AUSTRALIAN BUREAU OF STATISTICS Canberra
CATALOGUE NO. 5616.0
NOON 7 AUGUST 1979

FINANCE COMPANIES
ASSETS, LIABILITIES, INCOME AND EXPENDITURE, AUSTRALIA
1977-78

INQUIRIES *If you want to know more about these statistics ring Mr Len Fulford on Canberra 527110 or write to Information Services, ABS, P.O. Box 10, Belconnen, A.C.T. 2616*
For copies of this publication contact Information Services, Canberra 526627 or State offices.

NOTE : The attention of users is drawn to the Explanatory Notes which describe changes affecting the comparability of statistics between this and previous annual publications and between 1977-78 and previous years.

EXPLANATORY NOTES

Introduction

This publication continues the series of annual statistics for Australia on the financial accounts of finance companies compiled from returns collected under the Census and Statistics Act 1905.

Changes in this publication

2. The statistics of finance companies appearing in this publication are not comparable with those appearing in previous issues because of changes in the scope of the statistics, coverage and size criteria. Details of these changes are provided in paragraphs 3, 9 and 12 below.

Finance Company : Definition

3. While the broad definition of a finance company specified in paragraph 5 below remains unchanged from that used in previous issues, the list of businesses excluded from the scope of the finance companies collection (see paragraph 8) has now been extended to include money market corporations (referred to in the monthly publication *Finance Companies, Australia* (5614.0), prior to the October 1978 edition, as "Selected Finance Companies" or "Merchant Banks").

4. Starting with this issue, therefore, annual statistics on the financial accounts of finance companies exclude money market corporations, which are companies whose business consists predominantly of activities such as the provision and acceptance of short-term funds and dealing in Government and corporate paper such as securities and bills of exchange.

5. Subject to the qualifications listed in paragraphs 6 to 8, a *finance company* is defined as an incorporated company mainly engaged in providing to the general public (businesses as well as persons in their private capacity) credit facilities of the following types :

Instalment Credit for Retail Sales;
Personal Loans;
Wholesale Finance;
Factoring;
Other Consumer and Commercial loans;
Financial Leasing of Business Plant and Equipment; and
Bill of Exchange Transactions.

These types of financing facilities are defined in paragraph 10. A company is mainly engaged in providing these credit facilities if 50 per cent or more of its assets consist of balances outstanding with respect to these types of financing, or if 50 per cent or more of its income is derived from such types of financing.

6. A **holding company** (as defined in Section 6 of the uniform companies legislation) is included if 50 per cent or more of the company's assets are in the form of shares in or loans to subsidiary companies *and* if 50 per cent or more of the assets or income of the group are in respect of the financing facilities above.

7. Companies (other than holding companies) mainly engaged in financing the operations of related companies (related as defined in Section 6 of the uniform companies legislation) are treated as follows :

Included. Companies financing the sales :

(a) by unrelated businesses, of the products of related companies, by writing agreements with the general public;

(b) of related companies by directly writing agreements with the general public.

Excluded. Companies mainly engaged in :

(a) lending funds to related companies to enable such companies to finance their sales;

(b) lending funds to related finance companies;

(c) lending funds to related companies, none of which are engaged in providing credit facilities to the general public.

8. Excluded from the finance companies collection are : unincorporated businesses; banks; life and general insurance companies; authorised dealers in the short-term money market; money market corporations;

pastoral finance companies; investment companies, unit trusts, land trusts, mutual funds and management companies for such trusts and funds; pension and superannuation funds; building societies; friendly societies and credit unions.

Coverage

9. As a result of improved coverage sources, a significant number of companies satisfying the finance company definition have been added to the finance companies collection. Information has been collected from these additional finance companies from 1977-78 and is included for the first time in this publication.

Finance Agreements and Instruments : Definitions

10. The following definitions have been used in this publication and correspond with those used in the monthly publication *Finance Companies, Australia* (5614.0).

(a) *Instalment credit for retail sales:* Finance provided under credit schemes in which repayment is made by regular pre-determined instalments, e.g. hire purchase, time payment, budget accounts and personal loans made primarily to finance the retail sale of consumer commodities. Credit schemes which do not involve repayment by regular pre-determined instalments, lay-bys, the financing of "producer" type goods (e.g. plant, machinery and commercial motor vehicles), the sale of land and buildings, property improvements, travel and services, and the rental or leasing of consumer commodities are excluded from this category but are included in *personal loans, other consumer and commercial loans* and *leasing* as appropriate.

(b) *Personal loans:* All loans to persons other than loans for housing, instalment credit for retail sales, or for use in business. This category includes loans to persons for alterations and additions to existing dwellings estimated to cost less than $10,000.

(c) *Wholesale finance:* All loans for the financing of wholesalers' or retailers' purchases of goods including the financing of motor vehicle dealers' stocks held under bailment or floor plans.

(d) *Factoring:* Loans on the security of "trade debts" and such debts that have been purchased. "Trade debts" are defined as debts due to businesses for goods and services supplied to other businesses for use in their business or for resale. Purchases, sales, or transfers of existing finance agreements are classified in this publication according to the original purpose of the loans.

(e) *Other consumer and commercial loans:*

(i) *Finance for housing:* Loans for the purchase and construction of housing (including loans to persons for alterations and additions to existing dwellings estimated to cost $10,000 or more).

(ii) *Other commercial loans:* Loans for construction other than housing, and all other loans to businesses not elsewhere classified (including loans for developing tracts of land into residential blocks). Loans and advances to other finance companies, bill of exchange transactions, placements with authorised dealers in the short-term money market, deposits with banks, and investments in shares, debentures, notes and government securities are excluded.

(f) *Leasing:* Goods and property for rental or lease to others:

(i) business plant and equipment (including motor vehicles for business use) purely on a financial service basis.

(ii) other (including real estate and consumer durables).

(g) *Bills of Exchange:* As defined in the *Bills of Exchange Act* 1909. This item relates to holdings of bills of exchange. Loans secured by bills of exchange drawn or accepted by reporting companies are excluded from this item but included in other categories as appropriate.

(h) *Liquidity placements:* Moneys repayable at call or within 90 days that have been placed on the unofficial short-term or intercompany markets. Bill of exchange transactions, placements with finance companies and authorised dealers in the short-term money market, deposits with banks, and investments in shares, debentures, notes and government securities are excluded.

(i) *Loans to related non-finance companies:* Loans or advances made by a finance company to any related company other than a related finance company. Investments in shares of related non-finance companies are excluded.

Presentation and interpretation

11. Tables 1 to 4 present annual statistics on the assets, liabilities, income, expenditure and appropriation of profit of large finance companies, being those finance companies which individually or as a group of related finance companies have balances outstanding in the prescribed types of finance agreements of $5 million or more on an Australia-wide basis. Table 5 presents similar statistics at summary level, for small finance companies which are finance companies with equivalent balances outstanding of less than $5 million.

12. In previous issues of this publication the criterion used for distinguishing between small and large finance companies was $500,000 (rather than $5 million) in prescribed balances outstanding. For this reason statistics appearing in those issues are not comparable with statistics in this issue.

Effects of changes

13. All statistics of finance companies in this publication, including those for periods prior to 1977-78, exclude details of money market corporations.

14. Because of the coverage update referred to in paragraph 9 above, finance companies statistics for 1977-78 are not comparable with those for earlier periods and a series break has been inserted. To enable the statistical impact of the coverage update to be gauged, a bridging series has been presented (in brackets) for 1977-78 in Tables 1, 2, 3 and 5 based on the finance companies population prior to update.

15. **Consolidation of finance company statistics.** As an important aim of the statistics is to measure the flow of funds between the finance companies and the remainder of the economy all transactions between related finance companies have been eliminated, but because of practical difficulties it has not been possible to eliminate all transactions between unrelated finance companies.

16. **Accounting period.** The statistics in this publication are described as being for financial years ended 30 June. However, the information used to derive aggregates is based on company accounting periods ending within the period 1 July to 30 June for each year. Table 4 shows the number of large finance companies that balanced in each quarter of the financial year 1977-78, and their contribution to *Total Assets.*

17. **Basis of valuation.** Assets and liabilities have been reported by companies on the same basis as that used in their published accounts and therefore the components of the aggregates are not necessarily on a consistent basis.

18. **Classification of items in tables.** The classification of liabilities, assets, income, expenditure and appropriation of profit used in the tables in this publication is based on the ninth schedule of the uniform companies legislation. However, the following should be noted :

(a) It is possible some "deferred liabilities" are included in "current liabilities", because the items "bank loans and overdrafts", "amount owing to related non-finance companies" and "other liabilities" are all classified as "current liabilities".

(b) For each year, net loss reported by some companies has been deducted from the aggregate net profit reported by the other companies and the resulting figure shown in Table 3 as net profit before tax.

(c) Two methods are used by companies reporting leasing contracts : "initial capital cost of goods or property leased less depreciation to date"; and "gross receivables", i.e. the present value of expected future receipts from existing leasing agreements including unearned income plus the agreed residual value of the goods at the end of the leasing period. Figures for leasing in this publication are shown on a "gross receivables" basis and are therefore partly estimated.

Comparability

19. The definition of *large finance companies* used in this publication is identical to that used for all finance companies included in the monthly publication *Finance Companies, Australia* (5614.0) from the October 1978 edition. Notwithstanding differences attributable to the coverage and size criteria changes described above, the statistics for financial years in the two publications will not correspond because details in this publication are for annual balance dates and those in the monthly publication are as at the end of June.

20. Because of differences in coverage, classification criteria, and definitions of data items, the statistics for *finance companies* in this publication are not directly comparable with statistics contained in the monthly publication *Financial Corporations Statistics, Australia* (5617.0).

21. The statistics on finance for housing published in this issue are not comparable with those published in the monthly publication *Housing Finance for Owner Occupation, Australia* (5609.0) as the definitions, scope and coverage are not the same.

22. In addition to changes resulting from the coverage and size criteria changes referred to above, this publication incorporates revisions made to previous statistics in this series.

Related publications

23. Users may also wish to refer to the following publications which contain additional information on the operations of finance companies :

Finance Companies, Australia (5614.0)

Instalment Credit for Retail Sales, Australia (5631.0)

Housing Finance for Owner Occupation, Australia (5609.0)

24. All publications produced by the ABS are listed in *Catalogue of Publications* (1101.0) which is available free of charge from any ABS office.

Symbols and other usages

— nil, or less than half the final digit shown

25. Where figures have been rounded, discrepancies may occur between sums of the component items and totals.

R. J. CAMERON
Australian Statistician

TABLE 1. LARGE FINANCE COMPANIES : LIABILITIES
($ million)

	1975-76	1976-77	1977-78 (a)	
Shareholders' funds –				
Paid-up capital	542.9	629.3	792.6	803.2
Reserves –				
Share premium	112.6	134.3	158.3	158.5
Asset revaluation	9.4	10.1	10.1	10.1
Unappropriated profits	247.2	257.5	246.3	238.2
Other	210.3	218.6	213.9	215.4
Total shareholders' funds	*1,122.5*	*1,249.8*	*1,421.1*	*1,425.5*
Current liabilities –				
Provisions –				
Taxation	99.6	119.1	150.7	152.8
Final dividend	23.1	23.7	18.8	19.1
Other (b)	91.9	141.2	215.8	217.8
Borrowed funds –				
Bank loans and overdrafts	210.5	225.1	218.0	222.6
Debentures	1,824.9	2,315.5	2,195.3	2,198.3
Secured loans	93.0	195.0	363.7	386.2
Unsecured loans	1,393.2	1,682.8	2,009.4	2,034.3
Amount owing to related non-finance companies	251.7	325.5	337.5	367.0
Other liabilities	240.8	227.1	300.1	318.8
Total current liabilities	*4,228.7*	*5,255.1*	*5,809.5*	*5,917.0*
Deferred liabilities (c) –				
Borrowed funds –				
Debentures	2,896.2	3,339.7	4,114.7	4,114.7
Secured loans	68.2	126.2	236.6	341.6
Unsecured loans	522.6	648.5	794.4	816.4
Total deferred liabilities	*3,487.0*	*4,114.4*	*5,145.7*	*5,272.8*
Total Liabilities	**8,838.2**	**10,619.2**	**12,376.3**	**12,615.3**

(a) Break in series; for explanation of break and bracketed series refer to paragraphs 9 and 14 in Explanatory Notes. (b) Includes provision for doubtful debts but excludes provision for unmatured income. (c) Payable later than 12 months.

TABLE 2. LARGE FINANCE COMPANIES : ASSETS
($ million)

	1975-76	1976-77	1977-78 (a)	
Current assets –				
Cash on hand and bank deposits	22.5	25.3	27.5	28.3
Loans to authorised dealers in the short-term money market	5.4	18.1	38.6	38.6
Balances outstanding on finance agreements –				
Instalment credit for retail sales	1,964.1	2,398.7	2,753.4	2,753.4
Other personal loans	705.9	903.1	1,137.4	1,137.4
Wholesale finance	512.2	778.5	1,018.1	1,033.5
Factoring	47.6	59.7	76.6	76.6
Housing	2,290.7	2,582.1	2,681.9	2,701.0
Other commercial loans	2,170.8	2,499.9	2,938.1	3,010.4
Total	*7,691.2*	*9,221.9*	*10,605.4*	*10,712.2*
Lease agreements –				
Business plant and equipment	1,659.8	2,368.1	3,298.5	3,418.1
Other	6.1	9.4	12.6	19.9
Bills of exchange	98.2	148.4	153.5	153.5
Liquidity placements	197.4	179.7	170.5	176.7
Loans to related non-finance companies	290.8	327.7	300.1	316.2
Other debtors	35.0	60.5	84.2	86.9
Less provision for unmatured income	1,640.5	2,215.3	2,766.9	2,796.8
Total current assets	*8,365.9*	*10,143.7*	*11,924.1*	*12,153.7*
Investments in –				
Governmental, local and semi-government securities	8.2	10.2	25.3	25.5
Related non-finance companies	119.4	85.9	89.0	89.3
Listed companies	16.3	15.9	14.6	16.1
Other companies	62.1	58.6	57.9	61.5
Total investments	*206.1*	*170.6*	*186.8*	*192.5*
Fixed and other assets –				
Freehold and leasehold property (b) –				
Held for development and sale	114.1	107.1	98.1	98.1
Other	39.7	41.2	50.0	50.0
Other fixed assets (b)	47.3	50.3	39.2	39.9
Other assets	65.1	106.4	78.2	81.1
Total fixed and other assets	*266.2*	*305.0*	*265.4*	*269.1*
Total Assets	**8,838.2**	**10,619.2**	**12,376.3**	**12,615.3**

(a) Break in series; for explanation of break and bracketed series refer to paragraphs 9 and 14 in Explanatory Notes. (b) After deducting provision for depreciation.

TABLE 3. LARGE FINANCE COMPANIES : INCOME, EXPENDITURE AND APPROPRIATION OF PROFIT
($ million)

	1975-76	1976-77	1977-78 (a)	
Income derived from –				
Finance agreements and bills of exchange	945.8	1,110.6	1,328.6	1,336.6
Lease agreements (b)	204.7	299.2	385.0	407.5
Loans to, and investments in related non-finance companies	23.6	28.5	30.9	32.0
Investments in –				
Listed companies	2.2	2.1	2.0	2.1
Other companies	18.8	14.5	25.5	26.6
Sale or revaluation of assets	3.9	4.6	13.9	15.1
Other sources	61.8	67.7	58.8	60.3
Total income	**1,260.8**	**1,527.2**	**1,844.6**	**1,880.1**
Expenditure –				
Interest paid on –				
Debentures and other fixed term borrowings	626.7	762.7	915.0	918.8
All other borrowings (including borrowings at call)	55.3	82.4	154.1	170.4
Wages, salaries, allowances, directors' fees, etc.	119.6	145.3	174.1	175.5
Superannuation	6.7	8.4	9.6	9.6
Provision for depreciation or amortization on –				
Investments and goodwill	0.6	1.3	1.3	1.3
Fixed assets	27.7	26.2	27.1	34.1
Other provisions (c)	22.9	73.7	91.5	91.9
Loss on sale or revaluation of assets	3.3	15.7	6.6	6.8
Other expenditure	190.2	255.4	287.7	293.1
Total expenditure	**1,053.0**	**1,371.1**	**1,666.9**	**1,701.6**
Net profit before tax (total income less total expenditure)	207.7	156.1	177.7	178.5
Amount provided for income tax in respect of accounting year	79.7	78.8	117.9	119.4
Net profit after tax	128.1	77.3	59.8	59.1
Adjustments in respect of previous years (including adjustments to taxation provisions)	5.7	1.3	4.2	4.6
Net profit after adjustments	133.7	78.6	64.0	63.7
Dividends paid and proposed to be paid (d)	58.8	59.2	66.8	68.3
Changes to reserves and retained profits	74.9	19.5	-2.8	-4.6

(a) Break in series; for explanation of break and bracketed series refer to paragraphs 9 and 14 in Explanatory Notes. (b) Includes income from leasing of business plant and equipment and from other leasing. (c) Excludes provisions for income tax and unmatured income. (d) Includes dividends paid or proposed to be paid in respect of previous years which had not previously been reported.

TABLE 4. LARGE FINANCE COMPANIES : NUMBER OF COMPANIES BALANCING IN EACH QUARTER AND THEIR CONTRIBUTION TO TOTAL ASSETS, 1977-78

Companies balancing within period	Large finance companies		Total assets	
	Number	%	Amount ($m)	%
1 July 1977 to 30 September 1977	10	9.5	4,697.2	37.2
1 October 1977 to 31 December 1977	22	21.0	2,593.0	20.6
1 January 1978 to 31 March 1978	6	5.7	519.3	4.1
1 April 1978 to 30 June 1978	67	63.8	4,805.8	38.1
Total	**105**	**100.0**	**12,615.3**	**100.0**

TABLE 5. SMALL FINANCE COMPANIES : LIABILITIES, ASSETS, INCOME AND EXPENDITURE
($ million)

	1975-76	1976-77	1977-78 (a)(b)	
Liabilities –				
Shareholders' funds	39.8	42.8	31.6	37.7
Other liabilities	200.3	198.9	246.0	283.0
Total liabilities	**240.1**	**241.7**	**277.6**	**320.6**
Assets –				
Balances outstanding on finance agreements, value of lease agreements and holdings of bills of exchange (c)	191.9	196.2	230.4	263.1
Other assets	48.2	45.5	47.2	57.5
Total assets	**240.1**	**241.7**	**277.6**	**320.6**
Other –				
Total income	41.7	44.8	46.9	54.6
Total expenditure	33.4	37.6	37.3	43.6
Provision for taxation	2.7	3.0	3.1	3.5
Net profit after taxation	5.5	4.2	6.5	7.4

(a) Break in series: for explanation of break and bracketed series refer to paragraphs 9 and 14 in Explanatory Notes. (b) There were 513 small finance companies operating in Australia during 1977-78 which contributed only 2.5% towards the total assets of all (both large and small) finance companies. (c) Excludes loans to related non-finance companies which are included in "Other assets".

TABLE 6. ALL FINANCE COMPANIES : SELECTED STATISTICS AND CONCENTRATION PERCENTAGES, 1977-78

Items		Total – All finance companies	Companies ranked by contribution to total assets				
			Largest 4	Largest 8	Largest 12	Largest 24	Largest 48
Companies	No.	618	4	8	12	24	48
	%		0.6	1.3	1.9	3.9	7.8
Shareholders' funds	$m	1,463.2	491.3	755.7	926.4	1,253.4	1,351.3
	%		33.6	51.6	63.3	85.7	92.4
Total assets	$m	12,935.9	4,739.7	7,289.2	8,783.9	11,155.0	12,043.4
	%		36.6	56.3	67.9	86.2	93.1
Total income	$m	1,934.7	676.9	1,049.3	1,289.0	1,647.1	1,775.3
	%		35.0	54.2	66.6	85.1	91.8
Total expenditure	$m	1,745.2	611.0	945.1	1,183.1	1,484.5	1,610.3
	%		35.0	54.2	67.8	85.1	92.3

NOTE. Concentration statistics are concerned with provising measures of the extent to which a few companies are dominant in their industry. They are a useful aid in assessing the degree of competition existing between companies.