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**SUMMARY FINANCIAL REPORTS:  
REVIEW OF INTERNATIONAL  
GUIDELINES AND LITERATURE;  
NZ EVIDENCE AND ISSUES**

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## *Abstract*

Although there are no professional guidelines or statutory regulations that permit or guide the presentation of summarised financial reports in New Zealand, a number of NZ companies provide such reports to their shareholders as alternatives for the comprehensive GAAP-based financial reports. Developments in other countries suggest that it is likely that increasing numbers of NZ companies may choose to follow this trend. It has been suggested that summary financial reports would lead to cost savings and improving communication with shareholders. However, the evidence from the literature is not conclusive that these objectives have been achieved by the publication of such reports.

In this article, we review the guidelines and literature relating to summary financial reports in other countries, evaluate the content of summarised financial reports provided by New Zealand companies, and identify issues relating to the preparation of such statements.

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# 1. Introduction

The New Zealand Statement of Concepts for general purpose financial reporting outlines two objectives for general purpose financial reporting: an accountability role and an informative role. These roles are commonly achieved by publishing financial reports. Compliance with statutory and professional requirements often results in the publication of comprehensive and detailed financial reports, although, for qualifying entities, the differential reporting framework in New Zealand allows a degree of summarisation. Several overseas jurisdictions permit the publication of summarised financial reports (called variously summarised, abbreviated, concise, or condensed financial reports) as an alternative to the comprehensive financial statements provided to shareholders. Proponents of providing summarised financial reports argue that it would reduce costs and improve communication (Chandra (1989), Hamilton (1990), Morse (1990), and Ebling (1989)).

This article has a number of objectives. It reviews international developments pertaining to summary financial reports and relevant literature which examines the experiences of countries that allow summary financial reports to be provided to shareholders as substitutes for comprehensive GAAP based financial reports. This review assists in developing a benchmark for summary financial reports and identifies issues relating to such reports. The article also evaluates current reporting practices of NZ companies in respect of summary financial reports in the absence of professional guidelines for the preparation of such reports. This evaluation identifies areas of strengths and weakness in such practices and assesses the need for guidelines for preparing summary financial reports.

The remainder of this article is structured as follows. Section 2 reviews the international development relating to summary annual reports. Section 3 reviews the literature pertaining to summary financial reports. Section 4 examines summary annual reports published by New Zealand companies. Section 5 provides a summary and conclusion.

## **2. International Developments**

Summary financial statements are permitted in the US and the UK, and there are proposals currently under consideration to allow the presentation of summarised statements in Australia. The following sub-section reviews such developments in the three countries.

### **2.1 The US**

The concept of summarised statements was first mooted in the US in 1983 when the Financial Executives Research Foundation (FERF) published a two-volume study entitled, *Summary Reporting of Financial Information* (Golub and Kueppers, 1983). The primary purpose of the FERF study was to explore the feasibility of replacing conventional annual reports with summary annual reports (SARs). Nineteen companies subsequently prepared SARs and were then examined and found to be more readable than conventional annual reports. The improved readability is attributed to the avoidance of unnecessarily technical language.

The FERF (1983) study recommended minimum disclosure guidelines for SARs, and encouraged companies to experiment by issuing summarised reports as substitutes for their conventional annual reports. In 1986, General Motors Corporation approached the US Securities and Exchange Commission (SEC) for permission to issue a SAR. The SEC reacted favourably, but it was McKesson Corporation, rather than General Motors, which issued the first SAR in 1987. However, since then, summarised reports have not achieved the popularity initially anticipated, despite the favourable experiences of companies adopting SARs and despite allaying the concerns of analysts and other users of financial statements (Schneider, 1988; Cook and Sutton, 1995).

In 1995, The SEC proposed rules to allow companies to provide abbreviated financial statements to their shareholders. However, most of the comments received did not support the proposed abbreviated financial statements. As a result, the SEC decided not to progress with the concept of abbreviated financial statements but to evaluate alternatives that provide important information to shareholders in an easy to understand format.

## 2.2 The UK

In the UK, the Companies Act of 1989, which amended the Companies Act of 1985, permits listed companies to issue summarised reports under certain conditions. These conditions, specified in section 251 (1), allow a listed company to provide summarised financial statements to those shareholders who have indicated that they do not want to receive the full set of accounts. However, all shareholders retain the right to receive the full annual report if they so request (Section 251 (2)).

The form of these summary statements was subsequently specified by Statutory Instrument (SI) 1992/3075 (Hussey and Wild, 1993) as requiring the following minimum information, extracted from the full accounts:

a) From the directors' report:

- (1) the whole, or a summary, of the fair review of the development of the business of the company and its subsidiary undertakings during the financial year and of their position at the end of it;
- (2) the whole, or a summary, of the details of any important events affecting the company or any of its subsidiary undertakings which have occurred since the end of the financial year;
- (3) the whole, or a summary, of the indication of future likely developments in the business of the company and of its subsidiary undertakings; and
- (4) the names of all the directors who served during the financial year.

b) From the profit and loss account, the information pertaining to the following headings:

- (1) turnover;
- (2) income from shares in associated undertakings;
- (3) other interest receivable and similar income less interest payable and similar charges;
- (4) profit or loss on ordinary activities before taxation;
- (5) tax on profit or loss on ordinary activities;
- (6) profit or loss on ordinary activities after taxation;
- (7) minority interests



- (8) extraordinary items
  - (9) profit or loss for the financial year; and
  - (10) dividends paid and proposed.
- c) From the balance sheet, the information against these headings:
- (1) fixed assets
  - (2) Current assets
  - (3) Prepayments and accrued income (if not shown within current assets in the full accounts);
  - (4) Creditors: amounts falling due within one year;
  - (5) Net current assets (liabilities);
  - (6) total assets less current liabilities;
  - (7) Creditors: amounts falling due after more than one year;
  - (8) Provisions for liabilities and charges;
  - (9) Capital and reserves; and
  - (10) Minority interests.

As well as including the information specified above, the summary financial statement must include any other information necessary to ensure consistency with the full accounts. The term “consistency” is not defined. At one extreme, it may mean the same as in the full accounts; at the other, it may mean that the reader will gain the same impression of the company as they would from reading the full financial statements. Although if that was the case, it could be argued that the full accounts would be redundant. However, it appears that the intention is to provide some notion of “fairness”, as summary financial statements are not intended to provide an alternative view of the operating results or financial position of the company.

In addition, the summary financial report must explain that it is only a summary and remind readers that they are entitled to the full financial statements if they so desire. Further, it should contain a warning to readers that the summarised statements do not contain enough information to allow a full understanding of the results and state of affairs of the company or group concerned. It is not necessary to reproduce the full audit report but the summary statement must state whether or not the full accounts received a qualified audit report (and reproduce it if it did). However, the auditors must provide an opinion as to whether the

summary is consistent with the full accounts and complies with the legal requirements.

## **2.3 Australia**

In Australia, concise financial statements, comprising a balance sheet, profit and loss statement and statement of cash flows, have been proposed by the Corporate Law Economic Reform Program (Simpson, 1997). Recent amendments to the Corporations Law now allow companies to send either a full set of financial statements or a concise report to their shareholders when the accounting standard on concise financial reports is finalised. The Australian Accounting Standards Board (AASB) issued an exposure draft 94 (ED 94): Concise Financial Reports in August 1998. The proposed operative date of the standard is financial years ending on or after 31 December 1998.

ED 94 (Paragraph 5.1) requires the concise financial report to include a profit and loss statement, a balance sheet, and a statement of cash flows. Although ED 94 does not specify items to be disclosed in financial statements, the following items must be disclosed (paragraph 6.2):

- extraordinary items
- dividends: dividends paid and dividends proposed
- earnings per share
- subsequent events
- changes in accounting policies and estimates

It also requires (Paragraph 5.3) that each financial statement must be accompanied by discussion and analysis to assist the understanding of members. Examples of areas where a discussion and analysis is likely to assist the understanding of members are provided in ED 94 (paragraphs 5.3.2 to 5.3.4). These examples outline the following information:

### **Profit and Loss Statement**

- a) trends in revenues arising from operating activities,
- b) the effects of significant economic or other events on the operations of the entity,
- c) the main influences on costs of operations,
- d) measures of financial performance such as return on sales, return on assets and

return on equity.

### **Balance Sheet**

- a) changes in the composition of assets,
- b) the relationship between debt and equity,
- c) significant movements in balance sheet items.

### **Statement of Cash Flows**

- a) Changes in cash flows from operations,
- b) financing of capital expenditure programs,
- c) servicing and repayment of borrowings.

In addition to the financial statements, section 314 of the Corporations Law requires a concise financial report to include the following components:

- a) the directors' report for the year; and
- b) a statement by the auditor confirming:
  - (1) that the financial report has been audited; and
  - (2) whether, in the auditor's opinion, the concise financial report complies with the accounting standards made for the purpose of concise financial reporting; and
- c) a copy of any qualification in the auditor's report on the full financial report; and
- d) a statement that the report is a concise report and that the full financial report and auditor's report will be sent to the member free of charge if the member asks for them.

### **3. Literature Review**

The literature examines a number of aspects relating to SARs, including the quality of information disclosed, the characteristics of the companies issuing SARs, objectives and benefits achieved, and professional issues such as compliance with the conceptual framework and auditing implications.

#### **3.1 The Quality of Disclosure in Summary Financial Information**

Several studies examine the level and quality of disclosure in SARs, highlight some deficiencies in disclosure, and argue for the development of reporting guidelines. Chandra (1989) compares the content of 22 SARs issued by US companies for the 1987 fiscal year with the content of the same companies' conventional annual reports for the 1986 fiscal year. Chandra (1989) reports that, on average, SARs are about one-half the size of conventional annual reports, that management discussions and operations' reviews are either omitted or condensed, that the financial statements are condensed and that most companies do not provide explanatory notes to the financial statements. Chandra comments that most of the summarised reports are largely of a descriptive nature and that management had tried to make the SARs more readable.

Chandra focuses on the disclosure items included in the FERF's (1983) study and finds that several items recommended for disclosure by FERF have not been included in most of the SARs. The omitted items include, *inter alia*, accounting policies, specific material contingencies, and capital and operating lease commitments. A later study by Lee and Morse (1990) also considers the lack of disclosure of contingencies and commitments to be a major omission.

Several calls have been made for minimum disclosure requirements for published summarised reports. Chandra (1989) suggests that the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) should consider developing some guidelines covering the preparation of summarised reports. Nair and Rittenberg (1990) are critical of the lack of specificity of the minimum disclosure guidelines in the FERF study. This flexibility is evident in that many of the guidelines in the FERF study relies on management's assessment of what information an average reader would

require. This lack of specific prescriptions has the potential to further adversely affect completeness, comparability and understandability of SARs.

Despite the FERF recommendations, there is no reporting standard for SARs in the USA. However, in the UK, a statutory instrument requires minimum disclosure of certain specified items from the directors' report, the profit and loss account and the balance sheet. The SAR in the UK must also contain any other information necessary to ensure that it is consistent with the full accounts, as well as an explanation that it is only a summary of the full accounts.

In Australia, in response to the proposals to allow the issue of SARs, the Australian Shareholders Association (ASA) called for adequate disclosure of director and executive remuneration and for the cautious use of graphics in the summary reports. The ASA would also like companies to extend their typical five-year summaries to ten-year-summaries. The ASA's call for adequate disclosure of directors' remuneration is consistent with a finding by Hansford *et al.* (1997), who reported, in a survey of the shareholders of two companies which had issued summary annual financial statements, that directors' emoluments was the most widely read item.

### **3.2 The Characteristics of Companies Preparing SARs**

Lee and Morse (1990) analyse the 32 SARs issued for fiscal years ending on or before 1 August 1988. They find that firms issuing summarised reports tend to be larger than typical SEC registrants, are more likely to be listed in a major stock exchange, and are probably audited by a "Big-Eight" firm. Lee and Morse do not offer explanations as to the reasons the SAR issuing companies have these characteristics. However, it could be argued that such companies with such attributes are likely to realise the cost saving from publishing summary financial statements since they are likely to have large number of shareholders.

### **3.3 Objectives and Benefits**

A number of studies highlight the objectives and the benefits from reporting SARs. Chandra (1989), Hamilton (1990) and Lee and Morse (1990) identify two motives for the preparation of SARs. These motives are improving communication with shareholders and cost savings from condensing and summarising conventional annual reports. The Department of Trade and Industry in the UK, in a consultative document on SARs, also specifies cost savings and

improved shareholder communication as the primary objectives of SARs (Ebling, 1989). Ebling, however, questions whether improved communication with shareholders is achieved by issuing SARs and suggests that the focus should be on providing a document which is easier to analyse before making informed investment decisions, rather than simply focusing on summary accounts.

There is some evidence that indicates that SARs reduce information overload, but do not improve the readability of such information. Schroeder and Gibson (1992) analyse 25 SARs issued in 1987 with conventional 1986 annual reports, to assess the SARs' effectiveness in reducing information load and increasing readability, two objectives of SARs specified by the FERF study. Schroeder and Gibson measure information load by the number of financial information pages and lines of financial statement data. They find major reductions in respect of both measures in SARs.

Lee and Morse (1990), in analysing 32 SARs, find that the average length of SARs is 26 pages, compared to 46 pages for the annual reports for the preceding year. Schroeder and Gibson (1992) measure readability by studying three variables: use of the passive voice, average word length, and average sentence length. They find significant reductions in the use of the passive voice in SARs, but average word length in SARs and annual reports are the same. A similar result is obtained when comparing average sentence length. Schroeder and Gibson also assess the education level required to read and comprehend the narratives examined, and find no significant difference between the education level required for the full report versus the summarised report.

Hamilton (1990) describes the experiences of a company, Iowa Resources Inc., when it issued its SAR. He notes that, in 1987, Iowa Resources Inc. decided to issue a summary annual report, believing that the new format would reduce costs. This expectation was not realised, as the cost of preparing and printing the financial information section of the proxy statement offset the annual report cost savings. Although shareholders indicate that the SAR is more readable, they also believe that the SAR is more expensive than the prior year's report, and do not like the large proxy statement which was required to be filed with the Securities and Exchange Commission. Iowa Resources Inc. decided not to continue with summarised reports.

In 1992, the Financial Reporting Committee of the Institute of Chartered Accountants of England and Wales (the Institute) investigated the usage of summary financial statements

(SFSs) (Hussey and Wild, 1993). Noting their increased usage, the Institute finds that only one of ten companies surveyed is unable to report cost savings. The Committee also identifies a significant level of preference for the summary document over the full document, but is less able to conclusively conclude whether the required financial information is communicated more effectively by the abbreviated document. The Committee, based on its analysis of the abbreviated documents, notes that communication has not improved.

Hansford *et al.* (1997) conduct a survey of the shareholders of two companies which had issued summary annual financial statements. They report that shareholders find the directors' report the easiest item to understand in the summary financial statements, followed by information on directors' emoluments. The most difficult financial statements are considered to be the cash flow statement and the balance sheet. Hansford *et al.* (1997) conclude that levels of readership and understanding of summary financial statements have not yet achieved high levels.

Wilson (1989) and Cook and Sutton (1995) contend that financial reporting is not necessarily improved by providing less financial information to individual user groups, but rather by making sure that each group has all the information it needs for its investment and other decisions. They suggest that this may require the development of a framework for financial reporting that incorporates more than one accounting model.

### **3.4 Compliance with Conceptual Framework**

There are suggestions that disclosure in SARs does not comply with conceptual frameworks. Nair and Rittenberg (1990) assess compliance of SARs with the FASB's conceptual framework. They compare the McKesson Corporation's condensed financial statements and disclosures in the summary annual report with its GAAP-based financial statements and disclosures. In some respects, the amount of disclosure in the SAR is less than in the GAAP-based statements. For example, there is less disclosure of information regarding pension plans, contingent liabilities and accounting policies in the SAR, whereas in other areas, such as future debt offerings and capital expenditures, the SAR offers more disclosure.

Nair and Rittenberg (1990) conclude that the summary report offers less information with which to understand McKesson's financial position and results of operations. They believe that the summary annual report is lacking in completeness, comparability and

understandability and is therefore not useful by the criteria in the FASB Conceptual Framework. It is a matter of debate, however, whether it is appropriate to use the FASB framework as the reporting criterion for all categories of investors, ranging from institutional to individual investors. According to Nair and Rittenberg, the FASB clearly assumes that the information needs of all investors are the same as those of institutional investors and holds the belief that all required disclosures are useful to that larger set of investors. This assumption is questionable, given the numerous complaints about information overload in annual reports (Cook and Sutton, 1995).

### **3.5 Auditing Issues**

There are auditing guidelines dealing with SARs in the US and the UK. In the US, SAS 42, *Reporting on Condensed Financial Statements and Selected Financial Data* (AICPA, 1982), requires the inclusion of an audit report, and prescribes its form, in a document that contains condensed financial statements that have been derived from audited financial statements. SAS 42 was issued before the recent development of SAR in the US, but appears to cover reporting on SARs (Chandra, 1990). Lee and Morse (1990) and Chandra (1990) find that the SAR is usually audited, with the audit report similar to the form recommended by the FERF (1980) report, comprising one or two paragraphs specifying the scope of the audit engagement and an opinion on the condensed financial statements. While the wording was similar to that suggested by SAS 42 (AICPA,), Lee and Morse express the concern that the gap between the implied level of assurance in the audit report and the actual attestation work performed. Nair and Rittenberg (1990) express a similar concern, suggesting that if the use of SARs increases, the auditor's role should be expanded to more comprehensive involvement with all summarised financial data, rather than being limited to only the condensed financial statements.

Chandra (1990) reports that the audit reports for condensed statements in the USA, although not required to by SAS 42, referred to the type of report, qualified or unqualified, rendered on the client's complete set of financial statements.

Guidelines for the auditing of SARs in the UK have recently become available with the publication by the Auditing Practices Board of *The Special Auditors' Report on Abbreviated Accounts in Great Britain* (APB, 1997). The bulletin applies to small or medium-sized companies which prepare abbreviated accounts under the Companies Act, 1985 (the Act), as



amended by SI 1997 No. 220. Section 247B(2) of the Act requires that a copy of a special report of the auditors must accompany such abbreviated accounts, when they are delivered to the registrar of companies. The report should indicate that the auditors' work was limited to determining whether the company is entitled to deliver abbreviated accounts to the registrar and whether the accounts to be delivered are properly prepared in accordance with the relevant provisions. The Act does not envisage a qualified opinion being expressed on the abbreviated accounts. If the auditors cannot make the positive statements required, they will report the fact to the directors, who cannot then deliver the abbreviated accounts to the registrar. It is noteworthy that in a study by Hansford *et al.* (1997) in the UK, the auditors' statement is the component of the summary financial statement that is least frequently read by shareholders. It might be argued that this is because the Companies Act does not permit SARs with qualified opinions to be delivered to the Registrar of Companies.

#### **4. Summary Annual Reports by New Zealand Companies**

The use of summary annual reports is not prevalent in New Zealand. An examination of reporting practices reveals that eight companies provided summary annual reports during the period 1995-1998: one company in 1995, three companies in 1997 and four companies in 1998. Two out the eight are in the banking industry. The 1995 Annual Review of the National Bank would be the earliest SAR issued by a New Zealand company. Interestingly, further inquiries with the bank reveal that the Bank did not issue any SARs after the 1995 publication.

#### **5. Disclosure by New Zealand Companies**

There are no professional or statutory guidelines for the preparation of concise financial statements by NZ companies. To evaluate the quality and quantity of disclosure, we use international guidelines as benchmarks. To assess the quantity and quality of disclosure in summary financial statements of New Zealand companies, we use the disclosure requirements in the UK Companies Act as a benchmark. Table 1 provides a comparison of disclosures

required for the Directors' Report by the UK Companies Act and the extent of disclosure by the New Zealand companies.

Most New Zealand companies disclose information regarding "the fair review of the development of the business of the company", "details of any important events affecting the company", "the indication of future likely developments in the business of the company" and "the names of all directors" as required by the UK companies Act 1989 in their directors' reports. However, the information provided varies in detail across companies, as illustrated by the following examples:

*Countrywide Bank 1997 Annual Review* states that "...As customers become more discerning and expectations of service and delivery increase rapidly, so we need to improve our ability to respond and adapt. Technology has emerged as a key factor for success as banking moves into the 21st century. Countrywide Bank is committing to a significant step forward in its technological capabilities and will be well positioned to meet the challenges of the new millennium....." (Chairman's Report, p. 6)

While *Fletcher Challenge (Forests) 1997 Annual Review* states: "...The first priority in the coming year is to lift our short-term profitability by improving our efficiency and capturing more operational synergies from our new structure. Our second challenge is to thoroughly review our processing capability so that we can further increase profits in the medium term by matching our harvest profile with customer demand for solid wood products. We expect this review to be completed in the next 12 months. Implementing its findings, reconfiguring plant, and capturing the operational efficiencies is expected to take a further two years. Finally, we must enhance continuously our relationships with our customers, seeking further opportunities to create high-value markets for our products..." (Chief Executive's Overview, p. 3).

*Fletcher Challenge - Forests (1998) Annual Review* states that ".....In planning our path forward we have drawn on the expertise of McKinsey & Co with whom we have completed an intensive study of the future step changes we must make towards our goal. A key finding was the potential to capture an additional \$60 million per annum of cost efficiencies across our total managed estate, which will enable us to undertake further restructuring and upgrading of our facilities with only minor expenditure of capital. These are the sorts of fundamental changes we must now deliver for our shareholders. ..." (Chief Executive's Review p. 3)

Other than directors' reports, most of the companies include a separate section which

provides more information regarding “the fair review of the development of the business of the company”, “details of any important events affecting the company” and “the indication of future likely developments in the business of the company”. For example, *Fletcher Challenge (Forests) 1997 Annual Review* (pp. 21-22) provides an “operating review” section, which provide information against the three sub-headings “Trading Conditions”, “Operating Performance” and “Outlook”.

Using the disclosure items required by the UK Companies Act 1989 for the Profit and Loss Account as benchmark, New Zealand SARs disclose most of the required items, which include: turnover, profit or loss on ordinary activities before taxation, tax on profit or loss on ordinary activities, profit or loss on ordinary activities after tax, minority interests, profit or loss for the financial year and dividends paid. The items omitted in most of the New Zealand SARs are: other interest receivable and similar income less interest payable and similar charges, extraordinary items and dividends proposed (see Table 2).

However, several items that are not required by the UK Companies Act 1989 have also been reported by the SARs of New Zealand companies. Table 3 outlines these disclosures.

From the balance sheets, only four items had been included in most of the SARs compared with the items required by the UK Companies Act 1989. They are: fixed assets, current assets, provisions for liabilities and charges, and capital and reserves. The items which had been omitted in the SARs but are required by the UK Companies Act 1989 are: prepayments and accrued income (if not shown within current assets in the full accounts), creditors (amounts falling due within one year), net current assets (liabilities), total assets less current liabilities, creditors (amounts falling due after more than one year and minority interests (see Table 2). Table 3 outlines the items disclosed that are not required the UK Companies Act 1989 have been identified.

Comparing condensed financial statements, provided by four Fletcher Challenge divisions, with the comprehensive GAAP-based financial statements, the main differences are the lack explanatory notes and statement of accounting policies in the condensed financial statements. This is consistent with Chandra’s (1989) findings, which reveal that US companies that issued SARs did not provide accounting policies in most of the SARs.

The companies surveyed do not provide an auditor’s report in their summarised financial reports. However, most companies indicate that the financial information was derived from

audited financial statements. However, they do not disclose whether the summary financial statements are consistent with those audited accounts and comply with the legal requirements.

## **6. Summary and Conclusion**

The paper reviews the guidelines and proposed guidelines in other countries and literature relating to summary financial reports. The statutory requirements in the UK are the most comprehensive guidelines for such reports. It appears that Australia may follow this direction. Although improved communication to shareholders and cost-savings are the primary objectives of preparing summary financial reports, the evidence is inconclusive of whether these objectives have been achieved.

An evaluation of summary financial reports in New Zealand reveals that only a small number of companies publish such reports. This may be attributed to the lack of guidelines on summary financial reports and whether such reports meet the statutory financial reporting requirements. Another possible explanation is that NZ companies are, on average, smaller than companies in UK, US, and Australia and therefore unlikely to realise the benefits from preparing summary financial statements.

Although the disclosure of NZ companies in their summary financial reports compares well with the benchmark based on guidelines in other countries, there are some weaknesses. Statements of accounting policies and explanatory notes have not been included in summary financial statements. There are no disclosures of whether the summary reports are consistent with the comprehensive reports. References to auditors' reports are not included. There are no statements that warn users that such summarised reports are incomplete and care must be exercised in using such statements for investment decisions.

One objective of summary financial statements is to improve communication to shareholders. Condensing comprehensive financial statements by extracting key information may not necessarily lead to improving communication. The latter would require consideration of users' information needs and how to communicate such information.

**Table 1**  
**Disclosure in the Directors' Report of New Zealand Summary Annual Reports as Required by UK Companies Act 1989**

	New Zealand Companies providing Summary Annual Reports							
<b>Requirements of the UK Companies Act 1989</b>	<b>Fletcher Challenge - Paper (1997 Annual Review)</b>	<b>Fletcher Challenge-paper (1998 Annual Review)</b>	<b>Fletcher Challenge - Forests (1997 Annual Review)</b>	<b>Fletcher Challenge - Forests (1998 Annual Review)</b>	<b>Fletcher Challenge - Energy (1997 Annual Review)</b>	<b>Fletcher Challenge - Energy (1998 Annual Review)</b>	<b>Fletcher Challenge - Building (1997 Annual Review)</b>	<b>Fletcher Challenge - Building (1998 Annual Review)</b>
Fair Review of the development of the company's business	Y (pp. A2-3)	Y (pp. 1-4)	Y (pp. 2-3)	Y (p. 3)	Y (p. 3)	Y (p. 3)	Y (p. 3)	Y (p. 3)
Details of any important events affecting the company	Y (pp. A2-3)	Y (p. 1)	Y (pp. 2-3)	Y (p. 3)	Y (p. 3)	Y (p. 3)	Y (p. 3)	Y (p. 3)
Indication of future likely developments in the company's business	Y (pp. A2-3)	Y (pp. 1-4)	Y (pp. 2-3)	Y (p. 3)	Y (pp. 4-23)	Y (pp. 3-19)	Y (p. 5)	Y (p. 5)
The names of all the directors	Y (p. 11)	Y (p. 18)	Y (p. 30)	Y (p. 29)	Y (p. 40)	Y (p. 32)	Y (p. 23)	Y (p. 23)
Total	Y:4	Y:4	Y:4	Y:4	Y:4	Y:4	Y:4	Y:4

Y denotes that companies provide information as required by the UK Companies Act 1989

N denotes that companies did not provide information as required by the UK Companies Act 1989

**Table 2**  
**Disclosed Information in the Profit and Loss Account and the Balance Sheet of New Zealand Summary**  
**Annual Reports in Comparison With the Requirements of the UK Companies Act 1989**

Required information by the UK Companies Act 1989	New Zealand Companies provide Summary Annual Reports							
	Fletcher Challenge -Paper		Fletcher Challenge - Forests		Fletcher challenge - Energy		Fletcher Challenge - Building	
	1997	1998	1997	1998	1997	1998	1997	1998
<b><i>Panel A: Profit and Loss Account</i></b>								
Turnover	Y	Y	Y	Y	Y	Y	Y	Y
Income from shares in associated undertakings	Y	Y	Y	Y	Y	Y	Y	Y
Other interest receivable ad similar income less interest payable and similar charges	N	N	N	N	N	N	N	N
Profit or loss on ordinary activities before taxation	Y	Y	Y	Y	Y	Y	Y	Y
Tax on profit or loss on ordinary activities	Y	Y	Y	Y	Y	Y	Y	Y
Profit or loss on ordinary activities after tax	Y	Y	Y	Y	Y	Y	Y	Y
Minority interests	Y	Y	Y	Y	Y	N	Y	Y
Extraordinary items	N	Y	N	Y	Y	Y	Y	Y
Profit or loss for the financial year	Y	Y	Y	Y	Y	Y	Y	Y
Dividends paid and proposed*	Y	Y	Y	Y	Y	Y	Y	Y
Sub-total	Y: 8 N:2	Y: 9 N:1	Y:8 N:2	Y:9 N:1	Y:9 N:1	Y:8 N:2	Y:9 N:1	Y:9 N:1
<b><i>Panel B: Balance Sheet</i></b>								
Fixed assets	Y	Y	Y	Y	Y	Y	Y	Y
Current Assets	Y	Y	Y	Y	Y	Y	Y	Y
Prepayments and accrued income (if not shown within current assets in the full accounts)	N	N	N	N	Y	N	Y	Y
Creditors: amounts falling due within one year	Y	Y	Y	Y	Y	Y	Y	Y
Net current assets (liabilities)	N	N <sup>#</sup>	N	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>
total assets less current liabilities	N	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>	N <sup>#</sup>
Creditors: amounts falling due after more than one year	Y	Y	Y	Y	Y	Y	Y	Y
Provisions for liabilities and charges	Y	Y	Y	Y	Y	Y	Y	Y
Capital and reserves	Y	Y	Y	Y	Y	Y	Y	Y
Minority interests	Y	Y	Y	N	N	N	N	N
Sub-total	Y:7 N:3	Y:7 N:3	Y:7 N:3	Y:6 N:4	Y:7 N:3	Y:6 N:4	Y:7 N:3	Y:7 N:3

Y denotes that companies provide information as required by the UK Companies Act 1989

N denotes that companies either did not provide information or the information is not relevant.

\* Only Fletcher Challenge - Forests (1998) and Energy (1998) provide both dividend paid and proposed information, the other companies provide only dividend paid information.

# Information under this heading has not been provided, but it can be derived from the information available.

**Table 3**  
**Additional Financial Information Provided in the New Zealand Summary Annual Reports**  
**But Not Required by the UK Companies Act 1989**

<b>Company</b>	<b>Profit and Loss Account</b>	<b>Balance Sheet</b>
Fletcher Challenge - paper (1997)	<ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Operating earnings</li> <li>• Attributed funding costs</li> </ul>	<ul style="list-style-type: none"> <li>• Cash and liquid deposits</li> <li>• Stocks</li> <li>• Debtors (within total current assets)</li> <li>• Investments</li> <li>• Total Fletcher Challenge (paper) attributed assets</li> <li>• Other current liabilities</li> <li>• Total current liabilities</li> <li>• Other non-current liabilities</li> <li>• Total Fletcher Challenge paper attributed liabilities</li> </ul>
Fletcher Challenge - paper (1998)	<ul style="list-style-type: none"> <li>• Operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Cash and liquid deposits and stocks (within total current assets)</li> <li>• Investments</li> <li>• Total assets</li> <li>• short term loans and bank overdrafts</li> <li>• Other current liabilities</li> <li>• Total current liabilities</li> <li>• Total liabilities</li> </ul>
Fletcher Challenge - Forests (1997)	<ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Net earnings before plantation forest holding cost adjustment</li> <li>• Plantation forest holding cost adjustment</li> <li>• Interest capitalised</li> </ul>	<ul style="list-style-type: none"> <li>• Cash and liquid deposits</li> <li>• Stocks</li> <li>• Debtors (within total current assets)</li> <li>• Investments</li> <li>• Other current liabilities</li> <li>• Total current liabilities</li> <li>• Other non-current liabilities</li> <li>• Fletcher Challenge forests attributed equities</li> </ul>
Fletcher Challenge - Forests (1998)	<ul style="list-style-type: none"> <li>• Operating Expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Cash and liquid deposits</li> <li>• Stock and debtors (within total current assets)</li> <li>• Investments</li> <li>• Total assets</li> <li>• Other current liabilities</li> <li>• Total current liabilities</li> <li>• Total liabilities</li> </ul>
Fletcher Challenge - Energy (1997)	<ul style="list-style-type: none"> <li>• Operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Cash and liquid deposits (within total current assets)</li> <li>• Investments</li> <li>• Total assets</li> <li>• Other current liabilities</li> <li>• Total liabilities</li> </ul>
Fletcher Challenge - Energy (1998)	<ul style="list-style-type: none"> <li>• Operating expenses</li> </ul>	<ul style="list-style-type: none"> <li>• Cash ,liquid deposits and stock (with total current assets)</li> <li>• Investments</li> <li>• Total assets</li> <li>• Other current liabilities</li> <li>• Other non-current liabilities</li> <li>• Total liabilities</li> </ul>
Fletcher Challenge - Building (1997)	<ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Details of operating earnings (depreciation, depletions and amortisation)</li> </ul>	<ul style="list-style-type: none"> <li>• Cash, liquid deposits , stock abd cibracts (within total current assets)</li> <li>• Investments</li> <li>• Total assets</li> <li>• Short term loans and bank overdraft</li> <li>• Other current liabilities</li> <li>• Total current liabilities</li> <li>• Total liabilities</li> <li>• Minority equity</li> </ul>
Fletcher Challenge - Building (1998)	<ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Details of operating earnings (depreciation, depletions and amortisation)</li> </ul>	<ul style="list-style-type: none"> <li>• Cash, liquid deposits and stock (within total current assets)</li> <li>• Investments</li> <li>• Total assets</li> <li>• Short term loans and bank overdraft</li> <li>• Other current liabilities</li> <li>• Total current liabilities</li> <li>• Total liabilities</li> <li>• Minority equity</li> </ul>

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