

Annual Report Readership: A Study of an Agricultural Supply Cooperative

by

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Abstract

Recent corporate collapses have focussed attention on the (un)reliability of financial information. However, although the agricultural sector, which is significant globally, is run primarily using the cooperative form, there is scant research on these users' perception of financial information. Therefore this paper examines members' readership and understanding of the annual reports of a large, fertiliser cooperative. The findings show that there is a lack of readership of the annual report, due to a lack of understanding and a lack of time. A minority of non-readers trust directors to "do a good job". Preparers of information should focus on making reports more user-friendly and evidence suggests that financial information could be released more strategically using other sources of communication, namely other print media and the internet.

Key words: cooperatives, annual reports, readership, understanding

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Introduction

Agriculture is a significant contributor to the New Zealand (NZ) economy, generating 20% of gross domestic product (GDP) in 2004. "Agricultural, forestry and horticultural exports were valued at NZ\$18.5 billion or 65% of New Zealand's total exports" (MAF, 2005). Cooperatives play an important role in the agricultural sector of the NZ economy, being involved in the processing and export of final products and also the provision of supplies to the producers. For example, in dairy production, the major cooperatives have a 99% market share in New Zealand; venison processing has 69%, lamb 54%, and beef 41%; rural services are 70% provided by cooperatives and fertiliser 90% (Evans and Meade, 2005).

Given recent corporate scandals, e.g., WorldCom, Enron and Parmalat, where the reliability of financial information has been the subject of intense global scrutiny (Mensah et al., 2006), and given the importance of the agricultural sector to NZ, it is timely to examine whether the financial information produced by large agricultural cooperatives is useful to members and whether they understand it. Although financial reports have been an established part of the communication process between entities and their stakeholders for some time (see Curtis, 1981), there still remains scant examination of a user's perspective.

The structure of this paper is as follows. The next section introduces the literature in relation to studies on annual report readership and the importance of trust in cooperatives. The subject of the research, Ravensdown Fertiliser Co-operative Ltd, is then described. This is followed by the method used, the findings and a conclusion.

Prior Literature

The earliest studies on annual report readership and understanding were those of Lee and Tweedie (1975a, 1975b, 1977) which examined "whether or not shareholders ... use information from company financial reports" (Lee and Tweedie, 1975a:281) and whether they understand it (1975b). As Lee and Tweedie found that shareholders relied mainly on the narrative parts of annual reports, future studies delved deeper to increase our knowledge of the understandability and use of this information. Jones and Shoemaker (1994) provided a detailed review of those studies.

Early replications of Lee and Tweedie were Curtis (1982) and Chang and Most (1985). More recently Naser et al. (2003) expanded the work by considering a range of different users. They surveyed users of annual reports in Kuwait,

comprising individual investors, institutional investors, financial analysts, bank loan officers, government officials, academics, auditors, and stock market brokers, to determine the usefulness of various parts of the annual report to these users. They found that although users agreed that financial statement and notes to the accounts are difficult to understand, the "financial statements are the most credible part of the annual report followed by the auditor's report" (Naser et al., 2003: 608). The income statement, cash flow statement and statement of retained earnings were considered to be more important than the balance sheet. Non-financial information (such as the directors' report) was perceived to be less credible and less important. Other studies have also taken a financial analysts perspective (Previts et al. 1994, Rogers and Grant, 1997).

Clearly in the 21st century there are new influences on the communication process between entities and their stakeholders, particularly in relation to the use of the media and the internet. Yuthas et al. (2002) examined how companies strategically used their reports to release news. Gowthorpe (2004) reported that a small sample of senior officers in listed UK companies made some use of the internet for communication with stakeholders. Assessment of stakeholder requirements was haphazard and it was difficult to judge the effectiveness of the internet as a mechanism for communication. She noted that further research could examine the views of "stakeholders ... and the extent to which the information is useful to them" (Gowthorpe, 2004: 292).

The above studies all relate to investor-owned companies, yet in many countries a major part of the economy is carried out by cooperative companies, where the members' interests and motivations differ from those of shareholders in an investor owned company. New Zealand is no exception. There is very little research on the usage of annual reports in cooperatives. Hyndman et al. (2004) studied Irish credit unions and Westerdahl (2001) studied a Swedish rural cooperative. Lord et al. (2005) examined annual report usage by members of a NZ wholesaling cooperative for retail grocers, namely Foodstuffs. This research was extended to two UK consumer cooperatives, namely the Co-operative Group and Chelmsford Star (Robb et al., 2006). The current study focusses on a supplier cooperative in the rural sector. These studies are continuing to increase our knowledge of users' understanding, what users read, and whether cooperatives' reports have suffered from the distrust engendered by accounting scandals such as Enron, WorldCom and Parmalat.

Fundamental to the successful operation of cooperatives is the recognition of the role played by trustworthiness. Parnell (1999:53) began his advice for making co-operation work with the statement: "Establish trust and rapport between members, and between members and the cooperative, and work at this on a

continuing basis." Standing (2005:9) saw the prospering of the early small, highly successful farmers' mutual insurance associations in New Zealand as due to "trust, determination and an enduring sense of ownership." Similarly Boyce (2005:298) attributed the success of the Public Service Investment Society (PSIS) – including its turnaround after difficulties in the 1980s – as being due to "trust, fairness and reciprocity."

A reputation for trustworthiness in cooperatives can be found in the wider community. A survey by Opinion Research Corporation of over 2000 adult Americans in 2003 found that 76% believed that cooperatives run their businesses in a trustworthy manner, compared to 53% for publicly traded corporations; 68% believed that cooperatives are ethically governed, compared with 45% for publicly traded corporations (NCBA, 2003). The Opinion Research Corporation study also found "strong support for farmer-owned cooperatives, with more than 80 per cent agreeing that these co-ops strengthen rural communities and help farmers to succeed." (NCBA, 2003).

Ravensdown Fertiliser Co-operative Ltd

Ravensdown Fertiliser Co-operative Ltd was established in the South Island of New Zealand in 1977 as a result of farmer dissatisfaction with the quality of fertiliser provided by investor-owned suppliers. James (1992) records that the choice of the cooperative form was influenced by Peter Elworthy, who had spent five months in Britain looking closely at, among other things, farmer cooperatives and syndicates. Elworthy had argued that cooperatives would mean:

a much more cohesive and loyal rural group, and the results of the farmer exchanging this somewhat illusory independence for, wherever possible, cooperative approach to his mutual challenges and problems, will, I believe, have very profound effects on New Zealand agriculture at all levels (James, 1992:8).

Expanding to the North Island from 1997 onwards, today Ravensdown operates in a near duopoly situation with its main competitor, Ballance Agri-Nutrients Ltd, a 100 percent farmer-owned cooperative. Together the two cooperatives have a 90% market share of fertiliser production in New Zealand (Evans and Meade, 2005:122), and are now competing for members in over-lapping regions. The competition has made it easy for farmers to join either or both cooperative regardless of geographical location. Only \$100 needs to be paid on joining and all purchases made up to one year previously are eligible for rebate.

Research method

The questionnaire used in this study (see Appendix) was based on that used by Lee and Tweedie (1977) to evaluate the understanding and thoroughness of reading of annual reports by shareholders of listed companies in Britain. That questionnaire was adapted to cooperatives by Lord et al. (2005) in their survey of Foodstuffs (South Is.) Ltd members. The latter questionnaire was slightly altered to fit with the terminology of the annual reports of Ravensdown.

There were two mailings. In the first mailing the questionnaire, a covering letter, a pen and a reply-paid envelope were sent to the first 1000 members alphabetically in the database; 207 people responded (20.7%). The follow up mailing resulted in a further 179 (17.9%) responses. In total there were 386 responses, a 38.6% response rate. However, several of these were not completed or were not useable, leaving 343 useable responses (34.3%).

Some questionnaires were returned as the address was no longer valid. Others were returned with notes saying that the recipients had ceased farming. Other reasons for not completing the questionnaire included: an absence of transactions with the cooperative, difficulty in understanding the questions, a lack of interest in financial reports and a lack of time.

Findings

The individual respondents had been involved in farming for an average of 34 years, with a maximum of 75 years and a minimum of 2 years.

The most important information sought by respondents was product-related (especially the cost of the product to the respondent), rebate information and the cooperative's profits. Table 1 lists all categories mentioned in this open-ended question.

Respondents were asked to say whether they read each section of the annual report thoroughly, briefly or not at all (see Table 2). The most thoroughly read sections were: new products, chairman and CEO's report and innovation and research and development. This result is comparable to Lee and Tweedie (1977) and Robb et al. (2006) in which narrative parts of the annual report were more thoroughly read than financial sections. However it contrasts with Lord et al. (2005), where financial information was more important.

Few members of Ravensdown read the annual report thoroughly (3%), 75% were brief readers and 20% did not read the annual report at all. The reasons for not reading the report were lack of interest (36%), lack of time (26%), difficulty in

Table 1: Important Financial Information

	Number of responses
Product-related (cost, range, R&D)	102
Rebate information	78
Profits/earnings	64
All information	30
Balance sheet	29
Future prospects	19
Competitiveness	18
Capital base (shares, reserves)	10
Share price	9
Remuneration (of senior executives, directors, auditors)	9
Assets	8
Sales & turnover	7
Profits trend	3
Cash/liquidity	2
General trends	1
None	10
	(n=399)

understanding (24%), trust in the directors (10%) and its being deemed to be irrelevant (9%). A number of respondents said they were discouraged from reading it because of "jargon" and what they saw as an absence of plain language.

It is significant that 10% of the non-readers felt they did not need to read the annual reports because they trusted the directors; their comments included: "[I] trust the company and am prepared to trust [the] directors"; "I depend on the directors to look after Ravensdown"; "I leave the running of the co-op to the directors etc"; "[My] main reason for not reading it is because I trust our directors to do a good job"; "They wouldn't be in charge of a big [company] if not qualified"; "[I] hope [the] directors are doing their job properly!" This explicit acknowledgement of the place of trust in cooperatives is consistent with Parnell (1999), NCBA (2003), Boyce (2005) and Standing (2005).

Only 5% of respondents undertook any form of analysis of the data contained in the reports. This analysis included ratio analysis (60%) and comparison with competitors, comparison of narrative and financial data and technical analysis of products (13% respectively).

Members were asked to rank six potential uses of the financial sections of the annual reports. Those ranked first or second were deemed to be the most important.

Table 2: Thoroughness of reading of annual report sections

Section	Read Thoroughly		Read Briefly		Do Not Read		n
	No.	%	No.	%	No.	%	
New Products	73	24%	162	53%	71	23%	306
Chairman and CEO's Report	63	21%	147	49%	87	29%	297
Innovation and R&D	56	21%	112	43%	94	36%	262
Financial Highlights	56	19%	156	52%	87	29%	299
Core Products	40	15%	127	48%	98	37%	265
Statement of Financial Performance	40	15%	117	43%	117	43%	274
Statement of Financial Position	37	14%	116	43%	114	43%	267
Ravensdown Direct	28	11%	129	49%	107	41%	264
Security of Supply	30	11%	105	40%	128	49%	263
Finance at a Glance	27	10%	147	53%	103	37%	277
Services	25	10%	134	52%	101	39%	260
Board of Directors	28	10%	132	49%	109	41%	269
Statement of Movements in Equity	27	10%	91	35%	140	54%	258
Expertise, Productivity and Learning	21	9%	102	42%	121	50%	244
Environment	22	8%	120	46%	120	46%	262
Shareholders	17	7%	96	39%	134	54%	247
Ten Year Review	17	7%	88	35%	147	58%	252
Statement of Cash Flows	15	6%	92	37%	145	58%	252
Mission Statement	13	5%	86	34%	153	61%	252
Notes to Financial Statements	13	5%	76	32%	150	63%	239
Stores	9	4%	101	41%	137	55%	247
Audit Report	9	4%	73	29%	167	67%	249
Distribution Network	7	3%	93	38%	146	59%	246
Statement of Significant Accounting Policies	6	3%	53	23%	175	75%	234
Resolution of Directors	5	2%	84	34%	155	64%	244
Statutory Information	3	1%	56	24%	178	75%	237

These were: to make directors accountable to shareholders/members (78%); to give members an indication of the value of the company (67%); to justify rebates to members (57%); to give members an indication of the fair value of their shares (56%); to provide information for the Inland Revenue Department (27%); to give members data useful for investment decisions (26%).

The financial statements are clearly seen as providing accountability to members, closely followed by indicating the value of the company as a whole and justifying the level of rebates to members. Although the members' shares have a nominal value of \$1 and are redeemed at that figure when a member leaves, it is significant that more than half the respondents saw the financial statements as indicating the fair value of their shares. A possible explanation is that many of the Ravensdown members are also shareholders in Fonterra, a cooperative which, having fair value shares, has raised the awareness of this aspect of members' shareholdings.

The respondents' perceptions of the most important sections of Ravensdown's annual reports are shown in Table 3. Seven of the top eight (marked with a *) were also ranked most highly for thoroughness of reading. It is curious that the statement of cash flows received such a low ranking, considering that farmers must be very aware in their own business dealings of the importance of a healthy cash flow.

Seventy percent of respondents believed that the financial information given in Ravensdown's annual report is sufficient for shareholders, 58% thought they could realistically assess the cooperative's profitability and 29% the managerial efficiency based on the information in the annual report.

Additional financial information desired by shareholders included: profit forecasts (13%), budgets (12%), and information on the environment (12%). Although a small number of respondents suggested improvements in presentation, including more use of layperson's language, others commended the present report: "Thank you for trying to present a clear report for people like myself who have not had accountancy training."

Eighty-three percent of respondents read three or more sources of information about companies other than Ravensdown's annual report. The most frequently and thoroughly read other sources were the local newspaper (50%), NZ Farmers Weekly (37%) and Ravensdown newsletters (29%). The most common reason for not reading other sources was lack of interest (93% of non-readers).

The information contained in other sources that was of particular relevance is shown in Table 4. The main information sought in Ravensdown's newsletters relates to product prices. Despite the increasing influence of the internet (Gowthorpe, 2004), the Ravensdown website is currently playing a very minor role

Table 3: Ranking of the importance of each section of the annual report

Sections	Ranked 1st or 2nd	Overall ranking
* Financial Highlights	36%	1
* Chairman and CEO's Report	26%	2
* Statement of Financial Performance	24%	3
* New Products	23%	4
* Statement of Financial Position	13%	5
* Innovation and R&D	12%	6 =
Finance at a Glance	12%	6 =
* Core Products	9%	8
Security of Supply	6%	9
Statement of Movements in Equity	5%	10
Mission Statement	4%	11 =
Services	4%	11 =
Board of Directors	3%	13 =
Shareholders	3%	13 =
Audit Report	3%	13 =
Environment	2%	16 =
Ravensdown Direct	2%	16 =
Statement of Cash Flows	2%	16 =
Expertise, Productivity and Learning	1%	19 =
Ten Year Review	1%	19 =
Statutory Information	1%	19 =

in communicating with members. This may be due to the difficulties rural subscribers have in accessing broadband and other internet services, and a neglect of the rural sector by major internet service providers (Cox, 2006; McLaughlin, 2006; Ritchie, 2006).

Table 4: Information derived from sources other than annual reports

	General information	Financial reports	Share price	Future oriented information	Trends	Performance measures	Dividends	Product price
Local newspapers	117	13	17	2	3	0	1	3
NZ Farmers Weekly	106	7	1	4	1	0	1	11
Ravensdown newsletters	51	4	0	6	3	1	1	64
National Business Review	33	5	1	3	5	1	0	2
Sharebrokers' or other advisors' newsletters	27	6	6	1	2	0	1	2
Six monthly financial reports	22	42	1	23	21	4	5	6
Company flyers/direct marketing	16	1	0	0	1	0	1	27*
Other websites	15	2	1	0	0	0	0	4
The Independent	11	1	1	0	0	0	0	0
Ravensdown website	3	1	0	2	0	0	0	6

* Not necessarily Ravensdown's products

Understanding

Respondents were asked to define some terms commonly used in financial reports. These were "graded" with a 2 if they showed reasonable understanding, 1 if vague and 0 if showing no understanding. There was a critical lack of understanding of most of the terms. Only 45% of those who responded to this question had a reasonable understanding of "forward exchange", 30% the "equity ratio", 29% "depreciation" and 26% "intangible assets", with less than 15% of respondents understanding the terms "current assets", "minority interests", "foreign currency translation reserves", "movements in equity" and "derivative financial instruments". Very few respondents even tried to define "derivative financial instruments". (See Table 5). Responses to this question reinforce the request quoted earlier for a greater use of layperson's language in annual reports.

Table 5: Understanding of common accounting terms

	Reasonable understanding	Vague	No understanding	n
Forward exchange	45%	36%	19%	137
Equity ratio	30%	39%	31%	142
Depreciation	29%	56%	15%	188
Intangible assets	26%	41%	34%	125
Current assets	14%	9%	77%	182
Minority interests	11%	58%	31%	131
Foreign currency translation reserve	8%	18%	74%	103
Movements in equity	7%	38%	55%	156
Derivative financial instruments	4%	21%	75%	67

A further question investigated what financial data was used to assess profitability, capacity to survive, managerial efficiency and investment policy. Based on analysis of the responses by the researchers, only 13% had a reasonable understanding of how to assess the capacity of the cooperative to survive, 7% the profitability, 6% managerial efficiency and 3% investment policy. Many respondents tried to explain how to assess capacity to survive (77) and profitability (118), whereas few even attempted the other definitions (48 and 30 respectively).

Overall there appears to be a low level of understanding of what financial information could be used for evaluating any of these factors.

Finally, respondents indicated their perception of how accurately the financial reports reflected Ravensdown's progress and position. Only 26% of the 257 respondents to this question responded 'approximate', which was deemed to be correct and given a rating of 2, as in Lee and Tweedie (1977) and Lord et al. (2005).

The responses for the above definitional questions were summed to give an overall score for understanding, with a possible maximum of 22. This score for understanding was used in the following correlation analysis.

Unlike the previous research, there was no significant statistical relationship between thoroughness of reading and understanding. However, brief reading of annual reports was positively related to understanding ($r=0.162$, $p=0.003$) and not reading was negatively related to understanding ($r=-0.196$, $p=0.000$).

As in previous studies, there was no relationship between understanding and the number of other companies in which members held shares.

Table 6 shows the background and experience of the respondents. Many respondents had agricultural qualifications ranging from certificates through diplomas to degrees such as Bachelor of Agricultural Commerce and Bachelor of Agricultural Science. They self-classified these as agricultural rather than accounting qualifications. General business qualifications included membership of real estate, management and directors organisations and degrees other than agricultural or accounting. Nine respondents were currently or had been directors of companies. There were a wide range of other qualifications recorded by 20% of the respondents, including on-the-job experience and trade certificates in carpentry, welding, horticulture, fitting and turning, and automotive engineering. Very few respondents had accounting qualifications such as being a member of the institute of chartered accountants.

Not surprisingly, respondents who have no accounting background are unlikely to read the annual reports ($r=0.109$, $p=0.044$) or more than two other sources of financial information ($r=-0.162$, $p=0.003$), even though they should have been able to read and understand narrative sections. Those with significant accounting background (i.e., an accounting degree or financial management) read many other sources of financial information ($r=0.158$, $p=0.003$). Those with a significant accounting background also scored highly on the understanding measure ($r=0.201$, $p=0.000$), whereas those with no such background had a negative correlation with understanding ($r=-0.194$, $p=0.000$). High scorers on understanding also read many sources of financial information ($r=0.325$, $p=0.000$).

Table 6: Business background

Background & experience	%
Basic bookkeeping experience	35%
Industry qualification	27%
Financial management or Management qualifications	17%
Directorships	15%
Courses in accounting	9%
Accounting qualification	4%
General business qualification	4%
Other	17%
None	30%
	(n=343)

Those who read the Ravensdown annual reports briefly also read many other sources of information ($r=0.402$, $p=0.000$). Interestingly, these brief readers also have a high understanding ($r=0.162$, $p=0.003$), which suggests that they are able to capture the significant information very quickly. Non-readers of the Ravensdown annual reports also did not read many other sources of financial information ($r=-0.457$, $p=0.000$) and scored very low on understanding ($r=-0.196$, $p=0.000$).

Conclusion

This study found that there were very few thorough readers of annual reports. The relationships of brief reading with understanding and reading of other sources of information, were significant and positive, unlike previous studies which found positive relationships with thorough reading and negative relationships with brief reading. There are some possible reasons for the difference in findings. The co-operatives in each of the studies are not identical. The respondents in Lord et al. (2005) were members of a co-operative which is the sole supplier of their retail inventory. Respondents had frequent, if not daily, dealings with the co-operative. As they would be receiving weekly or daily financial reports in their own businesses, it is expected that they would be familiar with and in the habit of reading financial reports. This is supported by the fact that 35% of Foodstuffs respondents were thorough readers, 53% brief and only 12% claimed not to read the report. In the Co-operative Group (Robb et al, 2006), the respondents were not

a random sample of all members, but were members of area committees, who also could be expected to have more experience in reading financial reports. In that study, 29% were thorough readers, 67% brief and only 4% non-readers. In contrast, Ravensdown farmer members have much less frequent contact with the co-operative; for example, they may order fertiliser and other products only three or four times a year. The impact of Ravensdown on the total farming activities is correspondingly only a small proportion. Also, farmers' day to day activities in managing and monitoring their businesses are dependent on non-financial information, such as physical conditions of livestock, crops, the environment, rainfall, sunshine etc. Therefore financial data plays a smaller role, and Ravensdown's reports are less significant in the farmers' lives. This is confirmed by the sharply contrasting readership of the Ravensdown annual report: only 3% of respondents are thorough readers, 75% brief readers and 22% did not read the report at all.

At the outset of this paper the importance of cooperative members being able to read and understand financial reports was set in the context of recent corporate failures. However, not many Ravensdown members read the annual report thoroughly. The negative reasons for non-readership were lack of interest and time, irrelevance and difficulty in understanding. For example, most respondents showed some limited understanding of profitability, but other commonly used accounting terms were less readily understood. On the positive side, a minority of respondents trusted the directors to manage the cooperative effectively.

While preparers of information cannot necessarily increase the time taken reading the annual report, they should focus on providing information in a more accessible form, which might counteract the difficulties in understanding and the lack of interest. A small number suggested more use of laypersons' language. Given the literature on the concept of trust, it is necessary for cooperatives to live up to this expectation by producing accurate and reliable information.

It is worth noting that those with a significant accounting background showed high understanding. Also brief readers showed a high understanding which suggests the ability to capture significant information quickly, if it is produced in an user-friendly format. Most of the members of Ravensdown are satisfied with the quality and contents of the current annual reports that they receive, believing that the financial information given is sufficient for shareholders. However, additional financial information requested included profit forecasts, budgets and information on the environment.

As 83% of respondents read three or more sources of information about companies other than Ravensdown's annual report, the most frequently and thoroughly read being the local newspaper, NZ Farmers Weekly and Ravensdown's

newsletters, it is clear that, as Yuthas et al. (2002) showed, cooperatives could take information from the annual report information and release it strategically through these other sources. Should rural cooperatives wish to communicate with their members via the internet, as Gowthorpe (2004) reports is becoming popular in the UK, it will require a concerted effort on the part of major stakeholders to provide better provision of internet services in rural areas.

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Appendix: Questionnaire

1. How long have you been involved in farming? _____ years

2. How would you describe your business background and experience? *(Please tick whatever applies.)*
 - Accounting qualification *(state which)*
 - Agricultural qualification *(state which)*
 - General business qualification *(state which)*
 - Courses in accounting
 - Basic bookkeeping experience
 - Financial management
 - Directorships
 - Other *(please specify)*
 - None

3. What particular financial information about Ravensdown is important to you? *When completing the questionnaire, it may be helpful to have a copy of the 2004 Annual Report on hand.*

4. Which sections of the annual report do you read, and how thoroughly do you read each? *(Please tick appropriate columns.)*

Section	<i>Do not read at all</i>	<i>Read briefly for interest</i>	<i>Read thoroughly</i>
Financial Highlights			
Mission Statement			
Board of Directors			
Chairman and CEO's Report			
Innovation and R&D			

Section	<i>Do not read at all</i>	<i>Read briefly for interest</i>	<i>Read thoroughly</i>
New Products			
Core Products			
Security of Supply			
Environment			
Services			
Expertise, Productivity and Learning			
Ravensdown Direct			
Stores			
Shareholders			
Finance at a Glance			
Ten Year Review			
Statement of Significant Accounting Policies			
Statement of Financial Performance			
Statement of Movements in Equity			
Statement of Financial Position			
Statement of Cash Flows			
Notes to Financial Statements			
Audit Report			
Statutory Information			
Resolution of Directors			
Distribution Network			

*If you answered "Read thoroughly" to **any** category, please go to question 5.
 If you answered "Do not read at all" to **all** categories, please go to question 6.
 Otherwise, go to question 7.*

5. *(For those who read thoroughly all or part of the annual reports)*
 Do you undertake any form of analysis of the data contained in the reports?
(Please tick the appropriate box.)
 Yes No

If yes, please specify what analysis you undertake:

Please go to question 7.

6. (For those who do not read the annual report at all)

Why do you not read the annual report?

7. What ranking of importance would you give to the following *purposes* of the financial statements in Ravensdown's annual reports?

(1 = most important, 2 = next important, and so on; you may have equal rankings)

Purpose	Ranking
To make directors accountable to shareholders	
To provide information for the Inland Revenue Department	
To give shareholders an indication of the value of the company	
To give shareholders an indication of the fair value of their shares	
To give shareholders data of use for investment decisions	
To justify rebates to shareholders	
Any other (specify)	

8. Rank what to you are the **five** most important *sections* of Ravensdown's annual reports.

(1 = most important, 2 = next important, and so on.)

Sections	Ranking
Financial Highlights	
Mission Statement	
Board of Directors	
Chairman and CEO's Report	
Innovation and R&D	
New Products	
Core Products	
Security of Supply	
Environment	
Services	
Expertise, Productivity and Learning	

Sections	Ranking
Ravensdown Direct	
Stores	
Shareholders	
Finance at a Glance	
Ten Year Review	
Statement of Significant Accounting Policies	
Statement of Financial Performance	
Statement of Movements in Equity	
Statement of Financial Position	
Statement of Cash Flows	
Notes to Financial Statements	
Audit Report	
Statutory Information	
Resolution of Directors	
Distribution Network	

9. Do you have shares in any other company (either co-operatives or investor-owned firms)? *(Please tick the appropriate box.)*

Yes No

If yes, how many other companies do you hold shares in?

1 – 5

6 – 10

11 – 20

20 +

10. Which of the following sources of information about companies do you read, and how thoroughly do you read each? *(Please tick the appropriate column.)*

Source	<i>Do not read at all</i>	<i>Read briefly for interest</i>	<i>Read thoroughly</i>
Companies' annual reports			
Companies' six monthly reports			
National Business Review			
The Independent			
Local newspaper <i>(specify)</i>			
NZ Farmers Weekly			
Ravensdown website			
Other websites			
Ravensdown newsletters			
Sharebrokers' or other advisors' newsletters			
Company flyers/direct marketing			
Any other <i>(specify)</i>			

If you answered "Do not read at all" to all categories, please go to question 11. Otherwise, go to question 12.

11. *(For those who do not read anything about companies)*

Why do you not read anything about companies?

Go to question 13.

12. *(For those who read about companies.)*

What information contained in any of the following sources do you find particularly relevant to you?

Source

- Six monthly financial reports
- National Business Review
- The Independent
- Local newspapers
- NZ Farmers Weekly
- Ravensdown website
- Other websites
- Ravensdown newsletters
- Sharebrokers' or other advisors' newsletters
- Company flyers/direct marketing

Information

13. What do you understand by the following terms commonly used in financial reports?

- Depreciation
- Movements in equity
- Current assets
- Foreign currency translation reserve
- Minority interests
- Derivative financial instruments
- Equity ratio
- Intangible assets
- Forward exchange

14. Do you believe the financial information given in Ravensdown's annual report is sufficient for shareholders? *(Please tick the appropriate box.)*

- Yes No Don't know

15. Which of the following financial aspects of Ravensdown are you able to realistically assess from the present type of annual report? *(Please tick the appropriate box.)*

- | | |
|--|--|
| <input type="checkbox"/> Profitability | <input type="checkbox"/> Capacity to survive |
| <input type="checkbox"/> Managerial efficiency | <input type="checkbox"/> Investment policy |

16. What financial data do you use to assess the above factors?

- | Factor | Data |
|-----------------------|-------------|
| Profitability | |
| Capacity to survive | |
| Managerial efficiency | |
| Investment policy | |

17. Is there any additional financial information which you think shareholders should be given in Ravensdown's annual reports? *(Please tick the appropriate box.)*

- Budgets
- Profit forecasts
- More details on human resources
- The environment
- Increased disclosure of existing information (specify)
- Other (specify)

18. Do you consider the financial results which are annually reported to you by Ravensdown to be
- An accurate reflection of their financial progress and position
 - An approximation of their financial progress and position
 - An inaccurate reflection of their financial progress and position
 - Other (*specify*)
19. Is there anything in particular in Ravensdown's present annual report which could be presented more clearly? (*Specify briefly*)

