Annual reports are probably the most expensive

publications ever produced that never get read. Each

year, listed companies spend months preparing their

glossy ‘flagship’ reports in a tedious process often called ‘the

annual migraine’. Banks are notorious for their encyclopaedic

annual reports, with the 2012 HSBC annual report running to

546 pages and the Royal Bank of Scotland’s shelf-bender at

543 pages. Until recent years our own ABSA was infamous for

the size of its big red annual tome. How many shareholders

have the time and interest to wade through all that?

As a result annual reports - meant to enlighten – are just

plain confusing, as investors get lost in a maze of company

intricacies, pretty pictures and page after page of pie charts.

A South African industrial giant recently published an annual

report in which its environmental graphs had accidentally

been placed with completely unrelated text. Although copies

were distributed by the thousands, not a single reader,

investor, analyst – or environmentalist - commented on

the error. Which begs the question: besides the highlights,

financials and possibly the CEO's statement, how much of the

annual report is actually read? How many trees had met the

axe before this truth dawned?

In South Africa, the new Companies Act allows

summarised financial statements, while the King III code

encourages concise and plain reporting on just those issues

most material to the business.

The IRC of South Africa commissioned a research survey

of the 2011 IR of the JSE top 100 companies. Professor

Mervyn King noted that the average length of these reports

was 179 pages, but for the 18 companies in the survey that

published summarised rather than full financial statements,

this total dropped to 124 pages. Summarised financials

ranged from one page to 34 pages, averaging at 11 pages. This

compares to the 70 page average for full financials, which now

may be published on the company website.

International pressure is also being brought to bear. In

June 2013 Hans Hoogervorst, chairman of the International

Accounting Standards Board (IASB), said that a new

framework is needed to get rid of the multiple disclosures that

submerge material financial information, saying: “The risk is

that annual reports become simply compliance documents,

rather than instruments of communication.”

With the front-end narrative and back-end financials

under pressure to trim down and shape up as useful investor

and stakeholder tools, are we seeing the advent of the

genuinely informative annual report?

Reports for the real world that are 40 pages maximum,

linked to detailed information on company websites, offering

transparently analytical narrative with crisp infographics,

complemented by digital versions optimised for screens and

tablets?

Then annual reports will no longer be much ado about

nothing. ❐

Clive Lotter

The amazin g shrinking annual repo rt

Obese annual reports hit the treadmill as

the IASB and new reporting standards

crack the whip.

DEVELOP VIEWPOINT

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Let me start by saying that

this piece is not about a

*stokvel*. While the principles

might be similar, I can’t say I

have family and friends that I

trust enough. However, if you

do live in a community where

you are able to pool resources,

why not do so?

Last month I encouraged

you to insure only what you

can’t afford to lose and to stop

paying unnecessary insurance

premiums on luxuries and

immaterial items. If you’re bold

enough to do so, keep track of

how much you’re now saving

every month by not paying

these premiums anymore.

What you should really be

doing with that saving every

month, is saving it!

Which saving vehicle you

choose is entirely up to you,

but make sure you’re putting it

away somewhere and keeping

track of it.

Let’s use a round number

and say you’re now saving

R500 a month, across all items

you’ve chosen to stop insuring.

At the end of one year you have

saved R6 000, without interest.

If you had lost your cellphone,

you could replace it. At the end

of two years, you would have

R12 000. If you’ve invested it

wisely, you could probably be

past R13 000 at this point. If

you lost your laptop, you could

replace it. And so on and so on.

Now Murphy would say

that you’d lose your cellphone,

your laptop and your watch

within the first two months,

but I’m saying the chances are

slim. On the other hand though,

theft is a real concern in our

society for most of us, so you’d

need to assess your own risk

and weigh up the cost-benefit.

The items I have mentioned

are usually specific inclusions

within household insurance, so

you’d need to pay an additional

amount to have them covered.

Provided you don’t have a

bout of insane bad luck, you’d

probably do okay. And after ten

years, you might even reach

the point where you can just let

your investment lie and work

for you, without needing to add

R500 every month.

The alternative is being a

slave to insurance premiums

for the rest of your life, which,

ten years from now, taking a

6% inflationary increase into

account, would amount to a

monthly payment of closer to

R900. ❐

Gizelle

Willows

Self-insurance is

often best

Don’t spend on unnecessary insurance

and grow your own insurance

fund investments.

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