

# Guide to Completing the Quarterly International Investment Survey



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# 1 Data confidentiality and use of data

This *Guide to Completing the Quarterly International Investment Survey* will help respondents complete the questionnaire.

## Confidentiality of your data

- Your Quarterly International Investment Survey data is kept confidential within Statistics New Zealand.
- Only authorised people within Statistics NZ are allowed to see your individual information.
- At the output level, Statistics NZ has procedures in place to identify if a company's data is confidential.
- If a particular data cell in the tables for production is identified as being confidential then the company affected is asked for their consent to publish the data. Where consent is not granted, the data in that particular cell, and any related cell, are suppressed and denoted by C in the published tables.

## Where your data is included in balance of payments (BOP) and international investment position (IIP) statistics

The data provided in this questionnaire is used primarily to produce New Zealand's quarterly and annual BOP and IIP statistics. The quarterly BOP and IIP statistics are produced 11 to 12 weeks after the end of each quarter.

The data from the questionnaire feeds into:

BOP current account and financial account statistics, which include:

- interest expense and interest income and the consolidated net surplus/deficit amounts, which feed into the investment income component of the current account
- investment (equity and non-equity flows) during the quarter, which feed into the financial account under the appropriate investment categories (direct, portfolio, or other investment)
- IIP statistics, the values of international financial liabilities and assets at the end of the quarter
- valuation changes in the liabilities and assets, and transactions/investment flows during the quarter, and are used to explain movement in the IIP between quarters
- external debt statistics, reporting non-equity liabilities outstanding at the end of the quarter
- flows and investment position by country and region – Statistics NZ publishes country breakdowns of the stocks and flows of investment data by various investment categories
- Investment income data at the aggregate level, which feeds into New Zealand's income and outlay accounts within the gross domestic product (GDP) statistics.

The quarterly BOP and IIP statistics are available on the Statistics NZ website:  
[www.stats.govt.nz/datasets/economic-indicators/balance-of-payments.html](http://www.stats.govt.nz/datasets/economic-indicators/balance-of-payments.html)

### **Who uses the BOP and IIP statistics**

BOP data have a wide cross-section of users, both in New Zealand and overseas. They include:

- economists, financial market analysts, researchers and academics
- the Treasury and the Reserve Bank of New Zealand
- government departments such as the Ministry of Foreign Affairs and Trade, Ministry of Economic Development, and agencies such as Trade and Enterprise, and Investment New Zealand
- international credit rating agencies
- international organisations such as the International Monetary Fund, the World Bank, Organisation of Economic Co-operation and Development, United Nations, and the United Nations Conference on Trade and Development
- foreign embassies and consulates in New Zealand.

### **How the BOP and IIP statistics are used**

BOP and IIP statistics are used for many purposes. These include:

- feeding into New Zealand's macroeconomic forecasting models (BOP)
- assessing New Zealand's economy and financial stability (BOP and IIP)
- measuring the effectiveness of policies on foreign direct investment in New Zealand (BOP and IIP)
- helping international creditors assess the financial risk of lending to New Zealanders (IIP and related currency and maturity breakdown information).

## 2 Instructions

1. Report all figures in thousands of New Zealand dollars (\$NZ'000).
2. Opening and closing balances denominated in foreign currency should be converted into New Zealand dollars at the mid-point of the appropriate buy and sell rates that applied at the beginning or end of the quarter (see note 1.23). Transactions should be converted at the rate implicit at the time of transaction.
3. Financial instruments that are hedged by using derivatives (such as swaps and forward rate agreements) should be recorded according to the terms of the original contract and without regard to the hedge (see Note 1.26). **Report the market value of the hedge separately in Part S of the questionnaire.**
4. **Do not report** any equity or debt securities issued by your organisation in New Zealand that are held by non-residents via a New Zealand nominee company (these are reported in a separate survey completed by New Zealand nominee companies).
5. **Do not report** your asset portfolio overseas that is managed by a New Zealand fund manager (this is reported in a separate survey completed by New Zealand fund managers).
6. Please enclose a copy of your latest annual accounts (either audited or unaudited) with the completed Quarterly International Investment Survey questionnaire.
7. **Include:**
  - All financial liabilities to, or assets with, non-residents that are shown in your books, including liabilities or assets arranged by a financial intermediary.
  - Shares (equity) issued by non-resident companies and listed on the NZX and held by your enterprise. These are claims of a resident New Zealand holder over a non-resident issuer.
  - Kauri bonds are debt securities issued in New Zealand in New Zealand dollars by non-resident issuers. Your holdings of Kauri bonds are claims of a resident New Zealand holder over a non-resident issuer.
  - All financial liabilities that are held by non-residents via an overseas nominee.
8. **Do not include:**
  - If you are a fund manager, **do not** include transactions in managed funds in this questionnaire. Report these in the separate Managed Funds Survey conducted jointly by the Reserve Bank of New Zealand and Statistics NZ.
  - Financial liabilities and assets which your New Zealand group has negotiated on behalf of others and which are **not** shown in your books.
  - Investments abroad that are being managed on behalf of your New Zealand group by an independent fund manager in New Zealand.
  - Any financial liabilities that are held by non-residents via a New Zealand nominee.

- Liabilities to, or assets with, New Zealand residents denominated in any currency.

***Valuation***

In this questionnaire, transactions and positions in financial liabilities and assets are required to be valued at market prices (fair value) or close approximations to market prices.

It is acknowledged that with the introduction and application of the new accounting standards, not all financial liabilities and assets will be measured at market values.

In this questionnaire, report values for financial liabilities and assets as reported in your financial accounts. However, if differences in the values of liabilities and assets are reported in this questionnaire from quarter to quarter (maybe due to a change in the criteria of an asset or the basis of its valuation), please provide explanations as comments to the tables.

## 3 Reporting arrangements

Please complete this questionnaire for your New Zealand group top enterprise (ultimate New Zealand holding company).

The questionnaire is designed to collect financial data on transactions and balances between 'resident to non-resident' enterprises. Definitions of resident and non-resident follow the International Monetary Fund's reporting guidelines and differ from those used by Inland Revenue.

### Definitions

#### Resident

A resident is any individual or enterprise ordinarily domiciled in New Zealand. New Zealand-registered branches and subsidiaries of foreign enterprises residing in New Zealand are regarded as New Zealand residents.

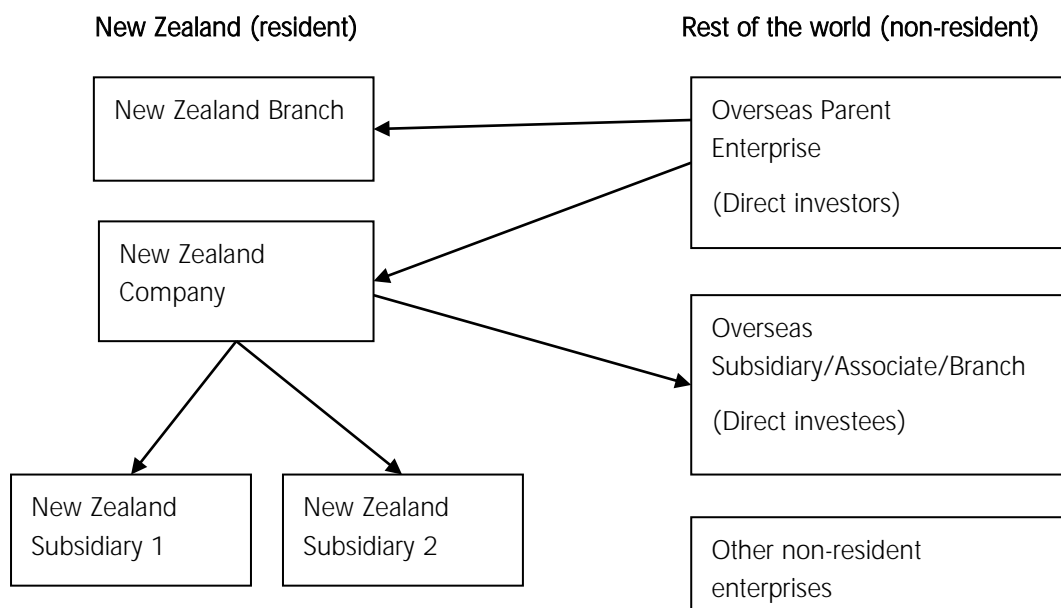
#### Non-resident

A non-resident is any individual or enterprise ordinarily domiciled in a country other than New Zealand. Foreign branches and foreign subsidiaries of New Zealand-enterprises are regarded as non-residents.

**Note:** The location often determines the residency of an entity rather than its relationship with the parent enterprise.

The diagram below illustrates the balance of payments concept of resident and non-resident. The parent entity of the New Zealand company is a non-resident. Likewise, the overseas subsidiary or associate of the New Zealand company is a non-resident.

Balance of payments resident and non-resident concepts



## **Who needs to report to this questionnaire in your company group**

This questionnaire is to be completed by your New Zealand group top enterprise (ultimate New Zealand holding company). In the diagram above, since the New Zealand Company is top in the group of enterprises in New Zealand, it is the New Zealand group top enterprise.

Please inform us if your New Zealand group top enterprise is not the entity reporting this questionnaire.

## **Transactions to be reported**

All financial transactions between the New Zealand Company (its New Zealand-located subsidiary, associates, and branches) and entities in the rest of the world are to be reported in this questionnaire (including transactions with overseas-related enterprises such as the parent companies, subsidiaries, associates etc).

## **How to report certain data items**

### **Equity values reported in sections 2 and 4**

For section 2, report values from the consolidated group accounts for the enterprise group under the New Zealand group top enterprise being surveyed. For section 4, report values from the consolidated accounts for the overseas subsidiary that the New Zealand group has invested in.

### **Financial liabilities and assets**

This covers liabilities and assets of your New Zealand group (ie the New Zealand group top enterprise and its New Zealand subsidiaries) with non-resident entities. Report any liabilities and assets of New Zealand-located subsidiaries directly held offshore this questionnaire.

Throughout this questionnaire record separately your financial liabilities to, and assets with:

- your non-resident direct investors
- your non-resident direct investees
- other non-resident enterprises.

Refer to appendix 2 for a diagram representing companies identified as non-resident direct investors and non-resident direct investees.

## 4 Worked examples and illustrations

This part of the guide contains worked examples on how to report data in the different sections of the questionnaire. These examples are a guide only.

### Section 2 Equity held by non-residents

Explanations of terms used in the questionnaire are in the Glossary section of this guide.

Please report consolidated values from the group accounts of the New Zealand group top enterprise. If these figures are not available then please estimate them.

The market value of the company reported in Part A (or B) should exclude the value of non-participating shares (ie preference shares or convertible notes) where these do not either carry the same voting rights as ordinary shares or have a claim over the residual value of the business upon winding-up. In this case, treat these values as a debt instrument and report in Part D. When these instruments later convert to ordinary shares, then at the date of conversion report them as equity, (see participating and non-participating shares in the Glossary).

#### Example

During the last quarter, a New Zealand company, NZER Ltd, had two non-resident shareholders who held shares issued by NZER Ltd.

- NZER Ltd is a holding company which owns two New Zealand companies (NZER 1 and NZER 2).
- NZER Ltd has the following shares on issue: 10 million ordinary shares and 40 million redeemable preference shares at \$1.00 each. The latter do not participate in voting or receive any of the residual value of the company on winding-up, but rank ahead of the ordinary shares.
- Investor AUST Ltd from Australia holds 5 million ordinary shares and 20 million redeemable preference shares, while investor SING Ltd from Singapore holds 500,000 ordinary shares.
- During the last quarter, the consolidated group made a net surplus of \$10 million and declared a dividend of \$2 million.

Simple consolidated accounts of NZER Ltd are presented below to illustrate which data items from these accounts (italicised) are used to complete the relevant tables in Part A of the questionnaire. The same data items would also apply for filling in Part B if the shareholding conditions were correct.

**Statement of movement in equity**

	Table in questionnaire	Consolidated accounts NZ\$'000	Parent accounts NZ\$'000
Opening equity	A1 <sup>(1)</sup>	170,000	70,000
Net surplus after tax	A1 <sup>(1)</sup> , A2	10,000	5,000
Dividends	A1 <sup>(1)</sup> , A2	2,000	2,000
Movement in equity due to revaluation	A1 <sup>(1)</sup>	3,000	1,000
Ending equity	A1 <sup>(1)</sup> , A2	181,000	76,000

1. Investor's share of this value goes to table A1.

**Statement of financial performance**

	Table in questionnaire	Consolidated accounts NZ\$'000	Parent accounts NZ\$'000
Net surplus after tax	A2	10,000	5,000
Included expenses of:			
Loss on write-off of bad debts	A3	1,000	
Foreign exchange losses	A3	500	

Complete Part A of the questionnaire as follows:

**Part A1 Direct investors – Non-residents holding 10 percent or more of the ordinary shares or voting stock of the ultimate New Zealand holding company**

Name of non-resident investor	Country of non-resident direct investor	Consolidated market value of investors' holding at start NZ\$'000	Net change in equity NZ\$'000	Reinvested earnings NZ\$'000	Market price changes NZ\$'000	Other changes NZ\$'000	Consolidated market value of investors' holding at end NZ\$'000	Number of ordinary shares or voting stock held at end	Dividends declared or profits remitted during the quarter. Including supplementary dividends NZ\$'000
AUST Ltd	Australia	65,000	0	4,000	1,500		70,500	5,000,000	1,170

Calculation of reinvested earnings for AUST Ltd	<p>= Aust Ltd's share of the net surplus (deficit) less dividends (excluding supplementary dividends)</p> <p>= [Aust Ltd's shares<sup>(1)</sup>/total shares<sup>(1)</sup>]*[net surplus (deficit) less dividends (excluding supplementary dividends)]</p> <p>= (5,000,000/10,000,000)*(10,000-2,000) = 4,000.</p>
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1. Participating shares only. In this case, ordinary shares only (see participating shares).

**Part A2 Total shares, market value, and net consolidated surplus (deficit) of the ultimate New Zealand holding company**

Total number of ordinary shares or voting stock at end of quarter	Consolidated market value of ultimate NZ holding company  NZ\$'000	Net consolidated surplus (deficit) of ultimate NZ holding company for the quarter  NZ\$'000	Dividends declared or profits remitted by ultimate NZ holding company during the quarter  NZ\$'000	Supplementary dividend declared by ultimate NZ holding company during the quarter  NZ\$'000
10,000,000	141,000	10,000	2,000	340

Calculation of consolidated market value of ultimate NZ holding company	Closing net equity less value of non-participating shares included in net equity = 181,000 - 40,000 = 141,000.
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**Part A3 Disclosure items**

(Losses) on write-off of intangibles  NZ\$'000	(Losses) recoveries on the write-off of bad debts  NZ\$'000	Exchange rate-related gains (losses)  NZ\$'000	Unrealised gains (losses) resulting from revaluation of physical assets  NZ\$'000	Realised gains (losses) resulting from the disposal of physical assets  NZ\$'000	Other material gains (losses)  NZ\$'000
	(1,000)	(500)			

**Part A5 Portfolio investors – non-residents holding less than 10 percent of the ordinary shares of the ultimate New Zealand holding company**

Country of non-resident portfolio investor	Market value of investors' holding at start  NZ\$'000	Net change in equity  NZ\$'000	Market price changes  NZ\$'000	Other changes  NZ\$'000	Market value of investors' holding at end  NZ\$'000	Dividends declared during the quarter (including supplementary dividend)
Singapore	6,500		550		7,050	120

**Sections 3 and 5 International financial liabilities and assets**

Below are two worked examples on how to complete sections 3 and 5 of the questionnaire. The first example shows how to report non-tradable debt instruments, while the second shows how to record tradable debt instruments.

**Example 1: Recording non-tradable debt instruments**

This example illustrates how a New Zealand company, Company N (or its New Zealand parent being surveyed), would complete section 3 of the questionnaire, based on the following information:

- The last day of the last quarter, Company N, borrowed US\$10 million from its parent entity (Company P) in the United States.

- During the reporting quarter, Company N made loan repayments totalling US\$5 million to its parent.
- The loan is long-term, will mature in two years and is to be repaid in US dollars.
- Annual interest of US\$150,000 is charged on the two-year loan, and is to be paid at six-monthly intervals.
- The US:NZ exchange rates are as follows:

Beginning of the quarter	0.65 (NZ\$1=US\$0.65)
Day of loan repayment	0.68
End of the quarter	0.70

**Note:**

- **Record** liabilities with the overseas parent entity, or those related to your enterprise through that entity, in block G1.1 of table G1. If the liability is with an overseas entity that is a subsidiary of your New Zealand group top enterprise then report it in G1.2, and if the overseas entity is not related to you in any way report it in G1.3.
- Report values in New Zealand dollars (NZD). Foreign currency amounts need to be converted into NZD at the rates applicable to the transaction, and for stocks at the rate that applies on the day of the opening and closing value.
- Report values on the original contractual basis and without regard to any derivatives that may apply to this contract.
- Report interest on an accrual basis; that is, the amount of interest charged during the quarter, irrespective of the contractual payments.

**Part G Liabilities – short and long-term loans from non-residents**

Name of non-resident	Country of non-resident	Original maturity	Value of liabilities at start \$NZ'000	Increases in liabilities \$NZ'000	Decreases in liabilities \$NZ'000	Market price changes \$NZ'000	Exchange rate variation \$NZ'000	Other changes \$NZ'000	Value of liabilities at end \$NZ'000	Interest expense during the quarter \$NZ'000
Liabilities to your direct investors										
Company P	United States	L	15,384		7,353		-888		7,143	54

Calculation of data items is as follows (data in \$NZ'000):

Value of liabilities at start	US\$10,000 at exchange rate of 0.65 = NZ\$15,384
Decrease in liabilities	US\$5,000 at exchange rate of 0.68 = NZ\$7,353
Value of liabilities at end	US\$5,000 at exchange rate of 0.70 = NZ\$7,143
Exchange rate variation	= (US\$5,000 at 0.70 – US\$5,000 at 0.68) + (US\$10,000 at 0.68-US\$10,000 at 0.65) = -210 + -678 = -NZ\$888
Calculation of interest expense	The annual interest of US\$150 is equivalent to US\$37.5 quarterly. Quarterly interest of US\$37.5 converted at an exchange rate of 0.70 (quarter end rate) gives the New Zealand dollar equivalent value of \$54.

**G2 Residual maturity of loans from non-residents at end of quarter by currency**

Currency	Time to run to scheduled maturity expressed in NZD								
	At call	2 days to 90 days	91 days to 6 months	Over 6 months to 9 months	Over 9 months to 1 year	Over 1 year to 2 years	Over 2 years to 5 years	Over 5 years	Total
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
USD						7,143			7,143

**Example 2: Recording tradable debt instrument**

On 31 December 2000, Kiwi Ltd, a New Zealand company issued a two-year bond with a face value of NZ\$10 million and quarterly coupon payments of NZ\$200,000. The bond is taken up by Aussie Funds Ltd, a company in Australia. At the time of issue, the interest rate is 10 percent (compound rate of 2.41 percent each quarter) and the issue price of the bond is NZ\$9.705 million. On 1 January 2002, the interest rate increased to 15 percent (a compound rate of 3.56 percent per quarter) and it remains at this rate till maturity.

The table below shows the data to be reported from quarter ended 31 Dec 2000 to quarter ended Mar 2002.

**Part D Liabilities – Bonds and notes held by non-residents**

The data to be reported for the following reference quarters are as follows:

	Country of non-resident	Value of liabilities at start	Increases in liabilities	Decreases in liabilities	Market price changes	Exchange rate variation	Other changes	Value of liabilities at end	Interest expense during the quarter
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Liabilities to other non-residents									
31 Dec 2000	Aust	0	9,705					9,705	
Mar 2001	Aust	9,705	234	200				9,739	234
Jun 2001	Aust	9,739	235	200				9,774	235
Sep 2001	Aust	9,774	235	200				9,810	235
Dec 2001	Aust	9,810	236	200				9,846	236
Mar 2002	Aust	9,846	335	200	-417			9,564	335
etc									

Calculation of data items is as follows (data in \$NZ'000):

Quarter ended	Data item	Calculation
31 Dec 2000	Increase in liabilities	Amount paid for by the non-resident investor to acquire the bond
March 2001	Increase in liabilities	Same as interest expense, interest component reinvested into the security. Calculated as: 2.41% of opening bond value of NZ\$9,705 Record any new issues of security during the quarter in this column
	Decrease in liabilities	Coupon payments during the quarter (amortisation of coupon payments) of NZ\$200 Record any redemption of securities in this column
	Value of liabilities at end	Market/fair value of bond at end of quarter
	Interest expense (apply current interest rate to market/fair value of the bond)	Quarterly interest accruing on the instrument Calculated as: 2.41% of opening bond value of NZ\$9,705
Mar 2002	Increase in liabilities	Interest expense that is reinvested in to the liability/instrument Calculated as 3.56% of NZ\$9,429 (new value of the bond as at start of quarter as a result of interest rate change)
	Decrease in liabilities	Coupon payments during the quarter (amortisation of coupon payments) of NZ\$200
	Market price change	As a result of interest rate change from 10% to 15%, the value of the bond decreased as at the start of the quarter to NZ\$9,429 = (417)
	Interest expense	Calculated as 3.56% of NZ\$9,429 (new value of the bond as at start of quarter as a result of interest rate change).

**Note:**

- A change in the interest rate will affect the price of the bond. The value changes arising from interest rate changes should be reflected in the market price change column.

- If the bond is issued in a foreign currency, there will be exchange rate effects each quarter as well. Please report these in the exchange rate variation column.
- In practice, if bonds are issued offshore in foreign currencies then the funds received would be hedged into New Zealand dollars. The balance of payments reporting requires that hedging contracts be reported separately from the underlying contract. Report data relating to borrowing in the questionnaire as for the original contractual arrangements.

## Section 4 Equity held in non-resident enterprises

An explanation of terms used in the questionnaire is in the Glossary section of this guide.

Please report consolidated values from the accounts of the overseas subsidiary. If these figures are not available then please estimate them.

The market value of the company reported in Part J1 should exclude the value of non-participating shares (ie preference shares or convertible notes), where these do not carry the same voting rights as ordinary shares nor have a claim over the residual value of the business upon winding-up. If non-participating shares are held by the New Zealand parent enterprise, treat these values as an asset instrument and report in Part L. When these instruments later convert to participating shares, then from the date of conversion report them as equity (see participating and non-participating shares in notes 2.07 and 2.09).

### Example

At the end of last quarter, your enterprise (NZER Ltd) held investments in two non-resident companies, OZ Ltd and HK Ltd, by way of ordinary shares issued by those companies.

- NZER Ltd held 100 percent of the ordinary shares issued by the Australian-located company, OZ Ltd, and 50 percent of the ordinary shares in the Hong Kong-located company, HK Ltd.
- HK Ltd has on issue NZ\$5 million preference shares that do not participate in voting or receive any of the residual value of the company on winding-up, although they rank ahead of the ordinary shares. HK Ltd records the value of these shares under shareholders equity in their accounts.
- During the quarter, there were no changes in NZER Ltd's shareholdings in OZ Ltd and HK Ltd. During the quarter, OZ Ltd made a net surplus of NZ\$10 million, while HK Ltd made a net surplus of NZ\$4 million and declared dividends of NZ\$1 million.
- Also, during the quarter, NZER Ltd bought 10,000 ordinary shares (less than a 10 percent shareholding) in PORT Ltd in the United States, at US\$2.50 each. The exchange rate at the date of purchase was NZ\$1.00=US\$0.75. At the end of the quarter, PORT Ltd shares were trading at US\$3.20, and the exchange rate was NZ\$1.00=US\$0.65.
- Simple consolidated accounts are presented below and illustrate which data items from these accounts (italicised) to use to complete the relevant

tables in Part J. Note the values for the foreign company accounts are presented in New Zealand dollars.

**Statement of movement in equity**

	Table in questionnaire	OZ Ltd		HK Ltd	
		Consolidated accounts NZ\$'000	Parent accounts NZ\$'000	Consolidated accounts NZ\$'000	Parent accounts NZ\$'000
Opening equity <sup>(1)</sup>	J1	80,000	10,000	17,000	7,000
Net surplus after tax	J1, J2	10,000	2,000	4,000	2,000
Dividends	J1	0	0	(1,000)	(1,000)
Movement in equity due to revaluation	J1	3,000	1,000	2,000	1,000
Ending equity <sup>(1)</sup>	J1	93,000	13,000	22,000	9,000

1. Includes ordinary and preference shares.

**Statement of financial performance**

	Table in questionnaire	OZ Ltd		HK Ltd	
		Consolidated accounts NZ\$'000	Parent accounts NZ\$'000	Consolidated accounts NZ\$'000	Parent accounts NZ\$'000
Net surplus after tax	J1, J2	10,000	2,000	4,000	2,000
Included expense of:					
(Loss) on write-off bad debts	J2	(500)		(100)	
Foreign exchange (losses)	J2	(1,000)		(100)	

Part J of the questionnaire would be filled in as follows:

In Part J1, report the investor's share of the value of the overseas enterprise.

**Part J1 Direct investment – your New Zealand group holdings of 10% or more of the ordinary shares of a non-resident enterprise**

Name of non-resident direct investee	Country of non-resident direct investee	Consolidated market value of equity holdings at start NZ\$'000	Net change in equity NZ\$'000	Reinvested earnings NZ\$'000	Market price changes NZ\$'000	Exchange rate variation NZ\$'000	Other changes NZ\$'000	Consolidated market value of equity holdings at end NZ\$'000	Dividend declared or profits remitted NZ\$'000	Percentage of ord. shares or voting stock held at end
OZ Ltd	Australia	80,000		10,000	3,000			93,000	0	100
HK Ltd	Hong Kong	6,000		1,500	1,000			8,500	500	50

Calculation of data items is as follows (data in NZ\$'000):

Reinvested earnings for HK Ltd	= Your share of the [net surplus (deficit) less dividend] = 50% of [4,000 -1,000] = 1,500
Consolidated market value of equity holdings at end for HK Ltd	= Your share of the [consolidated net equity excluding non-participating shares <sup>(1)</sup> ] = 50% of [22,000 – 5,000] = 8,500.

1. See instruction on previous page about participating shares and non-participating shares.

In Part J2, report the overseas enterprise's total consolidated net surplus and related items for the quarter.

**Part J2 Net consolidated surplus (deficit) and disclosure items of your non-resident direct investees**

Name of non-resident direct investee from J1	Net consolidated surplus (deficit) of the direct investee NZ\$'000	(Losses) recoveries on the write-off of intangibles NZ\$'000	(Losses) on write-off of bad debts NZ\$'000	Exchange rate-related gains (losses) NZ\$'000	Unrealised gains (losses) resulting from revaluation of physical assets NZ\$'000	Realised gains (losses) resulting from the disposal of physical assets NZ\$'000	Other material gains (losses) NZ\$'000
OZ Ltd	10,000		(500)	(1,000)			
HK Ltd	4,000		(100)	(100)			

In Part J4 below, report investor's share of the value of the overseas enterprise.

**Part J4 Portfolio investment – your New Zealand group holdings of less than 10% of the ordinary shares of a non-resident enterprise**

Country of non-resident portfolio investee	Market value of equity holding at start NZ\$'000	Net change in equity NZ\$'000	Market price changes NZ\$'000	Exchange rate variation NZ\$'000	Other changes NZ\$'000	Market value of equity holding at end NZ\$'000	Dividends declared during the quarter NZ\$'000
United States	0	33	11	6	(1)	49	

Calculation of data items included in Part J4 is as follows (data in NZ\$'000):

Net change in equity	= purchase price converted into NZD using the rate applicable on the day of the transaction. = (10,000 shares at US\$2.50) converted at 0.75 = NZ\$33, 333
Market value of equity at end	= (10,000 shares at US\$3.20) converted at 0.65 = NZ\$49, 231
Market price changes	= 10,000 shares * (US\$3.20-\$2.50) converted at \$0.65 = NZ\$10, 769
Exchange rate variation	= (10,000 shares at US\$3.20) converted at 0.65 – (10,000 shares at US\$3.20) converted at 0.75 = NZ\$6,000
Other changes	The value recorded here is to balance the values across the table.

## Section 6 Financial derivatives with non-residents

Below are notes on completing section 6 of the questionnaire. For further examples on deriving market value positions for derivative contracts, refer to appendix 6.

### Report

- derivative positions if they are undertaken with a non-resident counter-party. If a deal is done with a local branch of a non-resident enterprise, but the contract is recorded in the books of the overseas enterprise, then report this here
- derivatives undertaken for both hedging and speculative purposes
- market value positions at their last valuation date if the derivative instruments are not regularly valued. Indicate this by comments at the bottom of table S2.

### Gross versus net recording

- Record positions data on a gross basis; ie asset positions (in-the-money) separately from liability positions (out-of-the money) for each counter-party country. If gross recording is not feasible then record data on a net basis and provide comments to that effect below table S2.

**Method of valuation**

Instrument	Valuation method
Forward contract	<p>Value is derived from the difference between the agreed-upon contract price of an underlying item and the prevailing market price of that item, times the notional amount, appropriately discounted.</p> <p>The notional amount is the underlying amount of a financial derivative contract that is necessary for calculating payments or receipts on the contract.</p>
Swap	<p>Market value is derived from the difference between the expected gross receipts and payments appropriately discounted; that is, its net present value.</p>
Options	<p>The value of an option derives from the relationship between the contract and prevailing market price for the underlying item, the time to maturity of the contract, the time value of money, and the volatility of the price of the underlying item.</p>
Futures	<p>Futures do have a market value, but because of daily settlement it is likely to be zero or close to zero at each end-period.</p>

## 5 Glossary of terms used in questionnaire and notes

### Definitions of entities

#### 1.01 Branch

A branch is an unincorporated enterprise wholly or jointly owned by a company.

Non-resident branches of a New Zealand group are the foreign offices of a New Zealand enterprise that are not separately incorporated abroad, as well as foreign offices of an unincorporated enterprise whose head office is in New Zealand. (Joint ventures and partnerships with non-residents are treated as foreign branches.)

#### 1.02 Corporate trading enterprises

Corporate trading enterprises are corporations whose principal activity is the production of market goods or non-financial services.

#### 1.03 Country of non-resident

Country of non-resident refers to the country in which the immediate non-resident counter-party resides. It is not necessary to show separate details of small values, or when the liabilities or assets are to many portfolio investors (ie 'other non-residents') in the same country. Aggregate small amounts under 'liabilities/assets with other non-residents'.

Show:

- For international capital markets (eg Eurobond, Asian dollar issues) show the particular capital market as the country of the foreign creditor or debtor, or (as a last resort) record as 'international capital markets' in the country column.
- For syndicated borrowing, classify details by the country of each syndicate member.

#### 1.04 Depository organisations

Depository organisations are financial intermediaries that accept liabilities in the form of current account, at-call, and term deposits.

#### 1.05 Financial auxiliary enterprises

Financial auxiliary enterprises are financial corporations that do not themselves engage in financial intermediation but undertake activities closely associated with it, such as fund management, securities broking, loan broking, financial guarantees, and flotation.

#### 1.06 Financial intermediaries

Financial intermediaries are enterprises that engage in financial intermediation (ie incur liabilities to acquire financial assets on the market). They include banks, other depository corporations, insurance corporations, pension funds, and other financial intermediaries such as enterprises engaged in lease financing or providing consumer credit.

#### 1.07 Fund manager

A fund manager manages funds as instructed by other organisations.

### **1.08 Investee**

An investee is an entity in which an investor has an ownership interest.

### **1.09 New Zealand enterprise**

A New Zealand enterprise is a company, branch, partnership, joint venture, trust, or any other organisation that is resident in New Zealand. This includes foreign companies that are resident in New Zealand, but excludes New Zealand-registered companies that are resident abroad.

### **1.10 New Zealand group**

A New Zealand group consists of a New Zealand parent enterprise (the ultimate New Zealand holding company), its New Zealand branches, and its New Zealand subsidiaries and associates.

### **1.11 Nominee**

A nominee holds securities on behalf of an investor.

### **1.12 Overseas group**

An overseas group consists of the parent company, and its branches, subsidiaries and associates located in any other country except New Zealand.

### **1.13 Parent**

A parent is an entity that controls an investee (see New Zealand International Accounting Standard 27 for definition).

### **1.14 Residents and non-residents**

A resident is any individual or enterprise ordinarily domiciled in New Zealand.

New Zealand registered branches and subsidiaries of foreign enterprises residing in New Zealand are regarded as New Zealand residents.

A non-resident is any individual or enterprise ordinarily domiciled in a country other than New Zealand.

Foreign branches and foreign subsidiaries of New Zealand enterprises are regarded as non-residents.

### **1.15 Subsidiary**

A subsidiary is an entity (not being a joint venture entered into by the investor) that is controlled by an investor (see NZIAS 27 for definition).

### **1.16 Ultimate New Zealand holding company**

The ultimate New Zealand holding company is the New Zealand parent of all enterprises in the New Zealand group.

## Investment relationships

See appendix 2 for a diagram showing investment relationships.

### 1.17 Direct investees

Non-resident direct investees include:

- non-resident enterprises (companies, branches, joint-ventures, partnerships, trusts) in which your New Zealand group holds 10 percent or more of the ordinary shares or voting stock.
- any non-resident parents or subsidiaries of the non-resident enterprises defined above.

### 1.18 Direct investment relationship

A direct investment relationship is established when an investor (direct investor) resident in one country holds 10 percent or more of the ordinary shares or voting stock of an enterprise resident in another country (direct investee).

The direct investment relationship extends to all parents and subsidiaries of investor and investee.

### 1.19 Direct investors

Non-resident direct investors include:

- non-residents (individuals, companies, branches, joint-ventures, partnerships, trusts) that hold 10 percent or more of the ordinary shares or voting stock of any enterprise in your New Zealand group.
- an overseas group of related enterprises that, when combined, hold 10 percent or more of the ordinary shares or voting stock of any enterprise in your New Zealand group.

For New Zealand branches of non-resident enterprises, the non-resident direct investor is the head office of the branch.

### 1.20 Direct investors who are also direct investees

A direct investor is also a direct investee when there is a cross shareholding. For example, when a non-resident enterprise owns 10 percent or more of the ordinary shares or voting stock of a New Zealand enterprise (direct investor), and that New Zealand enterprise, in turn, owns 10 percent or more of the ordinary shares or voting stock of the non-resident enterprise (direct investee).

Report liabilities to and assets with direct investors who are also direct investees under the direct investors category.

### 1.21 Portfolio investees

Non-resident portfolio investees are non-resident enterprises in which a New Zealand enterprise owns less than 10 percent of the ordinary shares or voting stock.

### 1.22 Portfolio investors

Non-resident portfolio investors are non-resident investors who (individually or as part of an enterprise group) own less than 10 percent of the ordinary shares or voting stock of a New Zealand enterprise.

## Definitions of financial transactions

### 1.23 Currency

Currency refers to the one in which the liabilities or assets are likely to be repaid. This may differ from the currency that the liabilities or assets were originally denominated in. Liabilities and assets denominated in foreign currency should be converted into New Zealand dollars at the midpoint of the appropriate buy and sell rates that apply at the end of the quarter.

### 1.24 Dividends declared

Dividends declared refers to all dividends recorded in your books at the end of the quarter, whether or not they are payable or actually paid in that quarter.

- In Parts A1 and B1, report dividends declared for each overseas direct investor in proportion to their shareholding. For Parts A2 and B2, report total dividends declared by the ultimate New Zealand holding company/New Zealand subsidiary, respectively.
- In Part J1, report dividends declared in proportion to the shares held by your enterprise in each of the non-resident direct investees.

### 1.25 Exchange rate variation

Exchange rate variation refers to the impact on the value of financial liabilities and assets, due to changes in the exchange rate between the New Zealand dollar and other currencies in which these liabilities and assets are denominated.

- **Report** the exchange rate changes arising in the consolidated accounts statement of equity movement of ultimate New Zealand holding company under 'other changes' in table A1. Please note this amount in the comments for the table.
- **Report** exchange rate changes arising from converting your overseas entities from their resident currencies into New Zealand dollars in Part J, table J1.

### 1.26 Hedges

Record financial instruments that are hedged by the use of derivatives (such as swaps and forward rate agreements) according to the terms of the original contract and without regard to the hedge. The details of the hedge, if it is with a non-resident, should be reported under the financial derivative instrument in section 6. For example, for a loan that is the subject of a swap, record information on the underlying value, principal repayments, and interest in the appropriate columns for the loans question. Record the market value of the swap in the appropriate column under the financial derivative question.

### 1.27 Interest expense and interest income recognition and recording

Read in conjunction with note 1.28.

What this survey requests:

- Interest expense from your income statement in respect of your financial liabilities to non-residents.

- Interest income from your income statement in respect of financial assets with non-residents.
- Use the accrual method to account for interest, recording interest on a continuous earnings basis as an expense or income for the quarter, with accrued contributions put to the balance sheet.
- Report amounts before allowing for any hedging arrangements.
- Include discount and premium amortisation.

Please record:

- interest expense during the quarter as an increase in liabilities
- interest payments made during the quarter as a decrease in liabilities
- interest income during the quarter as an increase in assets
- coupon receipts during the quarter as a decrease in assets
- interest payments or receipts in arrears to the appropriate instrument.

Record interest accrued to the individual principal amounts (table 1, option 1).

However, if your interest accrued cannot be allocated to the principal, then report the interest accrued split by instrument, by relationship, by country (table 1, option 2).

Or, if not possible, report the interest accrued split by instrument, by relationship (table 1, option 3).

**Table 1 Liabilities/assets with other non-residents**

Country of non-resident	Value of liability at start of quarter NZ\$'000	Increases in liabilities NZ\$'000	Decreases in liabilities NZ\$'000	Market price changes NZ\$'000	Exchange rate variation NZ\$'000	Other changes NZ\$'000	Value of liability at end of quarter NZ\$'000	Interest expense during the quarter NZ\$'000
1.3 Liabilities/assets with other non-residents								
Option 1								
Australia	5,000	40	40				5,000	40
Australia	10,000	60	60				10,000	60
Option 2								
Australia	5,000						5,000	
Australia	10,000						10,000	
Australia	0	100	100				0	100
Option 3								
Australia	15,000						15,000	
Samoa	1,500						1,500	
Interest all countries (exp & paid in qtr)	0	110	110				0	110

These options apply primarily to instruments with 'other non-residents' but can also be applied to 'direct investor' or 'direct investee' relationships where you are unable to link interest to principal amounts.

## 1.28 Interest expense and interest income on instruments

Read in conjunction with note 1.27.

If the actual interest expense and income values for individual liabilities or assets are not available, these can be estimated as follows for:

- **Non-negotiable instruments** (eg loans). Interest is the amount contractually agreed upon. Annual interest expense and income can be divided by four to estimate a quarterly value.
- **Negotiable instruments** (eg bonds and money market instruments). Estimate interest expense and income by applying the coupon rate to the face value of the instrument to calculate annual expense and income, then divide by four to estimate quarterly interest expense and income. For zero coupon securities, allocate the amount of the difference between what is to be repaid and the sum originally borrowed, over the periods between the start and end of the contract.

Three examples of recording interest on negotiable instruments under different repayment schedules follow.

Each example is based on the following financial information:

- Your enterprise has issued a bond for NZ\$10 million to a non-resident investor.
- The coupon rate of the bond is 10 percent (NZ\$1 million) and is payable annually on 30 June.

The examples assume no repayment of, or addition to, the principal amount, and no changes to the principal amount due to market price or other valuation causes.

### Example 1. Principal, and interest expense (with interest paid in each quarter)

Quarter	Opening value	Increases in liabilities	Decreases in liabilities	Market price changes	Exchange rate variation	Other changes	Closing value	Interest expense
Sep 09	10,000	241	241				10,000	241
Dec 09	10,000	241	241				10,000	241
Mar 10	10,000	241	241				10,000	241
Jun 10	10,000	241	241				10,000	241

### Example 2. Principal, and interest expense (with interest paid quarterly in arrears)

Quarter	Opening value	Increases in liabilities	Decreases in liabilities	Market price changes	Exchange rate variation	Other changes	Closing value	Interest expense
Sep 09	10,000	241	0				10,241	241
Dec 09	10,241	247	241				10,247	247
Mar 10	10,247	253	247				10,253	253
Jun 10	10,253	259	253				10,259	259

**Example 3. Principal, and interest expense (with compounding interest paid annually in arrears)**

Quarter	Opening value	Increases in liabilities	Decreases in liabilities	Market price changes	Exchange rate variation	Other changes	Closing value	Interest expense
Sep 09	10,000	241	0				10,241	241
Dec 09	10,241	247	0				10,488	247
Mar 10	10,488	253	0				10,740	253
Jun 10	10,740	259	0				11,000	259
Sep 10	11,000	241	1,000				10,241	241

### 1.29 Market price changes

Market price changes refer to the impact on the values of financial liabilities and assets, due to price changes (realised and unrealised gains and losses) caused by, for example, movements in interest rates changes in the credit worthiness of the issuer.

Market price changes **do not include** changes caused by exchange rate variation, reclassifications (such as from portfolio to direct investment when the 10 percent equity threshold is reached), and debt write-offs.

Market price changes may be estimated by 'marking to market', calculating yield to maturity, discounting net present value.

### 1.30 Market valuations

All valuations should be at market valuation, or if this is not available, estimated using one of the suggested methods that apply to the instrument, as defined for the appropriate section of the questionnaire.

### 1.31 Net consolidated surplus (deficit)

Net consolidated surplus (deficit) refers to the surplus (deficit) after tax, minority interests, share of retained surpluses and deficits of associates, and extraordinary items (NZIAS 1).

### 1.32 Other changes

'Other changes' are changes in the value of financial liabilities and assets that are not due to transactions, market price changes, and exchange rate variations. They may **include** reclassifications (such as from portfolio to direct investment when the 10 percent equity threshold is reached), and write-offs.

In table A1, please report 'revaluations as a result of exchange rate variation', from the consolidated statement of movement in equity of the ultimate New Zealand holding company, in the 'other changes' column and mention this amount in the comments.

***For banking organisations***

Details of any large write-offs of claims on non-residents are also requested separately in section 7.2 of the questionnaire.

In Parts G, H, I, O, P and Q, do not enter any amounts in the 'office use only' column. Statistics New Zealand calculates the other changes data as a residual item, so for these six parts it includes transactions, accrual interest, and market price changes.

**1.33 Disclosure items**

The International Monetary Fund (IMF) prescribes that direct investment earnings are to be measured on the basis of current operating performance. Any realised or unrealised capital gains and losses are therefore excluded from the IMF's concept of 'investment income from normal operations' figure, whether or not it is the organisation's main business activity.

Examples of disclosure items:

- exchange rate gains and losses
- gains or losses on the write-off of bad debts
- realised or unrealised gains or losses on financial derivative contracts
- realised gains and losses resulting from the disposal of liabilities and assets
- unrealised gains and losses resulting from the revaluation of investments, fixed assets, and liabilities
- valuation changes resulting from unforeseen obsolescence, catastrophes, and depletion of natural resources
- write-offs of development expenditures
- write-offs of intangibles including goodwill
- write-offs of inventory.

Please provide the value, with an appropriate sign (negative or positive), of any material 'disclosure items' in tables A3, B3, and J2 as appropriate, if they are included in the net consolidated surplus (deficit) figure.

**1.34 Remitted profits**

Remitted profits are the earnings that branches and other unincorporated enterprises remit to their head office. Report remittances of earnings during the quarter regardless of whether they were earned in current or previous quarter activities.

In Part A1, report profits remitted to your overseas head office (overseas direct investor). In Part J1 report profits remitted to your enterprise by each overseas branch or sales office.

**1.35 Residual maturity of financial liabilities or assets**

Residual maturity of financial liabilities or assets, cross-classified by currency, is the time remaining until an asset or liability is due to be fully repaid. Where financial liabilities and

assets have optional maturity dates, report them under the shorter period. **Do not** treat interest review dates as maturity dates.

### 1.36 Supplementary dividends

Supplementary dividends are dividends paid to non-resident investors under the Foreign Investor Tax Credit Regime, sub-part LE of the Income Tax Act 1994.

### 1.37 Transactions

Transactions relate to the increase or decrease of your New Zealand group's financial liabilities to, or assets with, non-residents. It excludes changes resulting from market price change, exchange rate variation, or other changes, for example write-offs or reclassification of liabilities or assets. Transactions are recorded at the traded price, and converted to New Zealand dollars by using the midpoint of the buy and sell rates that apply at the time of transaction. Record transactions on a gross basis; that is, before commissions, brokerage fees, and withholding taxes are deducted.

Net transaction refers to the net change, that is, increases less decreases represented by one figure.

For equity, **include**:

- additions and withdrawals of equity capital by the head office of a branch
- non-bonus issues, including calls and dividends re-invested
- purchases or sales of shares
- redemption of shares
- rights issues.

**Do not include**:

- reclassification from portfolio to direct investment and vice-versa. Report these under 'other changes'.

For debt, **include**:

- interest capitalised
- interest expense and interest income recorded as an increase, interest paid/received recorded as a decrease
- the value of debt repaid
- the value of new debt raised or draw-downs on existing debt.

**Do not include**:

- changes in the value of debt due to changes in the market price brought about, for instance, by changes in interest rates. Report these changes as 'market price changes'.
- changes in value that result from changes in the exchange rate. Report as 'exchange rate variation'.
- debt forgiveness/write-off. Report as 'other changes'.

- reclassification of the debt. Report as 'other changes'.

Derivative margin accounts:

Transactions that increase the margin account will arise from cash remitted to the account, or from favourable net settlement of contracts.

Transactions that decrease the margin account will arise from cash remitted from the account or from unfavourable net settlement.

### 1.38 Reinvested earnings

Reinvested earnings is the portion of earnings (ie surplus/deficit less dividends declared, excluding supplementary dividends) that is retained in the business.

### 1.39 Repurchase agreement (repos)

A repurchase agreement is where one party agrees to sell securities or other financial instruments to another party, with an agreement to repurchase equivalent securities in the future, under a formal agreement.

The statistical treatment of repos:

#### *Change of ownership*

If ownership of the underlying security changes hands (the seller relinquishes ownership (title) of the security to the buyer), then record a sale and purchase of the security.

#### *No change in ownership*

If ownership of the underlying security does not change hands, then record a collateralised loan.

#### **Example**

A non-resident purchases a domestic (New Zealand) security and finances this purchase through a repo transaction with a resident. The repo transaction involves the same security.

If ownership of the security changes hands, then the non-resident's initial purchase of the security from a resident is recorded as an increasing liability in this questionnaire. The repo transaction (which involves the sale of security to a domestic (New Zealand) resident) is recorded as a decrease in liability.

If the security does not change hands, then the initial purchase of the security by the non-resident is treated as an increasing liability in this questionnaire. The repo transaction (collateralised loan) is recorded as an increasing asset in this questionnaire.

## 6 Section-specific definitions

**Note:** Parts C, H, and K are only applicable to banks and other depository organisations, which is why they don't appear in the other organisations' version of the questionnaire.

### Section 2 Equity held by non-residents

#### 2.01 Cross-holding

Cross-holdings occur when an investor is partly owned by the enterprise in which it holds shares. For example, Company A owns 16 percent of Company B, and Company B owns 4 percent of Company A.

#### 2.02 Equity held by non-residents in the ultimate New Zealand holding company/branch

Equity held by non-residents in the ultimate New Zealand holding company/or branch refers to:

- New Zealand company shares (excluding non-participating preference shares) held by non-residents
- capital invested by non-residents in New Zealand branches
- shares in mutual funds, unit trusts, and investment trusts
- capital invested by non-residents in a New Zealand-based partnership or joint venture.

#### 2.03 Consolidated market value of investor's (equity) holdings

The market value of investor's (equity) holdings is the consolidated market value (or near proxy) of the ultimate New Zealand holding company.

Tables A1 and A5 ask for the value of each non-resident investor's shareholding in the ultimate New Zealand holding company, at the beginning and end of the quarter.

Table A2 asks for the consolidated market value of the ultimate New Zealand holding company.

Tables B1, B2, and B5 ask for similar information about your New Zealand subsidiaries with non-resident minority interests.

**For listed enterprises**, report the market value of equity using the midpoint of the quoted buy and sell prices of the shares on the main stock exchange at the reporting dates specified.

**For unlisted enterprises**, if a market value is not available please estimate the market value of your shares by using one of the following methods (listed in preferred order):

- net asset value
- a recent transaction price
- director's valuation.

**Net asset value** is equal to total assets, including intangibles, less liabilities and less the paid-up value of non-participating shares. Record liabilities and assets at estimated market value, rather than historical value.

For equity held in a branch, joint venture, partnership, or trust report the total assets valued at current cost, less liabilities.

#### **2.04 Minority interest**

Minority interest is the equity of a subsidiary held by entities other than the parent.

#### **2.05 Minority interest held by non-residents in your New Zealand subsidiaries**

Minority interest held by non-residents in your New Zealand subsidiaries is the minority equity interest held by non-residents in a New Zealand subsidiary of the ultimate New Zealand holding company. This is designed to capture overseas investment into non-wholly owned subsidiaries of the ultimate New Zealand holding company.

#### **2.06 Multiple subsidiaries**

Complete a separate page for each New Zealand subsidiary with equity held by non-resident investors. There is a spare page for Part B at the end of the questionnaire, but if you require more pages, contact Statistics NZ through the contacts at the front of the questionnaire.

#### **2.07 Non-participating preference shares**

Non-participating preference shares are a type of preference share that does not give the holder the same voting rights as ordinary shareholders, or the right to share equally with ordinary shareholders any residual value of the business if company fails or liquidates.

**Include** non-participating preference shares in Part D (Bonds and Notes) of the questionnaire.

Refer to appendix 3 for further explanation of preference shares.

#### **2.08 Ordinary shares/voting stock**

Ordinary shares/voting stock are the most common share class. They generally carry a full right to:

- vote on resolutions affecting the company
- an equal share of ordinary dividends declared
- surplus assets on liquidation once debt holders and preferred shareholders have received their entitlements.

Refer to note 2.09 about reporting participating preference shares. Note that the 'Number of ordinary shares or voting stock at end' column in the questionnaire is not applicable for a branch or a sales office.

#### **2.09 Participating preference shares**

Participating preference shares are a type of preference share that gives the holder the same voting rights as ordinary shareholders, and the right to share equally with ordinary shareholders any residual value of the business if a company fails or liquidates.

**Include** participating preference shares in the appropriate tables in Part A or Part B.

## Section 3 Financial liabilities to non-residents

Liabilities are classified by your relationship with the non-resident counter-party, namely:

- direct investors
- direct investees
- other non-residents.

Refer to the Glossary section (1.17 to 1.22) for descriptions of these investment relationships, and appendix 2 for a diagram representing direct investors and direct investees.

### 3.01 At-call deposits

At-call deposits are deposits held by your New Zealand group that are payable on demand to non-residents.

### 3.02 Bonds and notes

Bonds and notes are financial instruments that give the holder the unconditional right to a fixed money income or a contractually determined variable money income (payment of interest is not dependent on the debtor's earnings). With the exception of perpetual bonds, bonds and notes also provide the holder with the unconditional right to a fixed sum as a repayment of the principal on a specified date or dates.

These instruments are not normally traded but may be under some circumstances.

### 3.03 Current account deposits/balances and term deposits

Current account deposits/balances are deposits that are payable on demand and transferable by cheque or otherwise for making payments.

**Include:**

- deposits that may not be nominally transferable, but are viewed as substitutes for transferable deposits
- foreign currency in the form of cash and travellers cheques
- term/time deposits (interest-bearing deposits that have a specific maturity).

### 3.04 Loans

Loans include financial liabilities that are created by borrowing funds from non-residents by your New Zealand group, through an arrangement in which the lender receives a non-tradable document or instrument, or no security evidencing a transaction.

**Include** repurchase agreements where ownership of the security does not change from the seller to the buyer (ie the repo is treated as a collateralised loan). Refer to note 1.39 for a definition of repurchase agreement.

### 3.05 Long-term

Long-term loans are loans with an original maturity of more than one year and those having no stated maturity date. Where there is an option period for the lender to repay, use the shorter period to classify the liability.

### 3.06 Money market instruments

Money market instruments are securities that generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. These instruments are usually traded at a discount in organised markets. For New Zealand enterprises, the predominant liabilities in this class are bills of exchange (commercial and bank bills) and certificates of deposit (registered and bearer).

### 3.07 Other financial liabilities

Other financial liabilities are those items not classified as bonds, notes, money market instruments, trade creditors, deposits, loans, or financial derivatives.

For example, overdue (ie past the contractual payment date) interest payments, overdue dividend payments, and accounts payable other than trade creditors.

Refer to appendix 1 if you are unclear on the classification of a particular liability. Please describe the type of financial liability in table I3.

### 3.08 Permanent debt liabilities

#### *For banking organisations*

Permanent debt liabilities are financing arrangements extended to your New Zealand group by related non-resident financial intermediaries (either direct investors or direct investees) on a long-term basis. Examples of liabilities classified as permanent debt are subordinated debt capital or other long-term non-equity capital. These funds may be used directly by the New Zealand group for expansion or for acquiring another business. In the balance of payments statistics, permanent debt liabilities are regarded as having the characteristics of direct investment and are recorded under the 'direct investment' component.

All other financial liabilities (those not classified as permanent debt) are assumed to take place as part of the normal business of banking, so these capital flows are recorded under 'portfolio and other investment' within the balance of payments statistics.

Refer to appendix 4 for further explanation and examples of permanent debt capital.

### 3.09 Short-term

Short-term loans are those with an original maturity of one year or less. Where there is an option period for the lender to repay, use the shorter period to classify the liability.

### 3.10 Trade credits/creditors

Trade credits/creditors are the accounts payable by your New Zealand group to non-residents for imports of goods and services, and prepayments received from non-residents for future exports of goods and services.

**Do not include** loans to finance trade where the advance is not related to specific goods or services purchased, or the goods or services have not been delivered.

Any negative values for trade credits should be reported as a trade debits (accounts receivables). Refer to appendix 5 for an illustration of recording negative liabilities and assets.

### 3.11 Value of liabilities

Value of liabilities refers to the market value of your New Zealand group's financial liabilities to non-residents at the beginning and end of the quarter. The opening values reported should agree with the closing values reported in the previous quarter.

Use the traded price at the dates specified, or if not available please estimate market value using one of the following methods (listed in preferred order):

- yield to maturity method (discounted net present value)
- face value less written-down value of discount method
- issue price plus amortisation of discount method
- other mark-to-market method
- historical cost value.

## Section 4 Equity held in non-resident enterprises

### 4.01 Cross-holding

Cross-holdings occur when an investor is partly owned by the enterprise in which it holds shares. For example, Company A owns 16 percent of Company B and Company B owns 4 percent of Company A.

### 4.02 Equity held by your New Zealand group in non-resident enterprises/branches

Equity held by your New Zealand group in non-resident enterprises/branches refers to:

- company shares (excluding non-participating preference shares)
- capital invested in non-resident branches
- units held in mutual funds, unit trusts, and investment trusts
- capital invested in a non-resident-based partnership or joint venture
- shares (equity) issued by non-resident companies, listed on the NZX, and held by your enterprise. These are claims of a resident New Zealand holder over a non-resident issuer.

### 4.03 Consolidated market value of investor's (equity) holdings

The market value of investor's (equity) holdings is your share of the consolidated market value (or near proxy) of the non-resident enterprise in which you hold a share.

**For listed enterprises**, report the market value of equity using the midpoint of the quoted buy and sell prices of the shares on the main stock exchange at the reporting dates specified.

**For unlisted enterprises**, if a market value is not available, please estimate the market value of your shares by using one of the following methods (listed in preferred order):

- net asset value
- a recent transaction price
- directors' valuation.

**Net asset value** is equal to total assets, including intangibles, less non-equity liabilities and less the paid-up value of non-voting shares. Record liabilities and assets at estimated market value, rather than historical value.

**For equity of head office in a branch**, report the total assets of the branch valued at current cost less liabilities.

**For joint ventures and partnerships** value the 'equity' of your New Zealand group in these at market value, in proportion to your ownership of these operations.

#### 4.04 Non-participating preference shares

Non-participating preference shares are a type of preference share that does not give the holder the same voting rights as ordinary shareholders, nor the right to share equally with ordinary shareholders any residual value of the business if the company fails or liquidates.

- **Include** non-participating preference shares in Part L of the questionnaire.

Refer to appendix 3 for further explanation of preference shares.

#### 4.05 Ordinary shares/voting stock

Ordinary shares/voting stock are the most common share class. They generally carry a full right to:

- vote on resolutions affecting the company
- an equal share of ordinary dividends declared
- surplus assets on liquidation once debt holders and preferred shareholders have received their entitlements.

Please refer to note 4.06 about reporting participating preference shares. The 'Percentage of ordinary shares or voting stock held at end' column is not applicable when reporting for an overseas branch or sales office.

#### 4.06 Participating preference shares

Participating preference shares are a type of preference share that gives the holder the same voting rights as ordinary shareholders, and the right to share equally with ordinary shareholders any residual value of the business if the company fails or liquidates.

**Include** your share of participating preference shares in the appropriate tables in Part J.

Refer to appendix 3 for further explanation of preference shares.

## Section 5 Financial assets with non-residents

Assets are classified by your relationship with the non-resident counter-party, namely:

- direct investors
- direct investees
- other non-residents.

Refer to the Glossary (1.17 to 1.22) for a description of these investment relationships, and appendix 2 for a diagram representing direct investors and direct investees.

### 5.01 At-call deposits

At-call deposits are deposits held by non-residents that are payable on demand to your New Zealand group.

### 5.02 Bonds and notes

Bonds and notes are financial instruments that give the holder the unconditional right to a fixed money income or a contractually determined variable money income (payment of interest is not dependent on the debtor's earnings). With the exception of perpetual bonds, bonds and notes also provide the holder with the unconditional right to a fixed sum as a repayment of the principal on a specified date or dates.

These instruments are not normally traded but may be under some circumstances.

Kauri bonds are debt securities issued in New Zealand, in New Zealand dollars, by non-resident issuers. Your resident enterprises holdings of such bonds are claims of residents over non-resident issuers, and should be reported in Part L of the questionnaire.

### 5.03 Current account deposits/balances and term deposits

Current account deposits/balances are deposits that are payable on demand and transferable by cheque or otherwise for making payments.

Include:

- deposits that may not be nominally transferable but are viewed as substitutes for transferable deposits
- foreign currency in the form of cash and travellers cheques
- term/time deposits (interest-bearing deposits that have a specific maturity).

### 5.04 Loans

Loans include financial assets that are created through the lending of funds by your New Zealand group to non-residents through an arrangement in which the lender receives a non-tradable document or instrument, or no security evidencing a transaction.

**Include** repurchase agreements where ownership of the security does not change from the seller to the buyer (ie the repo is treated as a collateralised loan). Refer to Glossary note 1.39 for a definition of repurchase agreement.

### 5.05 Long-term

Long-term loans are those with an original maturity of more than one year and those having no stated maturity date. Where there is an option period for the lender to repay, use the shorter period to classify the loan.

### 5.06 Money market instruments

Money market instruments are securities that generally give the holder the unconditional right to receive a stated, fixed sum of money on a specified date. These instruments are usually traded at a discount in organised markets.

For New Zealand enterprises, the predominant assets in this class are Treasury bills, central bank bills, bills of exchange (commercial and bank bills), and certificates of deposit (registered and bearer).

## 5.07 Other financial assets

Other financial assets are those items not classified as bonds, notes, money market instruments, trade debtors, loans, deposits, or financial derivatives.

For example, overdue (ie past the contractual payment date) interest receipts, overdue dividend receipts, and accounts receivable other than trade debtors. Refer to appendix 1 if you are unclear on the classification of a particular asset. Please describe the type of financial asset in table Q3.

## 5.08 Permanent debt assets

### *For banking organisations*

Permanent debt assets are financing arrangements extended by your New Zealand group to your overseas-related financial intermediaries (direct investors/direct investees) on a long-term basis. Examples of assets classified as permanent debt are subordinated debt capital or other long-term non-equity capital. These funds may be used directly by your overseas financial intermediaries for expansion, or for acquiring another business. In the balance of payments statistics, permanent debt assets are regarded as having the characteristics of direct investment and are recorded under the 'direct investment' component.

All other financial assets (those not classified as permanent debt) are assumed to take place as part of the normal business of banking and therefore these capital flows are recorded under 'portfolio and other investment' within the balance of payments statistics.

Refer to appendix 4 for further explanation and examples of permanent debt capital.

## 5.09 Short-term

Short-term loans are those with an original maturity of one year or less. Where there is an option period for the lender to repay, use the shorter period to classify the loan.

## 5.10 Trade debts/debtors

Trade debts/debtors, are accounts receivable by your New Zealand group from non-residents for exports of goods and services, and prepayments given to non-residents for future imports of goods and services.

Do not include loans to finance trade where the advance is not related to specific goods or services sold, or the goods or services have not been delivered.

Any negative values for trade debits should be reported as a trade credits (accounts payable). See appendix 5 for an illustration of recording negative liabilities and assets.

## 5.11 Value of assets

Value of assets refers to the market value of your New Zealand group's financial assets with non-residents at the beginning and end of the quarter. The opening values reported should agree with the closing values reported in the previous quarter.

Use the traded price at the dates specified, or if not available please estimate market value using one of the following methods (listed in preferred order):

- yield to maturity method (discounted net present value)
- face value less written-down value of discount method
- issue price plus amortisation of discount method

- other mark-to-market method
- historical cost value.

## Section 6 Financial derivative contracts and margin accounts

This section of the questionnaire collects information on your transactions and outstanding position in financial derivatives. Part R is concerned with your derivative margin accounts and Part S with your derivatives position at the start and end of the quarter. Each part asks for data by the country of residence of the counter-party.

**Include** transactions with your overseas branches and affiliates.

### Derivative margin accounts

**Record** only those margin accounts that remain under the control/ownership of the entity that deposits the margin (repayable margin). Record margin/collateral that is paid to reduce or meet a financial liability arising from a financial derivative contract (non-repayable margin) in Part S.

Do not report any margin/collateral deposited in non-cash, such as securities, in the margin accounts. Report them under the appropriate financial instrument in the questionnaire.

### 6.01 Currency profile of derivative contracts

The currency of an outstanding net asset/liability position should reflect the currency that generates the net asset/liability position. For example, in swapping US dollars for Japanese yen, if the market value (New Zealand dollar (NZD) equivalent) of your yen payables exceeds the market value of your US dollar receivables, then report a net yen liability position; ie record the NZD equivalent of the amount of yen that constitutes the net liability in the Japanese yen currency row.

### 6.02 Currency profile of margin accounts

The currency profile of margin account asset and liability positions (closing) should reflect the currency of these accounts' denomination.

### 6.03 Derivative margin account assets

Derivative margin account assets capture the margin account assets of your New Zealand enterprise on non-residents.

### 6.04 Derivative margin account liabilities

Derivative margin account liabilities capture the margin account liabilities of your New Zealand enterprise to non-residents.

### 6.05 Financial derivatives

Financial derivatives are based on other products, either financial or real, or prices associated with financial products, and which involve:

- future delivery, receipt, or exchange of financial items such as cash or another derivative instrument, or
- future exchange of real assets for financial items where the contract may be tradable and have market value.

**Include** only derivative positions that are contracted with non-resident counter-parties. However, if a deal is done with a local branch of a non-resident enterprise and is recorded in the books of the non-resident enterprise, then report it in this questionnaire.

## 6.06 Market value of derivative contract positions

### *Forwards*

The value of a forward derives from the discounted net present value of expected receipts or payments. Because the market price of the item underlying the derivative contract can change between end-reporting periods, a forward may switch from a net asset to a net liability position, or vice versa, between end periods.

### *Options*

The value of an option derives from the relationship between the contract and prevailing market price for the underlying item, the time to maturity of the contract, the time value of money, and the price volatility of the underlying item.

Report option contract positions at market value for the reference dates specified, or their nearest proxy as follows:

- for traded contracts, prevailing market prices
- for non-traded options, using price models such as Black-Scholes
- for other contracts not readily traded, use the present values of future net cash flows.

### *Derivatives in a net asset position*

These derivatives are contracts with a positive market value (in-the-money) at the start/end of the period and represent assets with the counter-party.

### *Derivatives in a net liability position*

These derivatives are contracts with a negative market value (out-of-the-money) at the start/end of the period and represent liabilities to the counter-party.

### *Foreign currency translations*

Report foreign currency amounts in New Zealand dollars at the exchange rate at the end of the quarter.

## 6.07 Other changes in value

Other changes in value are changes that arise from exchange rate movements and market price changes.

## 6.08 Value of derivative margin accounts

The value of derivative margin accounts is the market value of your New Zealand group's derivative margin accounts with non-residents at the beginning and end of the quarter. The opening values you report should agree with the closing values reported in the previous quarter.

## Appendix 1 Debt and equity instrument classification

The following alphabetical list allocates financial liabilities and assets to the relevant parts of the Quarterly International Investment Survey questionnaire. Note that for financial intermediaries, liabilities and assets transferred or held as permanent debt, are classified to parts C (liabilities) or K (assets).

Each broad class is described in the section-specific definitions in the Glossary.

Financial liability/asset	Abbreviated description of the broad class	Part of the questionnaire	
		As a liability	As an asset
Accounts payable/receivable (other than trade credits)	Other liability/asset	I	Q
Advances	Loans	G	O
Alpine bonds	Bonds and notes	...	I
American depository receipts (ADRs) and depository shares	Equity	A or B	J
Arrears of interest	Other liability/asset	I	Q
Asian FRN/CD	Bonds and notes	...	L
Asset backed securities such as collateralised mortgage obligations (CMOs) and participation certificates	Bonds and notes	D	L
At-call deposits	Deposits	H	P
Bank loan swaps	Derivatives	S	S
Bankers acceptances	Money market instrument	E	M
Bearer depository receipts (BDR)	Bonds and notes	D	L
Bills of exchange (commercial and bank bills)	Money market instrument	E	M
Bonds with optional maturity dates, the latest of which is less than one year after issue	Money market instrument	E	M
Bonds with optional maturity dates, the latest of which is more than one year after issue	Bonds and notes	D	L
Brady bonds	Bonds and notes	...	L
Bulldog bonds	Bonds and notes	...	L
Bunny bonds	Bonds and notes	D	L
Cash, current account deposits	Deposits	H	P
Certificates of deposit – negotiable with original maturity of greater than one year	Bonds and notes	D	L

Financial liability/asset	Abbreviated description of the broad class	Part of the Questionnaire	
		As a liability	As an asset
Certificates of deposit – negotiable with original maturity of one year or less	Money market instrument	E	M
Certificates of deposit – not negotiable	Deposits	H	P
Collateralised mortgage obligations (CMO) including Participation certificates	Bonds and notes	D	L
Collared FRNs	Bonds and notes	D	L
Commercial and finance paper	Money market instrument	E	M
Contingent liabilities	Not recorded in this questionnaire		
Convertible bonds	Bonds and notes	D	L
Convertible notes	Bonds and notes	D	L
Credit derivatives	Derivatives	S	S
Cross-currency interest rate swaps	Derivatives	S	S
Currency linked bonds	Bonds and notes	D	L
Currency swaps	Derivatives	S	S
Current account deposits	Deposits	H	P
Debentures	Bonds and notes	D	L
Depository receipts – eg American (ADR) and Global (GDR)	Equity	A or B	J
Deposits at call	Deposits	H	P
Dual currency bonds	Bonds and notes	D	L
Equity held in a branch	Equity	A	J
Equity options	Derivatives	S	S
Equity related bonds	Bonds and notes	D	L
Equity securities other than non-participating preference shares	Equity	A or B	J
Equity swaps	Derivatives	S	S
Equity warrant bonds	Bonds and notes	D	L
Euro medium-term notes (EMTN)	Bonds and notes	D	L
Eurokiwi	Bonds and notes	D	L
Euronotes	Money market instrument	E	M
European commercial paper (ECP)	Bonds and notes	D	L
Finance and commercial paper	Money market instrument	E	M

Financial liability/asset	Abbreviated description of the broad class	Part of the Questionnaire	
		As a liability	As an asset
Financial leases	Loans	G	O
Floating rate bonds	Bonds and notes	D	L
Floating rate notes (FRN)	Bonds and notes	D	L
Foreign currency accounts with New Zealand banks	Not to be recorded in this questionnaire		
Foreign currency travellers cheques, notes and coins	Deposits	H	P
Forward foreign exchange contracts	Derivatives	S	S
Forward rate agreements	Derivatives	S	S
Futures	Derivatives	S	S
Global depository receipts	Equity	...	J
Gold loans	Loans	G	O
Government bonds	Bonds and notes	D	L
Hybrid FRN/CD	Bonds and notes	D	L
Indexed bonds	Bonds and notes	D	L
Inter-company balances	Other assets/liability	I	Q
Interest rate swaps	Derivatives	S	S
Investment trust and mutual fund certificates and similar instruments	Equity	A or B	J
Kiwi bonds	Bonds and notes	D	L
Kauri bond	Bonds and notes		L
Letters of credit (LCs)	Not regarded as a liability or an asset		
Loans to finance trade (but not outstanding on goods and services delivered, see trade credits)	Loans	G	O
Mortgage backed bonds	Bonds and notes	D	L
Mortgages (other than collateralised obligations)	Loans	G	O
Mutual fund and investment trust units	Equity	A or B	J
Navigator bonds	Bonds and notes	...	L
Negotiable certificates of deposit, with an original maturity date of one year or less	Money market instrument	E	M
Negotiable certificates of deposit with maturities of more than one year	Bonds and notes	D	L
New Zealand securities held by the New Zealand office of a nominee on behalf on non-residents	Not to be recorded in this questionnaire		

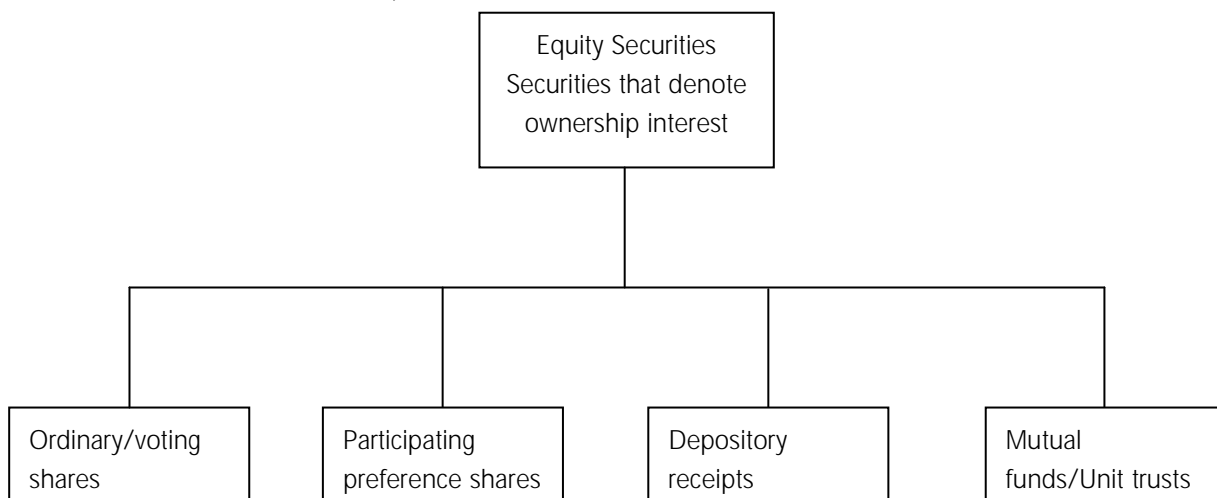
Financial liability/asset	Abbreviated description of the broad class	Part of the Questionnaire	
		As a liability	As an asset
Non-callable bonds	Bonds and notes	D	L
Non-participating preferred stock and shares	Bonds and notes	D	L
Nostro account balances	Deposits	D	L
Notes issued under note issuance facilities (NIFs) – short-term	Money market instrument	E	M
Notes issued under note issuance facilities (NIFs) and revolving underwriting facilities (RUFs) – long-term	Bonds and notes	D	L
Operating leases	Not regarded as a liability		
Options	Derivatives	S	S
Overdrafts drawn	Loans	G	O
Overdrafts unexercised	Not regarded as a liability or an asset		
Overdrawn nostro	Deposit	H	...
Overdrawn vostro	Deposit	...	P
Overdue settlements	Other liability/asset	I	Q
Participating preference shares	Equity	A, B	J
Perpetual notes (PRNs)	Bonds and notes	D	L
Promissory notes	Money market instrument	E	M
Property indexed certificates (PIC)	Bonds and notes	D	L
Repurchase agreements (repos) where the non-resident acquiring the securities does not become the registered holder of the securities	Loans	G	O
Reserve Bank bills	Money market instrument	E	M
Reverse FRNs	Bonds and notes	D	L
Revolving credit	Loans	G	O
Revolving underwriting facilities (RUF)	Money market instrument	E	M
Samurai bonds	Bonds and notes	...	L
Savings deposits in overseas financial institutions	Deposits	...	P
Shares, other than non-participating preference	Equity	A or B	J
Short-term notes issued under note issuance facilities (NIFs)	Money market instrument	E	M
Spot foreign exchange contracts	Derivatives	S	S

Financial liability/asset	Abbreviated description of the broad class	Part of the Questionnaire	
		As a liability	As an asset
Standby credit, undrawn	Not regarded as a liability		
Step-up recovery FRNs (SURF)	Bonds and notes	D	L
Structured floating rate notes	Bonds and notes	D	L
Subordinated debt in financial institutions	Permanent debt	C	K
Subordinated debt in corporate entities	Loans	G	O
Term deposits in financial institutions	Deposits	H	P
Time deposits in financial institutions	Deposits	H	P
Trade credits	Trade credits	F	N
Transferable deposits with overseas financial institutions	Deposits	...	P
Travellers cheques in foreign currency	Deposits	H	P
Treasury bills	Money market instrument	E	M
Treasury bonds	Bonds and notes	D	L
Treasury notes	Bonds and notes	D	L
Treasury receipts (TRs)	Bonds and notes	D	L
Undrawn loan facilities	Not regarded as a liability		
Variable rate notes (VRNs)	Bonds and notes	D	L
Vostro account balances	Deposits	H	...
Warrants	Derivatives	S	S
Zero coupon and other deep discount bonds	Bonds and notes	D	L

**Symbol:** ... not applicable

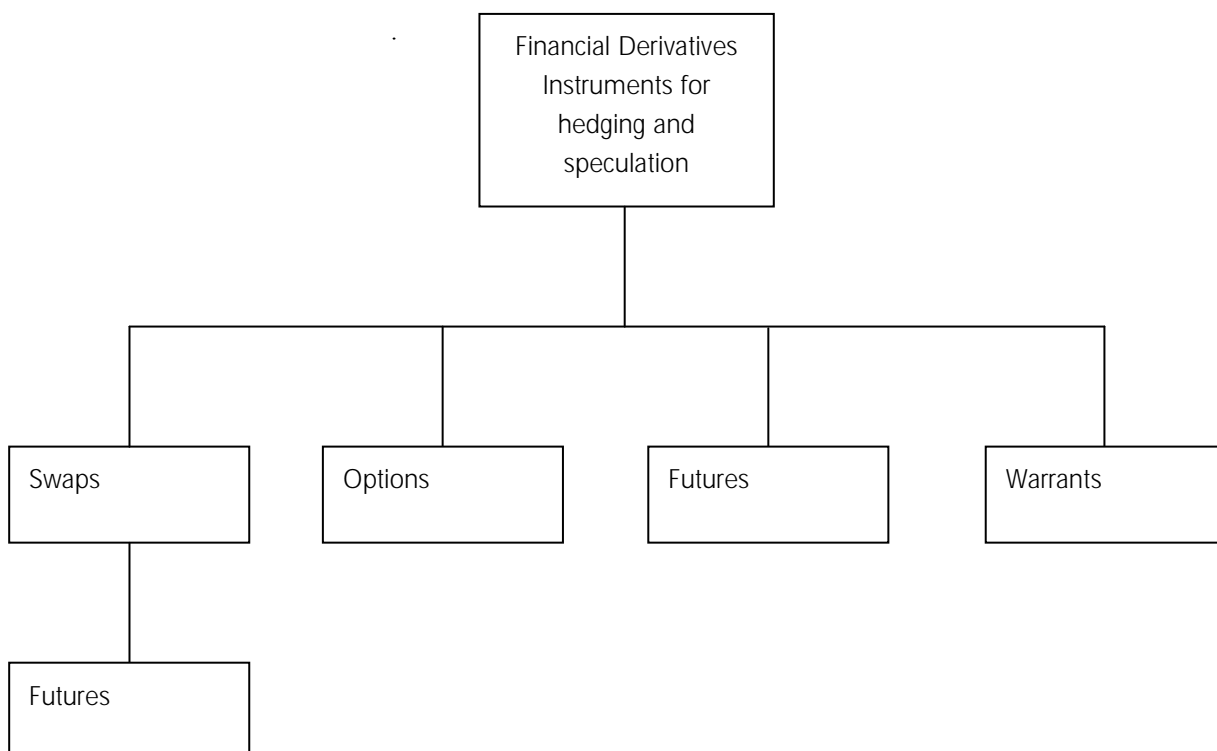
Appendix figure 1

Classification of financial instruments: Equity securities

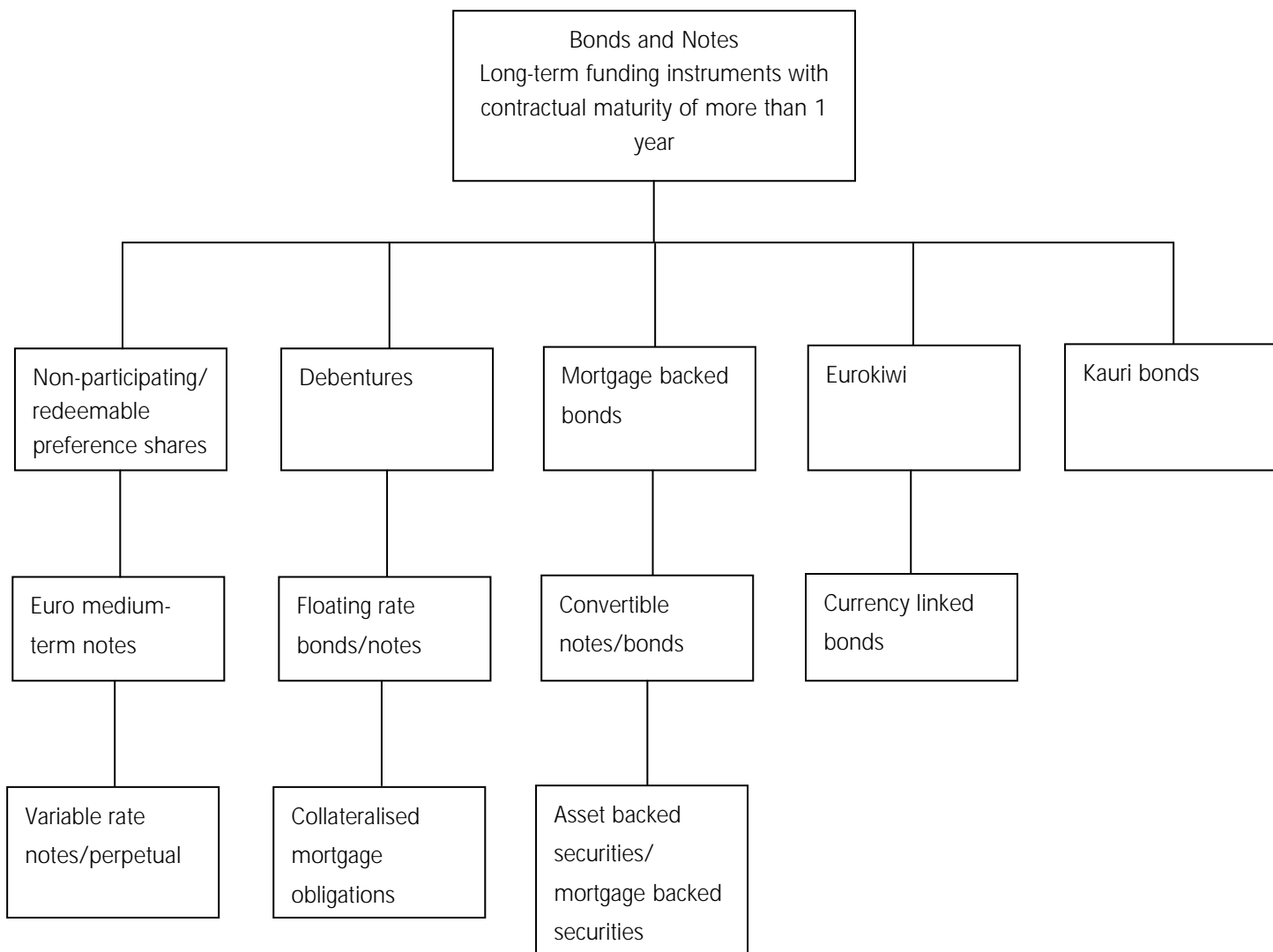


Appendix figure 2

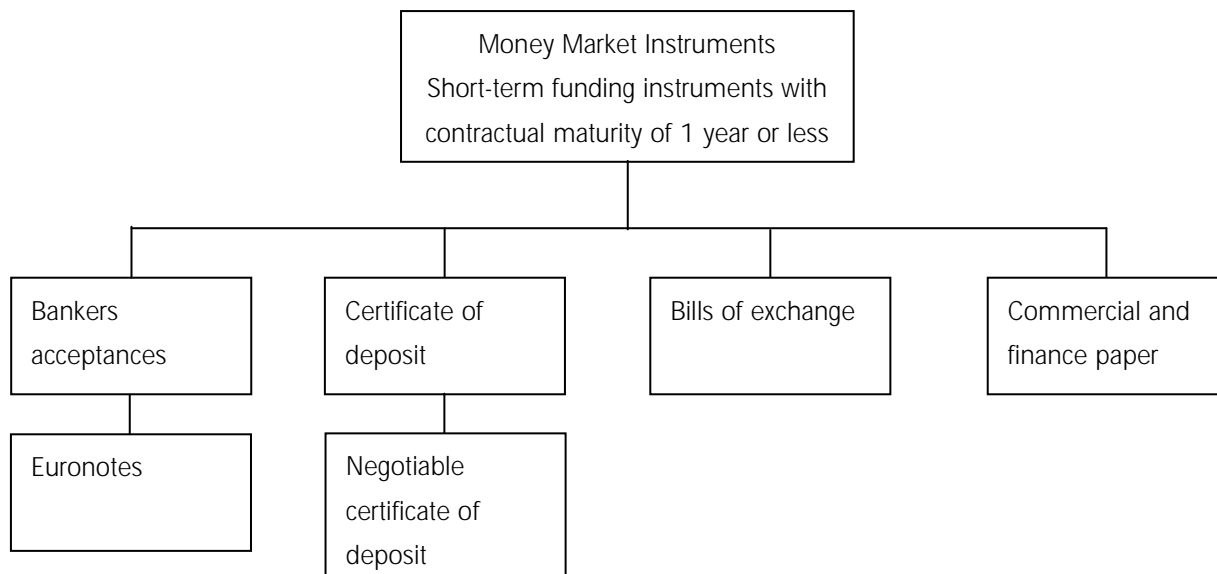
Classification of financial instruments: Financial derivatives



**Appendix figure 3**  
**Classification of financial instruments: Bonds and notes**



**Appendix figure 4**  
**Classification of financial instruments: Money market instruments**



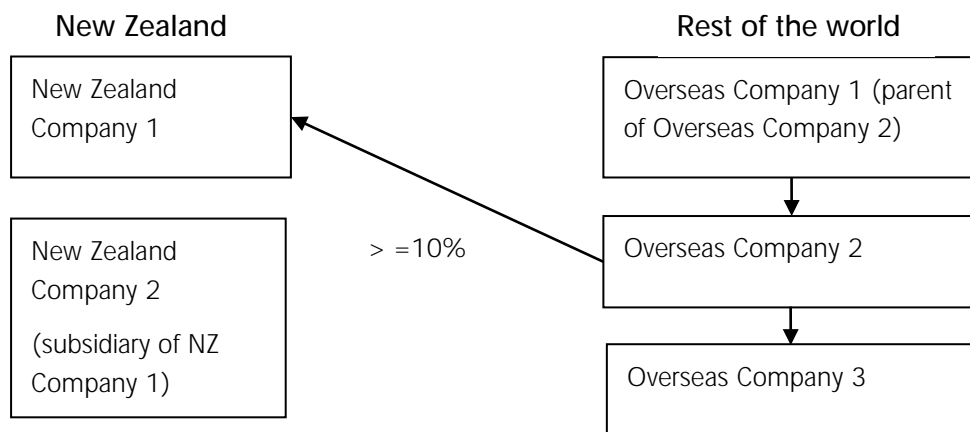
## Appendix 2 Diagrammatic presentation of investment relationships

### Non-resident direct investors includes:

- non-residents (individuals, companies, branches, joint-ventures, partnerships, trusts) that hold 10 percent or more of the ordinary shares or voting stock of any enterprise in your New Zealand group
- an overseas group of related enterprises that, when combined, holds 10 percent or more of the ordinary shares or voting stock of any enterprise in your New Zealand group.

For New Zealand branches of non-resident enterprises, the overseas head office of the branch is the non-resident direct investor.

The diagram below illustrates companies that are categorised as non-resident direct investors.



Overseas Companies 1, 2, and 3 are regarded as direct investors of NZ Company 1 and its subsidiary NZ Company 2.

Report all liabilities and assets of NZ Company 1, or its subsidiary NZ Company 2, with Overseas Companies 1, 2, or 3 under the category 'liabilities/assets to your direct investors' in sections 3 and 5 of the questionnaire.

**For investments (equity/non-equity) in NZ Company 2 by Overseas Company 1, 2, or 3:**

#### *Equity investment*

- Report any equity investment in NZ Company 2 by any of Overseas Company 1, 2, or 3 in Part B (minority interest held by non-residents in your New Zealand subsidiary) of the questionnaire.

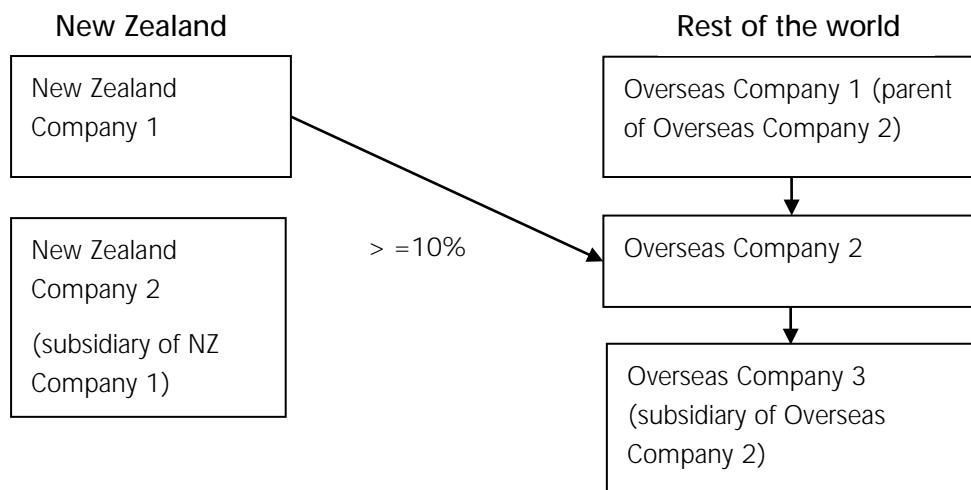
#### *Liabilities and assets*

- Consolidate any international liabilities or assets held by NZ Company 2 directly with Overseas Company 1, 2, or 3 with those held by NZ Company 1, and report them in section 3 (liabilities) or section 5 (assets) in the questionnaire.

**Non-resident direct investees includes:**

- non-resident enterprises (companies, branches, joint-ventures, partnerships, trusts) in which your New Zealand group holds 10 percent or more of the ordinary shares or voting stock.
- any non-resident parents or subsidiaries of the non-resident enterprises that are defined above.

The diagram below illustrates companies that fall in the category of 'Non-resident direct investees'.



Overseas Companies 1, 2, and 3 are all regarded as non-resident direct investees of NZ Company 1.

Report all liabilities and assets of the NZ Company 1, or its subsidiary NZ Company 2, with Overseas Company 1, 2, or 3 under the category 'liabilities/assets to your direct investees' in sections 3 and 5 of the questionnaire.

**For investments (equity/non-equity) by NZ Company 2 in Overseas Company 1, 2, or 3:**

*Equity investment*

- Report any equity investment by NZ Company 2 in Overseas Company 1, 2, or 3 in Part J.

*Liabilities and assets*

- Consolidate any international liabilities and assets held by NZ Company 2 directly with Overseas Company 1, 2, or 3 with those held by NZ Company

## Appendix 3 Definition of ordinary and preference shares

### Ordinary shares

This is the most common share class. Ordinary shares generally carry a full right to vote on resolutions affecting a company. They entitle the holder to a share of any ordinary dividend declared, and surplus assets on liquidation after preference share holders.

### Preference shares

Preference shares differ from ordinary shares in that they carry at least one of the following preferential rights over and above those attaching to ordinary shares:

- the right to receive a fixed preferential cumulative or non-cumulative annual dividend
- preferential claim on assets ahead of ordinary shareholders on liquidation.

### Types of preference shares

- Participating preference shares give the holder the same voting rights as ordinary shareholders, and the right to share equally with ordinary shareholders any residual value of the business if company fails or liquidates.
- Redeemable preference shares entitle holders to redeem their shares on a fixed date, or at the option of the company.
- Non-participating preference shares are a type of preferred share that does not give the holder the same voting rights as ordinary shareholders, or the right to share equally with ordinary shareholders any residual value of the business if company fails or liquidates.

### Classification of instruments as equity or debt securities in balance of payments

Equity securities	Debt securities
Ordinary shares	Non-participating preference shares
Participating preference shares	Non-redeemable preference shares
	Redeemable preference shares

## Appendix 4 Permanent debt capital – for financial institutions only

The distinction between permanent debt capital and all other capital is made to distinguish banks' overseas funding and lending by the purpose of that funding and lending:

- **permanent debt** – funding and lending for direct investment purposes (10 percent or more ownership) and capital adequacy requirements
- **non-permanent debt** – funding and lending for financial intermediation purposes.

### Permanent debt

Permanent debt is capital that is extended between banks within a banking group (eg between a parent bank and its subsidiary) to finance a direct investment ownership relationship.

For example:

- Funding from an overseas parent bank and group to a New Zealand bank is classed as permanent debt if the funding is used to acquire an ownership interest of 10 percent or more in another entity. **Report** the funding in Part C, section 1.1.
- Funding from the overseas parent bank and group to the New Zealand bank for capital adequacy purposes. **Report** the funding in Part C, section 1.1.
- Lending by a New Zealand bank to an overseas subsidiary to acquire a 10 percent or more ownership interest in an overseas bank. **Report** in Part K, section 1.2.
- Lending by a New Zealand bank to an overseas subsidiary bank and group for capital adequacy purposes, for the overseas subsidiary bank. **Report** the funding in Part K, section 1.2.

### Non-permanent debt

Non-permanent debt is all other bank funding and lending between itself and non-resident entities, whether these are part of the parent group or not. In short, non-permanent debt is all funding (and lending) used for financial intermediation (ie borrowing to lend).

For example:

- Funding from the overseas parent bank and group to purchase the loan book of another New Zealand financial entity. **Report** in Parts D to I, depending on the type of instrument.
- Funding from the overseas parent bank and group to maintain or expand lending to domestic or overseas customers of the New Zealand bank. **Report** in Parts D to I depending on the type of instrument in section 1.1.

- Funding to the New Zealand bank from its overseas subsidiary to maintain or expand lending to domestic or overseas customers of the New Zealand bank. **Report** in Parts D to I depending on the type of instrument in section 1.2.
- Lending to the overseas subsidiary of the New Zealand bank to maintain or expand lending to customers of the overseas bank. **Report** in Parts L to Q depending on the type of instrument in section 1.2.

## Appendix 5 Recording negative values for financial liabilities and assets

If the value of an asset (such as a deposit held in a bank abroad, or trade debits) outstanding is negative (overdrawn) at the end of the quarter, then report the outstanding negative amount as a liability. Likewise, if the value of a liability (trade credits, loans etc) outstanding is negative (overdrawn) by a foreign investor then report the negative amount as an asset.

### Case 1

If trade debits at the end of the quarter are negative then report as follows:

- **Record** a zero value for trade debits at the end of the quarter (Part N, table N1, column 3).
- **Record** a zero value for trade credits at the start of the quarter (Part F, table F1, column 2).
- **Record** the outstanding negative amount as trade credits at the end of the quarter (Part F, table F1, column 3).

### Worked example for Case 1

A New Zealand company, NZ Ltd had the following amounts for trade debits with its parent company in Australia (Aus Ltd):

- at the start of the quarter, \$30 million
- at the end of the quarter, \$10 million overdrawn.

**Report** the start and value as follows:

#### Part N **Assets – Non-resident trade debtors**

N1 Non-resident trade debtors of your New Zealand group

Name of non-resident	Country of non-resident	Value of assets at start NZ\$'000	Value of assets at end NZ\$'000
Assets with your direct investors			
AUS Ltd	Australia	30	0

**Report** the end value (negative trade debits) as follows:

Part F **Liabilities – Non-resident trade creditors**

F1 Non-resident trade creditors of your New Zealand group

Name of non-resident	Country of non-resident	Value of liability at start NZ\$'000	Value of liability at end NZ\$'000
Liabilities with your direct investors			
AUS Ltd	Australia	0	10

## Case 2

If deposits held abroad (assets) are overdrawn at the end of the quarter then report as follows:

- **Record** a zero value for deposit assets (in Part P, table P1, column 5) at the end of the quarter.
- **Record** a zero value for other financial liabilities (if you are a non-bank entity, in Part I, table I1, column 3) or in deposit liability (if you are a bank, in Part H, table H1, column 3).
- If you are a non-bank entity, **record** the negative (overdrawn) amount as an increase in liability during the quarter (in Part I, table I1, column 4) and also at the end of the quarter (Part I, table I1, column 9).
- If you are a bank, **record** the negative amount (overdrawn deposit) as an increase in liability during the quarter (in Part H, table H1, column 5) and also at the end of the quarter (in Part H, table H1, column 7– value of liability at end).

## Appendix 6 Examples of recording market value positions of derivatives

Here are examples of how to record positions in financial derivative liabilities and assets in Part S of the questionnaire.

### Example of a foreign exchange swap

On 1 January 2005, a New Zealand bank (NZ Bank) enters into a currency swap contract with a Swiss Bank (SB). The contract specifies that NZ Bank pays SB NZ\$100 million on 1 January 2005, and in exchange SB will pay NZ Bank SF110 million. These amounts are based on the spot exchange rate on the day (NZ\$1 = SF1.10) and the New Zealand denomination of NZ\$100 million.

The contract specifies that the amounts are to be re-exchanged on 30 June 2005, at the same exchange rate as on 1 January 2005, regardless of the prevailing rate.

The underlying rates throughout the life of the contract are as follows:

SF/NZ\$1

	Spot rate	3-month forward rate
1 January	1.10	
31 March	1.05	1.04
30 June	1.02	

**Record** transactions in section 6, part S1 of the Quarterly International Investment Survey.

(Assume that this is being completed for the March 2005 quarter.)

#### Step 1

Calculate the market value of the contract as at 31 March 2005, using the 3-month forward rate to determine whether the instrument is in a net asset or net liability position on this date.

The asset for NZ Bank is NZ\$100 million (what NZ Bank will receive at the future date specified). The liability for NZ Bank is SF110 million (what NZ Bank will pay at the future date specified).

#### Step 2

Using the quoted 3-month forward rate on SF/NZ\$, calculate the expected value of SF110 million in New Zealand dollars for 30 June.

= SF 110m/1.04 = NZ\$105,769,231 (expected value of payment to be made on 30 June by NZ Bank).

The present value of the NZ\$100 million that NZ Bank will receive on 30 June can be calculated by discounting at an appropriate interest rate. The interest rate used to discount future cash flows should be the same as the interest rate currently available for similar liabilities and assets with similar risk. In this case, an interest rate of 14 percent a year has been used.

$$PV = \text{NZ\$}100\text{m}/(1+0.14/4)^1$$

$$PV = \text{NZ\$}96,618,357.$$

### Step 3

Determine whether the instrument is in a net asset or net liability position for NZ Bank at 31 March 2005.

The net amount outstanding on this instrument at 31 March is:

$$\text{Amount payable} - \text{amount receivable}$$

$$\text{NZ\$}105,769,231 - \text{NZ\$}96,618,357 = \text{NZ\$}9,150,874$$

The instrument is in a net liability position as payables are greater than receivables.

**Record** the above amount under the 'net liability position' column in table S1.

### Example of a forward foreign exchange contract

On 1 January 2005 a New Zealand company buys products from England with payment of 1 million pounds due in 90 days. The New Zealand company has a liability in pounds but has no pounds. At that time, NZ\$1 = 0.6452 pounds. The company owes NZ\$1,549,907.

The company can cover this foreign exchange risk by entering into a 90-day forward foreign exchange contract with a bank at a price of NZ\$1 = 0.6579 pounds. The company enters into a contract to buy 1 million pounds by selling NZ\$1,519,988, to be exchanged in 90 days.

**Record** transactions in section 6, part S1 of the Quarterly International Investment survey.

Quarter 1 Determine the value of the contract at the end of March.

At the end of March, the contract would need to be valued. Assume the exchange rate at the end of March is NZ\$1 = 0.6400 pounds, making 1 million pounds equate to NZ\$1,562,500.

The amount outstanding at 31 March is:

$$\text{NZ\$}1,562,500 - \text{NZ\$}1,519,988 = \text{NZ\$}42,512.$$

The contract is in a net asset position at 31 March.

Gross assets are NZ\$1,562,500 and gross liabilities are NZ\$1,519,988.

**Record** NZ\$42,512 in table S1, under the net asset column of the closing position.

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