Cement performing well, the US division well positioned to return to profitability as markets recover, the Gypsum division experiencing some short-term challenges but remaining a strong growth platform, and Building Products in Australia delivering a disappointing result in FY2013.

Revenue

Revenue from continuing operations increased by 10% to \$5.2b as resource sector growth in Australia together with the continued recovery in the US residential construction markets was supported by the first full year revenues from the FY2012 acquisitions of the remaining 50% of Boral Gypsum in Asia and the South East Queensland quarry and concrete businesses. These increases were partially offset by further weakening of demand in the Australian residential markets, which primarily impacted the Building Products division, which has the greatest exposure to this sector.

The discontinued operations comprise the Thailand Construction Materials and the Australian East Coast Masonry businesses, which were sold in December 2012 and March 2013 respectively.

The former Construction Materials and Cement divisions were merged in the second half year and are now reported as a single division. These operations were a key driver of the Group's revenue growth, the division reporting an 8% increase on FY2012 to \$3.1b. There were several factors influencing this result, including the first time full year consolidation of the Queensland quarry and concrete acquisitions, the significant concrete demand from the three Curtis Island LNG projects, the increase in asphalt demand arising from Queensland infrastructure repairs following

the major flooding in 2011 and 2012 and the participation in key major projects in Victoria and New South Wales.

These positive drivers were partially offset by a mixed outcome in the residential sector, which historically has comprised circa 35% of divisional demand. Demand in New South Wales was positive due to increased activity in Sydney and its metropolitan areas. The division was successful in gaining the core concrete supply to the Barangaroo development, which commenced in the final quarter. Demand in Western Australia also increased, and there are clear signs of a recovery in the residential sector, although Boral has less exposure to this market.

Housing activity in our second and third largest markets, Queensland and Victoria, continued to weaken throughout the year and had a significant impact on both concrete sales and the important pull-through of cement and aggregates from Boral's vertically integrated positions in these states.

Building Products revenues are predominantly driven by Australian detached housing construction and were significantly impacted by low activity levels and further declines in Queensland and Victoria during the year. Brick and roofing revenues declined by 7% over the prior year. This reduction, together with the significant overcapacity in the Australian brick industry, has caused continued downward pricing pressures, particularly in Western Australia, which has seen margins decline to unsustainably low levels.

The Timber operations were similarly impacted, although this weakness was further compounded by increased import competition due to the strength of the Australian dollar and weak overseas markets together with a significant reduction in "high end" alterations and additions demand. As a result, Timber revenues declined by 19% compared to FY2012.

In the USA, the division's core brick, roof tile and stone demand is also exposed to the US residential markets. The residential market recovery is now well underway, with FY2013 housing starts increasing by 28% on FY2012, the second consecutive year of growth following a 20% increase in the prior year. At 870,000 housing starts in the 2013 financial year, demand is still 42% below its long-term average of 1.5m housing starts.

Despite this growth in housing starts, FY2013 revenues increased by only 10%, to US\$569m, year-on-year, reflecting a slower rate of increase in single family home construction, the key underlying driver of Boral's product demand, and the adverse shift in product intensity. This latter factor, which is seen as a temporary shift in the early stages of the recovery in the housing markets, has occurred due to the dominance of the national production home builders, who are currently targeting lower cost starter homes which use less brick, stone and roof tiles. This adverse mix is expected to change as the regional custom home builders return to the market which will also drive an increase in single family housing construction.

The continued growth in residential demand is a key factor in the return to profitability for the USA. While management is confident of a sustained recovery in the US market, any macro-economic events which significantly impact this recovery may have a material impact on Group earnings.

4.3 Review of financial position

The OFR should include matters relevant to understanding an entity's financial position, including the underlying drivers of, and reasons for, the financial position.¹³

The review of financial position was one of the areas where significant opportunity for improvements was identified in our April 2013 publication, as many companies included limited, if any, analysis of their key financial position items. Furthermore, historically, where a discussion was included, this was primarily focused on capital expenditure or liquidity.

As noted in section 2 of our report, many companies appear to have listened to ASIC's concerns, enhancing their disclosures in this area of their OFRs. We noted that 30 percent of companies reviewed had enhanced their OFR discussion on financial position compared to their prior year annual reports. Further, nearly 90 percent of companies now had some discussion on financial position, compared to the 70 percent observed in our previous review¹⁴.

However, despite this, it is clear that when companies prepare OFRs, they are less focused on the financial position review compared to the review of operations. Whilst 90 percent of companies included some discussion on financial position in the current year, this was often very high level or limited to a handful of assets or liabilities. Further, consistent with prior observations, companies often missed the opportunity to discuss undervalued or unrecognised assets and liabilities which generally are key drivers of future financial performance.

Some key opportunities for improvement identified from our review of the ASX51-100 companies included:

- Include all significant assets and liabilities in the financial position discussion. Ensure the discussion enhances a reader's understanding of the company's financial position, linking to financial performance discussion where relevant.
- Discuss the undervalued or unrecognised assets and liabilities relevant to the company's financial position. These are the assets and liabilities that tend to drive future performance, opportunities and value.

When considering information to include in the OFR financial position discussion, particularly with respect to capital structure and expenditure, the following are some items that may be relevant in addition to those highlighted by RG 247¹⁵:

Capital structure	Capital expenditure
<ul style="list-style-type: none">• Level of borrowings at period end• Undrawn financing facilities• Maturity profile of debt• Types of financial instruments used• Company's debt rating• Relevant ratios i.e. debt/equity, interest cover• Covenants• Material expected changes in borrowings• Effect of major financial transactions between balance date and finalisation of accounts• Funding requirements• Restrictions on the use of funds held	<ul style="list-style-type: none">• The nature of expenditure• Major business segments to which it relates• Major geographical areas to which it relates• Major projects involved• Changes in timing/phasing of spend• Expected impact of program on the activities of the business

¹³ RG 247.45

¹⁴ April 2013 report contained observations from 30 companies within the ASX51-200 compared to the current year of 50 companies in the ASX51-100, so the statistics may not be directly comparable.

¹⁵ Examples extracted from G100 *Guide to Review of Operations* paragraphs 15, 19 and 24.

Other items that a company should consider in their analysis of financial position include:

Other items

- Capital raisings and capital management policies
- Leases and other off-balance sheet financing
- Return on investment hurdles
- Working capital
- Work in progress
- Provisions for restructuring
- Acquisition and divestment of business lines
- Investments in labour force such as training, staff development, occupational health and safety
- Internally generated intangibles such as brands
- Reserves and resources not recognised on the balance sheet

- Investments undertaken to enhance future performance such as:
 - Research and development activities associated with new or existing products, services or assets
 - Marketing and advertising campaigns to enhance brand loyalty and reputation
 - Refurbishment and maintenance programs
 - Exploration and evaluation
 - Expansion of production capacity

A summary of the key RG 247 guiding principles related to the review of financial position and our observations from the ASX51-100 annual reports are provided below.

RG principle	Description	Our observations
Significant changes in assets and liabilities	Discuss significant changes in assets and liabilities, for example, from major business acquisitions or disposals.	<p>✓ Nearly 90 percent of companies included a discussion of some financial position items in their OFR.</p> <p>✗ In most instances, not all the key or most significant assets and liabilities on the balance sheet were discussed. The financial position discussion was largely focused on debt and capital expenditure with limited information on working capital items or provisions. Further, many of the companies that did include a financial position discussion provided very high level or general information, particularly when compared to the review of financial performance.</p>
		<p>✓ Where relevant, over 75 percent of companies included a discussion of major business acquisitions or disposals during the period.</p> <p>Other examples of good practice identified in the discussion of financial position incorporated an analysis of debtor/inventory/creditor days and how these linked back to the company's financial performance for the period.</p>
		<p>✓ Over 80 percent of companies included a discussion of capital or other expenditure enhancing future financial performance, with over 50 percent of companies including a discussion of future planned expenditure. Common items of other expenditure discussed included training and staff development, refurbishment and maintenance programs, research and development, exploration and evaluation expenditure and the expansion of production facilities.</p>

RG principle	Description	Our observations
Funding and dividends	Discuss changes in funding or dividend strategy.	<p>✓ Where relevant, nearly 90 percent of companies included a discussion of their funding and/or dividend strategy and any changes if applicable.</p> <p>The most commonly discussed items with respect to funding included the level of borrowings, undrawn facilities, maturity profile of debt and the types of financial instruments used.</p> <p>✓ Nearly 90 percent of companies included some discussion about returns to shareholders. The most common items discussed were related to dividends and dividend reinvestment plans.</p>
Solvency & going concern	Make reference to any solvency issues or uncertainties about the entity as a going concern	<p>✗ Of the companies for which solvency or going concern appeared, in our view, to be an issue, only 42 percent discussed this matter in their OFR.</p>
Off-balance sheet items	Include a discussion of the impact of unrecognised/undervalued assets or exposures such as off balance sheet items relevant to understanding the entity's financial position.	<p>✗ Of the companies for whom we considered off-balance sheet items might be significant, fewer than 40 percent included relevant discussion on unrecognised or undervalued assets or exposures in their OFR.</p> <p>Of those who did include some discussion of off-balance sheet items, the more common items discussed were reserves and resources for companies in the energy and natural resource sector, internally generated brands, labour force, leases and contingent liabilities.</p>
Unusual contract conditions	Describe any unusual contractual conditions impacting on performance or financial position.	<p>✗ Six companies included a discussion of unusual contractual conditions as part of their OFR. However, it was not evident from our review, whether other companies may have unusual contract conditions and did not make this disclosure.</p>

Disclosures 7 to 10 contain practical examples of good reviews of financial position. More examples of good practice review of financial position disclosures are contained in our 2013 publication *Operating and Financial Reviews – review of practice*.

Disclosure 7: Cochlear financial position analysis

Cochlear provide a clear analysis of its financial position. The information complements the financial statements, enhancing the reader's understanding, whilst keeping it concise.

Financial position

Inventories of \$131.6 million were up 30% (2012: \$101.3 million). Inventory days increased to 231 days (2012: 182 days). This reflects a planned build-up of inventories back to target levels following last financial year's recall, a build of inventories ahead of new product launches (particularly Nucleus 6), acquisition of inventories from Otologics LLC, and build of acoustics inventories.

Trade receivables of \$187.6 million were up 30% (2012: \$144.7 million). In constant currency, trade receivables were up 21%. Debtor days increased to 80 days (2012: 73 days). Debtor days increased in the Americas and EMEA as a higher proportion of sales came from emerging markets which have longer credit terms. A further provision of \$0.6 million was made in F13, bringing the total provision to \$3.6 million. In Asia Pacific, the debtor days also increased due to the tender sale into China which is on extended credit terms. There is approximately \$15 million still owing on this China tender sale at 30 June 2013 which is anticipated to be collected in F14.

Trade payables and accruals decreased by \$17.8 million mainly due to the payment for assets from Otologics LLC of \$10 million. This amount was recognised as a liability at 30 June 2012. The product recall provision was reduced by \$16.4 million to \$36.6 million at 30 June 2013.

Intangible assets of \$235.8 million (2012: \$206.7 million) are a significant proportion of Cochlear's total assets. Some \$171.0 million of this total relates to goodwill arising from the earlier acquisitions of businesses, principally the Entific business in 2005. All intangible assets are tested for impairment on an annual basis. There were no impairments or write-downs of intangible assets in F13.

The final dividend of \$1.27 per share brought the full year dividend to \$2.52 per share, up 3%. This reflects the Board's continued confidence in Cochlear's long-term sustainable growth. The dividend payout ratio is above Cochlear's historic payout ratios. The plan is over time to return the payout ratio to historic levels as profits grow.

Net debt was \$117.8 million at 30 June 2013 (2012: net cash of \$2.9 million). The increase in debt was driven by:

- an increase in working capital as discussed above;
- acquisition of assets from Otologics LLC of \$13.6 million;
- expenditure on development of the ERP system of \$14.4 million; and
- payment of dividends of \$142.5 million.

At year end, debt facilities of \$300 million were in place with terms of three and five years. At 30 June 2013, the unused portion of the facility was \$128.7 million. All bank covenants were met at year end.

Cochlear Limited Annual Report 2013 (part B) pages 25-26

Disclosure 8: Downer EDI financial position analysis

Downer EDI provide a comprehensive and easy to understand review of its financial position that, in our view, complements the financial report, providing valuable context to the numbers disclosed in it.

GROUP FINANCIAL POSITION

Funding, liquidity and capital are managed at Group level within Downer, with Divisions focused on working capital and operating cash flow management within their responsibilities. The following financial position commentary relates to the Downer Group.

- 1 Numbers are underlying, i.e. excluding Individually Significant Item.
- 2 Interest and other costs of finance paid minus interest received.
- 3 Unaudited.

OPERATING CASH

Operating cash flow was very strong at \$452.4 million, up 24.1% on the prior year due to the ongoing rigorous focus on cash and working capital management. This is evidenced by the 22.9% reduction in debtor days which improved by 6.7 days to 22.6 days. This was achieved by working with customers to ensure payment terms were met and disputed claims resolved. It is noted that these working capital improvements were not achieved to the detriment of our suppliers, with creditor days decreasing by 11.1 days to 34.1 days.

Net debt reduced from \$368.8 million to \$248.9 million and gearing (net debt to net debt plus equity) reduced from 18.6% to 12.0%. When off balance sheet debt is included, gearing reduced from 29.2% to 20.8%.

The operating cash flow after adjusting for the \$63.3 million of cash outflows relating to the Waratah Rolling Stock Manufacture (RSM) contract and \$39.3 million for the Singapore Tunnel settlement reflects an EBITDA conversion ratio of 94.7% consistent with the previous year and reflecting the continued focus on optimising working capital invested in contracts.

OPERATING CASH FLOW

\$m	FY13	FY12
EBIT ¹	370.3	346.5
Add: Depreciation & Amortisation	294.8	247.2
EBITDA¹	665.1	593.7
Operating cash flow	452.4	364.5
Add: Net interest paid ²	60.7	69.9
Tax paid	14.3	15.7
Waratah Train Project net cash outflow ³	63.3	93.0
Singapore Tunnel Settlement	39.3	–
Adjusted Operating cash flow¹	630.0	543.1
EBITDA conversion¹	94.7%	91.5%

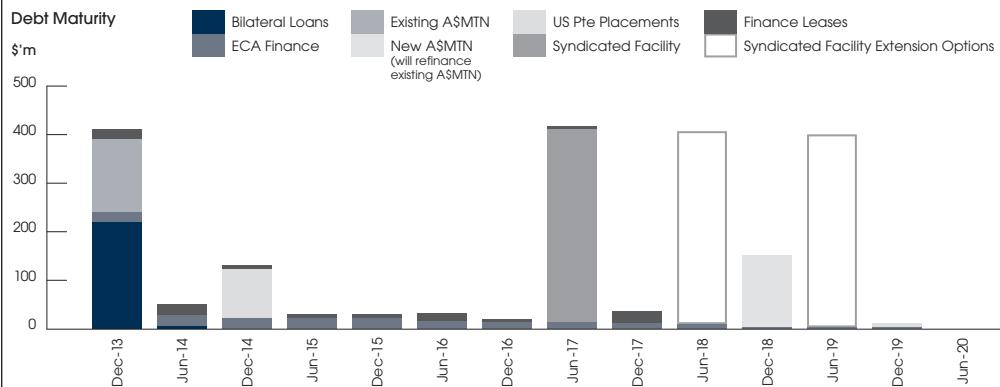
INVESTING CASH

The business continued to invest in capital equipment to support existing contracted operations resulting in net capital of \$289.1 million being invested, up 42.4% on the prior year. However, when the proceeds on sale of CPG Asia are excluded from the prior year's investing cash, the net capital invested decreased by 13.0%. This investment principally represents maintenance capital with growth capital, particularly with Downer Mining, being effectively deferred due to resource markets volatility necessitating customers (and thus Downer) to reduce volumes. Furthermore, contract mining customers purchased \$54.3 million of equipment from Downer as part of the overall negotiations on mine performance and volume allocations.

DEBT AND BONDING

In April 2013, Downer completed the refinancing of its A\$ Syndicated Credit Facility. The new \$400 million facility was completed with a 20 per cent reduction in funding costs on a drawn basis and 30 per cent on an undrawn basis. This facility also contains two one year extension options permitting Downer to potentially further extend the duration of the Syndicated facility. In May 2013, Downer completed a new \$150 million issue of fixed rate senior unsecured Medium Term Notes (MTN), effectively refinancing the notes maturing in October 2013. Following these two transactions, Downer's weighted average debt maturity has been extended.

Downer, having successfully refinanced the Group, has ensured there is sufficient committed debt and bonding headroom available given the challenging economic environment expected in the 2014 financial year.



This enhanced credit position was a catalyst for Fitch Ratings (Fitch) to upgrade Downer's Long-Term Issuer Default Rating (IDR) and senior unsecured rating to "BBB" respectively with a Stable outlook. In its announcement of the upgrade, Fitch stated: "The rating upgrade reflects Downer's improved financial risk profile, earnings diversification, risk and return discipline around the vetting of project bids. Downer has also improved contract formation (risk-sharing arrangement) across its portfolio of projects as is evidenced by its minimal exposure to lump-sum construction risk other than that of the nearly completed Waratah Train Project's rolling stock manufacturing contract."

BALANCE SHEET

The net assets of Downer increased by 12.9% to \$1.8 billion. This increase was substantially reflected in net current assets which increased by \$268.3 million reflecting the Group's continued focus on cash conversion coupled with a disciplined approach to capital investment.

Cash and cash equivalents increased by \$177 million or 59.7% to \$473.7 million, reflecting strong operating cash flow coupled with increased drawn term debt due to the early refinancing of the \$150 million MTN which was fully drawn. Correspondingly, trade and other receivables decreased by \$157.2 million or 9.8% to \$1.4 billion reflecting increased focus on cash collections by all Divisions and the resolution of a number of customer disputes in both Downer Infrastructure and Mining. Debtor days for the Group decreased 6.7 days, from 29.3 to 22.6 days.

As a consequence, the net debt of the Group (gross debt less available cash) was reduced from \$368.8 million at 30 June 2012 to \$248.9 million at 30 June 2013. This translates to a 35.5% reduction in on balance sheet gearing to 12.0%.

Inventories increased by \$67.1 million or 23.7% to \$349.9 million. Of this increase, \$62.2 million relates to finished goods, being 11 locomotives that have been built to stock to allow contiguous production. With the delays in EMD establishing their Indian manufacturing facility, Downer is working to sell these locomotives in the next 12 months.

Other assets are substantially current prepayments and deposits.

The net value of Property Plant and Equipment (including asset held for sale) increased by \$31.6 million principally reflecting the maintenance and investment in mining equipment and components.

Trade and other payables decreased by \$178.4 million, or 12.8%, with creditor days decreasing by 11.1 days to 34.1 days. Trade credit represents 51.8% of Downer's liabilities.

Total drawn borrowings of \$682.2 million represents 29.1% of Downer's liabilities, increasing by \$63.3 million as a result of Downer issuing a new \$150 million MTN, net of the principal repayment on other facilities. Current borrowing effectively increased by 31.5% reflecting the \$150 million 2009 MTN becoming current as they mature in October 2013.

Disclosure 8: Downer EDI financial position analysis (continued)

Other financial liabilities of \$66.4 million decreased by \$57.3 million and represents 2.8% of Downer's liabilities. It reflects the mark-to-market translations of foreign currency and interest rate derivatives hedging the debt portfolio and WTP project in addition to advances from Joint Ventures. This decrease arose principally as a result of the strengthening of the US\$ in the last quarter of 2013.

Provisions of \$369.1 million increased by 6.0%, or \$21.1 million, and represent 15.7% of Downer's liabilities. Employee provisions (annual leave, long service leave and bonus) made up 77.2% of this balance with the remainder covering return conditions obligation for leased assets and property and warranty obligations.

Shareholder equity increased due to \$20.9 million of capital being raised via the DRP. Net foreign currency gains of \$13.3 million returned the hedge reserve to a small surplus and the translation of foreign operations (principally Downer Infrastructure's New Zealand business) benefited from the devaluation of the A\$ against the NZ\$ reducing the foreign currency translation reserve by \$17.0 million.

Downer EDI Limited 2013 Annual Report, pages 9-11

Disclosure 9: PanAust capital expenditure

PanAust discussion of key capital projects is informative, clearly articulating what the projects are, their cost, timing, benefits and progress against budget.

The operation achieved an annualised rate of nearly 18Mt of ore milled and a copper recovery of 73.5% in the December quarter despite a planned SAG mill reline in November.

Phu Kham Upgrade Project

Construction work and ramp up for the plant upgrade was completed in October 2012 and the Project was completed within the US\$95 million capital budget.

The Phu Kham Upgrade Project was designed to increase ore processing rates from 12Mtpa to 16Mtpa and improve metal recoveries through an increase in grinding and flotation capacity. This increase in mill throughput added to copper production capacity while timed to compensate for a scheduled fall in head grade as the open pit moves from predominantly enriched transitional ore to predominantly lower grade primary ore.

Phu Kham Increased Recovery Project

The Phu Kham Increased Recovery Project was approved by the Board of Directors in February 2012. Construction commenced in the fourth quarter of 2012 and should be completed in the June quarter of 2013 ahead of the original schedule. It is expected to increase the average metallurgical recovery for copper from 75% to over 80% and the average metallurgical recovery for gold from 45% to over 50% while reducing C1 cash operating costs by 5% to 7% as the quantum of increased metal production more than offsets the relatively modest increase in unit process costs.

The Project stems from a two-year evaluation of various methods to improve metallurgical recoveries at Phu Kham. Plant-scale test work (four separate trials) confirmed that by incorporating a strategy of less selective rougher flotation in combination with additional regrind and cleaner flotation capacity life-of-mine recovery rates for both copper and gold could be significantly increased.

The capital cost of the Project is estimated to be US\$45 million. The project remains within budget.

PanAust Limited Annual Report 2012, page 6



Disclosure 10: Metcash financial position analysis

Metcash provide a concise and informative analysis of key financial position items, including off balance sheet exposures.

2. Financial Position and Cashflows

Summary Financial Position (Unaudited)	Note	2013 \$'m	2012 \$'m
Net working capital	1	236.6	339.3
Property, plant & equipment, associate investments and intangible assets	2	2,078.1	1,841.1
Total funds employed		2,314.7	2,180.4
Net debt	3	(758.6)	(940.3)
Net tax balances	4	68.1	95.0
Net assets/equity		1,624.2	1,335.1

1. Net working capital broadly comprises the 'trading' components of the balance sheet. Working capital includes trade and other receivables, inventories, disposal groups and assets held for sale, prepayments, derivative financial instruments (assets and liabilities), trade and other payables, provisions and other financial liabilities, including the current & non-current components of these items
2. These non-current assets broadly represent the income earning components of the balance sheet. They include property, plant & equipment, investments in associates, other financial assets, intangible assets and goodwill
3. Net debt reflects the net borrowings position and includes cash and interest bearing loans and borrowings (current & non-current)
4. Net tax balances include income tax receivable or payable and net deferred tax assets

Net working capital

The net working capital position was managed effectively during the year resulting in a 30% reduction on the prior period to \$236.6m, which is the lowest level achieved for a number of years. The improved result was delivered despite the expansion of the group through acquisition and featured a \$79.8m reduction in inventory through tighter stock control. Additionally, the disposal of Franklins retail stores released a further \$68.9m in assets held for sale.

Total funds employed

As noted in the key developments section, Metcash invested for growth during 2013 as evidenced by the 6.1% increase in total funds employed. This included a \$133.3m increase in intangibles driven by the ABG, Mitre 10 subsidiary and Franklins acquisitions. Metcash invested \$20.2m in associates, including the three Mitre 10 joint ventures. Metcash also deployed \$86.8m in capital expenditure, including \$33.9m in relation to the Huntingwood DC.

Net debt

The strong operating cashflow and residual unspent funds from the equity raising were deployed to invest for growth and also reduce debt levels by \$181.7m. This facilitated a reduction in net gearing levels to 31.8%, compared to 41.3% in the prior period. Metcash had \$733m in available debt facilities at balance date with an appropriate tenure and diversification of funding sources. Part of this headroom was deployed subsequent to year end to fund the \$84m ATAP acquisition and two Mitre 10 joint ventures noted below.

Net Assets/Equity

Metcash's net asset position increased primarily due to the \$368.2m equity raising. This was partly offset by the payment of dividends of \$245.7m (Final FY12 and Interim FY13), being in excess of FY13 reported profit of \$206.0m, as the Board had the confidence to declare dividends based on the strong underlying profit result and cash generated by the group. The equity position also decreased by \$47.9m due to the acquisition of the remaining 49.9% non-controlling interest in Mitre 10, taking Metcash's ownership interest to 100%.

Other Financial Exposures

Contingent liability details are presented in Note 32 of the financial statements. Metcash is currently in dispute with the Australian Tax Office ('ATO') in relation to the 'Action Stores' matter and the 'Foreign Tax Credit' matter. The ATO have issued amended assessments or determinations totalling \$72.2m in respect of these matters, against which Metcash has paid \$24.4m (recorded as income tax receivable). Metcash is firmly of the view that it has adopted the appropriate treatment and, if necessary, intends to challenge these matters through the Administrative Appeals Tribunal or Federal Court.

Metcash's operating lease commitments, which predominantly relate to warehouse and retail stores, are detailed in Note 23 of the financial statements. Part of the 4.9% increase in commitments has been the extension of the Huntingwood DC lease, as well as an increase through acquisitions. In certain situations, Metcash will take the head lease on a retail property and sublet the store to the independent retailer. The acquisition of the Franklins retail stores and the subsequent sale and sublease of these stores has also increased the amount committed. If the head lease rental expense exceeds the sublease rental income and the position is considered onerous, a provision is raised for the difference as set out in Note 19(b).

Metcash has a relatively low exposure to interest rate risk and minimal foreign exchange risk. Variable interest rate exposures on core debt are hedged in accordance with the Treasury Policy between a minimum and maximum range (28% hedged at year end). The fixed interest and foreign exchange exposure on the US\$225m USPP debt facility is effectively converted via hedges into \$210.1m of variable rate funding. Further details are set out in Note 22.

Cashflows

Metcash recorded its strongest ever operating cashflow of \$299.8m. This result was achieved due to the solid underlying earnings result supplemented by lower tax payments and the improvement in working capital. The investing cashflow of \$178.9m correlated to the investment activity described above, whilst the financing cash outflow notably included a reduction in borrowings.

Metcash Limited Annual Report 2013, pages 32-33

4.4 Business strategies and future prospects

We consider that information on business strategies, and prospects for future financial years, should focus on matters that may have a significant impact on the future financial performance and position of the entity.¹⁶

Similar to the review of financial position, the discussion of business strategies and future prospects was an area identified in our previous reviews as a significant area for improvement, mostly due to the significant number of companies using the unreasonable prejudice exemption to exclude all discussion on strategies and material business risks.

Our current review of ASX51-100 companies has identified the disclosure of business strategies and future prospects as another area where there has been significant improvement, with 30 percent of companies reviewed enhancing their discussion of strategies and prospects compared to their prior period annual reports and around 50 percent now including enhanced information on material business risks.

We observed that over 80 percent of companies included some discussion of their key business strategies and 70 percent on material business risks in their current annual reports which compares to just over 65 percent for strategies and only 30 percent for risks in our previous review.¹⁷ Although encouraging, there still appears to be a population of companies needing to review their disclosures in this area to ensure their OFR complies with the requirements of the Corporations Act. Further, while the number of companies including strategy and prospect information in their OFR is clearly increasing, many of these disclosures are focused on the short term i.e. next financial year, rather than focused on the medium term or "future financial years".

Interestingly we also observed that for many companies, other documents and announcements released to the market included additional information regarding business strategies, risks and future prospects that did not make its way into the OFR, information which, in our view, would be useful to an investor.

So clearly, opportunities for improvement in the disclosure of business strategies and future prospects continue to exist. Key opportunities identified from our review include:

- Discuss strategy and prospect, including risk information beyond the next financial year.
- Check that all key information in investor presentations and market announcements has been included in the OFR, particularly with respect to strategies, prospects and risks as additional useful information was often provided on these matters in market announcements and presentations not forming part of the annual report.

- When discussing material business risks, tailor them so they are specific to the company; make it clear how these risks could impact on the financial performance and prospects of the company over the short, medium and long term; and include commentary on the company's expectations of how these risks may move over time.

It is important to remember that in compiling this information, RG 247 states only information that is reasonably required by members to make an informed assessment need be disclosed, consequently the discussion on strategies, prospects and risks need not be a laundry list of everything imaginable, it should still comply with the regulatory guide good disclosure principles of being clear, concise and effective.

We acknowledge that striking a balance between providing enough useful information and being concise will continue to be a challenge for companies.

A summary of the key RG 247 guiding principles related to the business strategies and future prospects and our observations from the ASX51-100 annual reports are provided below.

RG principle	Description	Our observations
Objectives and strategies	<p>Set out the entity's business objectives and strategies for a period extending beyond the next financial year.</p> <p>Focus on strategies that may have a significant impact on the financial performance or position of the entity.</p>	<p>✓ Over 80 percent of companies included information on their business objectives, although some of these disclosures were very high level and or were more along the lines of a vision statement.</p> <p>✓ Of these companies, just under 55 percent included details of significant factors on which the achievement of these objectives depends.</p> <p>✓ Over 80 percent of companies included details of their business strategies, however for many, the time horizon of these strategies was not clear, or the information was at a very high level or not specific. Ninety-five percent of these companies included details of business objectives.</p>

¹⁶ RG 247.53

¹⁷ April 2013 report contained observations from 30 companies within the ASX51-200 compared to the current year of 50 companies in the ASX51-100, so the statistics may not be directly comparable.

RG principle	Description	Our observations	RG principle	Description	Our observations
		<p>Of the companies that discussed strategies:</p> <ul style="list-style-type: none"> ✓ All appeared to focus on those strategies that, in our view, impact on the future financial performance and position of the company. ✗ Over 70 percent were consistent with other communication outside the annual report. Whilst the remaining 30 percent were not inconsistent, the information provided outside the annual report was more in-depth and included additional information, which in our view, would have been useful information to include in the annual report. ✓ Over 60 percent provided an update in the annual report on how the company was progressing against objectives/ strategies. Some companies in the remaining population provided such information in documents outside the annual report and not in the annual report itself. ✗ Just over 20 percent included some information on how their goals/strategies would enhance shareholder wealth/value. 	Future prospects	<p>Include a balanced discussion on prospects that extends beyond the next financial year.</p> <ul style="list-style-type: none"> ✓ Over 85 percent of companies included some discussion on future prospects. Of these, 7 percent were not company specific and focused on the industry as a whole. ✗ Less than 30 percent of those companies discussing prospects extended the discussion beyond the next financial year. As the discussion was not specific or was too general, it was often difficult to determine whether the prospects covered just the next year or extended beyond, for an additional 16 percent of companies. ✓ Nearly 90 percent of companies discussing prospects were consistent with information provided outside the annual report. ✗ However, for over 35 percent of these companies there were additional prospects or more information on specific prospects provided in results/investor presentations or media releases. ✗ For the companies that lacked any prospects discussion in their annual report, it was often the case that the companies provided prospect information in other documents i.e. media release, investor presentation, other publication like the annual review. 	
Significant plans and factors on which achievement depends	<p>Include a discussion of the significant plans that form part of these strategies and the significant factors on which achievement of these strategies depends.</p>	<ul style="list-style-type: none"> ✓ Over 80 percent of companies discussing strategy appeared to discuss the significant plans related to them, although some of these were at quite a high level. ✗ Of these, only 41 percent appeared to include information on the critical success factors essential for the company to achieve its strategies. 			

RG principle	Description	Our observations
Material business risks and risk management	<p>Include discussion of material business risks that could adversely affect the future financial outcomes described.</p> <p>When discussing risks:</p> <ul style="list-style-type: none"> Focus on risks that could affect the achievement of financial prospects disclosed Ensure risks are tailored and specific to the entity, rather than an exhaustive generic list Ensure it is clear why a particular risk is important or significant and its potential impact on the entity's financial result. <p>Consider whether any environmental or sustainability risks need to be included.</p> <p>Specify how the entity will control or manage risks that relate to factors within management's control.</p>	<p>✓ Seventy percent of companies included information on business risks.</p> <p>Of these companies:</p> <p>✓ Over 80 percent tailored some if not all their risks to their specific circumstances and made it clear why particular risks were important or significant. The remainder of the companies made disclosures that were generic or boilerplate.</p> <p>✓ Over 65 percent made the potential impact on financial prospects clear by providing details of how these risks impact on the company's future prospects.</p> <p>✗ Of these, 14 percent either did not do so for all risks, or the statements were very generic, for example "impacts future financial performance".</p> <p>✗ Fewer than 6 percent included commentary on whether the risk is expected to increase or decrease in the foreseeable future.</p> <p>✓ Sixty percent discussed how they manage the risks that are within their control.</p> <p>✓ Of the companies for which environmental/sustainability risks appeared significant, 60 percent included discussion of these types of risks in their annual report.</p>

RG principle	Description	Our observations
Financial forecasts	<p>Should financial forecasts be provided, the guidance within RG 170 <i>Prospective financial information</i> should be considered.</p> <p>There is no expectation that forecasts be provided.</p>	<p>✓ Just under 20 percent of companies provided financial forecasts in their OFR. Common forecasts included profit, dividends or expected percentage changes in revenue.</p> <p>✗ Of these, 44 percent appeared to have given some consideration to RG 170.</p>

Disclosures 11 to 13 and 15 to 16 contain practical examples related to strategy.

Disclosures 13 to 14 contain practical examples related to prospects.

Disclosures 15 to 20 and 13 contain practical examples related to risks.

More examples of good practice strategies, prospects and risks disclosures are contained in our 2013 publication *Operating and Financial Reviews – review of practice*.

Disclosure 11: Resmed strategies

Resmed provide a concise, informative and easy to understand summary of their key business strategies. The detail provided sets out Resmed's past actions taken to achieve these strategies, and a discussion of their go forward plans.

Business Strategy

We believe that the SDB market will continue to grow in the future due to a number of factors including increasing awareness of OSA, improved understanding of the role of SDB treatment in the management of cardiac, neurologic, metabolic and related disorders, and an increase in home-based diagnosis. Our strategy for expanding our business operations and capitalizing on the growth of the SDB market consists of the following key elements:

Continue Product Development and Innovation. We are committed to ongoing innovation in developing products for the diagnosis and treatment of SDB. We have been a leading innovator of products designed to treat SDB more effectively, increase patient comfort and encourage compliance with prescribed therapy. For example, in 2011, we introduced the S9 bilevel range of flow generators, the Quattro FX full face mask, the Swift FX for Her nasal pillow mask, the Mirage FX nasal mask, the Mirage FX for Her nasal mask and the Stellar ventilation device. In 2012, we introduced Swift™ FX Bella mask, Pixi™ pediatric mask, Quattro FX for Her and the EasyCare compliance management solution. In 2013, we introduced new products across both our mask and flow generator categories, including the VPAP COPD, Quattro Air, Swift FX Bella, Swift FX Nano and ResMed's SleepSeeker. We believe that continued product development and innovation are key factors to our ongoing

success. Approximately 15% of our employees are devoted to research and development activities. In fiscal year 2013, we invested \$120.1 million, or approximately 8% of our net revenues, in research and development.

Expand Geographic Presence. We market our products in approximately 100 countries to sleep clinics, home healthcare dealers and third-party payers. We intend to increase our sales and marketing efforts in our principal markets, as well as expand the depth of our presence in other geographic regions.

Increase Public and Clinical Awareness. We intend to continue to expand our existing promotional activities to increase awareness of SDB and our treatment alternatives. These promotional activities target both the population with predisposition to SDB and medical specialists, such as cardiologists, neurologists and pulmonologists. In addition, we also target special interest groups, including the National Stroke Association, the American Heart Association and the National Sleep Foundation. In concert with other industry participants, we sponsor educational programs targeted at the primary care physician community, which should further enlighten both doctors and patients about the relationship between SDB or OSA and co-morbidities such as cardiac disease, diabetes, hypertension and obesity. The programs should also support our efforts to inform the community of the dangers of sleep apnea with regard to occupational health and safety, especially in the transport industry.

Expand into New Clinical Applications. We continually seek to identify new applications of our technology for significant unmet medical needs. Studies have established a clinical association between OSA and both stroke and congestive heart failure, and have recognized SDB as a cause of hypertension or high blood pressure. Research also indicates that SDB is independently associated with glucose intolerance and insulin resistance. We have developed a device for the treatment of Cheyne-Stokes breathing in patients with congestive heart failure. In addition, we maintain close working relationships with a number of prominent physicians to explore new medical applications for our products and technology. In 2007, we received Food and Drug Administration, or FDA, clearance and launched a new product in the United States for the treatment of respiratory insufficiency due to central sleep apnea, mixed apnea and periodic breathing, called the Adapt SV. The Adapt SV uses a technology known as adaptive servo-ventilation which utilizes an advanced algorithm to calculate a patient-specific minute ventilation target and automatically adjusts pressure support to maintain the target. We believe this technology has allowed physicians to successfully treat complex breathing disorders in some patients who had previously tried and failed traditional positive airway pressure therapy.

Leverage the Experience of our Management Team. Our senior management team has extensive experience in the medical device industry in general, and in the field of SDB in particular. We intend to continue to leverage the experience and expertise of these individuals to maintain our innovative approach to the development of products and increase awareness of the serious medical problems caused by SDB.

Resmed Inc Annual Report 30 June 2013, pages 5-6

Disclosure 12: Arrium strategies

Arrium present a clear vision statement, supported by specific segment strategies and a discussion of the current period performance against these strategies.

STRATEGIC FRAMEWORK AND SCORECARD

Our vision is to be a leading mining and materials company which delivers superior returns for our shareholders. We aim to achieve this through a portfolio of mining and materials businesses that are diversified across commodities, geographies and markets, and by utilising our unique infrastructure, capabilities, customer relations and market positions, as well as by investing in opportunities that provide the best return on shareholder funds.

The strategy for our businesses to deliver this vision has been focused on growing our Mining and Mining Consumables businesses, and addressing the performance of our Steel and Recycling businesses. The strategy and performance scorecard for each of these businesses for the year are detailed below.

Our level of debt reflects recent investments to significantly grow the Mining and Mining Consumables businesses. We now have debt reduction as a key priority for enhancing shareholder value, and expect to achieve this through cash generation from these expanded businesses, as well as from initiatives to improve returns and cash generation in Steel, including the divestment of non-integrated Steel businesses and properties.

The company has good growth opportunities from its current projects in Mining and Mining Consumables, including utilising the full capacity of the expanded Whyalla Port, and from capturing at least its market share of expected strong growth in grinding media.

Arrium Mining

Strategy

- Growing the volume of our iron ore exports
- Leveraging our unique infrastructure assets in South Australia, utilising the Whyalla Port
- Pursuing exploration and development activities to replace mined reserves and increase reserves and resources to support and grow sales
- Pursuing exploration of non-ferrous ore opportunities

Performance

- Record level of iron ore sales for the year - up 32% to 8.28 Mt
- Expansion to double iron ore sales to a rate of 12Mtpa completed on time and on budget
- Expansion to double the capacity of the Whyalla Port completed on time and on budget
- New blended iron ore products launched - made possible through Southern Iron
- Exploration and development activities resulted in identified hematite reserves increasing 5.9Mt to 66.7Mt, after addition of 19.3Mt and depletions and removal of 13.4Mt during the year

Arrium Mining Consumables

Strategy

- Building on our position as the leading global supplier of grinding media to the mining industry
- Investing in capacity close to our customers
- Growing our competitive advantage through superior quality, supply assurance and technical support for customers
- Pursuing medium-term opportunities to expand into new geographies within current product ranges
- Pursuing medium to long-term opportunities to expand into new products

Performance

- Through Moly-Cop, the business continued to build on its position as the global leader in the supply of grinding media to the mining industry
- Strong earnings growth - EBITDA up 15% to \$197 million compared to \$172 million in the prior financial year
- Increased earnings contributions from North America, South America and Australasia grinding media businesses, and from the rail wheels and ropes businesses
- Sales volumes up 8% compared to prior financial year
- Capacity expansion (40kt) at Lima, Peru to meet growing demand for grinding media completed on time and on budget
- Capacity expansion (50kt) at Cilegon, Indonesia to meet growing demand tracking to plan for completion expected in March 2014 quarter
- Commenced work on (120kt) capacity expansion at Kamloops, Canada to meet growing demand

Arrium Steel

Strategy

- Focusing on markets in which we have a sustainable competitive advantage
- Building our leading market positions
- Having flexible capacity to meet demand cycles
- Delivering returns throughout the cycle
- Continually reducing our cost to serve to ensure competitiveness of our offer

Performance

- Improved performance in Steel business despite further weakness in external environment
- Steel EBITDA up 15% to \$76 million
- Steel and Recycling cash positive for year
- Increased leverage to even a modest improvement in demand or sustained lower Australian dollar
- Formed a single Steel business (expected annualised cost savings ~\$40 million (~\$30 million in FY14))
- Focus on integrated steel businesses - divesting non-integrated businesses and properties
- Recycling result reflects significant deterioration in prices for ferrous and non-ferrous scrap and lower volumes
- Continued focus on earnings improvement and cash generation

Arrium Limited 2013 Annual Report, page 16

Disclosure 13: BlueScope Steel strategies, prospects and risks

BlueScope Steel's disclosure covers its overall business objective which is then supported by specific business strategies. The discussion of future prospects, limited to economic drivers, highlights the key factors that drive their future prospects and expectations of trends in the short and longer term. This is further supported by a clear discussion of business risks which, in our view, highlight effectively, why these risks are significant and how they impact the business.

BUSINESS STRATEGIES AND PROSPECTS

BlueScope's overall strategy is to increase its position as a leading international supplier of steel products and solutions principally focused on the global building and construction markets, while generating maximum value from existing flat steel operations in Australia, New Zealand and North America.

BlueScope has developed a number of specific business strategies as part of its overall strategy. These are:

- *Maintain leading market positions in Australia and New Zealand while improving profitability of its integrated flat steel operations.* BlueScope's broad objective in both the Australian and New Zealand markets is to improve profitability by maintaining its current market shares and reducing its cost base, while continuing to develop innovative products and services and enhanced customer relationships. The business is continually looking to serve the market more effectively and efficiently, which may include small acquisitions close to its existing core operations.
- *Accelerate growth in engineered building solutions.* BlueScope seeks to build on its position as a leading global supplier of EBSs, with a value proposition that is based on design capability, product innovation, speed of construction, low total cost of ownership and global delivery capability.
- *Grow leading position and enhance profitability in metal coated and painted steel building products.* BlueScope seeks to grow across Asia-Pacific with a portfolio of highly competitive, locally manufactured premium sustainable products.
- *Exploit growth opportunities in the North American hot rolled products business.* BlueScope seeks to maintain profitability with low cost, highly flexible operations and a strong focus on customer relations, and to continue to explore brownfield expansion opportunities to grow earnings.
- *Maintain a strong balance sheet.* BlueScope seeks to manage liquidity through the economic cycle and support profitable growth initiatives.

Future prospects and risks

BlueScope's financial performance since the global financial crisis in FY2009 has been impacted by slower demand for its products in Australia and North America, higher raw material costs without a corresponding increase in global commodity steel prices, and a stronger Australian dollar. These factors are outside BlueScope's control. However, the Company has undertaken significant restructuring and other initiatives in recent years across all its operating segments to return BlueScope to an underlying profit in FY2013.

BlueScope has regard to a number of recognised external forecasters when assessing possible future operating and market conditions. These forecasters expect a modest improvement in the key drivers impacting our Australian business in the next 12 months, but in the longer term forecast a continued strengthening of the U.S. dollar relative to the Australian dollar, lowering of iron ore and coal raw material costs relative to global commodity steel prices and an increase in domestic demand for steel products. In addition, recognised external forecasters expect an improvement in non-residential building and construction activity in North America.

The Company's strategies take into account these expected operating and market conditions. However, predicting future operating and market conditions is inherently uncertain. If these estimates are ultimately inaccurate, including as to timing and degree of improvement, BlueScope may not be able to effectively implement its contemplated strategies and its financial prospects may be adversely impacted.

BlueScope is also exposed to a range of market, operational, financial, cultural and governance risks common to a multinational company. The Company has risk management and internal control systems to manage material business risks.

Disclosure 13: BlueScope Steel strategies, prospects and risks (continued)

The nature and potential impact of risks change over time. There are various risks that could impact the achievement of BlueScope's strategies and financial prospects. These include, but are not limited to:

(a) Continuing weak economic conditions or another economic downturn.

The global financial crisis in FY2009 caused a reduction in worldwide demand for steel, and the subsequent recovery has been slow and uncertain. Although the global economy has improved to some extent since FY2009, there is no assurance that this trend will continue.

Another economic downturn in developed economies or significantly slower growth in emerging economies could have a material adverse effect on the global steel industry which may affect demand for the Company's products and financial prospects.

(b) A significant cyclical or permanent downturn in the industries in which the Company operates.

The Company's financial prospects are sensitive to the level of activity in a number of industries, but principally the building, construction and manufacturing industries. These industries are cyclical in nature with the timing, extent and duration of these economic cycles unpredictable. Because many of the Company's costs are fixed, it may not readily be able to reduce its costs in proportion to an economic downturn and therefore any significant, extended or permanent downturn could negatively affect the Company's financial prospects, as would the permanent closure of significant manufacturing operations in response to a sustained weak economic outlook or loss of key customer relationships.

(c) Declines in the price of steel, or any significant and sustained increase in the price of raw materials in the absence of corresponding steel price increases.

The Company's financial prospects are sensitive to the long-term price trajectory of international steel products and key raw material prices. A significant and sustained increase in the price of raw materials, in particular iron ore and coking coal, with no corresponding increase in steel prices, would have an adverse impact on the Company's financial prospects. A decline in the price of steel with no corresponding decrease in the price of raw materials would have the same effect.

In addition to these long-term trends, the price of raw materials and steel products can fluctuate significantly in a reasonably short period of time affecting the Company's short-term financial performance. In particular this relates to commodity products such as slab, plate, hot rolled coil, cold rolled coil, and some metallic coated steel products.

(d) The Company is exposed to the effects of exchange rate fluctuations.

The Company's financial prospects are sensitive to foreign exchange rate movements, in particular the Australian dollar relative to the U.S. dollar. A strengthening of the Australian dollar relative to the U.S. dollar could have an adverse effect on the Company. This is because:

- export sales are typically denominated in U.S. dollars, offset in part by a significant amount of raw material purchases being denominated in U.S. dollars
- a strong Australian dollar makes imported steel products less expensive to Australian customers, potentially resulting in more imports of steel products into Australia
- a strong Australian dollar affects the pricing of steel products in some Australian market segments where pricing is linked to international steel prices
- earnings from its international businesses must be translated into Australian dollars for financial reporting purposes.

(e) Competition from other materials and from other steel producers could significantly reduce market prices and demand for the Company's products.

In many applications, steel competes with other materials such as aluminium, concrete, composites, plastic and wood. Improvements in the technology, production, pricing or acceptance of these competitive materials relative to steel could result in a loss of market share or margins.

In addition, the Company faces competition from imports into most of the countries in which it operates. Increases in steel imports could negatively impact demand for or pricing of the Company's products. If the Company is unable to maintain its current market position or to develop new channels to market for its existing product range, its financial prospects could be adversely impacted.

Other risks that could affect BlueScope include:

- not being able to realise or sustain expected benefits of internal restructuring, project developments, joint ventures or future acquisitions
- significant asset impairment, particularly if weak market conditions persist
- an inability to maintain, extend or renew key raw material, operational services and funding on favourable terms relative to our competitors
- a major operational failure or disruption

- changing government regulation including environmental, greenhouse gas emissions, tax, occupational health and safety, and trade restrictions in each of the countries in which we operate
- potential legal claims, including the existing dispute with the Australian Taxation Office in relation to a sale and leaseback transaction entered into by the Company in 2007
- loss of key Board, management or operational personnel
- substantial Company contributions to its employees' defined benefit funds, which are currently underfunded
- industrial disputes with unions that disrupt operations.

BlueScope Steel Limited Annual Report 2012/13, pages 5-7

Disclosure 14: Seek prospects

Seek provide a concise, yet useful summary of their prospects for future financial years.

Likely developments and expected results of operations

At the date of this report there are no likely developments in the operations of the consolidated entity constituted by the SEEK Group which would materially impact the results of the Group.

The following are key opportunities that may benefit SEEK's financial and operating result in future periods:

- Higher job ad volumes across SEEK's assets resulting in significantly stronger cash flows across the Group , as a result of:
 - An acceleration of the structural migration from print to online
 - A significant turnaround in the macroeconomic cycle
 - An acceleration in urbanisation or internet penetration in SEEK's international markets
- An increase in SEEK's share of placements as a result of the successful implementation of the Group's Placement Strategy
- Development of highly successful products and services that can be rolled out across the Group at little incremental cost
- Further weakening of the AUD
- Realisation of benefits associated with financing arrangements, including sourcing new financing and the refinancing of existing borrowings
- Changes to regulations which result in increased students choosing to study in Australia

Seek Limited Annual Report 2013, page 14

Disclosure 15: Downer EDI strategies and risks

Downer EDI present a well laid out and clear summary of their strategies, broken down between short and long term plans with key achievements to date against these plans, key risks that may impact their ability to deliver on these strategies and how these risks are managed by the company.

GROUP BUSINESS STRATEGIES AND PROSPECTS FOR FUTURE FINANCIAL YEARS		
Downer's key business strategies in recent years have focused on transforming the business and Downer intends to continue focusing on these strategies in future financial years. The specific strategic objectives, Downer's prospects of achieving them and the risks that could adversely affect their achievement are set out in the table below.		
Strategic Objective	Prospects	Risks
Maintain focus on Zero Harm.	The health and safety of Downer's people is the Company's first priority and Downer has improved its health and safety performance in recent years, as monitored through the measure of Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR). Downer will seek to improve its health and safety performance continuously to achieve its goal of zero work-related injuries and environmental incidents.	Downer's activities can result in harm to people and the environment. Downer has sought to mitigate this risk by assessing, understanding and mitigating the "critical risks" facing Downer and implementing Downer's Cardinal Rules which provide direction and guidance on these critical risks.
Finalise delivery of the manufacturing phase of the Waratah Train Project.	There are now 47 Waratah trains available for passenger service and the production rate and quality are at the levels required to deliver the 78th Waratah train in mid-calendar 2014 in accordance with the revised delivery schedule. Downer is working to achieve the revised forecast cost to complete the manufacturing phase of the project.	At 30 June 2013 there remained \$41 million in the general project contingency. Failure to deliver the project within the remaining contingency would adversely affect Downer's financial performance. Downer has sought to mitigate this risk by ensuring management conducts regular schedule sensitivity and risk analysis to monitor key metrics and identify potential issues early. In addition, a supply chain review has been conducted to gain assurance over the ability of key suppliers to deliver against the schedule.
Strengthen the foundations of Downer's business.	Downer will continue to pursue initiatives to strengthen the foundations of its business. These include: <ul style="list-style-type: none"> - Enhancing management capability to improve operational and financial performance; - Maintaining industry and geographical diversification to achieve greater resilience through economic cycles; - Continuing to improve tender, contract and project risk management processes; and - Improving the balance sheet and capital management. 	The achievement of these strategic objectives may be affected by macro-economic risks including China's slowing growth, volatile commodity prices, reduced capital expenditure in the Australian resources sector and increasing overseas competition. Downer will continue to manage its exposure to these risks by implementing: <ul style="list-style-type: none"> - A succession planning process for all leadership roles and a leadership development program; - Growth and development strategies to diversify revenue sources, including through joint ventures; - Rigorous tender, contract and project risk policies and procedures consistently across the Group; and - A successful refinancing of the Group, reducing net debt and gearing and delivering consistently strong cash flow. These achievements, combined with significantly improved risk and project management processes, were important factors in Fitch Ratings' decision to upgrade Downer's credit rating in June 2013 to "BBB" with Stable outlook.

Strategic Objective	Prospects	Risks
Drive growth in core markets with key customers.	Downer intends to pursue growth in core markets with key customers through strategies which include: <ul style="list-style-type: none"> - Continuous improvement of the Company's engagement with customers, including working with them constructively to reduce costs and improve productivity; - Leveraging "cross-selling" opportunities; - Developing and growing Asset Management capabilities; - Focusing more closely on forward revenue opportunities, including large LNG projects and the outsourcing of road maintenance by State Governments; - Expanding into overseas markets selectively through existing customer relationships; - Continuing to grow Downer Rail's locomotive and passenger train maintenance businesses to replace revenue streams at the conclusion of the Waratah Train Project and other build contracts; and - Continuing to achieve production and cost efficiencies in the mining services business. 	The achievement of these strategic objectives may be affected by macro-economic risks including China's slowing growth, volatile commodity prices, reduced capital expenditure in the Australian resources sector, insourcing by key customers (e.g. rolling stock maintenance and mining services) and increasing overseas competition. Downer will continue to manage its exposure to these risks through: <ul style="list-style-type: none"> - Ongoing analysis of markets, customers and competitors to understand potential impacts and determine necessary action; - Continuing to drive benefits from the establishment of Downer Infrastructure and enhancement of Downer's Customer Relationship Management (CRM) tools; - Forming strategic partnerships and joint ventures with leading technology and knowledge providers; - Forming strategic partnerships and joint ventures with leading technology and knowledge providers and enhancing Downer's CRM; - Rigorous review of all overseas opportunities; - Engaging with customers and ongoing improvement in best practice maintenance programs to improve fleet reliability; and - Continued focus on Downer's Fit 4 Business program (refer below), and plant efficiency to achieve value for money outcomes for key customers.
Simplify, consolidate and enable the Downer business.	The establishment of Downer Infrastructure in May 2012 was an important part of this strategic objective and it has enabled Downer to leverage its existing expertise more broadly and capitalise on growth opportunities. Downer Infrastructure achieved a 13.1 per cent increase in revenue in the 2013 financial year. Downer's Fit 4 Business program is also a key driver of this strategy. The program has achieved \$250 million in gross benefits over the past three financial years and is now targeting an additional \$250 million in gross benefits in the 2014 and 2015 financial years.	Failure to achieve its Fit 4 Business targets would adversely impact Downer's future financial performance. Downer has a dedicated Fit 4 Business team that will continue to drive initiatives to reduce costs and improve productivity across the Group.

Disclosure 16: Metcash strategies and risks

Metcash has taken a different approach to its strategy discussion. Metcash first highlights the significant business risks impacting sales, margins and costs of doing business and then discusses the key business strategies and plans in place to deal with these key risks. This approach makes it clear why these are the key business strategies impacting on the future financial performance of the business.

3. Business Strategies and Prospects (*Incorporating Likely Developments and Expected Results*)

Metcash's core strategy will continue to be the 'champion of the independent retailer' and to support our independent retailers to drive mutually profitable growth. Metcash will also continue to focus on growth through targeted acquisition and investment.

The incoming CEO, Ian Morrice has commenced a formal strategic planning process from which a number of initiatives will be developed and communicated at 1H 14. While the plan will continue to focus on strategies to champion sustainable independent businesses, it will also look to identify and pursue new growth opportunities in existing and complementary sectors for each Metcash division. Initial priorities for Mr Morrice will include reviewing the Food & Grocery operations to respond to the ongoing deflationary market conditions; developing strategies to better address the online and digital marketing requirements of each division; driving continued supply chain evolution through the new automated solutions being built for the Huntingwood DC, and optimising recent acquisitions and supply contracts.

Sales Volumes

Deflation and its deleveraging impact together with the intensely competitive trading environment remain the most challenging and significant business risks. Metcash's wholesale sales volumes and therefore its profitability are directly related to the level of retail sales achieved by our independent retailer customers. Metcash may also face financial exposure to these retailers through trade receivables, loans and lease commitments in the event of customer default.

In the food & grocery business, the strategy is to support the independent IGA retailers to be competitive and to help them differentiate themselves from the chains in four key areas: *fresh* offer ('200% guarantee'), *range* ('favourite brands'), *value* ('locked down low prices') and *community* (e.g. Community Chest) in order to present a unique consumer proposition.

Food & grocery plans to drive organic growth principally through new store development, conversions, extensions and refurbishment activities. Further sales volume growth is expected through the 'buyback' program, whereby poorer performing IGA stores are placed into the hands of more experienced retailers.

Food & grocery also plans to grow sales by securing new customer contracts, with recent examples including the contract to supply Supabarn in NSW/ACT and also to supply Spotless in WA/Queensland. Food & grocery is also trialling new store formats, including Value Depot (convenience) and Harvest Market (fresh).

Brand presence will be strengthened through targeted marketing and merchandising strategies, including integrated campaigns featuring comedian Ahn Do to promote the IGA brand.

The liquor division plans to step up on its recent organic growth by continuing to refine execution levels and the retail offer at store level, supplemented by supplier support. The strategy to lift wine sales through the network will continue. The division is also trialling new larger format stores under the Cellarbrations and Bottle-O banners. The liquor division will continue to review opportunities to grow in key markets through its hotel strategy.

The hardware & automotive division plans to further strengthen the network through its joint venture activities in Mitre 10 and to entice retailers to convert to the Mitre 10 brand. The Mitre 10 trade business has been strengthened through the Natbuild alliance, benefitting Mitre 10 store owners through lower costs. Mitre 10 will continue to build brand presence through its association with Channel 9's 'The Block' television series. The automotive business will target organic growth in the significant \$5.6 billion automotive aftermarket retail parts sector through increased ranging and customer service by leveraging existing support structures within the Metcash group.

Margins & the 'Cost Of Doing Business' (CODB)

The level of sales price deflation and cost inflation evident in the grocery market, together with the increased propensity of the consumer to purchase goods when on promotion continue to be material business risks. Sales deflation negatively impacts profit margins, largely because margins are earned as a percentage of a 'deflated' wholesale sales revenue. Sales deflation and promotional activity will be reviewed in the upcoming strategic review.

Cost inflation, including rising transport, utility and other costs, has a direct impact on the CODB. In the near term, Metcash plans to deliver cost synergies by integrating the recently acquired businesses with Metcash. CODB improvements are also expected through IT systems (completion of the national rollout of 'Power Enterprise' transaction system and e-commerce solutions), along with 'business-as-usual' initiatives to drive warehouse and support costs down. In the longer term, Project Mustang (warehouse automation - noted above) is expected to deliver further benefits.

Discontinued Operations – Franklins Retail Stores

Metcash's strategy has been to sell the 80 Franklins stores to independent retailers and this program of sales has recently accelerated. By the end of June 2013, 74 stores are expected to have been sold or closed and the remaining 6 stores are expected to be sold or closed by October 2013, at which point the retail trading losses will cease. The Franklins Rockdale head office has already been wound down and will be closed in the first quarter.

Expansion

Subsequent to year end, Metcash acquired 100% of the ATAP group through ABG for \$84.0m as detailed in Note 33. The acquisition represents the next stage in Metcash's growth strategy in the automotive aftermarket sector. The acquisition provides greater access to 2,500 independents and further opportunity for increased ranging and service levels across the ABG and ATAP businesses. Metcash will continue to identify further acquisition or investment-led growth opportunities for its various divisions as part of the Group's long-term aspirations to grow shareholder value.

Metcash Limited Annual Report 2013, pages 33-34

Disclosure 17: Investa Office Fund risks

Investa Office Fund provide a good discussion of its material business risks, clearly explaining how the risk impacts on the business and financial performance and how it is managed by the company. Investa include additional details which provide the reader with an insight to the potential future trends.

Material business risks

- > Market cycle – Economic growth and economic environment present risks to tenant vacancies, the availability of funding, the property valuation cycle and interest rates. The mitigation of these risks is discussed further below.
- > Vacancy levels – The level of vacancy can impact the Group's rental returns and market value of its office properties. A high vacancy level is likely to result in lower rental returns and a lower property values. This risk is mitigated by a strong focus on tenant service and amenities to encourage high levels of tenant retention, together with a focus on managing lease expiries in the near to medium term. The Group has current low levels of existing vacancy (4%) and weighted average lease expiry of 4.9 years across the Australian portfolio.
- > Property valuation cycle – Conditions prevailing in the general economic environment and the property investment markets in Australia and Europe affect the value of the Group's property investments located in those markets. Decline in the Group's property values would increase the Group's gearing levels, which increases the risk of a breach of financing covenants and may increase borrowing costs. This risk is mitigated by the Group targeting a gearing range with reference to the property valuation cycle and by the Group's investment in high quality commercial grade office buildings.

Unlike other developed property markets such as the United States of America, United Kingdom, Hong Kong and Singapore, property values in Australia, where 88% of the portfolio is located, have not risen substantially since the impact of the Global Financial Crisis. Whilst economic conditions remain uncertain, Australian commercial property investments are currently attracting significant interest from international investors seeking attractive income returns.
- > Availability of funding – The availability of capital funding can impact the Group's level of liquidity and growth as a shortage of available capital would impact the ability to refinance maturing debt facilities and limit the ability to invest in new or existing assets. This risk is mitigated by the Group continuing to diversify sources of financing, staggering debt maturities and the Group's target gearing range of 25%-35%.

> Interest rates – The level of interest rates can affect the amount of interest payable on the Group's debt facilities as well impacting investor sentiment towards property assets and hence market values. Higher interest rates increase interest costs and encourage reduced investment, while low interest rates reduce interest costs and can encourage increased investment activity. Interest payable risk is mitigated by the use of interest rate derivatives based on hedge ratio limit ranges outlined in Note 21(a) of the Financial Statements.

> Exchange rate risk – The Group is exposed to movements in the AUD/EUR exchange rate through its investments in the Dutch Office Fund and Bastion Tower, Belgium. Exchange rate risk is mitigated by the matching of the EUR currency assets with EUR currency borrowings. At 30 June 2013, on a look through basis 83% of the value of the Group's European investment had been hedged with EUR denominated liabilities.

The Group is exposed to movements in the AUD/USD exchange rate through its issue of the US\$125.0 million USPP in August 2013. Exchange rate risk is mitigated by the use of a cross currency swap, which minimises both the interest rate and exchange rate risk on these borrowings.

> Euro zone deterioration – The growth outlook within the Euro zone can impact rental and investment returns in the Group's European investments and its ability to exit these investments. The Responsible Entity intends to exit these investments as soon as market conditions allow, with a sale program underway for the Bastion Tower, Belgium investment.

Investa Office Fund Annual Financial Report 30 June 2013, page 34

Disclosure 18: Cochlear risks

Cochlear clearly articulates its material business risks. The risk discussion is tailored and specific to the company. It highlights the key implications of the risks and where relevant, how these risks are managed.

Business risks

Cochlear's principal business risks are outlined below. These are significant risks that may adversely affect Cochlear's business strategy, financial position or future performance. It is not possible to identify every risk that could affect Cochlear's business, and the actions taken to mitigate the risks described below cannot provide absolute assurance that a risk will not materialise.

• Product innovation and competition

Cochlear is exposed to the risk of failing to develop and produce the most innovative products for customers. Increased competition exposes Cochlear to the risk of losing market share as well as a decrease in average selling prices in the industry. Cochlear is also exposed to the risk of technological advancement by third parties where alternative products are developed and sold that render Cochlear's products obsolete. This could result in a loss of sales.

In F13, Cochlear invested over 16% of revenue in R&D. Cochlear also works with over 100 external research partners. The creation of new intellectual property and the protection of new and existing intellectual property are a key focus for Cochlear. Cochlear currently has patents over a range of features of its technologies.

• Patent litigation

Cochlear operates in an industry that has substantial intellectual property and patents protecting that intellectual property. Cochlear is exposed to the risk that it will be litigated against for claims of patent infringement. This could result in Cochlear paying royalties to be able to continue to manufacture product, or injunctions preventing Cochlear selling products it had developed.

• Misappropriation of know-how and intellectual property

Cochlear is exposed to the risk of its know-how and intellectual property being misappropriated either through hacking of its systems or by employees, consultants and others who from time-to-time have access to Cochlear's know-how and intellectual property. This could result in competitors using this information and increasing their competitiveness. Cochlear could lose market share as a result of this.

Cochlear monitors its systems and has confidentiality agreements in place with employees and third parties that are exposed to its know-how and intellectual property.

• Regulation

Cochlear operates in a highly regulated industry. Medical devices are subject to strict regulations of regulatory bodies in the USA, Europe, Asia and Australia as well as many other local bodies in countries where Cochlear's products are sold. If Cochlear or a third party supplier fails to satisfy regulatory requirements or the regulations change and amendments are not made, this could result in the imposition of sanctions. Delays in achieving regulatory approval can impact Cochlear's ability to sell its latest technology. These risks could result in the loss of sales and reputational harm.

Cochlear has a worldwide quality assurance system in place.

• Reimbursement

The majority of Cochlear's customers rely on a level of reimbursement from insurers and government health authorities to fund their purchases. There is increasing pressure on healthcare budgets globally. Cochlear is also subject to healthcare related taxes imposed by government agencies and this could negatively impact the ability of candidates to access Cochlear's products (eg the Medical Device Excise Tax in the USA).

Cochlear continues to work with reimbursement and government agencies throughout the world to emphasise the benefits and cost effectiveness of the intervention.

• Product liability

The manufacturing, testing, marketing and sale of Cochlear's products involve product liability risk. As the developer, manufacturer, marketer and distributor of certain products, Cochlear may be held liable for damages arising from use of its products during development or after the product has been approved for sale.

Cochlear maintains product liability insurance and operates a worldwide quality assurance system related to the design, testing and manufacture of its products. In September 2011, Cochlear initiated a worldwide voluntary recall of its unimplanted Nucleus CI500 cochlear implant range. Management's best estimate of the probable costs related to the recall was expensed and provided for in F12 as disclosed in Note 29 to the financial statements.

• Interruption to product supply

Cochlear relies on third-party companies for the supply of key materials and services. This carries the risk of delays and disruptions in supplies. Certain materials are available from a single source only and regulatory requirements make substitution costly, time-consuming or commercially unviable. Lifetime and strategic purchases of certain items are made.

Cochlear manufactures its cochlear implant products in Sydney, with the latest generation products to be manufactured at Cochlear's Macquarie University headquarters and legacy products in Lane Cove. Cochlear manufactures its bone conduction implant products in Sweden. There is the potential risk of disruption to sales should a manufacturing facility be unable to operate. Any new manufacturing facility will require regulatory approval prior to being able to produce and sell product from it. This approval could take many months.

Cochlear monitors its suppliers and identifies second source supply where possible. Inventories are managed and purchased in sufficient quantities for continued product supply in the short term. Cochlear also regularly reviews its disaster recovery plans for its manufacturing sites.

• Foreign exchange rates

Cochlear is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the legal entities. The currencies in which these transactions primarily are denominated are AUD, USD, EUR, JPY, Sterling (GBP), Swedish kroner (SEK) and Swiss francs (CHF). Over 90% of Cochlear's revenues and over 50% of costs are denominated in currencies other than AUD.

Currency risk is hedged in accordance with the treasury risk policy. The treasury risk policy aims to manage the impact of short-term fluctuations on Cochlear's earnings. Over the longer term, permanent changes in market rates will have an impact on earnings. Derivative financial instruments (forward exchange contracts) are used to hedge exposure to fluctuations in foreign exchange rates in a declining ratio of coverage out to three years.

• Credit

Cochlear's exposure to credit risk is influenced mainly by the geographical location and characteristics of individual customers. Cochlear does not have a significant concentration of credit risk with a single customer. The majority of debtors are government supported clinics or major hospital chains.

Policies and procedures for credit management and administration of receivables are established and executed at a regional level. Individual regions deliver reports to management and the Board on debtor ageing and collection activities on a monthly basis.

In monitoring customer credit risk, the ageing profile of total receivables balances and individually significant debtors is reported by geographic region to the Board on a monthly basis. Regional management is responsible for identifying high risk customers and placing restrictions on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

In addition, absolute country limits are in place and Chief Financial Officer approval is required to increase a limit. These limits are periodically reviewed by the Audit Committee.

• Interest rates

Cochlear is exposed to interest rate risks in Australia.

Interest rate risk is hedged on a case-by-case basis by assessing the term of borrowings and the purpose for which the funds are obtained. Hedging against interest rate risk is achieved by entering into interest rate swaps. At 30 June 2013, no hedging had been entered into.

Cochlear Limited Annual Report 2013 (part B), pages 27-28

Disclosure 19: DUET Group risks

DUET provide a clear, concise and tailored discussion of their business risks including the possible impacts on the company and how these risks are managed.

Key risks and uncertainties (continued)

Workplace Health and Safety Risk

Failure to implement effective workplace health and safety (WHS) and public safety procedures at DUET Group's asset companies give risk to WHS and/or public safety risks which in turn may create reputational or regulatory risk.

DUET Group manages these risks by developing appropriate WHS policies, training and reporting in accordance with the required legislation. Furthermore, the asset companies employ WHS expertise to ensure dedicated resources are available to manage these risks. Senior management and internal audit regularly visit the asset companies to further monitor WHS and public safety initiatives.

Regulatory risk

The DUET Group operates in regulated industries and carries out its business activities under various permits, licences, approvals and authorities from regulatory bodies. Regulatory bodies are responsible for setting tariffs, which directly impact a significant proportion of the DUET Group's revenue and therefore any adverse change to regulatory tariffs would impact the DUET Group's profitability. In addition, if any permits, licences, approvals or authorities are revoked, or if the DUET Group breaches its permitted operating conditions, this would adversely impact the DUET Group's operations and profitability.

DUET Group's operating businesses must satisfy a prudence test for certain expenditure to be recovered through the regulatory revenue mechanism. There is a risk that despite expenditure being incurred by DUET's operating businesses, the recovery of this expenditure is disallowed by the relevant regulatory body.

The regulatory compliance and network performance risks of DUET Group are actively managed drawing on the Group's highly experienced in-house regulatory experts and engineers. Regulatory risk is also mitigated by the use of industry experts when the Group prepares for regulatory price reviews. Other measures employed include the use of KPI monitoring of network performance, equipment condition monitoring and the implementation of annual asset management plans.

Interest rate risk

There is a risk that changes in the DUET Group's credit ratings, prevailing market interest rates and the strength of capital markets will influence the DUET Group's interest costs and its ability to refinance debt respectively.

The DUET Group has a structured and proactive approach to understanding and managing interest rate risk. The Group focuses on maintaining and monitoring base interest rate hedging commitments and diversified funding sources with reputable finance institutions both locally and globally.

Tax

The risk that changes in tax law (including goods and services taxes and stamp duties), or changes in the way tax laws are interpreted in the various jurisdictions in which the DUET Group operates, may impact the tax liabilities of the DUET Group and the assets in which it holds an interest.

DUET Group seeks to manage this risk by monitoring changes in legislation, utilising external tax and legal advisors. The Group also employs a team of highly experienced qualified accounting and tax experts within each asset company which regularly monitors the taxation legislation relevant to the company's operations.

Climate

Changes in weather patterns as a result of climate change could have an adverse effect on the DUET Group's operating businesses increasing both capital and operating costs. Volumes carried on the networks may vary due to weather conditions (as well as due to other factors such as changes in industrial use, seasonality, general economic conditions, use of competing sources of energy).

DUET Group undertakes significant capital expenditure on its assets to minimise the impact of climate-related factors.

General economic conditions

The DUET Group's operating and financial performance is influenced by a variety of general economic and business conditions, including interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions, government fiscal, monetary and regulatory policies, changes in gross domestic product and economic growth, employment levels and consumer spending, consumer and investment sentiment and property market volatility. Prolonged deterioration in these conditions, including an increase in interest rates, an increase in the cost of capital or a decrease in consumer demand, could have a materially adverse impact on the DUET Group's operating and financial performance.

To the extent possible, DUET Group manages these risks by incorporating a consideration of general economic conditions into its regulatory submissions and financial plans.

DUET Group Annual Report 2013, pages 8-9 of Directors Report

Disclosure 20: Federation Centres risks

Federation Centres' OFR discusses the material business risks specific to its industry and operations, clearly describing the risk, its impact on the company and how it is managed.

Tenant default

The majority of FDC's revenue is generated from rental income from tenants across the property portfolio. As such, any default by a tenant that causes it to break its lease or default on payment of its lease obligations has the potential to adversely impact the operational and financial results of FDC. Whilst individually this is unlikely to be material, systematic default by a number of tenants could be material.

The risk from tenant defaults is managed by maintaining a diverse portfolio of tenants and managing the exposure to any individual tenant to ensure that it is unlikely a default by any individual tenant would cause a material adverse effect on the operations of FDC. In addition, the strength of FDC's relationships with retailers and ability to attract replacement tenants is important in managing this risk.

Property development risk

Future growth of FDC will in part be dependent on it continuing to develop its properties to improve sales and grow the gross lettable area and to improve and maintain its market position with retailers and consumers. Risks associated with development activities include:

- construction not being completed on time or on budget;
- proposed leasing terms not being achieved;
- maintaining existing occupancy levels during construction and leasing new space on completion;
- funding being available for new development;
- obtaining required permits, licences or approvals and timing of receipt of such approvals;
- industrial disputes affecting timing;
- customers lost to competitors during development phase may not return; and
- in the event a proposed project does not proceed, pre-development costs may need to be written-off.

There is no guarantee that completed development projects will increase the value of the property being developed. Accordingly, there is a risk that some or all of the development expenditure may be expensed.

To effectively manage this risk, FDC has assembled a strong development team with significant experience in retail development.

FDC undertakes rigorous feasibilities and due diligence for all potential development projects including the utilisation of third parties expertise. In addition, FDC does not undertake any speculative developments, and secures pre-commitments from major tenants prior to any development being undertaken.

Co-ownership agreements

FDC is a co-owner of a number of properties, which are 50% co-owned with third parties. Under the co-ownership arrangements on these properties, FDC does not have exclusive control over the development, financing, leasing and other aspects of the properties. Owning an interest in an asset jointly with a third party imposes restrictions on flexibility, which do not apply when the asset is wholly owned. From time to time major decisions will be required associated with redevelopment, refurbishment, refinancing, or sale of the properties themselves or adjoining land. Where FDC has business objectives that are inconsistent with those of its co-owner in relation to those decisions, such business objectives may not be able to be achieved, or achieved in a timely manner, and there is the possibility for disputes to arise.

FDC manages the risks associated with the co-ownership agreements by:

- ensuring that the business objectives of FDC and the third party are aligned and consistent;
- complying with the various contractual agreements between the parties;
- being retained as manager and responsible for the redevelopment programs; and
- FDC has the usual rights of first refusal in the event that the co-owner opts to exit the co-ownership agreement.

Federation Centres Limited Annual Report 2013, page 45

4.5 Use of unreasonable prejudice exemption

Relying on the unreasonable prejudice exemption requires consideration of whether there is unreasonable prejudice, and whether it is likely to occur. The basis for relying on the exemption should be evaluated and established by the directors before any required information is omitted.¹⁸

The s299A(3) exemption provide relief for companies from including information on business strategies and future prospects in their OFR where this information is expected to result in unreasonable prejudice to the company or any member of its consolidated group. In the past, many companies had relied on this exemption when compiling their OFR; our review in previous years identified that all companies reviewed used the exemption to some extent, although maybe not all made an explicit statement to that effect in their annual report.

ASIC had previously expressed concern with the extent to which this exemption was used and has provided guidance on its use within RG 247.

Following the release of RG 247, we have seen a significant decrease in the use of the unreasonable prejudice exemption, with only 40 percent of companies making an explicit statement of its use in their current annual reports, compared to over 60 percent of the same population of companies in their prior year reports.

Some companies continue to use this exemption and either do not disclose this fact in their annual reports or when they do disclose its use, there appears to be enough information provided in the OFR that, in our view, made its use unnecessary.

Clearly companies have paid attention to RG 247 and limited the use of the exemption. However, for those companies still relying on the exemption, there is still some way to go to achieve the disclosures that RG 247 recommends when the exemption is used. Our review of the ASX51-100 companies December 2012 to September 2013 annual reports, identified one good practice disclosure of a company using the exemption that clearly addresses the RG 247 disclosure recommendations (refer disclosure 21).

Per RG 247, when considering whether the exemption is utilised, consideration should be given to the following.

Is the information already publicly accessible?

Where information on business strategies and prospects has been disclosed elsewhere by the company or can be inferred from other documents available to the public, it would be unlikely that such information would result in unreasonable prejudice.

Where this information is not already publicly available, a company considers the adverse consequences of providing this information. The regulatory guide notes it would be rare that a company could not disclose any information on business strategies and prospects.

What are the adverse consequences that are likely to occur if the information is provided?

Identify the adverse consequences that are likely to occur and whether these are unreasonable i.e. would be unreasonable if the information gives a third party a commercial advantage, resulting in a material disadvantage to the company.

If the company concludes these adverse consequences are unreasonable, there is unreasonable prejudice and an assessment of its likelihood must be undertaken.

Is it likely that this information will result in unreasonable prejudice?

To be likely, it must be 'more than a possibility' or 'more probable than not'. A mere possibility of unreasonable prejudice is not sufficient to meet the s299A(3) exemption requirements.

When assessing likelihood, consider 'whether' and 'how' the information may be used by third parties and weigh up any detriment against the value of this information to shareholders.

Have appropriate disclosures been made?

Where a company concludes that unreasonable prejudice is likely and information is omitted from the OFR, the company must disclose that fact. ASIC recommends that this disclosure include a summary of the types of information omitted and the reasons for its omission.

¹⁸ RG 247.66

Given the OFR forms part of the directors' report, its content, completeness and whether or not it is in compliance with the Corporations Act is essentially the ultimate responsibility of the directors'. As it is often management that is responsible for the collation of the OFR and making the initial decision on what information, if any should be excluded, directors in conjunction with management, as a matter of good governance may wish to implement a formal process related to the OFR preparation. This process may enable management to report back to directors on the key positions taken and judgments made in compiling the OFR and specifically, what information has been excluded from the OFR and whether or not it is appropriate that the unreasonable prejudice exemption is utilised.

This process may involve:

- Management compiling a paper for presentation to the directors or members of the Audit Committee, summarising the process they have undertaken and specifically if, for what and why the unreasonable prejudice exemption was used.
- Identifying and involving directors in the OFR compilation process, possibly by including this responsibility within the remit of the Audit Committee.
- Obtaining legal advice on the exclusion of significant yet commercially sensitive matters when necessary, to ensure excluding this information is justified.
- Documentation of what information has been excluded from the OFR that a user would reasonably require and the rationale for its exclusion.
- Comparing board papers and board discussions over the course of the reporting period to the OFR disclosure to assess whether any additional disclosures should be made in the OFR.
- Mapping the various market releases, investor presentations and other publicly available documents issued over the course of the reporting period to the OFR disclosure to ensure that items identified for exclusion under the unreasonable prejudice exemption have not already been disclosed to the public.

Our observations on the use and disclosure of the unreasonable prejudice exemption from the ASX51-100 annual reports are as follows.

Consideration	Our Observations
Use of the exemption	<ul style="list-style-type: none"> • Sixty percent of companies appear to have used the unreasonable prejudice exemption. • Forty percent made an explicit statement in their annual report that they used the exemption. Interestingly, 35 percent of these, in our view, did not need to make the statement as the information included in the annual report on strategies and future prospects appeared to reflect what a shareholder would reasonably require to make an informed assessment.
Disclosure	<p>Of the companies that made the statement that they used the exemption:</p> <ul style="list-style-type: none"> • Fifty-five percent attempted to articulate the type of information omitted. However, most of these disclosures were very general, stating something along the lines of "information that would cause unreasonable prejudice to the company" or "information about likely developments" or "commercially sensitive information". • Minimal reasons for not disclosing information were provided. The most common reason provided was that the information was commercially sensitive or would result in unreasonable prejudice.¹⁹

¹⁹ Per RG 247.76 ASIC notes that "to assist shareholders, entities may also consider disclosing a short, high-level summary of the type of information that has been omitted, and the reasons for the omission, where possible. By explicitly stating that there is information of a certain category that has been omitted from the OFR, and on what basis, shareholders are better able to understand the context of the disclosures made in the OFR". As s299A(3) of the Corporations Act only requires an entity to disclose that they have applied the exemption, this information would represent voluntary additional disclosure a company chooses to make to enhance shareholder understanding.

Disclosure 21: Navitas use of unreasonable prejudice exemption

Navitas, describe the information that has been omitted from its strategy and prospects disclosure as a result of using the s299A(3) unreasonable prejudice exemption.

* In reliance on section 299A(3) of the Corporations Act, more specific growth opportunities including, but not limited to, specific potential partner universities in the US market and specific new products to be added to the product range such as new diplomas and associate degrees in both UPD and SAE, have not been disclosed as their disclosure would likely result in unreasonable prejudice against Navitas because disclosure of these would give Navitas' competitors a commercial advantage which would jeopardise Navitas' growth plans and prospects.

Navitas Limited Annual Report 2013, page 32

5 Integrated Reporting

As part of our review of the ASX51-100 annual reports KPMG considered the extent to which companies are already applying certain aspects of the *<IR>* Framework in the preparation of their most recent OFRs, recognising that the Framework was only released in December 2013²⁰, as well as where opportunities for further improvements exist.

The International *<IR>* Framework

The most notable development over the last year was the release of the International *<IR>* Framework (the *<IR>* Framework) by the IIRC in December 2013, following much consultation and update over a three year period. This principles-based framework establishes Fundamental Concepts, Guiding Principles and Content Elements to be considered in preparing an integrated report.

The integrated report is primarily aimed at providers of financial capital, in particular long term debt and equity investors. The underlying rationale is that more effective communication of how value is created and will be enhanced and/or protected over the short, medium and long term, will allow for more informed capital allocation decisions and increased access to capital for the company.

Integrated Reporting:

- does not require the creation of a new or separate report, but offers an opportunity for organisations to enhance and integrate aspects of their current reporting suite, through clearer linkages across all reporting components and better alignment to the business model and corporate strategy.
- recognises that value is not created by organisations in isolation, but through interaction with the external environment and through dependencies on various forms of capital. It aims to communicate how the organisation's business model draws on those capitals as inputs, and converts them to outputs for the entity as well as outcomes for society more generally. *<IR>* is essentially reporting which maps the value creation process.
- drives connectivity throughout the report by linking the business model and business strategy to performance targets, risks to achieving the strategy, actual results and future outlook. It rebalances disclosures away from past history, and towards management's plans and addresses mega-trends and game-changers that if they were to occur could have a fundamental impact, positive or negative, on long term value.

Integrated Reporting and RG 247

Even if organisations are not ready to fully commit to integrated reporting, RG 247 disclosures can be enhanced by using the *<IR>* Framework, especially with respect to a clear explanation of the organisation's business model, its business strategies, and its prospects.

The Guiding Principles and Content Elements of the *<IR>* Framework have much in common with RG 247, however there are some significant differences:

- The key difference lies in the Fundamental Concepts underlying the *<IR>* Framework. RG 247 does not have fundamental concepts, and is rather guidance on best practice supported by a number of worked examples.
- The *<IR>* Framework represents a significant extension to the current intent of RG 247, which is focused mainly on the drivers of financial performance (hence is mostly backward looking), and mainly addresses financial and manufactured capital.
- The *<IR>* Framework also contains a number of 'must haves' if a report is to be able to assert compliance with the Framework notwithstanding that it is principles-based.
- RG 247 is specifically designed for the OFR included in a directors' report under the Corporations Act.
- The *<IR>* Framework makes it very clear that the Framework is not requiring the creation of a new report. It can equally be applied within an existing report. Accordingly, the Framework can be applied to an OFR. Equally, it could be applied in an annual review, a sustainability report, or even a prospectus in support of a capital raising.

Set out below is an analysis of the relationship between the *<IR>* Framework and the guidance contained in RG 247. Following this is a similar analysis in relation to the Guiding Principles and Content elements of the Framework.

Fundamental Concepts

The Fundamental Concepts of the *<IR>* Framework are:

- **Value creation** for the organisation and for others. Providers of financial capital (investors) are interested in the value an organisation creates for itself. They are also interested in the value an organisation creates for others when it affects the ability of the organisation to create value for itself, or relates to a stated objective of the organisation (e.g. an explicit social purpose) that affects their assessments. Accordingly, the ability of an organisation to create value for itself is linked to the value it creates for others.

²⁰ Until December 2013, the IIRC's pilot companies had been working with a prototype of the Framework under the guidance of the IIRC. South African companies had been working under the former South African *<IR>* Framework, which has made a significant contribution to the International *<IR>* Framework.

- **The capitals.** The six capitals comprise financial, manufactured, intellectual, human, social and relationship, and natural capitals, although this categorisation is not required to be adopted in preparing an integrated report. The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation, and there is a constant flow between and within them as they are increased, decreased or transformed.

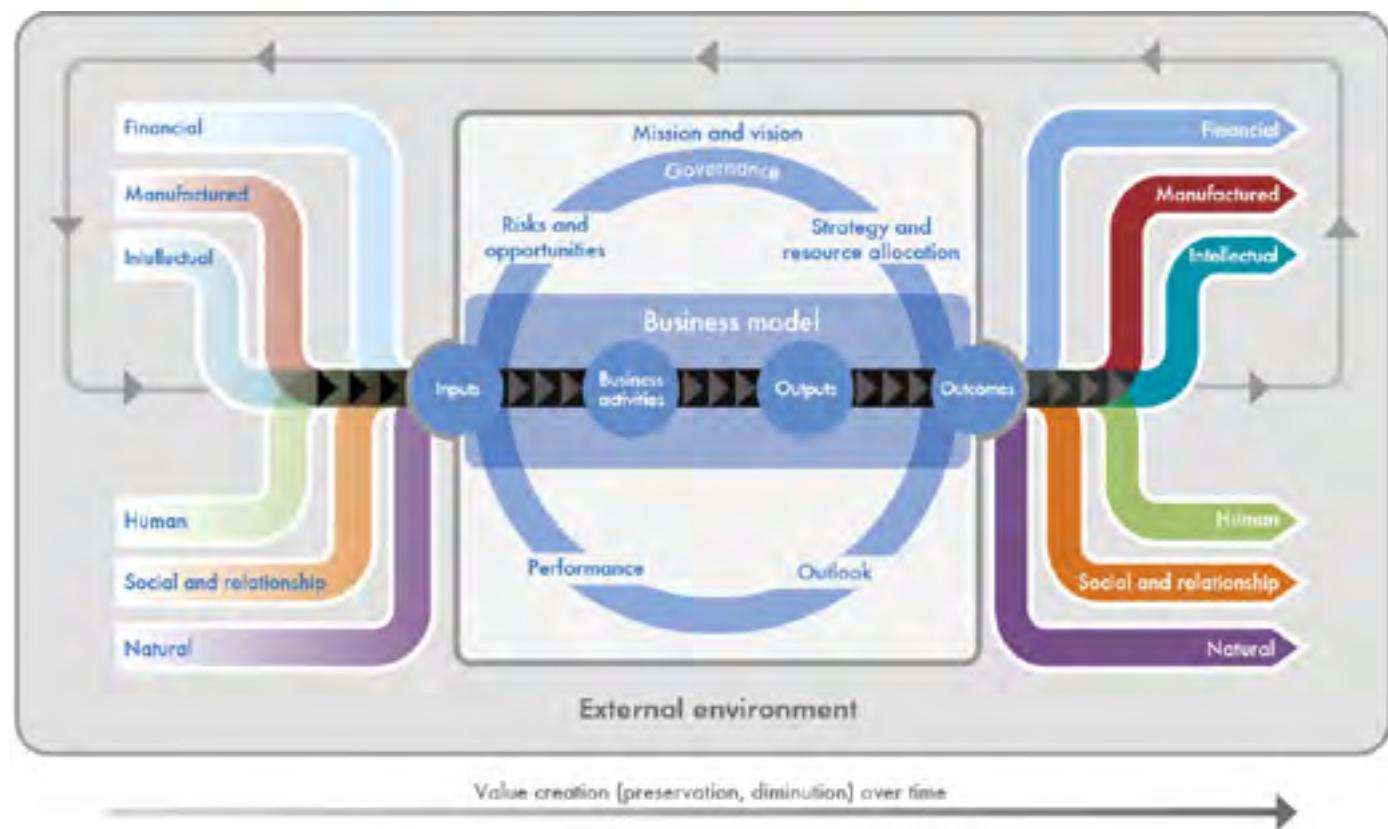
For example, when an organisation improves its human capital through training, the related training costs reduce its financial capital in the short term, but are designed to improve it in the medium to longer term, a point not captured in today's financial and sustainability reporting.

- **The value creation process, or business model.** Value created by an organisation over time manifests itself in increases, decreases or transformations of the capitals caused by the organisation's business activities and outputs (i.e. its business model).

An integrated report aims to provide insights about:

- the external environment that affects an organisation (the external environment) the resources and relationships used and effected by the organisation (the capitals)
- how the organisation interacts with the external environment and the capitals to create value over the short, medium and long term (the business model).

The value creation process set out in an integrated report is captured in the following diagram:



Source: *The International <IR> Framework*, December 2013, p13.

The table below sets out how each of the fundamental concepts in the <IR> Framework are treated in an integrated report, an OFR under RG 247 (and implicitly the IFRS-based financial reports underpinning the OFR), and a typical sustainability report (maybe prepared under the Global Reporting Initiative Framework). The comparison in the final column may provide some clues as to how each report may enable investors and analysts to understand and model the organisation's strategy, performance and prospects in making capital allocation/investment decisions.

Fundamental Concept	<IR> Framework	OFRs under RG 247	'Sustainability Reports'	Comparison
Value Creation	Short, medium and long term, with an emphasis on the value an organisation creates for others when it affects the ability of the organisation to create value for itself, as well as the value an organisation creates for itself.	Focus on 'how we did last year' with some focus on the outlook, with an emphasis on value the organisation creates for itself.	Focus on the value an organisation creates for others.	An integrated report presents an integrated depiction of value creation. OFRs (and financial reports) and Sustainability Reports are less integrated and more 'special purpose'.
The Capitals	Integration across six capitals.	Mainly financial and manufactured capitals.	Mainly social and relationship and natural capitals.	An integrated report is integrated across all six capitals. OFRs and sustainability reports focus mainly on specific capitals.
The Business Model	Central to the <IR> Framework.	Some focus, but more focus on strategic objectives and risks than performance drivers and risk mitigants.	Peripheral	The business model, or value creation process, is at the centre of an integrated report. It is not central to an OFR or a sustainability report, though there is some coverage of the business model in an OFR.



The thought process underpinning preparation of an integrated report calls for significant judgement on the part of the Board and management to determine reporting boundaries, materiality and relevance, and then in presenting the information in a connected manner aligned to strategic objectives. In this way, the company can explain how value has been created to date and will continue to be preserved and created over time.

The OFR is required under the Corporations Act and so is seen as a regulatory driven document, with RG 247 providing guidance on the required content. Boards and management at this stage are not encouraged in Australia to 'take risks' when applying judgement, resulting in excessive or to some extent boilerplate disclosures. ASIC is following **<IR>** developments, and referred to developments in **<IR>** in the OFR consultation paper preceding RG 247 and the **<IR>** Framework²¹.

Guiding Principles and Content Elements

Set out below is a comparison of some of the key Guiding Principles and Content Elements of the **<IR>** Framework with the guidance of RG 247:

RG principle	RG 247	<IR>	Comments
Strategy	Focus on strategies that may have a significant impact on the financial performance or position of the entity.	Sets out the strategy to achieve sustainable value across the 6 capitals over the short, medium and long term.	<IR> sets out strategies that drive value creation across all time dimensions. RG 247 focuses on financial performance strategies, and near term impacts.
Business model	Explains business model to put past financial performance into perspective.	Explains the value creation model across time dimensions and all six capitals.	<IR> demonstrates how the six capitals are used, including short term trade-offs, to effectively create and preserve value over time.

RG principle	RG 247	<IR>	Comments
Risks and opportunities	Discuss key internal and external risks, how controlled and risk appetite.	Align risks and opportunities to strategy and identify methods for monitoring and managing both to create and protect value across all time dimensions. Discuss risk appetite.	<IR> drives disclosure of risks aligned to strategy and draws out risks that may have a fundamental impact on value in time (e.g. mega-trends like infrastructure investment requirements, energy and food security, climate change).
Performance	Analyse accounting information, including underlying drivers, not repeat data that is self evident.	Concise but detailed analysis of results connecting to underlying value drivers which are linked to strategy, targets, risks and opportunities.	Under <IR> performance is aligned to strategy, which drives disclosures of financial and non-financial KPIs that impact value creation across all time dimensions – assessing individual capitals as well as performance across all capitals where there have been trade-offs between capitals. RG 247 disclosures focus on financial performance, although is expected to include certain non-financial indicators.

²¹ CP187 *Effective disclosure in an operating and financial review*, issued in September 2012

RG principle	RG 247	<IR>	Comments	RG principle	RG 247	<IR>	Comments
Outlook	A balanced discussion on prospects that extends beyond the next financial year.	Weighted balance away from historical performance to lead indicators and outlook, including sensitivity analysis and consideration of longer term game-changers.	<IR> disclosures focus more on medium and longer term outlooks that consider megatrends, black swan events and assess sensitivities of future performance to such events. Forecasts are not required, although many organisations provide targets or aspirational goals.	Materiality	Focus on disclosures that are material to financial performance and risk.	Stakeholder engagement to determine and assess their material information needs. Board and executive management (Governance) undertake a process to determine materiality, reporting boundaries and basis of preparation (a Content Element).	RG 247 disclosures do not generally define materiality, whereas <IR> requires it, so that users understand what the Board determines to be material to value creation across all time dimensions.
Connectivity	Some connectivity but largely 'headings' approach to reporting requirements.	A clear strategic 'golden thread' running through the report connecting all disclosures to an ultimate strategic objective. Consideration of all six capitals working together to create value across all time dimensions, explaining trade-offs between capitals over time, and how such trade-offs will be rectified over time.	The 'golden thread' provides clear connectivity throughout the integrated report using the business model, strategic objectives or six capitals to connect content and explain the value creation story more fully. Connectivity is the main differentiating feature of an integrated report.	Conciseness	Balance of narratives and visuals, and of 'silence' (immaterial matters), and cross-referencing to further detail, and use of plain language, especially in explaining complex concepts.	Often more innovative and visually effective approaches to disclosure, as commonly seen in investor presentations.	<IR> often drives more concise disclosures 'on a page' that link business model, strategic objectives, KPIs, and risks, with more detail. Although the integrated report should stand alone, references can be used to other sources e.g. for standing data provided on-line.

Benchmarking of RG 247 disclosures to <IR> Framework for ASX51-100 companies

To provide insight to the difference in disclosure concepts in RG 247 and the <IR> Framework, we have extended our analysis of the RG 247 disclosures in ASX51-100 annual reports for December 2012 to September 2013 to also benchmark them against the <IR> Framework. We acknowledge that the ASX51-100 companies did not have access to the <IR> Framework in the reporting period subject to review (given that it was released in December 2013), nor were they required to apply it.

The table below highlights how the Australian companies disclosures under RG 247 compare to the <IR> Framework and against current global good practice, in key areas such as reporting on strategy, business model, risks and opportunities, performance, outlook and connectivity of information.

Results of assessment under <IR> Framework

	IIRC best practice					Australian 2013 OFR
Strategy	No discussion of strategy	High level overview of company strategy	Strategic goals disclosed, limited links to value creation	Strategy linked to key disclosures	A fully integrated disclosure	<ul style="list-style-type: none"> Over 80% of companies were able to communicate their strategy, however discussions were often at a 'high level' Discussion of strategy often spread throughout the report and not interconnected.
Business model	No discussion of business model	Elements of the business model discussed	Discussed in terms of inputs, business activities, outputs and outcomes	Discussion linked to the capitals and value creation	A fully integrated disclosure	<ul style="list-style-type: none"> Over 60% of companies provided a basic description of their business model, however further disclosure is required to understand how the inputs, combined with business activities, create outputs and outcomes that create value.
Risks and opportunities	No risks disclosed	Generic risks discussed	Company specific risks discussed	Company specific risks disclosed, including how they are mitigated and impact on strategy. Also value drivers and associated KPI's	A fully integrated disclosure	<ul style="list-style-type: none"> 20% of reports linked the discussion of risks and opportunities to strategy, others either provided generic risk discussions or did not follow through to show the impact on the business model and future value creation.
Performance	IFRS-based performance disclosure, limited narratives	High level narratives of performance and KPIs, little linkage to strategy	Detailed narratives linked to strategy. Lacks value creation across 6 capitals	Detailed narratives linked to strategy. Some coverage of value creation across 6 capitals, including KPI's measuring progress	A fully integrated disclosure	<ul style="list-style-type: none"> 25% of companies linked performance back to strategic objectives, and included high level KPIs, however significant enhancement to disclosure is needed to show the outcomes in terms of the six capitals.
Outlook (future prospects)	No discussion on outlook	Generic disclosure, mostly 1 year outlook	Company specific disclosures, beyond 1 year	Disclosures linked to strategy, business model, risks and opportunities	A fully integrated disclosure	<ul style="list-style-type: none"> Whilst 85% of companies provided some comments on outlook, the comments were often generic and did not help the reader understand how the organisation will be affected or if the organisation is equipped to respond.
Connectivity of information	No connection running throughout the report	Connectivity seen between 1-2 disclosures	Connectivity seen between 2-4 disclosures	Connectivity seen between the majority of key disclosures	A fully integrated report	<ul style="list-style-type: none"> 16% of reports demonstrated connectivity between some content elements. More focus is needed to demonstrate how the business model, strategic objectives, risks to strategy and performance align.

51-100 ASX Average

South Africa and IIRC Pilot Programme good practice

Our analysis shows that in response to RG 247, there has been good progress in improving the quality of OFR disclosures across the ASX51-100 reporters, especially in relation to strategy, risks and value drivers. This corresponds with ASIC's findings as reported in December 2013.

It should be noted that the reporting scale used above is based on averages across the population and there were observable outliers, especially on the positive side, in relation to disclosure of strategy, risks and value drivers.

Across the group, the biggest challenges to adopting disclosures under the <IR> Framework are in relation to reporting in a way that can be used with precision by an investor or analyst in their capital allocation models and investment decision making in relation to:

- a business model in a way that demonstrates value creation across the capitals
- achieving connectivity throughout the report, with linkage of content back to the value drivers and risks in the business model and strategic objectives, and
- discussing the organisation's outlook.

These challenges are consistent with observations on good practice <IR> reporters globally. Good practice <IR> observations have been taken from companies that are starting to embrace the concept of <IR>, with leading reporting being seen in South Africa (3 years of <IR> under King III), and by IIRC Pilot Program companies and other early adopters of <IR>.

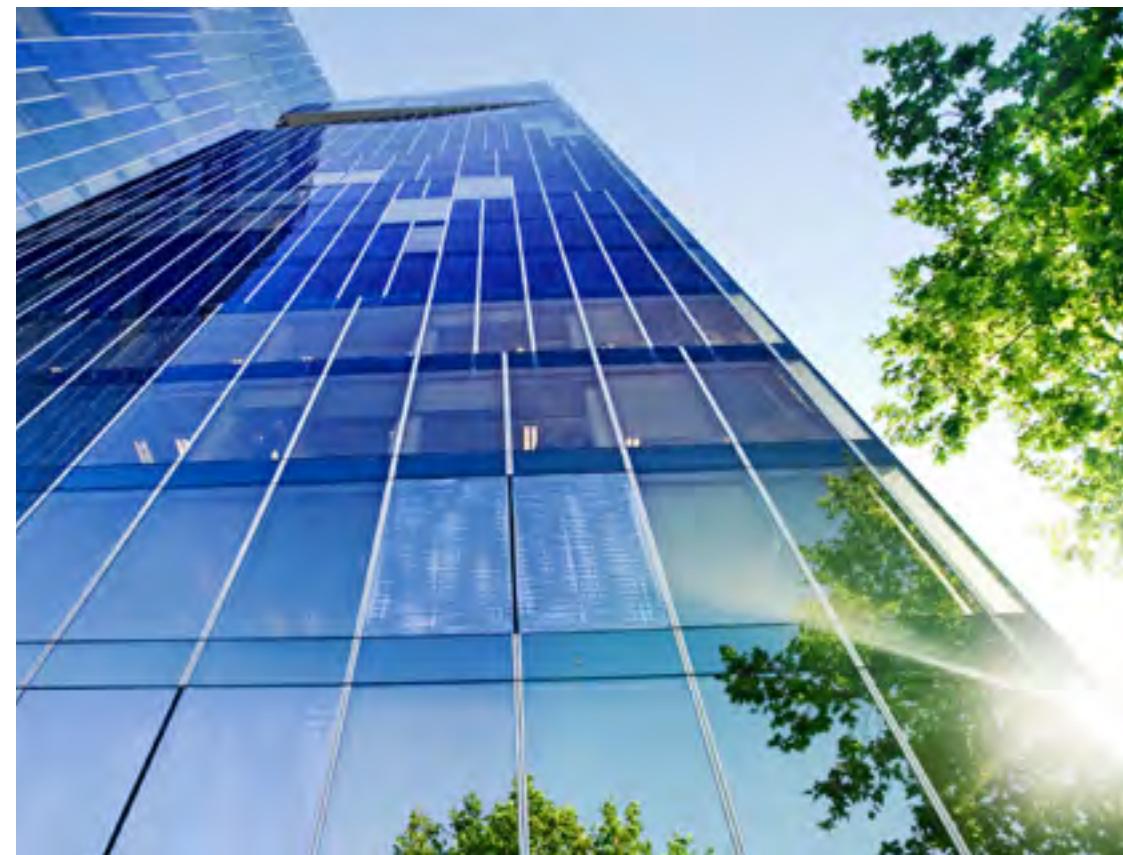
The following pages include current examples of good disclosures from Australia and globally covering business model, strategic objectives, risk, performance, value creation and connectivity as an indication of what "good integrated reporting" currently looks like.

Disclosure 22: Sasol business model

Sasol is a South African integrated energy and chemical company. It is a member of the IIRC's Pilot Program. It is also listed on the Johannesburg Stock Exchange and is a registrant with the US SEC.

Its integrated reporting is amongst the best we are currently seeing in relation to reporting on the business model. Its diagrammatic approach captures on one page the key:

- inputs and resources used
- business activities, identifying proprietary intellectual property (aligned to differentiator);
- outputs
- linkage back to intellectual and natural capitals (key capitals impacting on value), and
- differentiators driving long term value and resilience.



Disclosure 22: Sasol business model (continued)

our business model and integrated value chain

what sets us apart

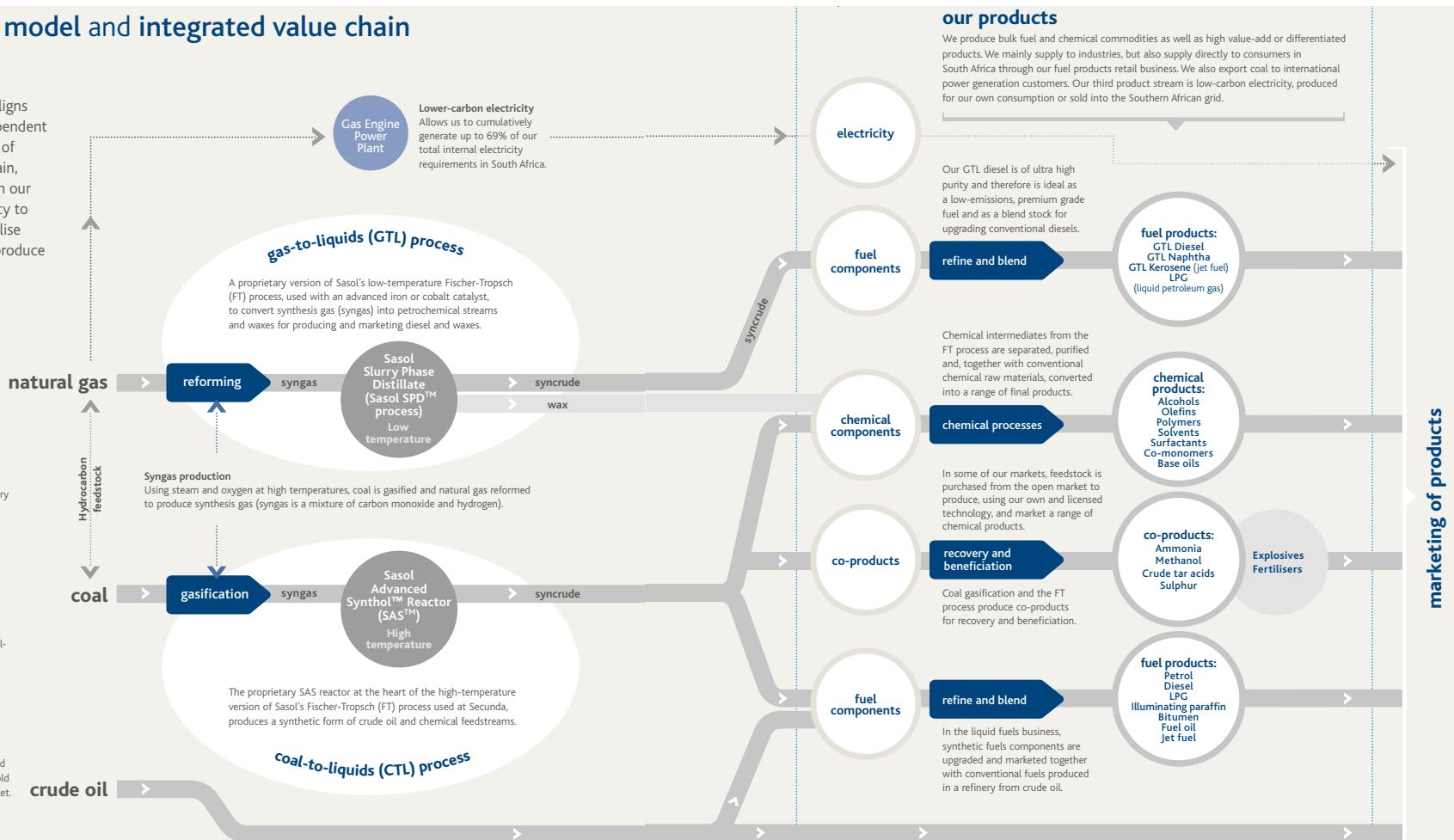
Our value proposition aligns our diverse and interdependent businesses. At the heart of our integrated value chain, which sets us apart from our competitors, is our ability to develop and commercialise technology at scale to produce bulk fuel, chemicals and electricity.

Through Sasol Petroleum International (SPI) and Sasol Gas, we obtain natural gas through the cross-border pipeline linking the Pande and Temane fields in Mozambique to our South African operations. We use this natural gas as our sole hydrocarbon feedstock at Sasolburg and as a supplementary feedstock to coal at Secunda.

Sasol obtains its raw materials through its coal mining activities, oil and natural gas exploration, and purchases from the open market. Some raw materials are sold directly to external markets.

Sasol Mining supplies most of the feedstock coal required for the coal-to-liquids process in Secunda.

Crude oil, coal and natural gas are sold to the open market.



Sustaining our integrated business model

Greenhouse gas (GHG) emissions

Although we have decided not to pursue further coal-to-liquids growth, coal remains an important feedstock for our business, we continue to manage water risks within our control and act collectively on shared risks. We are also transparent and accountable about our water usage and stewardship initiatives. Sasol is partnering with three South African municipalities to save water beyond our factory fence, to the benefit of all users of the Vaal River catchment area in which we operate.

Water

Recognising that water is an essential feedstock for our business, we continue to manage water risks within our control and act collectively on shared risks. We are also transparent and accountable about our water usage and stewardship initiatives. Sasol is partnering with three South African municipalities to save water beyond our factory fence, to the benefit of all users of the Vaal River catchment area in which we operate.

Corporate governance

Sound corporate governance structures and processes are applied throughout the organisation. These are considered by the board to be pivotal to delivering sustainable growth in the interest of all stakeholders.

Research and innovation

We continue to build on our track record of pioneering innovation. We have developed several proprietary processes in downstream chemical process technology. We have also developed and patented several base-metal catalysts for our FT synthesis processes. In coal exploration and mining, we have developed a number of cost-saving innovations to enhance production, some in

partnership with technology suppliers. We continue to invest in liquid fuels research and development and testing through our fuel research group, the Sasol Advanced Fuels Laboratory (in collaboration with the University of Cape Town, South Africa) and the Sasol Fuels Application Centre.

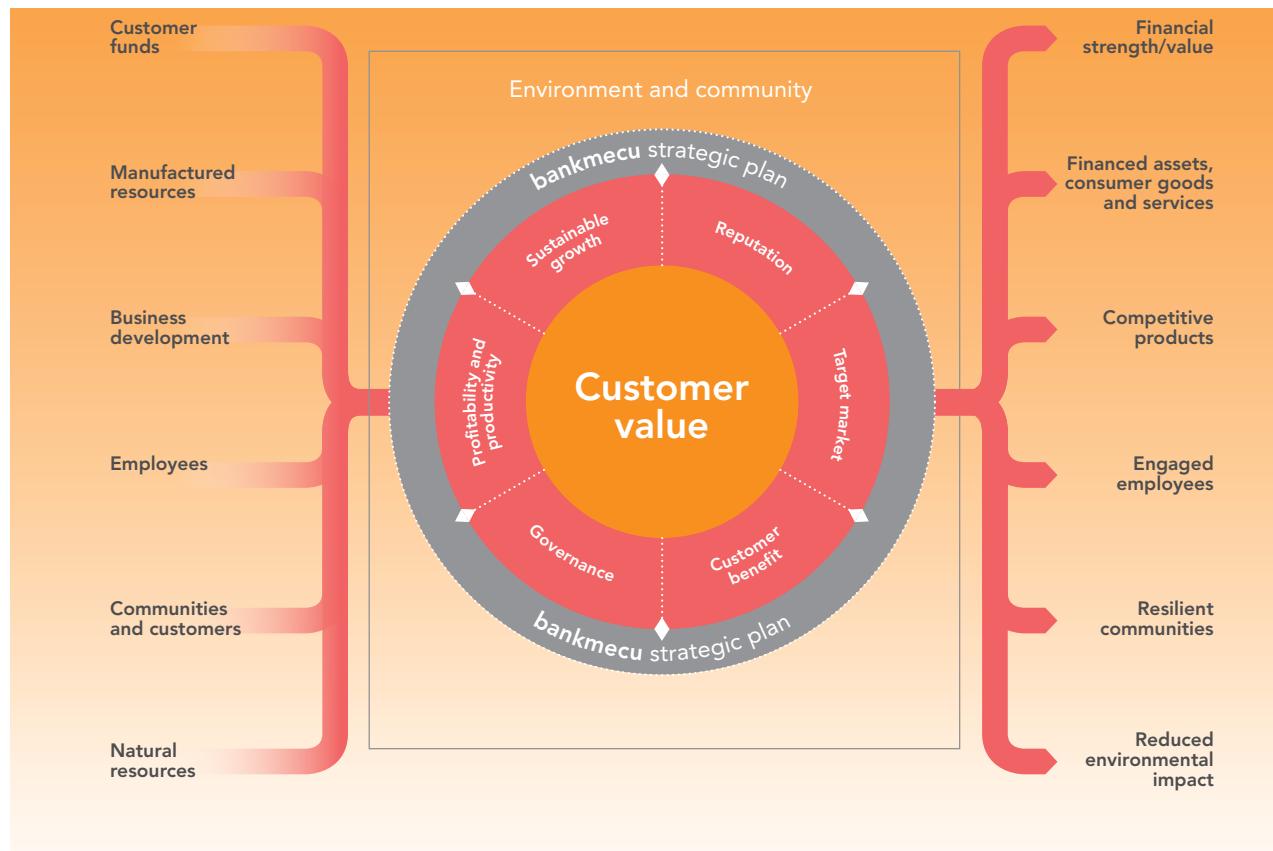
For more information on the inputs, outputs and outcomes of our business model and integrated value chain, in relation to the six capitals model of value creation, which is the model recommended by the International Integrated Reporting Council's Consultation Draft published in April 2013, refer to the video on www.sasol.com.

Disclosure 23: Bankmecu business model

Bankmecu is an Australian member of the IIRC's Pilot Program.

It has incorporated the IIRC's value creation diagram into its report, and has used it to structure their report around their strategic plan and business model.

At the heart of Bankmecu's business model is customer value creation, and this is the 'golden thread' that connects each subsequent section of the report (one for each strategic objective) to concisely communicate Bankmecu's financial and non-financial performance.



Customer activity

Indicator	Target	2012/13	2011/12
% of account holders with three or more products	>3 products	79.64%	73.64%
% of account holders retained over the last 12 months	No target	99.61%	99.99%
Total loans plus total deposits/number of account holders	>\$35,000	\$42,479	\$36,523

Bankmecu, Annual Report, 2013, pages 3 and 6

Disclosure 24: Stockland strategy

Stockland is an Australian member of the IIRC's Pilot Program.

Stockland's strategy is clearly laid out on a single page. The primary objective is clear and concise, "to deliver earnings per share growth and total risk adjusted shareholder returns above the Australian Real Estate Investment Trust index average."

The disclosure shows the reader how Stockland intends to achieve its strategy, the future direction of the property portfolio and the five priorities the business will focus on.

Our strategy

Our primary objective is to deliver earnings per share growth and total risk-adjusted shareholder returns above the Australian Real Estate Investment Trust index average, by creating quality property assets and delivering value for our customers.



Stockland Corporation Limited, Annual Review, 2013, page 16

Disclosure 25: Eskom performance

Eskom is a South African electricity public utility. It is a member of the IIRC's Pilot Program.

Eskom's performance indicators are presented to align to each strategic objective. The disclosure summarises performance and trends over five years aligned to strategic objectives and includes the current and longer term targets.

It also shows where a performance measure has been subject to reasonable assurance.

This data could easily be modeled in an investor's valuation model over time, so that the investor has a broader understanding of value creation across all time dimensions, including an ability to identify trends and correlations for an understanding of the prospects for effective risk management and improved investment returns.

Appendix A Key performance indicators

Key indicator and unit	Targets	Annual actuals					Five-year trend	
	Target 2017/18 ³	Compact target 2012/13	Actual 2012/13	Actual 2011/12	Actual 2010/11	Actual 2009/10		
Becoming a high performance organisation								
Focusing on safety								
Employee lost-time incident rate index ¹	0.20	—	0.39 ^{RA}	0.41 ^{RA}	0.47 ^{RA}	0.54 ^{RA}	0.50 ^{RA} ✓	
Fatalities (employees and contractors), number	—	—	19 ^{RA}	24 ^{14RA}	25 ^{RA}	17 ^{RA}	27 ^{RA} ✓	
Improving operations								
UCLF, % ^{SC.I.2}	10.40	6.00	12.12 ^{15RA}	7.97 ^{RA}	6.14 ^{RA}	5.1 ^{RA}	4.38 ^{RA} ▲	
PCLF, %	9.26	—	9.10	9.07	7.98	9.04	9.54 ●	
EAF, % ¹	79.34	—	77.65 ^{RA}	81.99 ^{RA}	84.59 ^{RA}	85.21	85.32 ▼	
SAIDI, hours per year ^{SC.I.2}	39.00	≤47.00	41.89 ^{RA}	45.75 ^{RA}	52.61 ^{RA}	54.41 ^{RA}	51.51 ^{RA} ✓	
SAIFI, events per year ¹	17.00	—	22.19 ^{RA}	23.73 ^{RA}	25.31 ^{RA}	24.65 ^{RA}	24.16 ^{RA} ✓	
Total system minutes lost for events <1 minutes, minutes ^{SC.I.2}	3.40	≤3.40	3.52 ^{RA}	4.73 ^{RA}	2.63 ^{RA}	4.09 ^{RA}	4.21 ^{RA} ✓	
Major incidents, number ¹	1	—	3 ^{RA}	1 ^{RA}	— ^{RA}	1 ^{RA}	3 ^{RA} ●	
Being customer centric								
Customer service index ¹	89.7	—	86.8	85.6	84.4	85.1	84.7 ▲	
Eskom KeyCare, index	102.0	—	105.8	105.9	101.2	98.1	101.2 ▲	
Arrear debts as a % of revenue, %	0.60	—	0.81	0.53	0.75	0.83	1.54 ✓	
Customer service (large power users, municipalities and other), average debtor days	—	—	25.2	21.8	18.9	18.9	16.4 ▲	
Customer service (small power users excluding Soweto debt), average debtor days	—	—	48.2	42.9	45.1	40.5	47.5 ●	
Customer service large power top customers excluding disputes, average debtor days ⁴	—	—	12.3	14.4	15.5	15.4	16.5 ✓	

Disclosure 26: Gold Fields risks and opportunities

A South African listed public company, Gold Fields is also an IIRC pilot.

Its risk appetite and tolerance table indicated whether management are operating within the risk tolerance levels set for them by the Board. The heat map sets out the group's top 10 operational and strategic risks. Each of these risks has been ranked and mitigation strategies for each risk are disclosed.

The key risks cover several of 'the capitals' to the extent they are relevant to their strategic objectives.

3.2.2 Risk appetite and tolerance

Figure 3.5 indicates whether management are operating within the risk tolerance levels set for them by the Board. Tolerance levels are reviewed and reset every year as part of our annual risk management plan.

Figure 3.5: Risk performance (pre-unbundling)

OPTIMISING OUR OPERATIONS	Risk area	Risk appetite	Tolerance level	Targets		C2009	C2010	C2011	C2012	x/y
				FIFR ² – Zero	SIFR ³ – 25% less					
Safety	Zero Harm	Zero Harm	Zero Harm	LTI ⁴ – 25% less	DLIFR ⁵ – 25% less	0.16	0.11	0.12	0.11	x
				LTIFR ⁴ – 25% less	DLIFR ⁵ – 25% less	2.29	2.22	2.64	2.40	x
				All Machinery < (110 dB(A))	Less than 5% 0.1 mg/m ³	3.91	4.39	4.69	5.16 ⁶	x
				Zero	Zero	180	198	208	227	x
Health	Zero Harm	Zero Harm	Zero Harm	Zero	Zero	4.3%	3.2%	1.2%	4.7%	✓
Environment	Zero Harm	Zero – level 4 and 5 incidents	Zero	Zero	Zero	5.9%	3.0%	0.9%	0.8%	x

3.2.3 Group heat map

The heat map below sets out the top 10 Group risks, as identified through our Enterprise Risk Management (ERM) process (p48). This represents the Group's top operational and strategic risks, based on our operation- and region-level risk registers as at the end of 2012.

Figure 3.6: Top 10 Group heat map (pre-unbundling)



Figure 3.7: Mitigation strategies for top 10 risks (pre-unbundling)

Risks	Mitigation strategies
1	<ul style="list-style-type: none"> • Reintegration of the cultural transformation and internal safety engagement pillars into the Safe Production Management Strategy (p87) • Enhanced safety enforcement measures, including increased resourcing (p87) • Introduction of a Safety, Health and Environment Committee at South Deep, chaired by the CEO • Engineering-out of safety risks, including fall of ground hazards • Establishment of a seismic task team and upgrading of secondary support standards
2	<ul style="list-style-type: none"> • Engineering-out of health risks, including tip filters, mist sprays, settling agents and enhanced dust measurement • Enhancement of personal protective equipment performance through our Respiratory Protection Programme • Detailed preparation to determine potential litigation and liability – including consolidation of historical data

Gold Fields Limited, Integrated Annual Report, 2012, pages 49-51

Disclosure 27: National Australia Bank (NAB) value creation across the capitals

NAB is an Australian member of the IIRC's Pilot Program.

NAB's 2013 Annual Review sets out its Corporate Responsibility (CR) Framework. The diagram below demonstrates how the broader set of capitals and key stakeholders (such as people, environment, supply chain, customers and community) drive value creation for the organisation (measured as Sustainable Shareholder Returns) both as inputs (e.g. people) to the business model and outcomes that create value (e.g. being a good employer). The disclosure goes on to discuss the internal mechanisms in place to ensure that CR issues important to their stakeholders are of focus and external mechanisms which provide important input into their CR approach. Of note also is that their Corporate Responsibility performance has been assured.



Disclosure 28: ITV connectivity

ITV plc is a UK integrated producer broadcaster and is the largest commercial television network in the UK. ITV's 2012 Annual Report is a good example of how effective the 'golden thread' can be in creating connectivity throughout the Annual Report to connect the content and enhance the information flow.

ITV introduces its four strategic priorities upfront and devotes a few pages each to discuss the nature of the strategic priority, performance for the year against that priority, identified risks and opportunities and outlook for next year and beyond. These four strategic priorities become the 'golden thread' to link other sections of the Annual Report. For example, as shown below, the KPIs have been defined to align performance and accountability to the Transformation Plan. Each KPI is aligned back to the relevant strategic priorities and performance against that KPIs is demonstrated.

Similarly, in the risk section, the key strategic risks have been set out, mapped to the four strategic priorities.

Mapping these disclosures back to the four strategic priorities is very effective in consistently communicating the organisation's approach to achieving their strategic objectives.

Further, we note that in an effort to improve the understandability of their financial statements, ITV have de-cluttered and re-cut their financial statement disclosures, resulting in a set of accounting standard compliant financial statements that are fresh, innovative and easy to read.

Key Performance Indicators

We have defined our Key Performance Indicators (KPIs) to align performance and accountability to the Transformation Plan. These KPIs will be the key measures of success over the life of the Transformation Plan and cover all four strategic priorities.

Related Priority	KPI	Performance		
1	EBITA before exceptional items	2012 £520m	% Change 13%	2011 £462m
2	This is the key profitability measure used across the whole business. Earnings before interest, tax and amortisation before exceptional items ('EBITA') reflects our performance in a consistent manner and in line with how the business is managed and measured on a day-to-day basis.			13% is a £58 million increase in EBITA and is primarily due to a 3% increase in external revenues, driven by non-NAR revenues – particularly high margin Online, Pay and Interactive revenues – and £100 million increase in Studios revenue. This and the delivery of cost savings has increased profitability.

Strategic risks

The key strategic risks are those that impact the successful execution of the strategy and as a result require regular Management Board monitoring. All of the strategic risks identified have been mapped to the four strategic priorities of the Transformation Plan and have been grouped by key risk themes.

Risk Theme	Risk	Strategic Priorities
The Market	There is a major decline in advertising revenues and ITV does not build sufficient non-NAR revenue streams thereby significantly impacting ITV's overall financial performance.	2 3 4

ITV plc Annual Report and Accounts for the year ended 31 December 2012, pages 34 and 49



The benefits of <IR> / Business Case for <IR>

Fundamentally <IR> is about helping providers of capital (primarily financial capital of debt and equity) make improved capital allocation decisions. <IR> helps capital market participants better understand not only how a company has performed to date, but how it is set up to succeed for the future. The focus is not purely on financial performance, but across the broader set of capitals required to succeed over the long term. As the capital markets better understand and model each business's long term strategy and value drivers, they will be in a position to make more efficient and forward looking capital allocation and other investment decisions.

Internally businesses are finding significant benefits in implementing <IR>. Working across the organisation to determine and agree the key strategic value drivers leads to robust challenge to the current business model and strategy, and so helps break down internal silos, whilst clarifying strategic priorities and embedding 'integrated thinking' across the organisation's management and workforce.

In the 2013 IIRC Pilot Program Yearbook, companies participating in the IIRC's Pilot Program reported to have experienced the following benefits:²²

- a clearer understanding of what is material to the company
- a better understanding of business risks having implications for performance in the short, medium and longer term time horizons
- an opportunity to enhance business performance systems by assessing risks and opportunities in a more holistic way
- internal change with departments starting to work in a more united way and relationships strengthening across disciplines
- a better understanding of how non-financial issues are vital to driving financial performance.

In Australia, there is an opportunity to adopt the <IR> Framework when developing the OFR, so that the organisation is compliant and at the same time better meets the information needs of its investors and other financiers. There are internal operational, as well as market benefits available in moving towards preparation of an integrated report.

²² Business and investors explore the sustainability perspective of Integrated Reporting, IIRC Pilot Program Year Book 2013, IIRC, www.theiirc.org.

6 Our methodology

Compliance with Regulatory Guide 247

In preparing this report, we have reviewed the OFR included in the most recent annual reports, of the ASX51-100 companies as at 30 September 2013. The annual reports subject to our review covered the annual reporting periods from 31 December 2012 to 30 September 2013.

Except for the examples included in section 5 Integrated Reporting, the good practice disclosure examples have been identified from documents containing the directors' report of companies, as the Corporations Act (supplemented by ASIC class order 98/2395) requires the OFR be included in the directors' report or within a document containing the directors' report. As a result, companies including detailed OFR discussions in documents not containing a directors' report have not been included in our good practice RG 247 disclosure examples.

Integrated Reporting

In compiling our observations on Integrated Reporting as detailed in section 5 of our report, we reviewed the suite of corporate reporting documents released to the market by the ASX51-100 companies at and around the time of the release of their annual results along with their annual reports.

Our primary observations with respect to Integrated Reporting was based on disclosures made within the OFR contained in the Annual Report as we see that this report could over time evolve to become the integrated report.

We have included examples of good practice disclosures reflecting some <IR> principles from companies outside Australia and listed on the ASX to highlight the progress being made by some companies.

ASX51-100 companies included in the scope of our publication

Our publication incorporated the ASX51-100 companies as at 30 September 2013.

A summary of the industries comprising our sample as defined by the Global Industry Classification Standard (GICS) is summarised below.

GICS industry group	Quantity in sample	Dec 12 year ends ²³
Materials	10	4
Consumer services	6	
Diversified financials and Banks	5	1
Healthcare and equipment services	5	
Commercial and professional services	4	
Energy	4	2
Capital goods	3	1
Food beverage and tobacco and Staples retailing	3	
Real Estate	3	
Retailing	3	
Utilities	3	1
Software and services	1	

²³ RG 247 was not finalised in time for the December 2012 annual reports and so the guidance and considerations may not be reflected in this sample to the same extent as post March 2013 reporters.

7 How can KPMG assist you?

KPMG's Better Business Reporting Group has been focused on the themes in RG 247 and <IR> for many years. The Australian Better Business Reporting Group plays a lead role in KPMG's Global Better Business Reporting Group and corporate reporting reform initiatives. We are well-placed to assist companies as they consider RG 247 and the broader possibilities of <IR>, with our expertise in Australia including:

- active involvement in the IIRC's programme for development of the global <IR> Framework, including participation in the IIRC's working groups.
- driving the establishment of the Australian Business Reporting Leaders Forum (BRLFleadership), with ongoing project leadership
- working with IIRC 'East Cluster' business and investor pilots.
- benchmarking the current reporting suite to the IIRC framework and/or the RG 247 requirements for some 20 organisations, including assisting some organisations to develop an <IR> blueprint and implementation plan.
- working closely with KPMG South Africa, where we are the market leader in <IR>, having supported over 100 companies in designing and preparing their Integrated Reports over the last 3 years.
- taking a lead role in assisting industries in evaluating the possibilities for improving their basis for capital allocation using Integrated Reporting. For example, KPMG as a member of the Energy Policy Institute of Australia in making the case for Integrated Reporting as a key tool in improving financing in the energy sector in the context of large investment requirements.²⁴

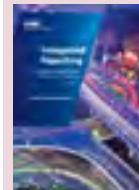
Whether an organisation is looking to produce an integrated report, or to improve its annual report or existing suite of reports, adopting the principles of <IR> will be a beneficial step to take in the journey to Better Business Reporting.

The following are some thought leadership references and material on <IR>.



Integrated Reporting: Performance Insight through Better Business Reporting Ed 1

This paper provides an overview of Integrated Reporting, its benefits, and next steps towards the development of an integrated report.



Integrated Reporting: Performance Insight through Better Business Reporting Ed 2

This issue focuses on how Integrated Reporting can help organisations better explain their value creation story and reviews progress in South Africa.

KPMG's Better Business Reporting website: www.kpmg.com/integratedreporting

The IIRC's website – <http://www.theiirc.org> including the examples database <http://examples.theiirc.org/home>

If you require assistance in applying the requirements of RG 247 or are interested in learning more about <IR> please contact one of our specialists below.



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²⁴ Australia's Energy Financing Challenge, March 2013, by KPMG and the Energy Policy Institute of Australia.

Appendix 1 Summary of good practice disclosure examples

RG 247 good practice disclosures

Company name	Topic of disclosure	Reference
Review of operations		
Downer EDI	Description of business	Disclosure 1
Bendigo and Adelaide Bank	Description of operations	Disclosure 2
Beach Energy	Review of financial performance	Disclosure 3
BlueScope Steel	Business unit review of financial performance	Disclosure 4
Perpetual	Segment review of financial performance	Disclosure 5
Boral	Analysis of revenue	Disclosure 6
Review of financial position		
Cochlear	Financial position	Disclosure 7
Downer EDI	Financial position	Disclosure 8
PanAust	Capital expenditure	Disclosure 9
Metcash	Financial position	Disclosure 10
Business strategies and future prospects		
Resmed	Strategies	Disclosure 11
Arrium	Strategies	Disclosure 12
BlueScope Steel	Strategies, prospects and risks	Disclosure 13
Seek Limited	Prospects	Disclosure 14
Downer EDI	Strategies and risks	Disclosure 15
Metcash	Strategies and risks	Disclosure 16
Investa Office Fund	Risks	Disclosure 17
Cochlear	Risks	Disclosure 18
DUET Group	Risks	Disclosure 19
Federation Centres	Risks	Disclosure 20
Unreasonable prejudice exemption		
Navitas	Unreasonable prejudice exemption	Disclosure 21

Integrated Reporting good practice disclosures

Company name	Topic of disclosure	Reference
Sasol	Business model	Disclosure 22
Bankmecu	Business model	Disclosure 23
Stockland Corporation	Strategy	Disclosure 24
Eskom	Performance	Disclosure 25
Gold Fields Limited	Risks and opportunities	Disclosure 26
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