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# KFRIs

## Key Financial Reporting Indicators



# Financial reporting

Which are the key indicators that should be reported in an annual report or on investor website –to shareholders, investors, and stakeholders?

Sure, the report must contain the financial statements and their accompanying notes, as well as basic share items, which constitute the basic reporting ingredients.

But what else?

# Indicators

Start with what the company needs to measure, monitor and report. An annual report is a dashboard. So select “key” ones, because some matter more. As a minimum, the list should include twenty KRIs. The emphasis is here placed on financial and operational ratios. But more and other performance indicators exist (e.g. market(ing), sustainability measures...) and some of them could -should- be added to the list (balanced scorecard).

# Financial reporting indicators

For those who find this list too obvious, consider that about 40% of annuals do not disclose a return on equity calculation for the last year or two, and that a small 15% report a return on assets (i.e. the ratio)<sup>(\*)</sup>. Check a number of printed annuals or investor websites published by very famous “blue chips”. You will be surprised to see how many don’t pass the financial reporting test!

<sup>(\*)</sup> e.com estimates based on last years selections for the Annual Report on Annual Reports.

# KFRIs

- I1 Sales and income (annual) growth
- I2 Segment breakdown (in percentage)
- I3 Geographic breakdown (in percentage)
- I4 Gross and/or operating and/or EBIT margins

# KFRIs

- I5 Return on sales
- I6 Return on equity
- I7 Equity ratio
- I8 Gearing (leverage, debt/equity)

# KFRIs

- I9 Cash flow measures
- I10 Return on capital employed
- I11 Working capital indicators
- I12 Debt maturity and components

# KFRIs

- I13 Interest coverage
- I14 Return on assets
- I15 Liquidity ratios
- I16 Productivity measures



# KFRIs

- I17 Other efficiency ratios
- I18 Price/earnings
- I19 (Per) share ratios
- I20 Shareholder return

# KFRIs – 12 more tips to report fairly and thoroughly

- Report over three years minimum.
- Don't mix key figures with historical data.
- Use tables highlighting last year performance (good or bad).
- Be consistent in the use of indicators.

# KFRIs – 12 more tips to report fairly and thoroughly

- Make key performance indicators quantifiable.
- Add new indicators if/when/where relevant.
- Show percentage change columns.
- Use charts and graphs, preferably spanning over two years or more.

# KFRIs – 12 more tips to report fairly and thoroughly

- Use condensed statements in the financial analysis.
- Set out historical figures over five years minimum.
- Isolate exceptional, non-recurring items.
- Calculate ratios for the reader.

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