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Beyond the Numbers

What investors need the FY2026 annual report to explain

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Abstract

Annual reports are often technically complete yet economically under-explained. Financial statements show what was recognised; investor presentations highlight selected messages; earnings calls provide management colour. The annual report is the controlled publication in which these elements should become one coherent account of how the business performed, why results changed, how accounting earnings converted into cash, how capital was allocated, which risks could alter the investment thesis and what management must prove next.

This white paper develops an investor-usefulness framework for FY2026 reporting. It combines the revised IFRS Practice Statement 1 Management Commentary, securities-market requirements and guidance across the United States, United Kingdom, India, Singapore and the UAE, current investor research, and peer-reviewed evidence on readability, MD&A modification and risk disclosure. The paper is not a compliance checklist and does not prescribe a single format. Its purpose is to show how boards, CFOs, Investor Relations leaders and reporting teams can turn statutory reporting into disciplined explanation without crossing into promotion or unsupported guidance.

The central conclusion is that useful reporting is causal, connected and accountable. It identifies the operational drivers of change; reconciles earnings to cash and capital needs; makes the hierarchy and trade-offs of capital allocation visible; distinguishes temporary effects from structural shifts; updates risk in line with strategy and conditions; and ensures that the annual report, results call and investor presentation express the same economic logic. Three anonymised scenarios and a twelve-question Investor Usefulness Test translate these principles into a practical FY2026 work programme.



Executive summary

Investors do not need the annual report to repeat every number already visible in the financial statements. They need management to explain the relationships between the numbers, the decisions behind them and the implications for future cash flows. The revised IFRS Management Commentary Practice Statement, issued in June 2025, describes management commentary as a concise and coherent narrative about the financial, sustainability-related and other factors fundamental to an entity's ability to create value and generate cash flows, including over the long term. It is a global benchmark rather than a mandatory IFRS Accounting Standard, but its investor-centred logic is highly relevant across jurisdictions. [2-3]

Regulators and exchanges approach the requirement differently, yet the direction is consistent. US MD&A is intended to provide a narrative explanation of the financial statements, including material trends and liquidity and capital-resource matters. The UK strategic report is expected to present a cohesive account of development, performance, position and future prospects. India's Schedule V MD&A categories connect industry, segment performance, outlook, risk, controls and the relationship between financial and operational performance. Singapore requires a review sufficient for a proper understanding of operating and financial performance, including outlook and risk-management processes. ADX requires periodic MD&A and expects a current presentation of the equity story and value drivers. [4-11]

Investor research reinforces the operating case. A 2026 CFA Institute survey of 2,500 analysts and portfolio managers found that 85% were concerned about comparability if reporting frequency and format became flexible, while 74% wanted the formal Form 10-Q requirement retained even in a voluntary reporting regime. The message is broader than quarterly reporting: investors value structured, comparable and accountable information, not simply more frequent marketing. [12]

- Move from movement commentary to causal explanation. Revenue and margin changes should be separated into volume, price, mix, capacity, productivity, input cost, currency and one-off effects where those drivers are material and supportable.
- Treat cash conversion as a central performance question. A profitable growth story is incomplete until investors can understand working-capital intensity, tax and interest cash costs, maintenance and growth capital expenditure, and the funding needed to sustain execution.
- Explain capital allocation as a hierarchy of decisions. Investors need the objectives, criteria, trade-offs, funding implications and accountability framework behind organic investment, M&A, debt reduction, dividends and buybacks.
- Distinguish temporary effects from structural change. Management should state why it believes a factor is transitory or durable, what evidence supports that view and what observable indicators would confirm or disprove it.

- Update risk disclosure when the economics change. A static list signals weak connection. Investor-useful risk reporting links material risks to strategy, cash-flow pathways, leading indicators, controls, ownership and board oversight.
- Create one recognisable story across channels. The annual report can be deeper and more permanent than an earnings call, but the facts, definitions, causal logic and degree of confidence should be consistent.
- Use restrained leadership language. Credibility is strengthened when confidence is supported by evidence, uncertainties are explicit and future ambition is separated from commitments already funded or operationally secured.

The core proposition

A technically compliant report can still be weak for investors. Investor usefulness begins when the report explains what changed, why it changed, how it affected cash and capital, what management decided, what could interrupt the plan, and what evidence investors should watch next.