

Appendix 3.04.2 The components of the Annual Report

Box Typical headings in an annual report

- 1 Highlights or the company at a glance
- 2 Narrative report
 - Strategic report including
 - Business model and objectives
 - Risks and uncertainties
 - Key non-financial information
 - Viability/Going concern
 - Non-financial information
 - Market information
 - Operating review
 - Divisions and line reviews
 - Actions and the investment case
 - Supplementary material
 - Chairman's statement
 - Chief Executive's strategy review or overview
 - CFOs or financial review
 - People or human resources review
 - Report on sustainability, ethics, values, and/or corporate and social responsibility
- 3 Corporate governance
 - Corporate governance statement
 - Corporate governance report
 - Board of directors and senior management
 - Committees
 - Risk
 - Audit (the most important committee)
 - Health and safety
 - Nomination (for board and senior appointments)
 - Sustainability
 - Special reports
 - Directors' remuneration report
 - Directors' report
 - Statement of Directors' responsibilities
- 4 Financial statements
 - Independent auditors' report
 - Group
 - Consolidated financial statements
 - Notes to the consolidated financial statements
 - Company
 - Subset of financial statements
- 5 Shareholder and other information
 - Five year review/analysis
 - List of Subsidiaries
 - Financial calendar
 - Registrar and corporate advisers
 - Glossary and reference to online information

Source: see text

Reports follow along similar lines although there may be wide country differences especially for smaller companies and organisations.

Financial statement components

The financial element is usually split by group for the consolidated statements and the principal company. The consolidated statements will look something like this:

Box Components of the consolidate financial statements
Independent auditor's report
Principal accounting policies
Consolidated income statement (measuring performance over the year)
Consolidated statement of comprehensive income
Consolidated balance sheet or statement of financial position (a snapshot at a particular point in time)
Consolidated cash flow statement
Consolidated statement of changes in equity
Notes to the consolidated financial statements

The consolidated statement of comprehensive income is the sum of net income and other items that must bypass the income statement because they have not been realised, including items such as an unrealised holding gain or loss from available for sale securities and foreign currency translation gains or losses.

Notes to the financial statements

The notes to the consolidated financial statements will be a range of detail but often the most important is details of debts and loans, breakdowns of assets, segmental information (by sector and/or geographical area), and employee information such as wages and number of people employed.

Below is a list of possible notes. This is modified from Capita discussed in Chapter 6. It provides a list of what might be included in the notes though every company will be different. Sir Ian Powell is Chairman of the Capital plc, and he was the Chairman and senior partner of PwC UK for eight years until 2016. So, one would expect the notes to be particularly comprehensive.

Box Typical notes to the consolidated financial statements
1 Corporate information
2 Summary of significant accounting policies
3 Revenue breakdowns
4 Businesses that have been exited or held for sale
5 Other non-underlying explanations
6 Segmental information by line/division and geographical
7 Operating profit – details of charges and credits
8 Employee benefits expense
9 Net finance costs details
10 Income/Corporation tax details
11 Earnings per share
12 Dividends paid and proposed
13 Property, plant and equipment details
14 Intangible assets
15 Goodwill
16 Financial assets breakdown and details
17 Businesses acquired and combinations
18 Trade debtors and other receivables
19 Cash, cash equivalents and bank overdrafts
20 Trade creditors and other payables
21 Construction and other long term contracts
22 Financial liabilities and loans
23 Funds assets and liabilities
24 Obligations under leases and hire purchase contracts
25 Provisions
26 Financial instruments
27 Issued share capital
28 Share based payment plans
29 Additional cash flow information
30 Capital commitments
31 Contingent liabilities
32 Employee benefits
33 Related party transactions such as compensation of key management personnel
34 Group composition and controlling interest
35 Post balance sheet events