Improving the usefulness and clarity of financial disclosures: the investor's perspective

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Hong Kong, 5 June 2013 7th IFRS Asia-Oceania Policy Forum

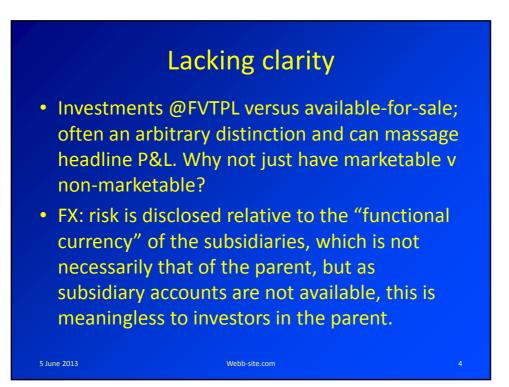
	What is useful
•	 Depth Full financial statements each time, not condensed. Fear not page-count, we are all electronic now. What matters is content. What you don't read, someone else will, and the market will be informed
•	 Frequency Quarterly statements, not semi-annual with long dark periods. Trend analysis is easier if you have 4 trailing quarters rather tha 2 trailing halves
•	Speed — Old information is worth less, or sometimes worthless. In HK, annual reports still take 4 months, results 3 months.
•	Comparability — Two companies with identical sets of assets and liabilities shoul have identical balance sheets but often don't
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What is not useful

- Management valuing goodwill. The market does that every day
- Paying consultants to value goodwill
- Distorting comparability between organically-built businesses, and acquired businesses
- Hiding value (inside information) by failing to revalue premises (hotels, factories, offices, shops) to fair market value (including as a redevelopment site if greater)
- Anything which costs more to produce than it is worth to investors, who pay for it. Example: attempting to move operating leases onto the balance sheet
- Don't get obsessed about capitalizing things which extend beyond one solar orbit

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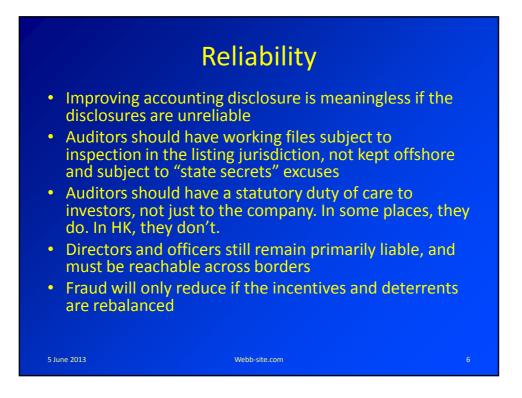


Materiality

- Some bright-line tests are needed
- The lack of definition allows companies to obfuscate – e.g. a heap of smoking stockmarket punts will be disclosed simply as "listed equities", even if they make up a large portion of the NAV
- Proposal: individual investments comprising more than 2% of net assets should be disclosed by name

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About Webb-site

- Founded in 1998. Not-for-profit, the site advocates better corporate and economic governance. Partly funded by speaker fees, but mostly funded by me
- Lalso research and invest in HK small-caps, currently holding >5% of 9 listed companies
- I find many corporate horror stories that end up on Webb-site (time permitting)...
- ... and a few under-valued well-governed companies to invest in (hopefully not the other way around)
- Over 20,000 subscribers to a free newsletter, opt-in/out
- Opinion polling on policy issues
- Hall of Shame for jailed directors, CCB watch, SFC watch, ICAC watch
- Economic governance advocating free and fair markets, transparency, accountability, civil liberties, tax reform, land revenue reform, minimal intervention and economically-rational policy-making
- "Webb-site Who's Who" database covers all HK-listed directors, auditors, bankers, lawyers, financial advisers, legislators, district councilors, statutory/advisory bodies, CE election committee, and the relationships between them
- Tracking all SFC-licensed people, and all HK-incorporated companies
- Webb-site CCASS Analysis System for stock movements since 2007
- Webb-site Total Returns covers all stocks since 1994

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