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FINANCE COMPANIES
ASSETS, LIABILITIES, INCOME AND EXPENDITURE, AUSTRALIA
1982-83

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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.

Finance company: definition

2. Subject to the qualifications listed in paragraphs 3 to 5, a *finance company* is defined as an incorporated company which is, or a group of incorporated companies related under Section 7 of the *Companies Act* 1981 each of which is, mainly engaged in providing to the general public (businesses as well as persons in their private capacity) any of the following types of credit facilities:

Instalment credit for retail sales;
Personal loans;
Wholesale finance;
Factoring;
Other consumer and commercial loans;
Finance leasing of business plant and equipment; and
Bills of exchange transactions.

These types of credit facilities are defined in paragraph 6. A company is mainly engaged in providing these types of credit facilities if 50 per cent or more of its assets consist of balances outstanding with respect to such facilities,or if 50 per cent or more of its income is derived from such facilities.

3. A *holding company* (as defined in Section 7 of the *Companies Act* 1981) 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 credit facilities listed above.

4. Companies (other than holding companies) mainly engaged in financing the operations of related companies (related as defined in 7 Section of the *Companies Act* 1981) 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.

5. Also 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.

Types of credit facilities: definitions

6. The following definitions of types of credit facilities 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 are excluded. Also excluded are credit transactions to finance the sale of *producer* type goods (e.g. plant, machinery and commercial motor vehicles), land and buildings, property improvements, travel, services, and rental or leasing of consumer commodities. Such transactions 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 related companies, holdings of bills of exchange, placements with authorised dealers in the short-term money market, liquidity placements, 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 category relates to holdings of bills of exchange. Loans secured by bills of exchange drawn or accepted by reporting companies are excluded from this category 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. Holdings of bills of exchange, placements with related 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

7. Tables 1 to 3 present annual statistics on the assets, liabilities, income, expenditure and appropriation of earnings of large finance companies, being those finance companies which individually or as a group of related finance companies have balances outstanding net of unmatured income in the prescribed types of credit facilities of $5 million or more in total on an Australia-wide basis. Table 4 presents similar statistics at summary level for small finance companies which are finance companies with equivalent balances outstanding of less than $5 million.

8. *Accounting period*—While the statistics in this publication are presented in terms of financial years ended 30 June, they were obtained by aggregating data from the accounts of the various finance companies in respect of accounting periods ending within the period 1 July to 30 June. The contribution to total assets of those finance companies with balance dates in each of the quarters of 1982-83 was:

Balance dates in quarter ending	*Contribution to total assets*
30 September	52.1%
31 December	26.4%
31 March	2.1%
30 June	19.4%

9. *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.

10. *Classification of items in tables*—The classification of liabilities, assets, income, expenditure and appropriation of earnings used in the tables in this publication is based on the seventh schedule to the *Companies Act* 1981. 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) 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

11. 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. The statistics for financial years in the two publications will not correspond because details in this publication are for the balance dates of individual finance companies falling within the financial year and those in the monthly publication are as at the end of June.

12. 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).

13. 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.

14. This publication incorporates revisions made to previous statistics in this series.

Related publications

15. Users may also wish to refer to the following publications which are available on request:

> *Finance Companies, Australia* (5614.0)—*issued monthly*
>
> *Instalment Credit for Retail Sales, Australia* (5631.0)—*issued monthly*
>
> *Housing Finance for Owner Occupation, Australia* (5609.0)—*issued monthly*

16. Current publications produced by the ABS are listed in the *Catalogue of Publications, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Publications Advice* (1105.0) which lists publications to be released in the next few days. The Catalogue and Publications Advice are available from any ABS office.

Symbols and other usages

— nil or rounded to zero

17. 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)

	1980-81	*1981-82*	*1982-83*
Shareholders' funds—			
Paid-up capital	1,145.3	1,305.7	1,348.0
Reserves—			
Share premium	178.1	190.8	220.7
Asset revaluation	17.9	25.1	31.9
Accumulated surplus	385.0	551.3	645.3
Other	337.7	366.9	410.7
Total shareholders' funds	*2,064.0*	*2,439.8*	*2,656.6*
Current liabilities—			
Provisions—			
Taxation	207.4	185.8	265.3
Final dividend	23.0	26.8	32.4
Other(a)	235.9	252.6	382.7
Borrowed funds—			
Bank loans and overdrafts	315.5	419.6	411.6
Debentures	2,683.4	3,093.0	4,571.9
Secured loans	481.4	688.6	710.9
Unsecured loans	4,304.7	5,363.5	6,038.6
Amounts owing to related non-finance companies	811.9	833.2	795.9
Other liabilities	403.1	467.3	574.6
Total current liabilities	*9,466.3*	*11,330.4*	*13,784.0*
Deferred liabilities(b)—			
Debentures	4,833.6	5,162.5	5,238.3
Secured loans	424.7	471.3	447.7
Unsecured loans	1,616.9	2,172.7	2,033.9
Total deferred liabilities	*6,875.1*	*7,806.5*	*7,719.9*
Total liabilities	**18,405.4**	**21,576.7**	**24,160.4**

(a) Includes provision for doubtful debts but excludes provision for unmatured income. (b) Payable later than 12 months.

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

	1980-81	*1981-82*	*1982-83*
Current assets -			
Cash on hand and bank deposits	33.4	32.2	99.1
Loans to authorised dealers in the short-term money market	12.5	19.4	11.7
Balances outstanding on finance agreements—			
Instalment credit for retail sales	2,947.9	3,243.3	3,632.0
Other personal loans	1,547.4	1,705.9	1,842.9
Wholesale finance	1,338.4	1,427.8	1,401.0
Factoring	136.7	178.5	194.6
Housing	3,492.2	4,559.6	4,860.2
Other commercial loans	4,023.5	4,951.9	5,897.2
Total	*13,486.2*	*16,067.0*	*17,828.0*
Lease agreements—			
Business plant and equipment	7,589.7	9,108.9	9,831.9
Other	15.5	20.0	31.0
Bills of exchange	111.8	145.0	215.3
Liquidity placements	260.8	383.7	604.6
Loans to related non-finance companies	332.2	276.5	409.4
Other debtors	108.5	135.3	169.3
Less provision for unmatured income	4,306.8	5,427.8	6,057.9
Total cash and debtors	*17,643.7*	*20,760.0*	*23,142.5*
Investments in —			
Government, local and semi-government securities	7.2	10.1	13.0
Related non-finance companies	126.3	120.2	140.1
Listed companies	19.5	25.5	26.2
Other companies	165.4	198.2	273.3
Total investments	*318.4*	*354.0*	*452.6*
Fixed and other assets			
Freehold and leasehold property(a)—			
Held for development and sale	48.6	55.5	55.2
Other	50.5	68.9	80.3
Other fixed assets(a)	83.0	84.3	92.3
Other assets	261.1	254.0	337.5
Total fixed and other assets	*443.2*	*462.6*	*565.3*
Total assets	**18,405.4**	**21,576.7**	**24,160.4**

(a) After deducting provision for depreciation.

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

	1980-81	*1981-82*	*1982-83*
Income derived from—			
Finance agreements and bills of exchange	1,682.1	2,096.0	2,654.8
Lease agreements(a)	876.6	1,114.9	1,364.5
Loans to, and investments in—			
Related non-finance companies	31.2	44.2	64.1
Listed companies	0.8	0.8	2.0
Other	56.9	56.3	91.0
Sale or revaluation of assets	38.7	15.6	19.4
Other sources	78.0	82.9	68.1
Total income	**2,764.2**	**3,410.6**	**4,263.9**
Expenditure—			
Interest paid on—			
Debentures and other fixed term borrowings	1,327.4	1,704.3	2,185.1
All other borrowings (including borrowings at call)	294.0	456.6	575.2
Wages, salaries, allowances, directors' fees, etc.	263.0	288.5	340.9
Superannuation	13.6	15.4	18.2
Provision for depreciation or amortisation on—			
Investments and goodwill	0.4	0.7	0.1
Fixed assets	82.1	82.1	87.9
Other provisions(b)	30.2	40.1	148.4
Loss on sale or revaluation of assets	11.7	3.1	4.5
Other expenditure	369.7	397.2	453.3
Total expenditure	**2,392.0**	**2,987.9**	**3,813.7**
Net excess of income over expenditure	**372.2**	**422.8**	**450.2**
Taxation provision for current year	129.0	155.3	208.5
Adjustments to taxation provision for previous year (net)	-2.0	-0.6	5.2
Dividends paid and proposed to be paid(c)	93.1	79.8	98.6
Appropriations to reserves (net)	88.5	30.5	50.9
Other appropriations (net)	-4.2	5.4	-0.5
Retained earnings	**55.5**	**161.9**	**96.9**

(a) Includes income from leasing of business plant and equipment and from other leasing. (b) Excludes provisions for income tax and unmatured income. (c) Includes dividends paid or proposed to be paid in respect of previous years which had not previously been reported.

TABLE 4. SMALL FINANCE COMPANIES : LIABILITIES, ASSETS, INCOME AND EXPENDITURE
($ million)

	1980-81	*1981-82*	*1982-83(a)*
Liabilities—			
Shareholders' funds	51.1	49.0	49.4
Other liabilities	235.0	243.8	223.8
Total liabilities	**286.1**	**292.8**	**273.1**
Assets—			
Balances outstanding on finance agreements, value of lease agreements and holdings of bills of exchange	232.9	226.5	208.8
Other assets	53.2	66.3	64.3
Total assets	**286.1**	**292.8**	**273.1**
Other—			
Total income	53.3	56.6	54.5
Total expenditure	46.9	48.4	47.8
Provision for taxation	2.7	3.2	3.1
Net earnings after taxation	3.7	5.0	3.6

(a) There were 284 small finance companies operating in Australia during 1982-83 which contributed only 1.1 per cent towards the total assets of all (both large and small) finance companies.

TABLE 5. ALL FINANCE COMPANIES : SELECTED STATISTICS AND CONCENTRATION PERCENTAGES, 1982-83

			Companies/company groups ranked by contribution to total assets				
Items		*Total*	*Largest 4*	*Largest 8*	*Largest 12*	*Largest 24*	*Largest 48*
Companies/company groups	No.	390	4	8	12	24	48
	%	100.0	1.0	2.1	3.1	6.2	12.3
Shareholders' funds	$ m	2,705.9	1,381.3	1,631.5	1,901.3	2,262.2	2,488.7
	%	100.0	51.0	60.3	70.3	83.6	92.0
Total assets	$ m	24,433.5	12,642.0	15,709.1	17,675.6	20,849.5	22,821.8
	%	100.0	51.7	64.3	72.3	85.3	93.4
Total income	$ m	4,318.3	2,154.3	2,684.1	3,024.0	3,592.1	3,983.5
	%	100.0	49.9	62.2	70.0	83.2	92.2
Total expenditure	$ m	3,861.5	1,861.9	2,340.9	2,656.9	3,220.6	3,572.1
	%	100.0	48.2	60.6	68.8	83.4	92.5

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