SIMON LAFFIN INDEPENDENT RETAIL ADVISER AND NON-EXECUTIVE DIRECTOR

What's the point of annual reports?

This is the annual report season for most retailers. The rules and regulations have been tightened up this year, with seemingly everybody wanting a say in what has to go into the annual report. Having crammed all the extra stuff in, the board now has to certify that it is fair, balanced and understandable. Interestingly, there isn't a similar specific requirement to be useful to shareholders, but then regulators are often playing to other audiences.

Morrisons is one of the first retailers to be reporting this season, as its year-end is February. Unsurprisingly its annual report has got longer, from 116 pages last year to 136 this.

However, the number of pages devoted to discussing performance actually fell from 34 to 31. The pages devoted to the accounts numbers and notes stayed pretty much the same at 55.

The 20-odd extra pages consist of 10 extra picture pages, five more explanations of corporate governance and six more executive remuneration pages.

You could be forgiven for thinking that the main purpose of the annual report these days is to publish board remuneration. Generally any media comment on a report focuses solely on board pay. Morrisons' remuneration committee report, at 16 pages, is a typical length, all essentially to cover two jobs, that of chief executive and chief financial officer. The non-executives are covered briefly in these reports but are rarely noteworthy.

It takes 16 pages to explain £3m of board remuneration, but then only three pages are devoted to talking about the other 125,000 employees, who were paid a total of £1.97bn.

Morrisons' annual report complies with the 'wrong priorities' of the regulators

Morrisons isn't doing anything wrong or different. It's just applying the present rules and standards. It is the regulators that have the wrong priorities.

Compare the typical company results presentation to the City. This is where the company explains its performance to the hard-bitten analysts who cover it for a living. There is almost no regulation of this, other than that it mustn't contain new information not already published. No one dictates that management need be balanced and talk at length about executive pay. So no one does, because the professional soothsayers simply don't believe that these are key to explaining performance.

Also notable is how down to earth and analytical the analyst presentation is. When I look at a company, I'll glance at the annual report, but review the analyst slides in great detail and listen – or watch if I can – the analyst presentation webcast. Not for nothing is the annual report dubbed the 'glossy'. Yet regulators put all their efforts into demanding more and more governance and remuneration information in the 'glossy'. Meanwhile, most of the professional investors are primarily looking elsewhere.

"IN THE DIGITAL WORLD, THE ONCE-A-YEAR SNAPSHOT, HISTORIC ANNUAL REPORT IS AN ANACHRONISM"

In the fast-moving digital world, the once-a-year snapshot, historic annual report is an anachronism. It is, however, being taken over by other interested parties for their own agendas. If the annual report didn't exist, who on earth would feel the need to invent it now?