NEW ZEALAND CORPORATE FINANCIAL STATISTICS

Introduction

This supplement contains information from a survey of annual accounts received during the 1984 calendar year. Participating companies are grouped according to their predominant activity, with financial statistics being produced for 19 industry categories.

The survey comprised 120 listed public companies, 153 non-listed companies and 345 overseas companies. Overseas companies are defined as companies with 25 per cent or more of their voting capital controlled by overseas interests, including any New Zealand branch of an overseas incorporated company. Any company which is both publicly listed and an overseas company is included in the survey as an overseas company. Balance dates of the surveyed companies ranged between March 1983 and December 1984, with 60 percent of the companies balancing in 1984 (see Table 1).

The analysis of non-listed public companies was carried out by the staff and students of the Department of Accounting and Finance at the University of Otago with financial assistance provided by the Reserve Bank. The Bank is grateful for the high standard of work carried out by the University of Otago.

The co-operation of the surveyed companies in supplying their accounts is also gratefully acknowledged.

TABLE 1
COMPANY BALANCE DATES

Companies Balancing During	*Number*	*Companies Balancing During*	*Number*
1983		1984	
Prior to March	5	January	15
June	8	February	2
August	2	March	183
September	17	April	11
October	26	May	18
November	31	June	85
December	158	July	15
		August	15
		September	20
		October	6
		December	1
Total Balancing in 1983	**247**	**Total Balancing in 1984**	**371**

Survey Methodology

The survey consists of aggregated financial statements and ratios for 19 industry types within four major sectors. The results for each industry sub-group are broken down to show the relative contribution of listed public companies, non-listed public companies and overseas companies. Table 2 details the number of companies surveyed from each sub-group. In several cases these sub-groups do not correspond to the classifications used in previous surveys. This results from the following alterations, which were undertaken to reflect the changing characteristics of companies included within various sub-groups:

— the title of the former *Meat Processing* sub-group has been altered to *Meat Freezing and Preserving*to more accurately reflect the activities of the companies included in the sub-group;

— because of the small number of companies in the *Beverages* sub-group, the results of these companies have been amalgamated with those of the *Other Food* sub-group, with the new sub-group being titled *Food and Beverages;*

— the former *Woollen Mills* and *Clothing Manufacturers* sub-groups have been amalgamated into one sub-group, titled *Apparel and Textiles;*

— the *Electrical Machinery and Appliances* sub-group has been retitled *Electrical Appliances and Equipment;*

— the *Other Manufacturers* subgroup has been retitled *Rubber, Plastics and Other Manufacturing;*

— the *Construction* sub-group has been retitled *Building and Construction;*

— the *Gas* sub-group has been replaced by a *Miscellaneous Services* sub-group, which includes radio broadcasting, other service oriented companies not included elsewhere. Gas companies are now included in the *Mainly Wholesale* sub-group;

— the *Stock and Station Agents* sub-group has been retitled *Pastoral* as it also includes other types of companies providing goods and services to the farming sector;

— the *Transport* sub-group has been retitled *Tourism and Transport;*

— the *Property Investors* sub-group has been retitled 'Investment'.

TABLE 2
Number of Companies by Company Type included in the 1984 Survey

	Listed Public	*Non-Listed Public*	*Overseas*	*Total*
Manufacturing				
Meat, Freezing & Preserving	3	9	2	14
Food & Beverages	9	10	17	36
All Food	12	19	19	50
Apparel & Textiles	12	2	7	21
Forestry & Wood	4	0	8	12
Printing & Packaging	6	10	17	33
Drugs & Chemicals	6	0	49	55
Non-metallic Minerals	2	7	8	17
Metals & Machinery	7	2	42	51
Electrical Appliances & Equipment	6	0	23	29
Rubber, Plastics & Other Manufacturing	3	3	21	27
Manufacturing Other Than Food	**46**	**24**	**175**	**245**
All Manufacturing	**58**	**43**	**194**	**295**
Other (excluding Financial)				
Building & Construction	5	0	5	10
Miscellaneous Services	6	15	4	25
Mainly Wholesale	17	21	78	116
Mainly Retail	12	16	13	41
Pastoral	4	7	4	15
Tourism & Transport	7	8	7	22
Investment	7	27	10	44
Total Other (Excluding Financial)	**58**	**94**	**121**	**273**
Total (Excluding Financial)	**116**	**137**	**315**	**568**
Financial				
Non-Life Insurance	1	5	18	24
Other Financial	3	11	12	26
Total Financial	**4**	**16**	**30**	**50**
GRAND TOTAL	**120**	**153**	**345**	**618**

The aggregated results are detailed in three series of tables — balance sheets, appropriation of income tables and statements of source and use of funds —together with net profit and balance sheet ratios for each industry type and sector. Each company is allocated to the industry sub-group in which its major activity and interests lie, and the data detailed in its consolidated accounts is then aggregated with the financial statements of all companies within that industry sub-group. Individual company results are adjusted to the minimum extent necessary to achieve consistency across the survey.

The results of some industry sub-groups may be significantly influenced by the operations of one or more large companies in the sub-group. The average size and number of companies in the survey is not always sufficient to negate the impact of these large companies. Accounts for both the current period and the previous period are analysed on a consistent basis for each company. As a result, the 1983 and 1984 figures provided in this survey are comparable. The coverage of companies does however vary between surveys as a result of mergers and takeovers in the corporate sector and through the inclusion of new company results. Both for this reason, and because of the different classifications used in the latest survey, aggregated data from this survey cannot be compared directly with previous surveys results. The ratio analysis tables and graphs provide an indication of trends between survey's, although comparisons of results for individual years should be approached with caution.

Because the survey is based on published financial reports, its results suffer from any limitations inherent in those reports. Some of the factors affecting comparability of figures include:

— because published accounts are based on historical cost accounting principles, they do not generally allow for the effects of changing prices on operating costs and asset values. Some companies partially compensate for this by revaluing fixed assets, while others make no adjustments in this regard;

— as a result of variations in accounting practice (for example, with respect to asset valuations, treatment of extraordinary items, depreciation and inventory valuation) care should be taken in interpreting the aggregated results. While this does not have a significant impact on inter-temporal analyses within individual industry sub-groups, comparison of results from different industry sub-groups may be affected;

— many of the larger companies in the survey have widely diversified operations which may be spread over more than one industrial sector. However, each company's results can be included in only one industry sub-group; that is, the industry in which the company's major interests and activities are concentrated;

— as the survey includes company accounts with a wide range of balance dates the aggregated tables will combine results from trading periods covering differing price levels and economic conditions.

In recent years, a summary of current cost accounts received by the Bank has been included as an appendix to the main survey. The New Zealand Society of Accountants CCA standard No 1 was intended to require companies with securities listed on the New Zealand stock exchange to provide current cost accounts for trading periods commencing after April 1982. The standard has unfortunately received little support from the corporate sector with the result that the number of CCA accounts received has decreased markedly this year. The Bank has therefore decided to discontinue this part of the survey in the meantime.

Summarised accounts for 23 public sector organisations (comprising balance sheet and profit and loss statement figures) for the 1983/84 year have been included. The information is sourced from the respective Annual Reports and Accounts tabled in Parliament, to which interested readers may refer for further details.

The 1984 Survey

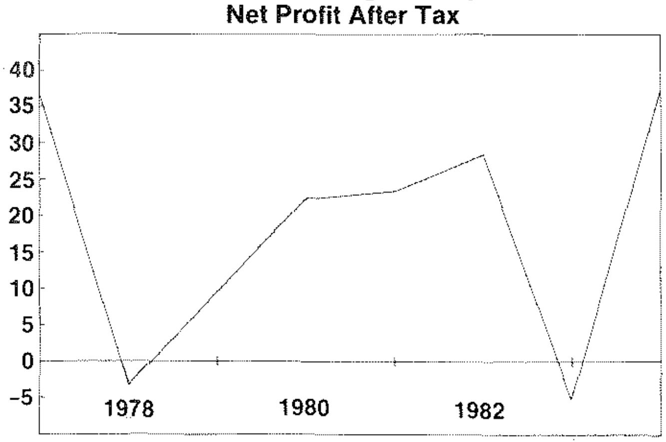
This section provides a brief overview of economic conditions prevailing during the survey period, together with some of the more significant of the survey's findings with respect to each of the four sectors covered.

With most of the surveyed companies balancing in either December 1983 or March 1984, the survey's results mainly reflect economic conditions prevailing over the period December 1982 to March 1984. The most notable feature of this period was a progressive transition from the 1981/82 recession's trough in December 1982 into a period of real economic growth. By the September quarter of 1983 there was evidence of recovery in all major indicators, while overall manufacturing output first registered a slight increase in the June quarter. The recovery was well under way by early 1984, when both registered unemployment and assisted employment began to fall. Retail sales were 12.6 per cent higher in real terms in the March quarter 1984 than in the December quarter 1982.

Apart from the domestic recovery, two principal factors influenced overall business performance during the survey period. The first of these was the freeze on wage and price increases. Both were in place throughout the entire period, although price controls were relaxed slightly in early 1984. The freeze resulted in an inflation rate of just 3.5 per cent in the year to March 1984, compared with 12.6 per cent in the previous year. Secondly, despite the strong international recovery, export prices for farm products (which comprise some 70 per cent of New Zealand's total exports) remained depressed. The poor terms of trade, together with strong growth in imports as domestic activity increased, contributed towards a rapid increase in the external deficit.

The economic upturn experienced over the survey period is reflected in an overall increase in net profit after tax (but before extraordinary items) by the surveyed companies of 37.0 per cent. This represents the highest annual increase in net profits recorded in the survey since 1973, and represents a major turnround from the 5.1 per cent decrease recorded in the 1983 survey. Graph 1 shows the annual percentage change in net profits after tax for each year since the survey was expanded to include non-listed public and overseas companies in 1977.

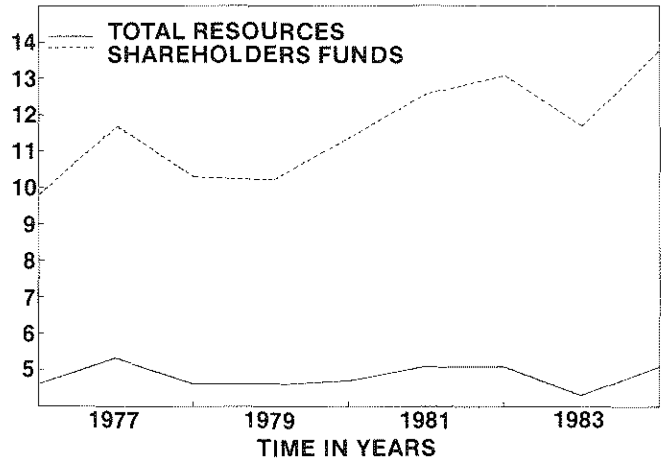
Annual Percentage Change in Net Profit After Tax



In turn, this increase in net profits resulted in a 1 percentage point increase in the overall return on shareholders' funds, to 13.8 per cent. The percentage return on total resources increased to 5.1 per cent, from 4.6 per cent in 1983 (see Graph 2).

Graph 2 shows that although the return on shareholders' funds recorded in the 1984 survey is greater than that measured in any survey since 1976, considerably higher returns on total resources have been recorded in several previous surveys. The source of this divergence between the percentage return on shareholders' funds and on total resources is evident in Graph 3, which shows shareholders' funds as a proportion of total liabilities. There has been a noticeable tendency for firms to become more highly geared over the period depicted in the graph. This tendency, which shows increasing recourse to debt, rather than equity financing, may reflect the current corporate tax system under which payments to shareholders (dividends) are generally paid from after tax income while interest payments on debt are tax deductible.

Return on Total Resources and on Shareholders Funds



Shareholders Funds as percentage of Total Liabilities

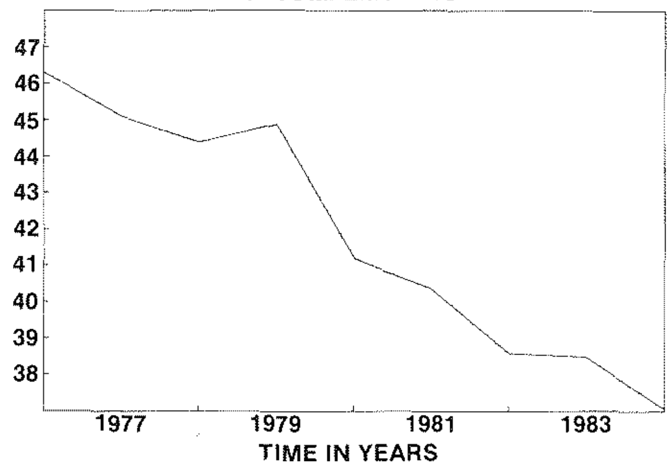


Table 3 shows the nominal value of bonus shares issued over the 1984 period to be nearly three times the value of bonus issues in the previous survey. Two reasons can be identified for this increase. The first is the historically high profit levels attained during the survey period. Notably, the survey sub-group recording the greatest amount of bonus shares issued (Forestry and Wood) also recorded the greatest increase in net profits. Secondly, regulations introduced in June 1982, which had restricted many companies from making bonus issues and from increasing dividend levels, were lifted in January 1984.

The overall effect of the economic upturn is also evident in changes in balance sheet items noted in the survey. Fixed investments comprised 13.8 per cent of the surveyed companies' total assets in 1983; in 1984 they totalled 17.3 per cent. Total assets of the surveyed companies increased by 23.3 per cent, from $21,668.4 million in 1983 to $26,711.2 million in 1984. Increased business confidence was also reflected in an average increase in stock value of 5.6 per cent.

The survey's most significant results with respect to specific sectors are detailed in the following sections.

Food

The increase in aggregate profits recorded by companies in the food group was, at 28.7 per cent, the lowest recorded by any of the survey's four major groups. This was attributable principally to the performance of the Meat Freezing and Preserving sub-group, which was the only sub-group covered by the survey to record a decrease in net profits (-10.5 per cent). The ongoing costs associated with restructuring in this industry, together with low export prices, particularly for beef, contributed to this profit decline.

Companies in the other *Food* sub-group (Food and Beverages) generally commented on both the intense competition experienced over the period by the sector, and on the detrimental effects of the price freeze on profitability. However, the overall increase in net profits of 37.6 per cent was only marginally below the survey average, while the percentage return on shareholders' funds rose from 12.5 per cent to 13.9 per cent, compared to the survey average of 13.8 per cent.

Manufacturing, Other than Food

Companies in this group were, in aggregate, the most successful over the survey period. Aggregate net profits increased by 45.2 per cent, while the percentage return on shareholders' funds and on total resources improved by 24.1 per cent and 22.4 per cent respectively. The best performing sub-group in this sector was *Forestry and Wood*, which registered a 95.7 per cent improvement in net profit. This occurred despite a weak domestic market over much of the survey period, and can be attributed mainly to a 77.9 per cent increase in export revenue, which resulted partially from improved export prices over the second half of the survey period.

The 42.8 per cent increase in net profits recorded by the *Metals and Machinery* sub-group was also largely attributable to a rapid increase in export sales, although manufacturers also reported new products and processing techniques, and an improvement in domestic sales toward the end of the period as additional reasons for increased profits. The worst performing sub-group in this group was *Non-metallic Minerals*, which recorded the survey's second lowest net profit increase (+4.3 per cent).

Other (Excluding Financial)

This group comprises mainly companies in service industries, together with building and construction and investment companies. Overall, the group recorded an increase in net profits of 32.9 per cent. Increases within the individual sub-groups ranged between 10.3 per cent (*Miscellaneous Services*) and 90.4 per cent and 91.1 per cent recorded by the *Investment* and *Tourism and Transport* sub-groups respectively. The improvement in the *Tourism and Transport* sub-group reflects in part the increased activity following the deregulation of the transport industry.

The rapid increase in retail sales referred to above was reflected in a 51.1 per cent net profit increase by the *Mainly Retail* sub-group. However, the performance of the *Mainly Wholesale* sub-group was apparently more affected by the price freeze, with net profits increasing by only 12.2 per cent.

Financial

Only two sub-groups are covered by this group —the *Non-Life Insurance* sub-group comprises fire and general insurance companies, and the *Other Financial* sub-group comprises mainly finance companies and merchant banks.

The *Other Financial* sub-group is by far the largest of the two, with eight times the total assets of the *Non-Life Insurance* sub-group. This is reflected in its influence on the overall increase in the group's net profits of 34.4 per cent. The *Non-Life Insurance* sub-group's net profit increase was 60.1 per cent, as compared to a 25.0 per cent increase by the *Other Financial* sub-group. Despite its profit increase, the *Other Financial* sub-group percentage return on total resources decreased marginally from 1.5 per cent to 1.4 per cent, in contrast to the *Non-Life Insurance* companies, which experienced, on average, an increased percentage return on resources from 3.9 per cent to 5.2 per cent.

TABLE 3
BONUS ISSUES
All Companies

(NZ$ Millions)	1983	1984
Manufacturing		
Meat Freezing and Preserving	—	.44
Food and Beverages	7.94	3.52
All Food	7.94	3.96
Apparel and Textiles	1.07	3.50
Forestry and Wood	.50	21.07
Printing and Packaging	—	1.90
Drugs and Chemicals	.21	10.98
Non-Metallic Minerals	—	4.04
Metals and Machinery	1.36	7.24
Electrical Appliances and Equipment	1.35	2.52
Rubber, Plastics and Other Manufacturing	—	2.38
Manufacturing Other Than Food	4.49	53.63
All Manufacturing	12.43	57.59
Other (excluding Financial)		
Building and Construction	.35	3.44
Miscellaneous Services	—	.85
Mainly Wholesale	6.30	.53
Mainly Retail	2.19	4.51
Pastoral	—	.49
Tourism and Transport	—	.34
Investment	7.13	13.45
Total Other (excluding Financial)	15.97	23.61
Total (excluding Financial)	28.40	81.20
Financial		
Non-Life Insurance	—	.50
Other Financial	—	.55
Total Financial	—	1.05
Grand Total	28.40	82.85

Explanatory Notes

Balance Sheet Items

Assets

Cash and Bank: This item includes cash in the hands of the company or in the bank, and deposits at call.

Stock: Consists of trading stock, raw materials, finished goods and work in progress.

Debtors: This includes trade and sundry debtors, finance company and bills receivable, from which any provision for bad debts has been deducted; and hire-purchase debts.

Other Current Assets: Such items as prepayments, tax prepaid, suspense accounts, short-term deposits and other current assets not included elsewhere.

Government and Local Body Stock: This item includes holdings of New Zealand Government stock and local authority securities.

Shares and Advances to Subsidiaries and Associates: This item includes investments in associated companies plus any equity proportion shown as defined by the New Zealand Society of Accountants Statement of Standard Accounting Practice No. 2. Also included is any investment in a subsidiary company that has not been consolidated.

Other Investments: All other types of investments come within this heading, including shares and investments in companies other than subsidiaries and associates, mortgages, debentures, notes and other forms of loans. Fixed deposits with banks, and tax assets where these are long-term assets, are also under this heading.

Other Fixed Assets: Incorporate all fixed assets other than Land and Buildings. Capital Work in progress and leasehold improvements are included here. Depreciation has been deducted.

Capital Commitments: The Eighth Schedule, Part 1, of the Companies Act 1955 specifies certain statements to be attached to the annual accounts of public companies and includes the following:

"Where practicable, the aggregate amount or estimated amount if it is material, of contracts for capital expenditures, so far as not provided for (in the accounts)".

This is the definition of 'capital commitments' used in this analysis.

Liabilities

Creditors: These include trade and sundry creditors and bills payable.

Current Tax Provisions: Represents the total tax payable on the year's accounting income and includes that portion of deferred tax that is payable in the current year.

Other Current Liabilities: Includes accruals, proposed dividends, short-term deposits, the current portion of long-term liabilities, and other current liabilities not included elsewhere.

Minority Interest: This item covers that portion of the capital of subsidiaries held by persons outside the group of companies, together with their share of retained profits and reserves.

Deferred Tax: This item represents the tax adjustments by companies due to timing differences. Paragraph 3.9 of the New Zealand Society of Accountants Statement of Standard Accounting Practice No. 12 states that "Timing differences are differences between accounting profit before tax and assessable income which result from the inclusion of items of income and expenditure in computations of assessable income in periods different from those in which they are dealt with in the profit and loss accounts. Timing differences originate in one period and reverse in one or more subsequent periods."

Other Long-term Liabilities: Such items as overseas loans, long-term deposits, lease payables, bank loans and staff superannuation. Advances from Associates and Subsidiaries (current and long-term) are also included here. It may also include in some cases mortgages or debentures where identifying information is insufficient both in the balance sheet and in the accompanying notes to the accounts.

Ordinary Capital: Includes deferred ordinary shares, and application money on ordinary shares.

Preference Capital: All types of preference capital are represented except Specified Preference shares. This category includes participating, non-participating, cumulative and non-cumulative shares, as well as application money on preference shares where applicable.

Reserves: The Share Premium and Asset Revaluation Reserves are shown separately. The Reserves include all other Reserves and provisions including the appropriate share of the equity in any associate companies.

Profit and Loss Appropriation Account: This is the accumulated balance retained in the business including the appropriate equity share of the profits of any associate companies.

Appropriation of Income

Trading Profit: has been established after deducting salaries, commissions, selling and administration expenses and cost of goods sold. In the Investment, Non-Life Insurance and Other Financial sub-groups, dividends and interest earned, rents received and other investment income has been included in Trading Profit because many companies in these sub-groups do not distinguish between income from trading and income from investments.

Investment Income: Comprises dividends on shares, interest on mortgages, debentures and other loans, and rents.

Other Non-Trading Income: Income derived from sources other than normal trading and investment income. Includes Share of Profits of Associated Companies, and any total gain on Foreign Exchange Transactions or disposal of Fixed Assets.

Interest: The amount of interest expense on both current and long term liabilities.

Tax Payable on Income: The amount of tax payable on assessable income. Where the figures in the income statement do not show taxation separately, an estimate based on current company tax rate is used. Deferred taxation is not included in the amount.

Deferred Tax on Income: This item represents the amount which has been provided to cover taxation obligations arising from income recognised for accounting purposes in the current year but which will not become payable until a subsequent accounting period.

Other Expenses: Includes Rental and Leasing Charges, Audit fees and any total loss on Foreign Exchange Transactions or disposal of Fixed Assets.

Extraordinary Items (Net of Tax): Includes amounts written off from expenses of share issues, trade-marks, development and preliminary expenses.

Source and Use of Funds

These tables record changes in balance sheet items between the current year and the previous year, distinguishing between net sources of funding and the uses to which those funds have been applied.