AN ANALYSIS OF THE QUALITATIVE CHARACTERISTICS OF MANAGEMENT COMMENTARY REPORTING BY NEW ZEALAND COMPANIES

Bikram Chatterjee[1], Stuart Tooley[2], Vic Fatseas[3]

Abstract
The narrative section of annual reports has considerable value to various user groups of annual reports, such as financial analysts and investors (Tiexiera, 2004; Barlett and Chandler, 1997, IASB, 2006). This narrative section including chairpersons'/presidents' statement contains twice the quantity of information than the financial statements section (Smith and Taffler, 2000). However, the abundance of information does not necessarily enhance the quality of such information (IASB, 2006). This issue of qualitative characteristics has been long foregone by researchers. However, this issue has gained attention of the IASB (2006). Following this dearth in research this paper explores whether investors' required qualitative characteristics as stated by the IASB (2006) have been satisfied in management commentary section of a sample of New Zealand companies' annual reports. Our result suggests that the principal stakeholders', that is, investors' qualitative characteristics requirements have been partially met in this section of annual reports. The qualitative characteristic of 'relevance' and 'supportability' have been satisfied in more annual reports compared to that of 'balance' and 'comparability.'

Key Words: Management commentary, New Zealand companies, Qualitative characteristics

[1] School of Accounting & Computer Science, Charles Sturt University, Australia
[2] School of Accountancy, Queensland University of Technology, Australia
[3] School of Accounting & Computer Science, Charles Sturt University, Australia

AN ANALYSIS OF THE QUALITATIVE CHARACTERISTICS OF MANAGEMENT COMMENTARY REPORTING BY NEW ZEALAND COMPANIES

1.0 INTRODUCTION AND BACKGROUND

Annual Reports have been the centre of investigation by a large number of researchers (Beattie and Jones, 2000; Abeysekera and Guthrie, 2004). These studies investigated various aspects of such reporting, such as, impression management in these reports by their preparers depicting a positive picture of the entity (Stanton, Stanton and Pires, 2004); use of graphs in annual reports including the impact of graph slopes on impression management (Beattie and Jones, 2000; 2001 and 2002), use of various colours in these reports (Courtis, 2004), human resource reporting (Abeysekera and Guthrie, 2004) and reporting of intellectual capital (Abeysekera and Guthrie, 2005). The reason behind such high emphasis attached to annual reports is that it is the only formal communication medium of the management to report their company's performance (Barlett and Chandler, 1997; Courtis, 1995).

Annual reports contain two sections, that is, the voluntary section consisting of narrative information and secondly, the statutory financial statements section. The voluntary section consists of narrative information including tables and graphs (Stanton, Stanton and Pires, 2004). The front voluntary section of annual reports containing discretionary narrative disclosure including chairpersons'/presidents' statement contains twice the quantity of information than the later financial statements section (Smith and Taffler, 2000). The reason behind such abundance of information in this section is this section is not governed by any regulation and hence inclusion of information in this section is at the discretion of the management (Clatworthy and Jones, 2001).

This front section has considerable value to various user groups of annual reports, such as financial analysts and investors (Tiexiera, 20004; Barlett and Chandler, 1997; International Accounting Standards Board, 2006). However, abundance of information does not necessarily enhance the quality of such information (International Accounting Standards Board, 2006). This issue of qualitative characteristics has been long forgone by researchers until recently, which has been addressed by the International Accounting Standards Board (IASB) (2006). Following this dearth in research the aim of this paper is to explore whether investors' required qualitative characteristics as stated by the IASB (2006) have been satisfied in the management commentary section of annual reports.

2.0 PRIOR RESEARCH- NARRATIVE DISCLOSURE

Table 1: Previous narrative reporting research

Serial No.	Author	Research Topic	Findings	Area of contribution	Country
1	Beattie and Jones (2000)	Status of financial graphs' disclosure in corporate annual reports	Graphs were used as an impression management tool by these companies.	Status of graphical reporting	Australia, France, Germany, the Netherlands, the U.K.,

					and the U.S.
2	Beattie and Jones (2001)	A Cross-Country Comparison of graphical reporting practices	Graphical practices by companies in Australia, the Netherlands, the U.K. and the U.S. were notably different from those in France and Germany.	Status of graphical reporting	Australia, France, Germany, the Netherlands, the U.K., and the U.S.
3	Clatworthy and Jones (2001)	Extent of differences in reading ease between U.K. companies	Variability in reading ease was determined by the theme of reporting in each paragraph of chairman's address.	Level of reading ease of management commentary	U.K.
4	Beattie and Jones (2002)	Accuracy of financial graphs in corporate annual reports	Key financial graphs contained in corporate annual reports exhibited slope parameters that deviated from the optimum, that is, 45 degree.	Status of graphical reporting	U.K.
5	Courtis and Hassen (2002)	The extent to which differences in language affects reading ease	The indigenous language versions were easier to read than their corresponding English versions. English passages in Malaysian annual reports were easier to read compared to that in Hong Kong annual reports.	Reading ease of management commentary	Hong Kong, Malaysia
6	Tiexeira (2004)	Proposed characteristics of management commentary	Management commentary should describe the main business, together with operational and strategic factors facing an entity. It should also include bad news together with good news.	Best practice-Management commentary	General

7	Deloitte (2006)	Longitudinal study of narrative disclosure by U.K. companies	The length of annual reports increased over the period. Reporting of principal risks and uncertainties facing the entities also increased over time together with the disclosure of non-financial information. However, forward-looking information was sparingly reported.	Status of narrative reporting	U.K.

2.0.1 Studies in the area of the status of graphical reporting in narrative section of annual reports

Corporate graphical reporting in annual reports has been investigated by Beattie and Jones (2000, 2001 and 2002). The extent to which the front half of an annual report is used by management to provide a positive impression with the inclusion of graph was investigated by Beattie and Jones (2000). Beattie and Jones (2000) investigated the extent to which financial graphs are used in annual reports of companies of primarily domestically-listed only enterprises in six countries, that is, Australia, France, Germany, the Netherlands, the United Kingdom (U.K.) and the United States (U.S.) to provide a positive impression by their management. The authors state that, in some countries, such as Australia, the U.K., the U.S., and the Netherlands financial graphs were used selectively and displayed measurement distortion. This was evidenced in Australia and the U.K. in regard to selectivity and in Netherlands in regard to measurement distortion. Financial graphs by U.S. companies featured both selective and measurement distortion. The authors state that the motivation behind providing such distorted graphs was to provide a more favourable view of financial performance than the actual one.

Beattie and Jones (2002) had a similar observation in regard to financial graphs as that of Beattie and Jones (2000). The authors suggest that accuracy of comparative judgements is affected by graph slope. Hence, sub-optimal slope parameters may lead to distorted judgements by stakeholders. In particular, financial graphs with large slope parameters portray stronger growth compared to graphs with smaller slope parameters. The authors suggest that their observation of corporate practices of 250 U.K. companies revealed that the majority of key financial graphs contained in corporate annual reports exhibited slope parameters that deviated from the optimum, that is, 45 degree. Hence, perceptions of users consulting these graphs were likely to be distorted.

A comparative study of graphical reporting practices of 50 companies in each of the six countries, that is, Australia, France, Germany, the Netherlands, the UK and the US was conducted by Beattie and Jones (2001). Issues under investigation were the existence of graphs, existence of Key performance variable (KPV) graphs, topics graphed, prominence of presentation and the length of time period graphed in each topic. The authors found minute variation in the percentage of companies using graphs, while comparing between companies belonging to respective countries. KPVs such as sales, earnings, dividends per share (DPS), earnings per share (EPS), return on capital employed (ROCE) and cash flow were graphed by more than 25% of companies in each of these countries. However, there were differences in topics graphed by companies between these countries in some cases, such as only Dutch companies graphed cash flow, only U.S. companies graphed ROCE, while only German companies graphed sales. Their evidence suggests that graphical practices in the micro-based countries (Australia, the Netherlands, the U.K., and the U.S.) were notably different from those in the macro-based countries (France and Germany).

Following the discussion above, it can be stated that concern has been raised by Beattie and Jones (2000; 2002) in regard to impression management with the use of graphs by companies in their annual reports. Beattie and Jones (2001) reported that there exist differences in graphical reporting practices of companies between countries. None of these studies included a comprehensive measure of qualitative characteristics of the corporate annual reports' narrative section. Following this dearth in research, the aim of our study is to explore whether investors' required qualitative characteristics in management commentary as stated by the IASB (2006) have been satisfied in this section of annual reports.

2.0.2 Studies in the area of the status of narrative reporting

Deloitte (2006) conducted a longitudinal survey from 1996 to 2006 of the narrative disclosure by 100 U.K. listed companies in their annual reports. The result was that the length of annual reports increased in these ten year period, that is, on average of 71 pages in 2005 and 85 pages in 2006 compared to 45 pages in 1996.More companies were reporting principal risks and uncertainties facing their entity in 2006, that is, 74% compared to 54% in 2005. The result also indicated an improvement in reporting non-financial aspects of the business in 2006 compared to 2005 and 1996. However, forward-looking information was reported sparingly, though it was improving.

The report by Deloitte (2006) that the lengths of companies' annual reports are increasing raises question as to whether these additional information are increasingly satisfying investors' required qualitative characteristics. Hence, our research concentrates on qualitative characteristics. The next section outlines previous research concentrating specifically on management commentary section of annual reports.

2.0.3 Studies in the area of the extent of reading ease in management commentary section of annual reports

The management commentary section is of significance to users of annual reports and specifically to investors (International Accounting Standards Board, 2006, Tiexiera, 2004). There is a dearth of literature encompassing management commentary section. However, recently this section has been the centre of attraction by researchers due to significance attached to this section by various stakeholders.

Courtis and Hassen (2002) investigated whether differences in language of reporting affects reading ease. The authors measured the readability levels by observing chairman's address written in English and Chinese for a sample of 65 Hong Kong annual reports, and written in English and Malay for a sample of 53 Malaysian annual reports. The authors scored identical passages from the chairman's address in both languages using Flesch and Yang formulas for Hong Kong, and Flesch and Yunus formulas for Malaysia respectively. The authors suggest following their observation that the indigenous language versions were easier to read than their corresponding English versions. Their evidence also indicated that the English passages in Malaysian annual reports were easier to read compared to that in Hong Kong annual reports. The authors suggest following their result that transnational analysts and investors reading the English versions experience diversity across jurisdictions.

Clatworthy and Jones (2001) surveyed the Chairman's statement of 60 UK companies to investigate whether there was variability in their reading ease. The authors concluded that the introduction paragraphs of these chairman's statements were easier to read compared to their later paragraphs. The authors found no evidence that readability variability was used in these statements to suppress bad news. It was found that the variability in reading ease was determined by the theme of reporting in each paragraph of these chairman's statements. The first passages in chairman's statements were easiest to read because it only discussed overview of the business rather than technical discussions of financial results in later paragraphs.

None of these studies (Courtis and Hassen, 2002; Clatworthy and Jones, 2001) provide a comprehensive measure of qualitative characteristics of Chairman's statement.

Teixeira (2004) suggested that management commentary and non-financial information has the same significance as that of financial statements. Management commentary should provide an explanation by management of the results in financial statements in light of the entity's operating environment. Management commentary can be incomplete and biased if it does not report bad news together with good ones. The author suggested that management commentary should describe the main business, together with operational and strategic factors facing an entity. A similar suggestion has been provided by the IASB (2006), which states that to attain a higher quality ranking, management commentary should provide equal emphasis to good and bad news.

IASB (2006) provides a framework that outlines investors' required qualitative characteristics in management commentary section of annual reports. Following the dearth of literature examining or proposing a framework of qualitative characteristics in management commentary section of corporate annual reports the present study adopts the framework suggested by the IASB (2006). The strength of the framework suggested by the IASB (2006) is that it is based on the required qualitative characteristics of the principle stakeholder group, that is, investors. This is due to the fact that investors take the risk by investing in a company. The framework guiding financial statements also suggest 'investors' to be the principle user of such statements (IASB, 2006). A similar emphasis of satisfying shareholders' information requirements was suggested in previous studies (Cook and Sutton, 1995; Joshi and Abdulla, 1994). IASB's qualitative characteristics framework based on information requirements of investors is also consistent with the managerial branch of stakeholder theory. Our research compares quantity of information disclosed by a sample of New Zealand companies with the qualitative characteristics of such disclosure in their management commentary section. This comparison will provide insight as to whether the disclosure in management commentary section of annual reports satisfies investors' qualitative characteristics requirements.

3.0 STAKEHOLDER THEORY

Following the aim of this paper is to explore whether investors' required qualitative characteristics as stated by the IASB (2006) have been satisfied in the management commentary section of annual reports, the stakeholder theory has been considered to be appropriate.

There are two branches of stakeholder theory, that is, the ethical branch and the managerial branch. The ethical branch attributes equal emphasis on fulfilling the expectations of all groups of stakeholders irrespective of their power. On the other hand, the managerial branch emphasises that company management is expected to meet the expectations of powerful stakeholder groups. Such power may result from the control of limited resources, such as finance and labour, access to media or ability to take legislative action against the company or the ability to influence the goods and services consumed by the company (Deegan, 2006).

Sternberg (1997) criticised the ethical branch of stakeholder theory. The author suggests that the ethical branch by requiring managers to fulfil the expectations of all stakeholder groups may result in organisations not meeting the expectations of anyone. This may also lead to violation by managers to fulfil obligations to owners who employ them. The author also suggests that as a business is a property of its owners, it is only accountable to them. The ethical branch has also been criticised by Boesso and Kumar (2007). Boesso and Kumar (2007) suggested that companies will only voluntarily communicate those key performance indicators (KPIs) that principle stakeholders need.

Following the criticism by Sternberg (1997) and Boesso and Kumar (2007) the present study adopts the managerial branch of stakeholder theory. Stakeholder theory has been applied by a large number of researchers to explain disclosure by companies (Roberts, 1992; Yongvanich and Guthrie, 2005; Smith, Adhikari and Tondkar, 2005; Qu and Leung, 2006; Boesso and Kumar, 2007). The extent to which stakeholder theory can explain corporate social responsibility disclosure was investigated by Roberts (1992), by taking a sample of 130 major companies that were previously studied by the Council of Economic Priorities (CEP) in 1984, 1985 and 1986. The author found their corporate social disclosure practices to be consistent with the stakeholder theory expectations.

Smith, Adhikari and Tondker (2005) also adopted stakeholder theory in explaining differences in corporate social disclosure between companies belonging to different countries. The authors conducted content analysis of 1998 and 1999 annual reports belonging to electric power generation industry of 32 Norwegian/Danish companies and 26 US companies. The analysis revealed large companies from Norway/Denmark disclosed a higher volume and quality of corporate social information compared to US ones. The authors suggest that this was because Norway and Denmark provided strong emphasis on social issues compared to the US. Hence firms in Norway/Denmark disclosed higher volume of social information to fulfil stakeholders' information needs.

Yongvanich and Guthrie (2005) analysed the extent of voluntary disclosure of Intellectual capital (IC) and non-economic performance information in 2002 annual reports of a sample of Australian mining companies. The sample of companies included those within top 100 companies by market capitalisation and belonging to energy and resource sectors, listed on the Australian Stock Exchange (ASX) as at December 31, 2002. The authors found partial support for stakeholder theory. This was due to the fact that Australian mining companies only disclosed some of the environmental performance indicators, social performance indicators and information items under information technology, innovative processes and capacity and willingness-to-act sub-categories that are expected to be of interest by stakeholders.

Boesso and Kumar (2007) adopted stakeholder theory in explaining the factors motivating voluntary disclosure by a sample of companies listed on the Milano-Mercato Ordinario (Italy) and the New York stock exchange. The sample included first 36 companies that have previously received awards for their corporate communication's quality and the other 36 companies who have not received such awards. These awards included Italian Award for Financial Communication, the Italian Web Award for Social Reporting, award from the Investor Relations Magazine, USA and the Corporate Conscience Award given by Social Accountability International. The authors found a positive relation between investors' information requirements and the disclosure of voluntary information by these companies. The authors also found a positive relation between the emphasis provided by these companies on stakeholder engagement and their volume and quality of disclosure.

Stakeholder theory has been applied by Qu and Leung (2006) to explain the corporate governance disclosure in 2006 annual reports of a sample of Chinese companies. The sample included 120 Chinese listed companies. The authors found that Chinese companies voluntarily disclosed those corporate governance information items that were not required to be disclosed by the Chinese governmental agencies. The authors also found the disclosure of voluntary information by these companies about their stakeholders including shareholders and employees.

Similar to previous studies the present study adopts stakeholder theory to explore the pattern of information disclosure in management commentary section of annual reports, including the extent of such disclosure and their qualitative characteristics.

4.0 RESEARCH METHOD AND INFORMATION ANALYSIS

4.0.1 *RESEARCH METHOD*

Research Method includes an analysis of management commentary section of annual reports of a sample of New Zealand companies for a five year period, 2002 to 2006. Management commentary includes Chairperson's statement and Chief Executive Officer's statement. The sample of companies originally included the 50 top companies by market capitalisation listed on the New Zealand Stock Exchange. This list was obtained from the Weekly Diary published by the New Zealand Stock Exchange, as on the 15th December, 2006. The rationale behind selecting top 50 companies is due to previous studies suggesting that larger firms possess the resources and expertise to meet the diverse requirements of various groups of stakeholders (Ahmed, 1994). ‘Market capitalisation’ was used as a proxy to measure firm size in previous studies (Debreceny, Gray and Rahman, 2002; Craven and Marston, 1999). Subsequently fifteen companies were excluded because their reports were not available for all five years of the sample period.

4.0.2 *INFORMATION ANALYSIS*

A scoring system based on content analysis is formulated to measure the quantity of information disclosed in management commentary section. On the other hand, a separate scoring system based on the IASB (2006)’s framework is formulated to measure the qualitative characteristics of information disclosed. Then, a comparison is made between the quantity and qualitative characteristics based scoring, under each category of information disclosure.

4.0.2.1 Measure of quantity

Quantity of information disclosed in management commentary is measured by ‘content analysis.’ Content analysis has been widely used to measure the extent of disclosure in previous studies (Cunnigham and Gadenne, 2003; Harte and Owen, 1991). Content analysis requires the selection of recording units, such as a sentence, word, or a group of words, or a paragraph or an entire document (GAO, 1982). This paper takes ‘sentence’ as a recording unit. The rationale behind taking ‘sentence’ is the fact that ‘words’ do not convey meaning without sentences (Milne and Adler, 1999). A ‘paragraph’ or an ‘entire document’ is also not a suitable recording unit as a paragraph in management commentary section may contain a mix of information items encompassing different information categories. Each sentence is provided one point under the scoring system. Graphs, diagrams, pictures and captions to pictures of activities are excluded from analysis as inclusion of them would lead to a high level of subjectivity (Ahmed and Sulaiman, 2004).

To conduct the analysis, categories are developed as they provide the structure of grouping recording units (GAO, 1982). Categories are developed by taking previous literature from a wide range of background, including environmental reporting (Ahmed and Sulaiman, 2004; Thompson and Cowton, 2004) and human resource reporting (Abeysekera and Guthrie, 2004). Also annual reports have been consulted in preparing the categories to capture a wide range of classification. These categories are as follows:

1. Company Profile
2. Product and/or service information
3. Investor Information
4. Human Resource
5. Social Information (excluding environmental information)
6. Environmental Information
7. Financial Information
8. Corporate Governance
9. Other

4.0.2.2 Measure of qualitative characteristics

Management commentary should possess the qualitative characteristics of understandabality, relevance, supportability, balance and comparability over time (IASB, 2006). Following this suggestion by the IASB (2006) extent of qualitative characteristics satisfied by companies under each of these categories is investigated, with the development of a scoring system.

Understandability

Understandability is enhanced by writing in plain language, which is understandable by users and more specifically investors. This can be further enhanced by the use of graphs, diagrams and tables (IASB, 2006). 'Understandability' is broader and involves subjectivity. The topic itself may be worth investigating in another research paper. Hence, this aspect of quality has not been investigated in this paper.

Relevance

Relevance is enhanced by providing an evaluation of past, present or future events or confirming/correcting past evaluations (IASB, 2006). Hence, the scoring system is as follows:

CHARACTERISTICS	**SCORE (minimum-maximum)**
Evaluation of past events	0-indefinite (1 point for 1 sentence)
Evaluation of present events	0-indefinite (1 point for 1 sentence)
Comments about future expected events	0-indefinite (1 point for 1 sentence)
Confirming/correcting past evaluations	0-indefinite (1 point for 1 sentence)

For example, the following sentences qualified for 1 point under respective sub-categories:

Evaluation of past events

"*In the past nine years, capacity has only grown by 1.4 per cent per annum due to lack of reinvestment and capacity constraints in key markets such as London." (1point)* (pg.8, Air New Zealand Annual Report -2005)

Evaluation of present events

"*The audited after tax operating surplus for the year to 31 March 2005 was $73.2 million, an increase of 18 percent on previous year's result." (1 point)* (pg.3, Trust Power Limited Annual Report-2005)

Comments about future expected events

"*We are well positioned to continue our fleet reinvestment plan and by 2008 our average fleet age will reduce to less than six years from eight years currently." (1point)* (pg.6, Air New Zealand Annual Report-2005)

Confirming/correcting past evaluations

"*As expected, in October 16.8 million convertible notes were converted into shares following the receipt of conversion notices from noteholders." (1 point)* (pg.4, APN News & Media Annual report-2005).

Supportability

Supportability is enhanced by statements supported by facts. Forward-looking statements should also provide cautionary statements (IASB, 2006). Hence, the scoring system is as follows:

CHARACTERISTICS	**SCORE (minimum-maximum)**
Statements supported by figures/actual facts	0-indefinite (1 point for 1 sentence)
Cautionary statements accompanying forward-looking statements	0-indefinite (1 point for 1 sentence)

For example, the following sentences qualified for 1 point under respective sub-categories:
Statements supported by figures/actual facts
"We enter 2006 with a strong financial position and with $1.1 billion in cash on hand." (1point) (pg.6, Air New Zealand Annual Report-2005)
Cautionary statements accompanying forward-looking statements
"It is likely that we are moving into a period of slightly lower economic growth and a more competitive environment. (1 point) This calls for a systematic focus on costs and revenue growth and I believe that ANZ is well paced to meet the future challenges." (pg.8, ANZ Limited Annual Report-2005)

Balance
Balance is achieved by providing equal emphasis on good and bad news (International Accounting Standards Board, 2006). Hence our scoring system is as follows:

CHARACTERISTICS	**SCORE (minimum-maximum)**
Good News	0-indefinite (1 point for 1 sentence)
Bad News	0-indefinite (1 point for 1 sentence)

For example, the following sentences qualified for 1 point under respective sub-categories:
Good News
"*The audited after tax operating surplus for the year to 31 March 2005 was $73.2 million, an increase of 18 percent on previous year's result." (1 point)* (pg.3, Trust Power Limited Annual Report-2005)

Bad News
"*Operating revenue for the year was $612.3 million down three percent on the previous year as a result of lower electricity prices charged to those customers paying spot market prices." (1 point)* (pg.3, Trust Power Limited Annual Report-2005).

Comparability
Comparability is best achieved by providing comparable financial information over time and different entities providing similar comparable information so that the financial results of these companies can be compared. Hence, comparability has two components (i) Comparability over time and (ii) Comparability between entities (IASB, 2006). Comparability of financial information between entities may not provide proper indication of 'comparability' as different entities may attach different level of significance to various information items (IASB, 2006). Hence, this aspect has not been investigated further. We analyse 'comparability' by only taking 'comparability over time' as the basis. Hence, our scoring system is as follows:

CHARACTERISCTIC	**SCORE (minimum-maximum)**
Comparison of financial data with previous year(s)	0-indefinite (1 point for 1 sentence)

Following is an example of a sentence qualifying the characteristic of 'comparability.'
Comparison of financial data with previous year (s):
"The audited after tax operating surplus for the year to 31 March 2005 was $73.2 million, an increase of 18 percent on previous year's result." (1 point) (pg.3, Trust Power Limited Annual Report-2005)

The above mentioned qualitative characteristics have been considered to analyse the extent of qualitative characteristics satisfied by companies under each of the nine categories of information disclosure examined under ‘content analysis,’ except the qualitative characteristic of ‘comparability’ which is only applicable to financial information as stated in the IASB (2006)’s model. There are possibilities of a sentence satisfying the qualitative characteristics of relevance, supportability and balance. As a result there can be double counting.

5.0 RESULTS

This section provides the results of the analysis. The analytical tables are provided in the appendix in respect of the 35 companies remaining in the sample.

5.0.1 Quantity of information disclosure

Table 1A provides the quantity of information disclosed under various categories. The first 5-year panel shows the aggregate number of sentences disclosed by 35 companies in each of the 5 years, classified by categories of information. In the second 5-year panel we show the annual average number of sentences per company. The third panel shows the 5-year average of aggregate sentences and the average number of sentences per company over the 5-year period. For example, in 2002, the 35 companies showed a total of 930 sentences about company profile, an average of 26.57 per company.

The last column in Table 1A shows the average number of sentences per company in the Management Commentary section by categories, over the 5-year period, an average of 107.13 per company considering all categories. For each of the nine categories of information there was a significant difference across companies in the number of sentences devoted to each category. However, for all but one category there was no significant difference across the 5 years. Table 1B provides the result of a two-factor ANOVA showing a significant difference for Investor information across the 5-year period. Referring to Table 1A, this was probably due to the unusually large number of sentences in 2005 (520).

5.0.2 Analysis of information qualitative characteristics

Relevance

Table 2 provides the number of sentences possessing the qualitative characteristic of ‘relevance.’ In all the years 2002 to 2006 most of the sentences possessing the qualitative characteristic of ‘relevance’ reported on the ‘evaluation of past events’ (65.40% across all categories) followed by ‘comments about future expected events’ (21.70%) and the ‘evaluation of present events (11.73%)’. Sentences ‘confirming/correcting past events’ were the least in number.

Supportability

Table 3 provides the number of sentences qualifying the qualitative characteristic of ‘supportability.’ In all the years 2002 to 2006 most of the sentences qualifying for ‘supportability’ are ‘statements supported by figures/actual facts’ (77.94% on average). Not surprisingly, the largest number of sentences, about 45%, of statements ‘supported by figures/actual facts’ was in respect of the category ‘financial information.’ Statements providing caution in regard to forward-looking statements were low in number, an average of 22.02% over the 5-year period. About 49.34% of these cautionary statements were about ‘company profile.’

Balance

Table 4 details the number of sentences qualifying the qualitative characteristic of ‘balance.’ The balance between reporting good and bad news has not been attained by companies. This is due to the over emphasis provided by companies in disclosing good news (84.3% of sentences over the 5-year period). On the contrary, bad news was sparingly reported (15.7% of sentences).

Comparability

Table 5 provides the number of sentences containing financial information and qualifying the qualitative characteristic of ‘comparability.’ Out of the sentences revealing financial information, the company average varied from a low of 1.69 sentences in 2006 to a high of 2.66 in 2004. The average over the 5-year period was 2.17 sentences per company.

5.0.3 Comparison- Quantity of disclosure vs sentences qualifying the qualitative characteristics

5.0.3.1 *Quantity vs qualitative characteristic of relevance*

Table 6 provides a comparison between quantity of disclosure, measured in terms of number of sentences and the number of those qualifying for the qualitative characteristic of ‘relevance.’ Over the 5-year period 31.83% of management commentary was identified as ‘relevant,’ with slight variations around this percentage from year to year. Table 6 also shows that the highest percentages of sentences which were relevant were in regard to investor information and environmental information, both averaging more than 50%. The percentage of those sentences about company profile, product/service information, corporate governance, financial information and human resources qualifying the quality of ‘relevance’ was lower and closer to the overall average.

5.0.3.2 *Quantity vs qualitative characteristic of supportability*

Table 7 provides a comparison between quantity of disclosure, measured in terms of number of sentences and the number of sentences with the characteristic of ‘supportability.’ Over the 5-year period 25.85% of the total number of sentences in management commentary was supported by facts and/or cautionary statements, with annual percentages varying from 24.14% in 2006 to 27.30% in 2002. Not unexpectedly the majority of this support was for financial information, with the next highest percentage for investor information.

5.0.3.3 *Quantity vs qualitative characteristic of balance*

Table 8 provides a comparison between quantity of disclosure, measured in terms of sentences reporting news and the number of sentences reporting ‘good news’ and ‘bad news’ respectively. Out of the total annual average number of sentences communicating news (496), 60.2% over the 5-year period reported good news and 11.1% reported bad news. Across all companies the tendency in every year was that the number of sentences reporting good news was about 5 times as many as the number of sentences reporting bad news. The reporting of good news exceeded bad news over all categories of information except for corporate governance in 2003, when bad news (58.3%) exceeded good news (16.7%). However, the disclosure of information under the category ‘corporate governance’ in 2003 was low compared to the total number of sentences containing news reported in regard to all other categories except human resource, social and environmental information.

5.0.3.4 *Quantity vs qualitative characteristic of comparability of financial information*

Table 9 provides a comparison between the number of sentences containing financial information and those qualifying for ‘comparability.’ Out of the total number of sentences disclosing financial information, sentences containing data comparing financial data between years was sparse with the highest percentage disclosed in 2004 (13.6%). The lowest was 9.5% in 2006. Over the 5-year period the average was 11.9%.

6.0 ANALYSIS AND DISCUSSION

The sample companies on average disclosed a little over 100 sentences in the management commentary section of their annual reports. Nearly half of the information disclosed (45.39%) related to their company profile and their products or services. About twenty-eight percent of the information disclosed was investor information (10.71%) and financial information (17%). In total about eight percent communicated human resource (4.23%), social (1.92%) and environmental (1.65%) information. About 5% of the sentences were in regard to ‘corporate governance.’ The following paragraphs seek to identify the extent to which disclosed information possessed four of the five features of quality identified in IASB (2006) – relevance, supportability, balance and comparability.

The highest percentage of sentences qualifying the qualitative characteristic of ‘relevance’ was under the category of ‘environmental information’ (64.84%) while the lowest percentage was also reported in 2003 under the category of ‘social information’ (42.86%). In three of the five years, 2003, 2005 and 2006 the highest percentage of relevant sentences related to environmental information. Perhaps this reflects more concern for the environment with global warming that is a world-wide concern. In the same three years the lowest percentage of relevant sentences related to the provision of human resource information. Over all categories of information there appears to be a U-shaped trend with the percentage of sentences containing relevant information declining over the years 2002 to 2004 and then increasing over 2005 to 2006, finishing at about the 2002 level. On average across all the years it appears that between 30% and 33% of sentences in management commentary contain information possessing the quality of relevance as defined in IASB (2006).

Sentences qualifying the qualitative characteristic of ‘supportability’ were fewer in number than those of relevance.’ In 2002 the highest percentage (62.05%) of sentences qualified the qualitative characteristic of ‘supportability’ and these were under the category ‘financial information.’ On the other hand, the lowest percentage was reported in 2005 (3.57%) that was under the category of ‘corporate governance.’ In total, considering the total number of sentences disclosed in 2002, 27.30% qualified the qualitative characteristic of ‘supportability,’ in 2003 it was 26.43%, in 2004 it was 26.04%, in 2005 it was 25.37% and in 2006 it was 24.14%. This shows a declining trend in reporting sentences of supportability. In all the years 2002 to 2006 ‘investor information’ contained the second highest percentage of sentences qualifying the quality of ‘supportability’. On average over the 5-year period, 58.32%

of those sentences containing financial information were supported while 37.84% of sentences reporting investor information were supported. Overall, 25.86% of sentences in management commentary were supported by figures/facts/cautionary statements.

Companies performed poorly in qualifying the qualitative characteristic of ‘balance’ in their management commentary in all the years 2002 to 2006 due to their abundant reporting of ‘good news’ while ‘bad news’ was sparingly reported. Over the 5 years reporting of ‘good news’ was between 4.7 and 6.3 times that of ‘bad news’ reaching the highest in 2006, that is, more than 6 times. The 5-year average ratio over all categories of information was about 5.4 to 1 of good news to bad news. In 2002 no ‘bad news was’ reported by companies under the categories of social information, environmental information and corporate governance; no bad news in 2003 under financial information; none in 2004 under investor information, human resource information or corporate governance; none in 2005 under social or environmental information; and none in 2006 under social information or corporate governance. Strangely there was no bad news under corporate governance in any year except 2003 and 2005. In 2003 bad news under ‘corporate governance’ exceeded good news by a ratio of about 3.5 to 1.

Management commentary section of annual reports also lacked the quality of ‘comparability.’ Out of the sentences communicating financial information, only an average of 11.92% over the 5-year period reported comparisons with previous years.

7.0 CONCLUSION

Our results suggest that the principal stakeholders’ that is, investors’ qualitative characteristics requirements have been partially met in the ‘management commentary’ section of New Zealand companies’ annual reports. The qualitative characteristic of ‘relevance’ and ‘supportability’ have been satisfied in more annual reports compared to that of ‘balance’ and ‘comparability.’ These companies need to provide more emphasis to the aspect of ‘balance’ and ‘comparability’ together with further improving ‘relevance’ and ‘supportability.’

It is positive to note that in all years except 2004 over 50% of the sentences containing investor information qualified the qualitative characteristic of ‘relevance.’ Also, ‘investor information’ contained the second highest percentage of sentences (after financial information) with the qualitative characteristic of ‘supportability. This indicates the significance attached by companies to the qualitative characteristic of ‘investor information.’ However, we advise that companies need to provide further attention to the qualitative characteristic of ‘relevance.’

‘Financial information’ contained the highest percentage of sentences showing the qualitative characteristic of ‘supportability’ in every year, the highest being 62.05% in 2002. However, the percentage of sentences under the category ‘financial information’ that satisfied the qualitative characteristic of ‘relevance’ was low, the highest being in 2004 (30.99%). This also requires further improvement.

The reports over-emphasised ‘good news’ in all the years with ‘bad news’ being sparingly reported. Hence, the reports have significantly lacked the qualitative characteristic of ‘balance.’ However, this conclusion assumes the existence of undisclosed bad news. Hence, this needs further investigation. Finally, most of the sentences containing ‘financial information’ lacked the qualitative characteristic of ‘comparability.’ This also needs further improvement.

8.0 LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The research is limited to New Zealand companies and by sample size. Future research is suggested by taking a larger number of companies and companies from other countries.

Future research is advised to investigate the factors that influence disclosures in management commentary section of annual reports and the role of investors in such disclosure decision.

References:

Abeysekera, I., & Guthrie, J. (2004). Human capital reporting in a developing nation. *The British Accounting Review*, 36, 251-268.

Abeysekera, I & Guthrie, J. (2005). An empirical investigation of annual reporting trends of intellectual capital in Sri Lanka. *Critical Perspectives on Accounting*, 16, 151-163.

Ahmed, K. (1994). An empirical study of corporate disclosure practices in Bangladesh. *Accounting Forum*, *18*(2), 38-56.

Ahmed, N., & Sulaiman, M. (2004). Environmental disclosures in Malaysian annual reports: a legitimacy theory perspective. *International Journal of Commerce and Management*, 14(1), 44-58.

Barlett, S., & Chandler, R. (1997). The corporate report and the private shareholders: Lee and Tweedie twenty years on. *British Accounting Review*, 29, 245-261.

Beattie, V., & Jones, M. (2000). Impression Management: The case of Inter-country financial graphs. *Journal of International Accounting, Auditing & Taxation*, *9*(2), 159-183.

Beattie, V., & Jones, M. (2001). A six-country comparison of the use of graphs in annual reports. The *International Journal of Accounting*, *36*, 195-222.

Beattie, V., & Jones, M. (2002). The impact of graph slope on rate of change judgements in corporate reports. *ABACUS*, *38*(2), 177-199.

Boesso, G., & Kumar, K. (2007). Drivers of corporate voluntary disclosure: A framework and empirical evidence from Italy and United States. *Accounting, Auditing & Accountability Journal*, *20*(2), 269-296.

Clatworthy, M. & Jones, M. (2001). The effect of thematic structure on the variability of annual report readability. *Accounting, Auditing and Accountability Journal*, 14 (3), 311-326.

Cook, M.J., & Sutton, M.H. (1995). Summary annual reporting: A cure for information overload. *Financial Executive*, *11*(1), 12-15.

Courtis, J. (1995). Readability of annual reports: Western versus Asian evidence. *Accounting, Auditing and Accountability Journal*, 8(2), 4-17.

Courtis, J., & Hassen, S. (2002). Reading ease of bilingual annual reports. The *Journal of Business Communication*, *39*(3), 394-413.

Craven, B. & Marston, C. (1999). Financial reporting on the internet by leading UK companies. *The European Accounting Review*, *8*(2), 321-333.

Cunningham, S. & Gadenne, D. (2003). Do Corporations Perceive Mandatory Publication Of Pollution Information For Key Stakeholders As A Legitimacy Threat?. *Journal of Environmental Policy & Management, 5* (4), 523-549.

Debreceny, R., Gray, G., & Rahman, A. (2002). The determinants of Internet financial reporting. *Journal of Accounting and Public Policy, 21*, 371-394.

Deegan, C. (2006). *Financial Accounting Theory*. Australia: McGraw Hill.

Deloitte (2006). *Write to reason: Surveying OFRs and narrative reporting in annual reports.* London: Author.

G.A.O (1982). Content analysis: a methodology for analyzing written material. Washington D.C.: USA.

Harte, G. & Owen, D. (1991). Environmental Disclosure in the Annual reports of British Companies: A Research Note. Accounting, Auditing & Accountability Journal, 4(3), 51-61.

International Accounting Standards Board (2006). Discussion Paper: Management Commentary. London: Author.

Joshi, P.L., & Abdulla, J. (1994). An investigation into the information requirements of Indian private investors within annual reports. *Accounting Forum, September*, 5-21.

Milne, M. & Adler, R. (1999). Exploring the reliability of social and environmental disclosures content analysis. *Accounting, Auditing & Accountability Journal, 12* (2), 237-256.

Qu, W., & Leung, P. (2006). Cultural impact on Chinese corporate disclosure- A corporate governance perspective. *Managerial Auditing Journal*, *21*(3), 241-262.

Roberts, R.W. (1992). Determinants of corporate social responsibility disclosure: An application of stakeholder theory. *Accounting, Organizations and Society, 17*(6), 595-612.

Smith, M. & Taffler, R. (2000). The chairpersons' statement: a content analysis of discretionary narrative disclosures. *Accounting, Auditing and Accountability Journal*, 13(5), 624-646.

Smith, J.V., Adhikari, A., & Tondkar, R.H. (2005). Exploring differences in social disclosures internationally: A stakeholder perspective. *Journal of Accounting and Public Policy*, *24*, 123-151.

Stanton, P., Stanton, J., & Pires, G. (2004). Impressions of an annual report: an experimental study. *Corporate Communications: An International Journal, 9*(1), 57-69.

Sternberg, E. (1997). The Defects of Stakeholder Theory. *Corporate Governance, 5*(1), 3-10.

Teixeira, A. (2004). Management Commentary. *Chartered Accounts Journal of New Zealand*, *83*(6), 17-20.

Thompson, P. & Cowton, C. (2004). Bringing the environment into bank lending: implications for environmental reporting. *British Accounting Review*, *36*(2), 197-218.

Yongvanich, K., & Guthrie, J. (2005). Extended performance reporting: an examination of the Australian mining industry. *Accounting Forum*, *29*, 103-119.

APPENDIX

Table 1A: Quantity of information disclosure in Management Commentary section of annual reports

Table 1A: Number of Sentences (quantity of information disclosure) in Management Commentary section of annual reports

Category	Number of Sentences					Average Number per Company					5 year total	
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006		
	Freq	Freq	Freq	Freq	Freq	Mean	Mean	Mean	Mean	Mean	Av Freq	Mean
1: Company profile	930	753	1,000	961	1,026	*26.57*	21.514	28.571	27.457	29.314	934.00	26.69
2: Product/Service info	830	786	843	685	696	*23.71*	22.457	24.086	19.571	19.886	768.00	21.94
3: Investor Information	364	360	390	520	374	*10.40*	10.286	11.143	14.857	10.686	401.60	11.47
4: Human Resource	162	175	154	144	158	*4.63*	5	4.4	4.1143	4.5143	158.60	4.53
5: Social information	37	91	106	74	52	*1.06*	2.6	3.0286	2.1143	1.4857	72.00	2.06
6:Environmental info	46	91	57	41	74	*1.31*	2.6	1.6286	1.1714	2.1143	61.80	1.77
7: Financial Information	606	637	684	641	618	*17.31*	18.2	19.543	18.314	17.657	637.20	18.21
8: Corporate Governance	195	184	215	168	193	*5.57*	5.2571	6.1429	4.8	5.5143	191.00	5.46
9: Others	479	517	606	554	471	*13.69*	14.771	17.314	15.829	13.457	525.40	15.01
Total	**3,649**	**3,594**	**4,055**	**3,788**	**3,662**	***104.26***	**102.69**	**115.86**	**108.23**	**104.63**	**3,749.60**	**107.13**

Table 1B						
ANOVA - Investor Info						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Companies	21972	34	646.2	16.5	0.000	1.516
Years	515.98	4	129	3.294	0.013	2.438
Error	5326	136	39.16			
Total	27814	174				

Table 2: Measure of Quality - Relevance

	Evaluation of past events						**Evaln of present events**					
Category	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Av**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Av**
1: Company profile	154	95	203	191	250	5.1	66	31	48	33	51	1.3
2: Product/Service info	173	191	212	131	121	4.7	34	42	36	32	32	1.0
3: Investor Information	127	98	95	178	135	3.6	14	11	11	12	8	0.3
4: Human Resource	40	32	28	30	31	0.9	3	6	12	2	4	0.2
5: Social information	3	27	25	18	12	0.5	1	5	3	4	1	0.1
6:Environmental info	14	52	15	22	40	0.8	2	0	1	1	1	0.0
7: Financial Information	108	106	157	124	143	3.6	32	30	21	29	13	0.7
8: Corporate Governance	77	44	71	70	59	1.8	2	2	7	2	5	0.1
9: Others	54	28	29	46	40	1.1	12	9	22	9	4	0.3
Total	**750**	**673**	**835**	**810**	**831**	**22.3**	**166**	**136**	**161**	**124**	**119**	**4.0**

	Comments about future						**Confirm/Correct past**					
Category	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Av**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Av**
1: Company profile	64	56	0	83	94	1.7	3	6	6	7	1	0.1
2: Product/Service info	81	64	84	68	82	2.2	8	3	1	2	0	0.1
3: Investor Information	68	77	63	68	62	1.9	1	1	1	2	2	0.0
4: Human Resource	6	3	3	5	6	0.1	0	1	1	0	0	0.0
5: Social information	2	6	5	3	0	0.1	0	1	0	0	1	0.0
6:Environmental info	8	6	2	2	0	0.1	1	1	2	0	1	0.0
7: Financial Information	17	20	32	29	25	0.7	4	0	2	0	1	0.0
8: Corporate Governance	18	7	3	4	4	0.2	0	0	0	0	0	0.0
9: Others	15	15	10	11	14	0.4	0	5	0	1	0	0.0
Total	**279**	**254**	**202**	**273**	**287**	**7.4**	**17**	**18**	**13**	**12**	**6**	**0.4**

	Total Score					
Category	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**	**Av**
1: Company profile	287	188	257	314	396	8.2
2: Product/Service info	296	300	333	233	235	8.0
3: Investor Information	210	187	170	260	207	5.9
4: Human Resource	49	42	44	37	41	1.2
5: Social information	6	39	33	25	14	0.7
6:Environmental info	25	59	20	25	42	1.0
7: Financial Information	161	156	212	182	182	5.1
8: Corporate Governance	97	53	81	76	68	2.1
9: Others	81	57	61	67	58	1.9
Total	**1212**	**1081**	**1211**	**1219**	**1243**	**34.1**

Table 3: Measure of Quality - Supportability

Category	Supported by figures/actual facts						Cautionary statements re future						Total Score					
	2002	2003	2004	2005	2006	5Y/Co.	2002	2003	2004	2005	2006	5Y/Co.	2002	2003	2004	2005	2006	5Y/Co.
1: Company profile	92	58	92	69	74	2.20	119	94	102	104	108	3.01	211	152	194	173	182	5.21
2: Product/Service info	137	146	152	129	130	3.97	54	47	26	27	18	0.98	191	193	178	156	148	4.95
3: Investor Information	121	111	148	179	122	3.89	12	13	25	13	15	0.45	133	124	173	192	137	4.34
4: Human Resource	20	21	17	21	19	0.56	8	7	1	3	3	0.13	28	28	18	24	22	0.69
5: Social information	4	14	16	6	5	0.26	0	4	4	2	0	0.06	4	18	20	8	5	0.31
6:Environmental info	3	7	10	3	3	0.15	0	6	3	1	0	0.06	3	13	13	4	3	0.21
7: Financial Information	334	333	363	352	332	9.79	42	30	36	22	14	0.82	376	363	399	374	346	10.62
8: Corporate Governance	5	10	15	4	5	0.22	3	3	4	2	3	0.09	8	13	19	6	8	0.31
9: Other	23	26	21	13	14	0.55	19	20	21	11	19	0.51	42	46	42	24	33	1.07
Total	**739**	**726**	**834**	**776**	**704**	**21.59**	**257**	**224**	**222**	**185**	**180**	**6.10**	**996**	**950**	**1,056**	**961**	**884**	**27.70**

Table 4: Measure of Quality - Good news/Bad news

Category	Good News						Bad News						Total					
	2002	2003	2004	2005	2006	5Y	2002	2003	2004	2005	2006	5Y	2002	2003	2004	2005	2006	5Y
1: Company profile	117	90	125	105	130	3.24	7	7	13	5	8	0.23	124	97	138	110	138	3.47
2: Product/Service info	62	59	47	57	58	1.62	21	21	4	6	10	0.35	83	80	51	63	68	1.97
3: Investor Information	17	22	21	15	16	0.52	3	14	0	2	1	0.11	20	36	21	17	17	0.63
4: Human Resource	10	10	11	6	17	0.31	1	1	0	1	1	0.02	11	11	11	7	18	0.33
5: Social information	1	4	2	4	1	0.07	0	1	2	0	0	0.02	1	5	4	4	1	0.09
6:Environmental info	3	6	7	0	2	0.10	0	2	1	0	1	0.02	3	8	8	0	3	0.13
7: Financial Information	75	65	49	63	66	1.82	14	0	15	23	21	0.42	89	65	64	86	87	2.23
8: Corporate Governance	4	4	1	0	0	0.05	0	14	0	1	0	0.09	4	18	1	1	0	0.14
9: Others	28	23	20	24	28	0.70	19	0	16	11	8	0.31	47	23	36	35	36	1.01
Total	**317**	**283**	**283**	**274**	**318**	**8.43**	**65**	**60**	**51**	**49**	**50**	**1.57**	**382**	**343**	**334**	**323**	**368**	**10.00**

Table 5: Measure of quality - Comparability of Financial Data with previous years

Category	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	5 year total	
	Freq	Freq	Freq	Freq	Freq	Mean	Mean	Mean	Mean	Mean	Av Freq	Mean
7: Financial Information	77	74	93	77	59	2.20	2.11	2.66	2.20	1.69	76.00	2.17

Table 6: Quantity versus Quality-Relevance

	2002			2003			2004			2005			2006			5 year Average		
Category	Total #	# Rel	% Rel	Total #	# Rel	% Rel	Total #	# Rel	% Rel	Total #	# Rel	% Rel	Total #	# Rel	% Rel	Total #	# Rel	% Rel
1: Company profile	930	287	30.86%	753	188	24.97%	1,000	257	25.70%	961	314	32.67%	1,026	396	38.60%	934	288	30.88%
2: Product/Service info	830	296	35.66%	786	300	38.17%	843	333	39.50%	685	233	34.01%	696	235	33.76%	768	279	36.38%
3: Investor Information	364	210	57.69%	360	187	51.94%	390	170	43.59%	520	260	50.00%	374	207	55.35%	402	207	51.49%
4: Human Resource	162	49	30.25%	175	42	24.00%	154	44	28.57%	144	37	25.69%	158	41	25.95%	159	43	26.86%
5: Social information	37	6	16.22%	91	39	42.86%	106	33	31.13%	74	25	33.78%	52	14	26.92%	72	23	32.50%
6:Environmental info	46	25	54.35%	91	59	64.84%	57	20	35.09%	41	25	60.98%	74	42	56.76%	62	34	55.34%
7: Financial Information	606	161	26.57%	637	156	24.49%	684	212	30.99%	641	182	28.39%	618	182	29.45%	637	179	28.03%
8: Corporate Governance	195	97	49.74%	184	53	28.80%	215	81	37.67%	168	76	45.24%	193	68	35.23%	191	75	39.27%
9: Other	479	81	16.91%	517	57	11.03%	606	61	10.07%	554	67	12.09%	471	58	12.31%	525	65	12.33%
Total	**3,649**	**1,212**	**33.21%**	**3,594**	**1,081**	**30.08%**	**4,055**	**1,211**	**29.86%**	**3,788**	**1,219**	**32.18%**	**3,662**	**1,243**	**33.94%**	**3,750**	**1,193**	**31.82%**

Note: Rel = Relevant

Table 7: Quantity versus Quality - Supportability

Category	2002 Total #	2002 # Sup	2002 % Sup	2003 Total #	2003 # Sup	2003 % Sup	2004 Total #	2004 # Sup	2004 % Sup	2005 Total #	2005 # Sup	2005 % Sup	2006 Total #	2006 # Sup	2006 % Sup	5 year Average Total #	5 year Average # Sup	5 year Average % Sup
1: Company profile	930	211	22.69%	753	152	20.19%	1,000	194	19.40%	961	173	18.00%	1,026	182	17.74%	934	182	19.53%
2: Product/Service info	830	191	23.01%	786	193	24.55%	843	178	21.12%	685	156	22.77%	696	148	21.26%	768	173	22.55%
3: Investor Information	364	133	36.54%	360	124	34.44%	390	173	44.36%	520	192	36.92%	374	137	36.63%	402	152	37.80%
4: Human Resource	162	28	17.28%	175	28	16.00%	154	18	11.69%	144	24	16.67%	158	22	13.92%	159	24	15.13%
5: Social information	37	4	10.81%	91	18	19.78%	106	20	18.87%	74	8	10.81%	52	5	9.62%	72	11	15.28%
6:Environmental info	46	3	6.52%	91	13	14.29%	57	13	22.81%	41	4	9.76%	74	3	4.05%	62	7	11.65%
7: Financial Information	606	376	62.05%	637	363	56.99%	684	399	58.33%	641	374	58.35%	618	346	55.99%	637	372	58.32%
8: Corporate Governance	195	8	4.10%	184	13	7.07%	215	19	8.84%	168	6	3.57%	193	8	4.15%	191	11	5.65%
9: Other	479	42	8.77%	517	46	8.90%	606	42	6.93%	554	24	4.33%	471	33	7.01%	525	37	7.12%
Total	**3,649**	**996**	**27.30%**	**3,594**	**950**	**26.43%**	**4,055**	**1,056**	**26.04%**	**3,788**	**961**	**25.37%**	**3,662**	**884**	**24.14%**	**3,750**	**969**	**25.85%**

Note: Sup = Supported by figures/facts or cautionary statements about future

Table 8: Quantity versus Quality - Balance

5 year Totals

Category	2002 Total News	2002 % Good	2002 % Bad	2003 Total News	2003 % Good	2003 % Bad	2004 Total News	2004 % Good	2004 % Bad	2005 Total News	2005 % Good	2005 % Bad	2006 Total News	2006 % Good	2006 % Bad	5 yr Average Total News	5 yr Average % Good	5 yr Average % Bad
1: Company profile	151	77.5%	4.6%	118	76.3%	5.9%	154	81.2%	8.4%	130	80.8%	3.8%	145	89.7%	5.5%	140	81.1%	5.7%
2: Product/Service info	220	28.2%	9.5%	130	45.4%	16.2%	110	42.7%	3.6%	69	82.6%	8.7%	77	75.3%	13.0%	121	54.8%	10.2%
3: Investor Information	33	51.5%	9.1%	47	46.8%	29.8%	49	42.9%	0.0%	57	26.3%	3.5%	49	32.7%	2.0%	47	40.0%	8.9%
4: Human Resource	22	45.5%	4.5%	12	83.3%	8.3%	12	91.7%	0.0%	8	75.0%	12.5%	19	89.5%	5.3%	15	77.0%	6.1%
5: Social information	1	100.0%	0.0%	6	66.7%	16.7%	4	50.0%	50.0%	4	100.0%	0.0%	1	100.0%	0.0%	3	83.3%	13.3%
6:Environmental info	3	100.0%	0.0%	9	66.7%	22.2%	8	87.5%	12.5%	4	0.0%	0.0%	11	18.2%	9.1%	7	54.5%	8.8%
7: Financial Information	108	69.4%	13.0%	102	63.7%	0.0%	77	63.6%	19.5%	106	59.4%	21.7%	110	60.0%	19.1%	101	63.2%	14.6%
8: Corporate Governance	26	15.4%	0.0%	24	16.7%	58.3%	11	9.1%	0.0%	1	0.0%	100.0%	0	0.0%	0.0%	12	8.2%	31.7%
9: Other	55	50.9%	34.5%	55	41.8%	0.0%	47	42.6%	34.0%	50	48.0%	22.0%	44	63.6%	18.2%	50	49.4%	21.8%
Total	619	51.2%	10.5%	**503**	56.3%	11.9%	**472**	60.0%	10.8%	**429**	63.9%	11.4%	**456**	69.7%	11.0%	496	**60.2%**	11.1%

Note: Total news = total number of sentences providing news - good, bad and neutral. Only good and bad news statements were recorded in Table 4.

Thus the percentages above for good and bad news do not add to 100%, the difference being the percentage of neutral news statements.

Table 9: Quantity versus Quality - Comparability

Category	2002 Total Sent.	2002 # Comp.	2002 % Comp.	2003 Total Comp.	2003 # Comp.	2003 % Comp.	2004 Total Sent.	2004 # Comp.	2004 % Comp.	2005 Total Comp.	2005 # Comp.	2005 % Comp.	2006 Total Comp.	2006 # Comp.	2006 % Comp.	5 yr Average Total Comp.	5 yr Average # Comp.	5 yr Average % Comp.
7: Financial Information	606	77	12.7%	637	74	11.6%	684	93	13.6%	641	77	12.0%	618	59	9.5%	637	76	11.9%

Note: # Comp. = Number of sentences containing comparable financial information.