

WORKSHOP

Creating effective reports

With her IR Society workshop experience, **Claire Forrest** offers a guide to best practice in developing your annual report.

With the recent publication of the Accounting Standards Board's (ASB) review of narrative reporting by UK listed companies, 'Rising to the challenge', much has been written about what constitutes best practice corporate reporting, but much less on how to actually achieve it. This was at the top of the agenda for the delegates gathered for the Investor Relations Society (IRS) 'Annual Report Best Practice Update' workshop in November.

The ASB introduced its report by declaring "Preparing a good quality annual report that communicated effectively all the important information is a major intellectual and logistical challenge", recognising that the volume of information now required means that the traditional structure of chairman's statement, chief executive's statement, operating and finance review no longer works.

The ASB could have legitimately added 'design' to their list of challenges as this has become a critical element in presenting the additional information now required in an interesting and engaging way that holds the reader's attention. This formed an important section of the workshop where delegates assessed best practice examples and reviewed how good design principles had been used to best effect.

The key areas where good design principles had the most impact included:

At a glance

Communicating what the company does, its size and scope and business model, early in the annual report is critical. Strong use of imagery, diagrams and typography can create high impact spreads that explain the company's activities instantly. Colour can be used effectively to deliver a clear summary of the key business segments, products and services, locations and performance.

Key performance indicators (KPIs)

The ASB found that in many annual reports, KPIs appeared as isolated tables with no link to the rest of the report and little discussion. The best companies linked KPIs to strategy and explained each measure along with a discussion on progress towards targets.

Using a table to link KPIs to objectives can create a visual alignment of KPIs to strategy and provide a simple framework to capture a high volume of information on progress. Many companies already have a history of performance results where presentation in a bar chart would tell the story at a glance. Tints, panels and colour can be used to present the content clearly.

Strategy

With most organisations covering strategy in greater detail, strategy sections are becoming longer and in many annual reports, informa-

tion is presented in densely packed text. A defined hierarchy of titles, supported by meaningful headings and subheadings and complemented by bold typography and pull out quotes can guide the reader through the content.

Bullet points are useful to cater for the speed reader and can be used to reinforce key messages.

Risks and uncertainties

The ASB urges companies to focus on the principal risks and stop listing everything they could think of, from swine flu to changes in global accounting practices, to avoid clutter and deterioration into boiler plating.

It supported the use of tables to present the principal risks but was quick to point out these should expand to accommodate the discussions on risk, rather than the risks curtailed to fit into the table!

Financial reviews

The most natural place for charts, graphs and tables is in the financial section of the business review. This is reflected in the standards within the reports shortlisted for the IRS awards but not in the vast majority of reports. Charts showing performance of key metrics over time, breaking down costs and debt, tracking order intake over the year can all communicate context and achievement more effectively than a couple of tables that just contrasted this year with last year. ■

Top tips for effective design

- Always include a high impact 'At a Glance' spread to explain to any new reader what the company does.
- Don't fill pages with densely packed text. Even if the content is well written, very few people will read it if it looks daunting. Use titles, meaningful headings, sub-headings and pull out quotes to highlight key messages.
- Use graphs, charts and tables wherever possible, particularly in the financial review section. Also consider these for the presentation of risks and risk management and to demonstrate alignment between strategy and KPIs.
- Improve navigation of both online and printed annual reports by improving indexing and introducing quick links/page references to other relevant content throughout. This is particularly important in online reports where users don't tend to work through sequentially.

Claire Forrest is the course presenter on the IR Society's 'Annual Reporting Best Practice Update' workshop and a client partner at Emperor Design.

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