

'annual report' and 'annual review' essay sample

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Corporate Annual reports are produced by companies every year to be filed at companies House by Law and they are sent to its shareholders in order to inform them on their success throughout the year of trading. All Corporate annual reports have similar structures and they consist of both non-statutory items which are the informational parts of the report and the statutory items which give some insight into the financial matters of the company. The report proposes to provide information that is useful in making economic decisions; it also assesses the companies' performance and outlook into future prospects. However, a corporate annual Report can be both useful and can have its limitations. I will now discuss the usefulness and limitations that exist for the Corporate Annual Report with reference to the ' Woolworths Group Plc' recent Annual Report and Review.

In regards to the Usefulness of Corporate Annual Reports it can be said that it does provide shareholders and other potential stakeholders with a comprehensive assessment on the companies' current position. For example the development of regulation has given some insight on how useful the corporate report can be from the beginning of Stewardship to this very day there have been constant rules put in place in order to ensure the stakeholders are provided with relevant information. Therefore these rules have given the report some value into what the company has to provide its shareholders and for potential shareholders and making it useful for this purpose.

Another possible reason in which a Corporate annual report can be seen as useful is because ratio analysis can be conducted from the report by using the various financial information given such as the, Profit and Loss account

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and Balance sheet. (This is shown on pages 27-28 in the Woolworths Group plc annual report in the appendix). Calculations can be made on these particular activities for example profitability ratios can be used such as Return on Capital employed, this can measure the efficiency of the company and the profit. In regards to Woolworths Group plc numbers can be extracted (as shown on pages 27-28 of annual report in appendix), then assumptions can be made from using these figures to comment on the profitability for Woolworths Group plc and the measures that are used are very objective. In turn when the ratios are calculated comparisons then can be made between other firms as a result on their performance. Consequently showing that the Annual Report can be useful.

The corporate annual report is very detailed in content of financial information and non-financial information. One particular aspect which I feel is useful is the key financials in its introductory material which is a very useful summary of financial information to possible investors; this is shown in the 'Woolworths Group Plc' annual report (highlighted in green). It is a useful summary to shareholders and it can give already existing shareholders useful information to invest in more shares. Furthermore it can give investors some indication about the risks and uncertainties attached to the companies cash flows and the financial accounts that are presented within the report, which help with the understanding of resources that were used for the company, the balance sheet in particular provides information about the liquidity of their assets and the solvency. In regards to the 'Woolworths Group Plc' its first few pages are very informative and it gives relevant information on the retail stores that they own and the

entertainment wholesale and publishing companies, I feel this is very informative to a possible investor for the company.

Furthermore another aspect that is useful within the report is the shareholders information at the back of the report which is good for again potential investors (appendix annual report page 50) and the page on the four year record of the financial position which is the Profit and Loss account and balance sheet which helps promote the company and show the shareholders all information from previous years and potential shareholders.

Another particular aspect on the Corporate annual report that I consider to be useful is the annual review that is provided in which gives a summary of all financial information to its shareholders (in appendix for Woolworths Group Plc). It provides a summary of the financial performance and of the operational highlights as with other summaries of the financial statements.

But its needs to be noted that the usefulness of the Corporate Annual report can depend on two factors and these are accuracy and timeliness. In regards to timeliness it has be recognised as one of the most important characteristics of financial statements by professional bodies such as the Institute of chartered accountants in England and Wales (ICAEW). Carslaw and Kaplan, (1991) suggest that ' information should be made available to financial statement users as rapidly as possible', this therefore suggesting that information can be out-of-date as soon as it is published as the market is an ever-changing place. Some more research to support this claim comes form Abdulla, (1996) and it was argued here, ' that the shorter the time between the end of the accounting year and publication date, the more

benefit can be derived from the audited annual reports'. So the usefulness of an Annual report can depend on how accurately it has been audited and the date of the published financial data.

Possible limitations on corporate annual reports could be that as the report is extremely long and highly technical and it can be seen that this information is too much to provide and can be a information over-load and whether the information that is contained within this report is really relevant to show. As reported by Nicole Garrison on her article ' Annual Reports adjust to times', it is stressed in this article that an annual report is an ' important component of communication with investors', this showing that it must be able to communicate to its investors in order to provide these stakeholders with relevant information, but if the report ' fails to provide shareholders and investors with clear, useful information', then it can be said that the report cannot be seen as useful as the main purpose is to provide shareholders with information that is understandable.

But a possible solution to this is the Annual Review which is a summary of the relevant information and it contains a high proportion of voluntary information from the company (appendix under Annual Review for Woolworths Group plc). Although this does cut out a lot of the information it and can provide a good summary, it must be taken into consideration that the review is voluntary and is un-audited which makes it extremely unreliable compared to the annual report which is audited. Therefore it needs to be considered that maybe the full report should still exist but should aim to cut some information as it is very-off putting for users who are

frightened of figures and this can reduce the chance of potential investors of the company.

In Conclusion it can be said that the Corporate Annual report plays a vitally important role in providing information to possible stakeholders and investors to the company as it shows their financial position as well as a non-financial position. It can be regarded as both useful and it can present some limitations. For example it is useful in presenting information in one document about the companies' position to potential shareholders and encourages current shareholders to invest more if the companies' position is good. It also provides all the relevant information needed to carry out any ratios analysis which helps comment and analyze various activities for the company such as profitability, the report is very detailed on what its company's offers as for example the accounts are fully annotated and there are both quantitative and qualitative data presented in the report which makes it very plausible. However in terms of the limitations it can be said that the corporate annual report is a long and very technical document which can compromise its meaning as so much information is given and some information given such as the financial information can present some evidence of timeliness which also compromises the usefulness of the corporate annual report to a limitation.

So by reporting achievements, activities and performances of the company openly as for example 'Woolworths Group Plc' have, wider stakeholders including the public are then more capable to assess whether the company is offering the services they expect from them however as discussed the report

can propose some limitations but all in all the Corporate Annual Report can be seen as of importance.

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