



**A clear vision**

Annual report insights 2016

A quick dip

**Getting things shipshape**

Useful tips



-  **Alternative performance measures (APMs)**  
Do GAAP measures have equal or greater prominence than non-GAAP measures throughout the report? Will users understand why alternative performance measures have been used and be able to see comparative figures?
-  **Clear and concise reporting**  
Is the annual report in plain English? Can it be easily understood? Is there confusing repetition or is key information missing?
-  **Risk and viability reporting**  
Has sufficient consideration been given to the longer term viability statement and are assumptions supporting long-term viability clear? Are the principal risks identified specific to your company and has thought been given to new/emerging risks?
-  **The impact of Brexit**  
What is the potential impact of the UK's vote to leave the European Union on the company? Has Brexit been discussed in strategy, business model and principal risk disclosures as necessary?
-  **Disclosure of accounting policies**  
Have you provided company-specific policies for all material transactions and balances – and cut down on immaterial disclosure? Are disclosures of the impact of IFRS 15, 16 and 9 clear, specific and quantified where possible?
-  **Audit committee responsibilities**  
If you are a FTSE 350 company, have you included a statement of compliance with the Competition and Markets Authority's Order on statutory audit services in the audit committee report?



**Testing the water**

Useful tips

- FRC Strategic Report Guidance**  
Have you used the recommendations in the FRC's Guidance on the Strategic Report to help address the legal requirements? 
- KPI disclosures**  
Where any non-GAAP measures have been chosen as KPIs, is a link provided between these and the company's strategy? This can be a helpful and convincing way of showing their purpose. 
- Structure**  
Is the information contained in the strategic report section of your annual report communicated in an effective manner in line with the communication principles set out in the FRC Guidance? 
- Materiality**  
Has the concept of materiality been applied to both financial and non-financial information, e.g. corporate responsibility disclosures, in the annual report? 
- Linkage and connectivity**  
Have you considered how the information in your report interrelates to build a single coherent picture? 



**Making a splash**

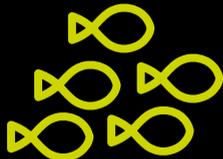
Useful tips

-  **Reporting outside the annual report**  
Is the information included in the annual report consistent with information included in other reports and communications, e.g. the Sustainability Report, investor presentations, the new slavery and anti-trafficking statement?
-  **Additional diversity and non-financial disclosures**  
Has consideration been given to the impact of wider diversity disclosures required by the EU non-financial reporting directive, which comes into force next year?
-  **Corporate culture and succession planning**  
How does your board ensure that corporate culture is appropriate and what is its approach to succession planning? Communication of this remains an area of focus for the FRC.
-  **Dividend policy**  
Investors are keen to see clear disclosure of the company's dividend policy in order to understand what it means in practice. Can your disclosure of this be improved?
-  **Cyber security**  
With continued levels of high-profile cyber attacks and data losses, cyber security remains high on the agenda for regulators, investors and senior executives. Do you show good 'cyber governance' in your annual report?
-  **Net debt reconciliation**  
Investors continue to be interested in net debt – have you reconciled movements in yours? Have you considered the recent amendments to IAS 7 in this regard?



**Immersing yourself in your surroundings**

The best reports are authentic: they don't just tell a story, they tell the story that the company lives. If your story is about long term value creation, engagement with broader stakeholders, recognition of the impact of broader environmental and societal factors on your business prospects, strategy and performance, are you letting this integrated thinking shine through your annual report and other communications?



**33%** discussed how they create value for a variety of stakeholder groups

**8%** described their report as 'integrated'

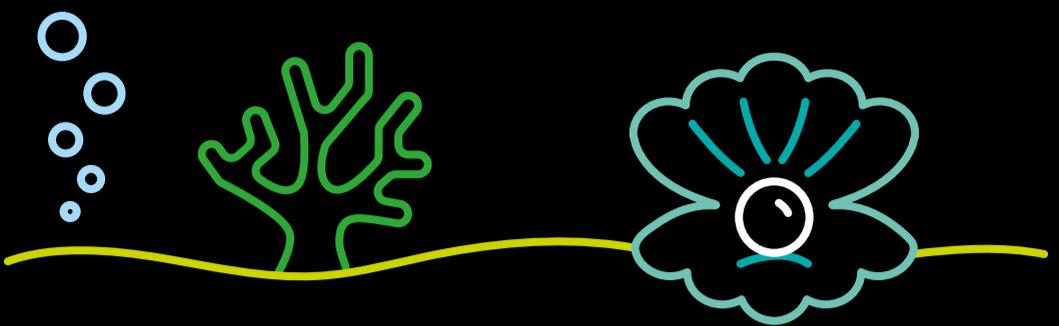
**71%** discussed value creation in some way



# Improving the value of your annual report

Knowing how your annual report stacks up and understanding what improvements you can make to better meet the needs of your company, industry regulators, investors and the wider public is a common challenge.

Each year we analyse the annual reports of 100 UK listed companies across multiple sectors. The results, together with our insight, help to identify key regulatory challenges and opportunities to enhance your report. The quality of a company's annual report shapes and reinforces external perceptions of a company's culture, strategy and performance. Below we set out our key findings and overleaf there is a useful checklist to help you plan for the coming reporting season.



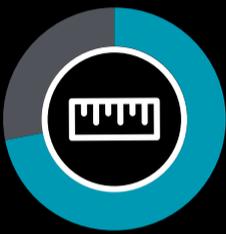
## Getting things shipshape



A shipshape report is one that complies with the rules. It identifies and responds to new reporting requirements and the key areas of regulatory challenge – ticking off the compliance checklist. Making sure your report is shipshape helps new investors understand your business and reduces the risk of challenge from regulators.

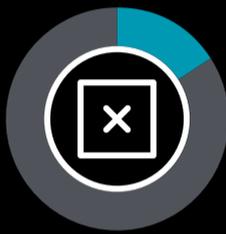
**72%**

of those presenting Alternative Performance Measures (APMs) on their summary page failed to give equal or greater prominence to corresponding GAAP measures



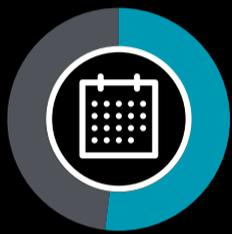
**16%**

identified Brexit as a principal risk in their last annual report



**52%**

did not include the qualifications or assumptions underlying the directors' assessment of longer term viability



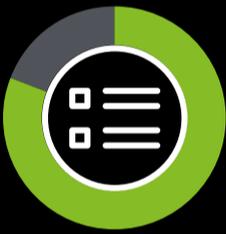
## Testing the water



With a thorough understanding of what is needed to make your report shipshape, you can focus on how you can better communicate your company's message. A clear and concise report focusing on company-specific information and insight keeps the user well-informed.

**81%**

clearly set out the objectives of their business



**79%**

included an overview of the markets that the company operates in



**34%**

referred to how materiality had been considered in their annual report



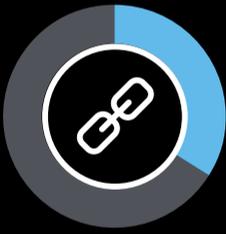
## Making a splash



Going that bit further to respond to regulatory and investor recommendations and introduce value-added disclosure which means the user can truly understand your company and appreciate how well it responds to changes in the reporting landscape.

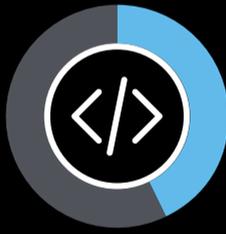
**34%**

referred to modern slavery in their annual report



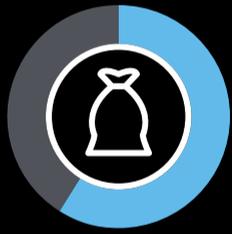
**43%**

referred to the Board's involvement in activities related to cyber risk and security



**59%**

included some disclosure on their dividend policy in their strategic report



For further information about our latest survey on annual reports visit [www.deloitte.co.uk/annualreportinsights](http://www.deloitte.co.uk/annualreportinsights)

To keep up to date with the latest in regulatory requirements around your accounting standards, including regular podcasts and news, visit [www.ukaccountingplus.co.uk](http://www.ukaccountingplus.co.uk)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2016 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. J8029