

PHOTO IMAGES IN CORPORATE ANNUAL REPORTS

by

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Submitted in partial fulfilment of the requirements for the degree

MASTER OF COMMERCE in Financial Management

in the Faculty of Economic and Management Sciences

University of Pretoria

Pretoria

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November 2012

ACKNOWLEDGEMENTS

My deepest gratitude goes to the following people for their unwavering support and encouragement:

- Husband, Robert Russell, whose patience and belief in me was unwavering through the many hours spent contemplating and questioning, searching and debating. The love and bond that is shared with this wonderful man goes beyond words. Without Robert, I would not have believed it possible to achieve this;
- Prof Daan Gouws for his constant encouragement and probing, enabling a seed to blossom from a notion to an idea and culminating in this embryonic study;
- Brenda Bruce, for her contribution of experience and expertise in digital artistry;
- Lidia de Wet, for her assistance with the language editing.

ABSTRACT

Society has lost trust in business; and credibility in financial reporting has been questioned. Formal accounting committees and bodies have attempted to synchronise the accounting practices of local and international companies with an internationally recognised standard of accounting. The advancements and particularly the requirement for more comprehensive reporting are perceived to be an opportunity to restore trust. The volume of information to be disseminated by users or readers of corporate annual reports has accelerated. Information on topics such as economic, social and environmental aspects of the business is increasingly included, contributing to the quantity of information being disclosed with photographs being used more frequently.

To add credibility to the additional discretionary information being provided, the International Standards on Assurance Engagements were introduced to provide for an assurance rather than an audit of non-financial information. However, no reference was made to the assurance of photographs and the accounting profession has ostensibly ignored the use of photographs in financial reporting.

The research questioned why the use of photographs has purportedly been ignored by the accounting profession. Are they valid, or should they be eliminated? Can they influence decision-making? And finally, what role do they fulfil, if any?

The study had two focus areas:

- The role of photographic images in corporate annual reports, which has not yet been established or defined; and
- The possibility of photographic images having the power to influence the decision-making of stakeholders.

The two research methods selected for the purposes of the study were:

- Critical analysis of literature. The purpose of this was to create a comprehensive review of literature for interpretation by accessing articles,

books, journals and other research in the form of dissertations and theses. A review of professional and academic literature was undertaken, followed by research into the photographic medium and its uses relative to accounting and financial reporting;

- Content analysis, which involved the counting of images to determine frequency and types of images displayed in corporate annual reports.

The use of technology and visual communication such as photographs was found to often be more powerful than pure text, offering a dialogic approach to reporting and enabling critical reflection. The research raised the concern that images could be used to camouflage poor performance and deceive users by intending to create a distraction at the very least or be the basis of fabrication or misrepresentation. The technological advancements in the photographic medium as a tool in itself and the ability for post-photography manipulation added to the concern that the impartiality and perhaps the accuracy or completeness of the information being presented were in doubt.

Two potential gaps in the use of photographs to convey information or a message were found. First, there is no appropriate system of control or framework for assurance of photographic images, and secondly, there is no way to prioritise information so that it can be appropriately analysed and interpreted. The research recommended a way of managing and presenting photographs in corporate annual reports in order to improve controls in the various stages of the process of photography, lessen the extent of manipulation and improve the credibility of this medium in financial reporting. A caption or narrative was also found to create a reciprocal link between the information in the photographs and the written information by which meaning could be established, derived from a symbiotic relationship between materiality, content and context.

The use of photographic images may become more important if it is found that their presentation is considered relevant, adds meaning, provides context, evidence or additional disclosure to the information already contained in corporate annual reports, filling the gaps that the numbers and words are unable to achieve on their own.

Key words

Accounting, financial reporting, photograph, image, information, communication, context.

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LIST OF ABBREVIATIONS

GAAP	Statements of generally accepted accounting practice
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board for Auditors
ISAE	International Standard on Assurance Engagements
SAICA	South African Institute of Chartered Accountants

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

The development of accounting as a discipline clearly indicates that the landscape of financial reporting has increased in complexity and become extremely lengthy (Vorster, Koen, Koornhof, Oberholster & Koppeschaar, 2003:1). Accounting has evolved as the sophistication of transactions and the number of those interested in them has increased. The need to keep records and communicate the results of transactions to interested parties prompted the advent of a framework of principles, which then developed into practices and rules, known in South Africa as Statements of generally accepted accounting practice (GAAP). The web-site of the South African Institute of Chartered Accountants (SAICA) provides the South African history of accountants, commencing in the early 1800s with its forerunner, the Accounting Practices Board, being given the task of explaining what GAAP was only in 1973, demonstrating that the evolution from a practice to a formalised statement or principle evolved over a long time (SAICA, 2011).

Over the last four decades, formal accounting committees and bodies have formulated and published additions to the original draft, and since 1971 a new series has been introduced periodically: series 100, then 200, and so on. In January 2005, the International Financial Reporting Standards (IFRS) were implemented, in an attempt to further synchronise the accounting practices of local and international companies with an internationally recognised standard of accounting (Lubbe, Modack & Watson, 2011:9). The advancements in financial reporting appear to have accelerated the volume of information to be disseminated by users or readers of corporate annual reports. Table 1.1 reflects the increase in size and length of the annual reports of some companies, which is indicative of just how much information was produced in 2009, 2010 and 2011, as opposed to a few years previously, in 2005. Photographs displayed in the corporate annual reports contribute to the size and length of these publications.

Table 1.1: Comparison of size and length of reports

Company	Size (megabytes)	Length (pages)
Anglo American Plc (2010)	7.7mb	214
Anglo American Plc (2009)	7.9mb	192
Anglo American Plc (2005)	3.4mb	108
Massmart Holdings Limited (2011)	8.7mb	326
Massmart Holdings Limited (2010)	14.3mb	255
Massmart Holdings Limited (2009)	5.7mb	223
Massmart Holdings Limited (2005)	1.1mb	140
Nedbank Group Limited (2011) – two publications: Annual Report Integrated Report	6.9mb 6.5mb	228 462
Nedbank Group Limited (2010 – divided into six downloads)	17.3mb	380
Nedbank Group Limited (2009 – divided into six downloads)	8.9mb	435
Nedbank Group Limited (2005)	5.5mb	276
Sasol Limited (2011) – two publications: Annual Financial Statements Integrated Report	11.2mb 13.5mb	260 153
Sasol Limited (2010 – divided into two downloads)	11.0mb	335
Sasol Limited (2009 – divided into two downloads)	7.8mb	327
Sasol Limited (2005 – divided into two downloads)	2.6mb	156

Source: Adapted from Anglo American Plc (2010); Massmart Holdings Ltd (2010); Nedbank Limited (2010); Sasol Limited (2010)

The development in financial reporting, referred to as *integrated reporting* (Eccles, Cheng & Saltzman, 2010), is intended for companies to provide a comprehensive report, which contextualises their results and links the performance of the business to its strategy and sustainability. Debates and discussions are taking place around the world to improve financial reporting and specifically how best to implement such concepts as integrated reporting (Business Day, 2010:16-17, 23; Gillingham,

2010:16; Hannington, 2010:14; Knonki, 2011:18; Patel, 2011:14; Roberts, 2011:3; Temkin, 2010:15; Zilwa, 2011:3). The increased inclusion of information on topics such as the economic, social and environmental aspects of the business contributes to the quantity of information being disclosed. The nature of the additional information being disclosed is non-numerical and is referred to in the literature as non-financial information. This information can therefore not be audited in the traditional manner, hence the adoption of the International Standard on Assurance Engagements (ISAE) (IRBA, 2009:1). This standard provides for an assurance rather than an audit of non-financial information.

In an overview of ISAE, no reference is made to the assurance of photographs which are displayed in corporate annual reports. This raises the question whether photographs provide information and if they do, whether they are able to influence the decision-making of users. Investigation by Torres, Hallie, Preskill and Piontek (2005:225) supports the argument, albeit inconclusively, that photographs have an emotional impact on decision-making, which in today's environment, with competition for capital investment being intense, may have the potential for a significant impact.

1.2 THE CLASSIFICATION OF PHOTOGRAPHS IN CORPORATE ANNUAL REPORTS

The accounting profession has ostensibly ignored photographs used in financial reporting. This is evident from authors such as Davison and Warren (2009:850), who report that accounting professionals “turn a blind eye” to the increasing number of images in corporate annual reports. This might be because the accepted unit of measure in accounting, described by Riahi-Belkaoui (2004:213) as being self-evident, is stated to be the monetary unit. Riahi-Belkaoui suggests that this limits accounting, as information can therefore only be expressed in the form of a monetary unit, which limits the recording and communication of other relevant but non-monetary information. This creates a challenge in classifying photographs.

Photographs by their nature are not considered numerical and therefore do not appear to “fit” the accounting parameters as described by Riahi-Belkaoui (2004:213). Bagranoff, Simkin and Strand (2008:14) describe how information which is not measured in monetary units is referred to as non-financial data. According to them,

this data can still be regarded by users as relevant and having the ability to enhance the value of purely financial information. By analysing the words *data* and *information*, it was found that these are respectively defined by Romney and Steinbart (2012:24) as “facts that are collected, recorded, stored, and processed by an information system”, and “data that have been organized and processed to provide meaning and improve the decision-making process”. The accounting information system is moreover regarded by Romney and Steinbart (2012:24) as the intelligence- or information-providing vehicle in the language of accounting, which they state is deemed the language of business. Bagranoff *et al.* (2008:6) also compare the concepts of *information* against *data*, describing *data* as “raw facts about events that have little organization or meaning” and only once processed by “sorting, manipulating, or aggregating them into averages or other classifications” are they transformed into information. They also suggest that the raw data is the starting point of the audit trail and the path of raw data is followed to make sure the final outcome is verifiable. The photographs are neither classified as data or information at this point and the concepts of *photographs* and *photography* are to be explored in greater detail, to evaluate whether they possess any of the attributes of data and information that these authors of accounting research promote.

A further investigation into the terms *photograph* and *photography* was undertaken and their definitions referenced in the Oxford paperback dictionary thesaurus and wordpower guide (Soanes, Spooner & Hawker, 2001). A *photograph* is defined as “a picture made with camera, in which an image is focused on to film and then made visible by chemical treatment” (Soanes *et al.*, 2001), whereas *photography* is defined as “the taking and processing of photographs” (Soanes *et al.*, 2001). In analysing these definitions further, an *image* is described as a “depiction, likeness, picture, portrayal, projection, reflection, representation” (Soanes *et al.*, 2001). The term *representation* is used in accounting research, with authors suggesting that the corporate annual report is a representation of a business, as concurred by Crowther, Carter and Cooper (2006:180). The photographic representations or metaphors such as describing a balance sheet (statement of financial position) as a “snapshot” and comparing financial statements to “looking through a lens”, are often used in accounting literature (McGoun, Bettner & Coyne &, 2007:214). Hooks, Steenkamp and Stewart (2010:353) also assert that “the annual report is a visual medium

through which companies represent themselves”. This suggests that there are many forms of representation in accounting.

A photograph, image or photographic image is purported to be representations, and the corporate annual report is also described as a representation of the business. Since the accepted unit of measure in accounting (Riahi-Belkaoui, 2004:213) is stated to be the monetary unit, the question is whether a representation can be measured. Musvoto (2008:1-416) explores the concept of *representational theory of measurement* in detail and concludes that from a theoretical perspective, accounting information is not meaningful, refuting the accounting discipline’s claim that it is a measurement discipline. He suggests research into several aspects, one of which is what monetary units represent. Based on this concept, the requirement for information to be measurable in terms of monetary units in order to be relevant can be refuted. In view of the association of a photograph with an image and a representation and despite lacking an obvious unit of measurement, photographs are, for the purposes of this paper, classified as non-monetary or non-financial information.

1.3 LITERATURE SURVEY

The use of photographs in corporate annual reports has not yet been widely researched. Authors such as Ră mǎ (2011:372) point out that visual images in corporate communication and financial reporting have not yet received enough attention in studies. The study of visuals and photographic images in financial reporting has been neglected despite evidence that even expert readers of corporate annual reports “give weight to non-accounting information in forming judgements” (Davison, 2008:794). Accountants find it difficult “to engage non-numerical mediums, either because of innate disposition or through lack of an education which fosters the skills necessary to be responsive to creative and affective forms of expression”, according to Davison (2008:820). Her opinion suggests that there is a growing acknowledgement that photographs have been largely ignored by the accounting profession.

The question may be asked whether this is relevant and whether there is any merit in photographs receiving attention. Justesen and Mouritsen (2009:973) analysed the relations between visualisation and corporate annual reports, concluding that images are not simply window dressing. In researching the use of technology in reporting, Cho, Philips, Hageman and Patten (2009:934) found that the use of visual communication such as photographs can be more powerful than pure text. The increasing use of photographs and artistic skills in annual reports was demonstrated by David (2001:195) to lead to “mythmaking” in these reports, with designers using “techniques of persuasion” (David, 2001:217). She suggests further research into the ethical standards for evaluating the “myths” created. This is considered valid since the word *myth* is defined as “a traditional story concerning the early history of a people or explaining a natural or social fact” or “an imaginary person or thing” (Soanes *et al.*, 2001), implying that the story or message in a photograph displayed in a corporate annual report could reflect fact or fiction. Cho *et al.* (2009:949) also raise the concern that these images can be used to camouflage poor performance and technology can be used to deceive users. The growing use of photographs in corporate annual reports might therefore be intended to create distraction at the very least might be the basis of fabrication or misrepresentation.

Stanton and Stanton (2002:495-496) document that research perspectives have examined parts of corporate annual reports, commenting on the difficulty in reconciling the varying perspectives and concluding that the “multiple voices and multiple stories allow audiences to choose the story that they want as well as supporting the targeting of various audiences”. Matilal and Höpfel (2009:970) contend that perspective is widened by imagery in corporate annual reports and offer a dialogic approach to reporting, enabling critical reflection. It is apparent from these studies that the notion of accounting being simplistic and attempting to make it unsophisticated or one-dimensional is not in line with the growing complexity in organisations, the reporting requirements and demands made by readers and users of corporate annual reports. The aspect of photographs being displayed in corporate annual reports has not been disregarded by researchers as irrelevant, in fact, the growing literature suggests further research is needed.

1.4 PROBLEM STATEMENT

The changing landscape of accounting and financial reporting is evident from the ongoing developments discussed in Section 1.1. Riahi-Belkaoui (2004:236) acknowledges in his study of accounting theory that the theoretical structure of accounting needs further improvement, beginning with elements such as the objectives, postulates, concepts and principles of accounting. He comments that the “failure to capture the truth argues for the unscientific nature of accounting”, further elaborating that the accounting discipline is socially constructed, with rules that rely on judgement in both the preparation and use of accounting information. This statement suggests that there are limitations in accounting, which might challenge the impartiality and perhaps the accuracy or completeness of the information being presented. There is also a suggestion by writers such as Lubbe *et al.* (2011:40) that accounting standards may be limited, cautioning users of financial reports that some information contained in the reporting package is not prepared in accordance with accounting standards nor is it checked by an independent auditor, further advocating that accounting standards should be extended to provide guiding principles and practices to protect users from making decisions based on unreliable information.

Photography is a popular medium and there is an increased use of the digital technology that this offers for displaying photographs in corporate annual reports. Ball (2011:115) notes the increasing use of visuals such as photographs, art work and other visual illustrations or representations. Brown (2010:484) refers to a growing “crisis of representation” with accounting providing privileges for some representations and marginalising others, bringing the profession’s portrayal of neutrality into question. In practice, and particularly in observing the South African companies (sample listed in Appendix A), photographs are frequently displayed in corporate annual reports, yet their role in accounting and financial reporting has not yet been established or defined, suggesting the need for accounting and financial reporting principles to be enhanced. Given that the photographic images may have the power to provide information, influence emotion and hence rational decision-making, their use should receive more attention.

1.5 RESEARCH QUESTIONS

Davison (2002:595) states that the accounting profession has been finding it difficult to progress at the same speed as demands for accounting to be able to adequately report on topics such as environmental and social concerns. She raises three questions for further research: Should creative design material be regulated? Can it? Does it enhance communication, complement the numbers and provide insight?

In considering the use of photographs in corporate annual reports, these questions by Davison, other research and academic literature reviewed prompted further questions. For instance, why have photographs purportedly been ignored by the accounting profession? Are they valid, or should they be eliminated? Can they influence decision-making? And finally, what role do they fulfil, if any? The focus of this study is to determine how frequently photographs are used and what their role is.

1.6 RESEARCH OBJECTIVES

In order to solve the research problem and answer the questions in an organised manner, the following research objectives were devised:

Firstly, as seen from the literature review, photographic images have mostly been ignored and therefore have not been classified in accounting research. In order to approach the study of photographs in corporate annual reports, it was necessary to create a context for the discussion of photographic images. This was done in Section 1.2, preceding and introducing the basis on which further exploration of this topic is done, for the purposes of this study.

Following the need for enhancements in reporting as a result of the loss in credibility cited by the International Federation of Accountants (2003:12), an overview of regulatory developments was undertaken to establish what precincts have been created, if any, to deal with the problem. The growing inclusion of additional non-financial information in corporate annual reports is observed, however, the principles and practices of accounting lack any references to the use of photographic images. Photographs are being mostly ignored in favour of the numbers and the importance of this is explored by considering whether pictures actually affect readers or users of

corporate annual reports and whether there is any relevance to this investigation. Finally, the role of photographs is considered in relation to accounting and corporate annual reports and whether credibility and relevance for the use of photographic images in corporate annual reports can be improved. To complement this study, the technical aspects of photography are explored with specific reference to how photographic principles and practice are used in the presentation of photographs in corporate annual reports.

1.7 IMPORTANCE AND BENEFITS OF THE PROPOSED STUDY

The International Federation of Accountants (2003) commissioned a study on the loss of credibility in financial reporting in 2002 as they recognised that the credibility in financial reporting was deteriorating. The task force confirmed that this notion was real and cited distortions, deception, disclosure deficiencies and a lack of transparency leading to misreporting and hence reporting failures as some of the reasons for the loss of credibility. A lack of transparency is cited by Arya, Glover and Sunder (2002:3) as a weakness of capital markets and they are of the opinion that the problem of assessing the value of transparency is subtle because the level and pattern of earnings already convey information. The Enron debacle was considered by the task force commissioned by the International Federation of Accountants to be the event that brought the loss of credibility in financial reporting into the public arena and the federation noted that the confidence in financial reporting had become a more widespread concern. The task force's recommendations included effective ethics codes, emphasis on increased controls, improved management oversight, reduced threats to auditor independence, and strengthened audit standards, regulations and practices (International Federation of Accountants, 2003:23). Carnegie and Napier (2010:360) report that a label that became associated with questionable accounting and auditing practices was *Enronitis*, as a result of several financial reporting scandals following shortly after Enron's collapse. They, furthermore, concur that confidence in the accounting and auditing profession deteriorated and the deterioration resulted in more rules and oversight in the industry to restore faith in corporate annual reports. It is not known whether photographs assist in improving or deteriorating confidence in financial reporting.

Nitin Nohria, Dean of the Harvard Business School, is of the opinion that society has lost trust in business and considers the concept of *integrated reporting* as an opportunity to restore it, writing that “these reports begin to show that in fact we’re as serious about holding ourselves accountable to and measuring ourselves on a wide variety of matters that people care about” (quoted in the foreword of Eccles *et al.*, 2010). The concept of *integrated reporting* discussed by Eccles *et al.* (2010) spans topics such as the role of the company in society, integrating sustainability into company strategy and its anticipated benefit to companies and investors. It also examines an integrated audit approach, use of technology and improving engagement with all stakeholders. The medium of photography is a technology that features in corporate annual reports and by its mere use is deserving of attention, having been largely ignored by the accounting profession as demonstrated in Section 1.3. Lewis (2010:58) anticipates that the process of integrating reporting may overcome weaknesses in reporting, providing reliable and credible information rather than mere marketing. Extending this concept to photographs, that is, ensuring that they are integrated into the reporting process, so that they become integral to the information being disclosed and may lend credibility to their inclusion.

Ball (2011:128) states that literature researched by him claimed that the mandatory (regulatory) section of the corporate annual report was least read, with the greater part of readers making use of the discretionary reports. The visual perspectives in accounting and the implications for accounting researchers, practitioners and auditors arise from the awareness that a “blind spot” is evident “with regard to the visual in both accounting and organizations”, as suggested by Davison and Warren (2009:845). The use of photo-elicitation as a research method in accounting is also seen as a means to unlocking communication barriers and Parker (2009:1111) maintains that there is the potential for photographs to communicate and express beyond the ability of words to do so.

In addition to the direct accounting and auditing implications of photographs in corporate annual reports, albeit that their role has not yet been determined, McKinstry (1996:89-111) examined the involvement of designers and design in annual reports. McKinstry (1996:107) highlights the techniques of persuasion and the communication employed, concluding that the annual report has been used as a public relations and communication document, using devices and designs to “portray

it and its top management in the best possible light, and to influence the perceptions of the City and the individual investor”. Evidence was found by Davison (2010a:166) that there is a correlation between the perception of leadership and earnings. She declares that these “intangibles” can be made visible through visual images. She furthermore argues that accounting can be more about construction than representation, using the skill of the visual artist. McKinstry (1996:109-111) agrees, suggesting that it may be appropriate to task the talents of skilled professionals such as photographers and graphic designers to create effective means of supporting and explaining the mandatory information, making the corporate annual report more understandable. In a study of New Zealand company annual reports Simpson (2004:1) maintains that photography in particular may assist understanding of the report.

There is general consensus that the information being produced today can be improved (Eccles *et al.*, 2010; Financial Reporting Council, 2011; Harvard Business School, 2010; Powell, 2010; PricewaterhouseCoopers, 2007), in particular the quality, context and quantity. Some accounting and auditing standards have already been enhanced and adopted in South Africa to allow for the audit or assurance of non-financial information (IRBA, 2009:1). Parker (2009:1111) states that the medium of photography is potentially valuable for accounting researchers. The appropriate use and display of photographs in corporate annual reports may assist in the objective of improving confidence in reporting. The role of photographs in corporate annual reports is explored and the need for a framework to create a reciprocal link between photographs, narratives and the numbers, enhance quality and disclosure and to become useful to stakeholders in their analysis of the real (economic) value of a company.

1.8 RESEARCH METHODOLOGY

The discovery, interpretation and communication of new knowledge are considered by Ryan, Scapens and Theobald (2008:7) to be fundamental to research and are described as “methodologically highly diverse”, indicating many methods to approach a particular research subject. The two research methods selected for the purposes of this study are discussed in the following section.

Literature analysis

A critical analysis of literature was undertaken, the results of which are conveyed throughout the study. The purpose was to create a comprehensive review of literature for interpretation. In order to do this, access to articles, books, journals and research in the form of theses and dissertations were accessed using the electronic library services of the University of Pretoria, as well as the World Wide Web. The process followed is discussed in more detail in Section 1.8.2.

Content analysis

The explanation of *content analysis* offered by Bryman and Bell (2011:289) is an approach to the analysis “that seeks to quantify content in terms of predetermined categories”. The focus of the content analysis involves the counting of images to determine frequency and types of images displayed in corporate annual reports. The process followed is discussed in more detail in Section 1.8.3.

1.8.1 Initial inquiries preceding the research

The concept of *integrated reporting* discussed in Section 1.7 was introduced as a requirement for companies listed on JSE limited. This stimulated thought on the possible limitations of accounting and financial reporting to deal with information that is non-numerical in nature. Informal conversations with a professional photographer on the practicalities of being commissioned to photograph for companies wanting to include images in their financial reporting package, sparked an investigation into the realm of how images and other photographic material are used (or not used) in accounting and financial reporting.

At the outset, informal discussions with the professional photographer revealed that, in his experience, the preparation of the subject matter, the technological advancements in the photographic medium as a tool in itself and the ability for post-photography manipulation could lead one to be concerned that the integrity of images displayed in corporate annual reports might be at risk. This was also echoed in informal discussions with Miss B Bruce, a digital artist, who on 2011-11-01, provided

examples of her own digitally enhanced images used in reporting (see Figures 5.9 to 5.12).

The researcher has been in banking for more than two decades, with many years spent in the analysis of financial statements and annual reports for the purposes of evaluating applications from organisations for finance, with the last eight years in preparing and evaluating finance applications from corporate companies with turnover exceeding R400 million. Over the years, the researcher has observed the increasing presence of photographic images and other visual and non-financial information in corporate annual reports. In informal discussions with the researcher's husband, who is a professional photographer, the integrity of the photographic images was questioned, as many opportunities for misrepresentation were identified through these discussions. To establish how photographic images are viewed or interpreted by other people in the banking industry who manage teams that analyse and interpret the performance of corporate businesses and corporate annual reports, questions were posed as a stimulant for informal discussions:

- Do you look at or pay attention to the photographic images in corporate annual reports?
- Do you regard a photograph as a realistic representation of the business?
- Do you regard a photograph as presenting the image as truthful?
- What purpose, in your opinion, do the photographs fulfil?
- If photographs could be assured, would you place more reliance on them?

The responses from these informal discussions were similar in that the photographs were mostly ignored in favour of the numbers. This is not uncommon as evidenced by Davison and Warren (2009:847), who comment that “visual images are often dismissed as trivial, constituting decoration, insubstantial rhetoric, illusion, or at best, partially reliable information”.

1.8.2 Critical literature analysis

Following the discussions referred to in Section 1.8 and an initial cursory investigation of articles discussing the concept of *integrated reporting* (referred to in Section 1.1) as well as the accounting and auditing standards adopted in South Africa (International Federation of Accountants, 2010:3) to allow for the audit or assurance of discretionary information, this study has two focus areas:

- the role of photographic images in corporate annual reports, which has not yet been established or defined; and
- the possibility of photographic images having the power to influence the decision-making of stakeholders.

To deal with the first of these, a review of professional and academic literature was undertaken, followed by research into the photographic medium, regarding its uses relative to accounting and financial reporting. In researching the subject of photography and the use of photographic images, especially in accounting and financial reporting, and whether these have the power to influence emotion, extensive use was made of the internet to access electronic books and articles. In searching the internet, to trace relevant research, the keywords accounting, *financial reporting*, *photograph*, *image*, *visual* and *media* were used, specifically in the years 2000 to 2012. Of the results reviewed, many articles and online books were discarded, lacking empirically based discussions. Photography was found to be a widely accessible topic, although less was found to have been done in exploring the specific use of photographs in the accounting discipline. This view is supported by authors such as Breitbarth, Harris and Insch (2010:238), stating that the use of images in corporate reports has received little attention.

An interpretive or critical approach to research in finance and accounting, according to Ryan *et al.* (2008:86), is imbedded in the belief that social practices such as management accounting are not natural, but are socially constructed. The relationship between actions and structures becomes important, such as how accounting emerges as a consequence of a socio-economic system, which provides rules and a structure and how out of this structure, the rules further develop. To this end, it was observed in Section 1.1 that the accounting discipline has evolved from

practices into formalised statements or principles of accounting and financial reporting over several decades. Photographs are being displayed in corporate annual reports and this practice was observed in all the corporate annual reports in both samples of companies selected (see Appendix A). The relationship between this practice and the structure of accounting and financial reporting is to be explored. The accounting theory of GAAP uses an approach, described by Vorster *et al.* (2003:2) as being normative and descriptive in nature, explaining that the *normative approach* of processing and communicating information attempts to explain what should be, while the *descriptive approach* attempts to explain what is being processed and communicated. The descriptive approach falls under the banner of positive accounting theory, which Ryan *et al.* (2008:106) regard as being concerned with explanation and prediction, rather than prescription, and is being applied for the purposes of this introductory study. The methodology followed in the review of literature is intended to balance prescriptive power, namely establishing criteria for criticism, and descriptive power, namely gaining credibility in explanation and prediction (Ryan *et al.*, 2008:183). A review of photography literature was undertaken with the guidance of a photographic expert, the focus of which was to gain a technical understanding of the principles and practices of the photography medium.

1.8.3 Content analysis

Content analysis is reported to be widely used to reveal insights into accounting practices (Steenkamp & Northcott, 2007:12) and has traditionally been used to categorise and analyse the content of texts, which has been argued to include pictorial, symbolic and communication data. Bryman and Bell (2011:290) assert that *content analysis* is concerned not only with uncovering the content of an item but also the meaning beneath the superficial indicators, such as impressions and implications of the content. The increased use of photographic material in corporate annual reports and the limitation of accounting and financial reporting on how to deal with this medium suggests a lack of understanding of the role that photographs fulfil, hence the need to analyse the content of photographic images used in corporate annual reports. The content analysis of images in corporate annual reports was undertaken on a sample of companies selected from the following two surveys:

- Ernst & Young (2010) surveyed corporate annual reports from South Africa's top 100 companies, on the basis of their market capitalisation, and ranked these in terms of recognition for Excellence in Corporate Reporting 2010. This survey was intended to recognise companies that stood out in their industry, with disclosure in line with global and local practice and to select those that exceeded global and local reporting benchmarks, proclaiming the slogan "benchmark for sustainable business reporting". The top five from this survey were included in the sample selected.
- Business Times (2010:2) undertook a survey of listed companies and identified those that earned the most wealth for their shareholders, on the basis of having invested R10 000 over five years. These were then ranked from highest to lowest. From the Top 100 Survey published, a range of companies was selected for the sample to be analysed, as follows:
 - Fourteen of the top 100 companies over five years, being Numbers 1 to 5, Numbers 48 to 52, and Numbers 96 to 99;
 - Five of the worst 20 over five years, being Numbers 1 to 5.

For the analysis of content, the focus was on the corporate annual reports of the five companies listed by Ernst & Young (2010), published between 2005 and 2011. The two main dimensions of content analysis determined by Steenkamp and Northcott (2007:13) are the enumeration or counting of the text or data and the meaning of the text or data. In the analysis of the corporate annual reports, these were compared in size (megabytes) and length (pages) and the photographic images were counted (see Table 2.1). It was not surprising to note that the size and length of the corporate annual reports had increased, as one of the objectives of reporting is to provide more comprehensive and contextualised information, as discussed in Section 1.1. It was also not surprising that photographs were frequently displayed as there was and still is no guidance or restrictions on their use in corporate reporting and limited literature was found examining the role of photographs in corporate annual reports, as observed by the researcher and others such as Parker (2009:1111) and Breitbarth *et al.* (2010:239). Much of the research on the role of photographs in corporate annual reports has focused on the gender portrayal and cultural interactions observed (Aaltio & Mills, 2002; Davison, 2009; Shen & Samkin, 2008). These authors report that although photographs may affect viewers, the information that is conveyed, either

subtly or intentionally, is not uniformly interpreted. Jones (2007:97) explores impression management, concluding that the presentational elements of the corporate annual report are managed in such a way as to present results in the most favourable light possible, likening the process to creative accounting. He includes photographs under the presentational elements.

The placement of the photographic images in the corporate annual reports was also observed and the findings shown in Table 2.1. Further analysis of photographs and the results of the analysis are demonstrated in Table 3.1 which explored the intended message in the photographs; and in Table 3.2 after analysing the subject matter of the photographs. Samples of photographic images were extracted from the corporate annual reports of these companies listed on JSE Limited and the impressions gained from these are discussed in Appendix C.

The sample of companies from the Business Times (2010:2) survey and their respective corporate annual reports received attention in an overview in Appendix B. The approach in the analysis of the photographic content of these reports was conducted in terms of latent content, by interpreting the perceived role of the photographs and the impressions gained regarding the role of these photographs.

1.9 CHAPTER LAYOUT

The remainder of the research in this paper is organised as follows:

Chapter 2 Regulatory developments relating to discretionary reporting and the participants

Chapter 2 provides an overview of the state of the regulatory environment in South Africa following the introduction of the *integrated reporting* concept. The author examined where photographic images were displayed in corporate annual reports to establish in which section or sections of the corporate annual report these appeared in order to identify the focus of the regulatory overview. Since the preparers are responsible for the compilation of the corporate annual report in accordance with the regulatory requirements, an inquiry was conducted into the stakeholders that may be

affected by the introduction of integrated reporting and resultant requirements. Lastly, an overview is provided of the users or readers of corporate annual reports, as they are ultimately considered the drivers of change, demanding usable and reliable information.

Chapter 3

Photographs in corporate annual reports

Chapter 3 explores the use of photographs in corporate annual reports and the relationship between a picture, information and communication in the context of accounting and financial reporting. It also explores the relationship between accounting and photographs through semiology and how relationships are able to influence rational or logical thought, and potentially affect decision-making. These relationships are explored in greater depth as they are considered applicable to how photographs in corporate annual reports are used by preparers and perceived by readers.

Chapter 4

Principles of assurance and their relevance for photographic images

Chapter 4 investigates the principles of assurance introduced in Chapter 1 and expands on these principles of assurance as they relate to non-financial information and by their classification in this study, the photographs. The captions that sometimes accompany the photographs in corporate annual reports are also considered.

Chapter 5: The manipulation of photographs in corporate annual reports

Chapter 5 introduces the principles and practices of photography to enable the researcher to ascertain the capability of this technology. As the heading suggests, there is opportunity for manipulation of images and the scope of manipulation offered by this medium or tool is explored using images extracted from corporate annual reports.

Chapter 6

Summary and conclusion

The sixth and conclusive chapter summarise the research and describes an agenda which could extend this introductory research.

CHAPTER 2

REGULATORY DEVELOPMENTS RELATING TO DISCRETIONARY REPORTING AND THE PARTICIPANTS

2.1 INTRODUCTION

In Chapter 1, it was observed that the development from a common practice to a formally accepted practice took place over a long time. Cronjé (2007:25) discusses the development of accounting practices, from ancient times, when stone tablets were used for recording and reporting, to modern times, when reporting is multifarious and represents the interaction between companies and their stakeholders by generating and sharing information. The advancement in technology has enabled companies to use electronic means of preparing and presenting information and the medium of photography is one of these as is evident in the photographic images that frequently appear in corporate annual reports (see Table 2.1). The credibility of financial reporting has long been debated and there is a renewed emphasis being placed on its enhancement (Eccles *et al.*, 2010:37).

The objective of this chapter is to look briefly at the more recent regulatory developments, introduced in Chapter 1, to establish whether the regulatory environment in South Africa is conducive to enhancing financial reporting standards. The aim of the regular developments in accounting practices is to achieve a complete and consistent framework for reporting. The standard-setting initiatives of the International Federation of Accountants (2010:3) are intended to “develop, promote, and enforce internationally recognized standards as a means of ensuring the credibility of information upon which investors and other stakeholders depend”. The regulatory environment can be such that it inhibits development or supports initiatives to improve frameworks such as this.

This chapter commences in Section 2.2 with a focus on the regulatory environment as it relates to reporting of discretionary information to accompany the statutory financial statements. The introduction of a requirement for integrated reports in terms of King III in 2010 is discussed in Section 2.3, as well as changes to the Companies Act Companies Act (71/2008) promulgated in 2011. In the interpretive or critical approach to research in finance and accounting, according to Ryan *et al.* (2008:86),

there is a relationship between actions and structures. The regulatory environment may therefore provide the structure for change in reporting initiatives, but the participation of the preparers of the reporting information is needed to carry out the changes. The relation of these changes to discretionary reporting is dealt with in Section 2.4. To complete the analysis, the participants in the process which are the audience or users of corporate annual reports and the preparers of corporate annual reports are considered in Sections 2.5 and 2.6.

2.2 REASON FOR CONSIDERING THE DISCRETIONARY SECTION OF THE CORPORATE ANNUAL REPORT

The structure of corporate annual reports is described by Lubbe *et al.* (2011:39) as consisting of the financial statements, being a collection of the prescribed minimum statements including but not limited to the statement of financial position, statement of comprehensive income and statement of cash flows. They also add that some entities provide supplementary reports containing disclosures that are considered essential to a reader's understanding and analysis of the business, its performance and environment, and which are considered good corporate governance. Cronjé (2007:32) describes this section of the corporate annual report as the discretionary information system, which caters for operating and financial reviews, overviews of strategy and similar reporting. Following a content analysis of the corporate annual reports of the sample in Appendix A, it was found that the discretionary section containing voluntary information is where the photographs are generally displayed, as observed in Table 2.1.

Table 2.1: Appearance of photographs in corporate annual reports

Company	Number of photographs	Section(s) used for display	Regulatory or Discretionary
Anglo American Plc (2010)	109	Throughout the sections from introduction to overviews and directors reports	Discretionary
Sasol Limited (2011) Annual Financial Statements Integrated Report	7 76	Throughout the sections from introduction to overviews and directors reports	Discretionary
Nedbank Group Limited (2011) Annual Report Integrated Report	3 51	The front cover, first page and back cover Throughout the sections from introduction to overviews and directors reports	Discretionary
Massmart Holdings Limited (2011)	55	Throughout the sections from introduction to overviews and directors reports	Discretionary

Source: Own observation

2.3 THE MOVEMENT TOWARDS ENHANCED REPORTING

Cronjé (2007:25) concludes that many of the discretionary accounting practices have over time become generally accepted accounting principles, such as the reporting of earnings per share. The International Federation of Accountants (2003:7-9) refer to stakeholders, such as debt and equity investors, who have become concerned by a lack of transparency and unreliable information, as discussed in Section 1.7.

Concerns have been shared by many professionals such as Ian Powell (2010:29), chairman and senior partner of PricewaterhouseCoopers in the United Kingdom, that the possibility exists for clever manipulation of narratives, illustrations and other media. In addition, the photographs that appear in financial reports are currently not discussed in the accounting principles of or IFRS. Powell (2010:29) argues that “the audit is still critical to markets but can be improved”, suggesting that “discussion needs to consider widening reporting to include non-financial information – for

example in the sustainability and environmental space, which these days can have a dramatic impact on a company's share price, reputation and license to operate. Given the importance now attached to this kind of information, I see value for the market in having assurance on it".

Leventis and Weetman (2004:309) state that companies with an international focus voluntarily provide higher levels of non-financial disclosures and that the corporate annual report is used to create an impression that influences stakeholders, with visual images being an integral part of the presentation. Leventis and Weetman (2004:308) conclude that there is greater transparency in companies seeking an international readership. The South African environment is no different from other countries as it has been influenced by global awareness regarding fraudulent activity in reporting, and has participated in the debates referred to in Section 1.1, identifying a need for greater transparency, relevance and integrity in financial reporting. The regulatory changes which allow for such developments to overcome some of the limitations in accounting and reporting and provide for the assurance of information appearing in the discretionary section of the corporate annual report are observed and briefly outlined in the next section, beginning with the key regulatory changes that have occurred to enhance reporting.

2.3.1 The introduction of King III

King III, the term commonly used for the King Report on Governance for South Africa 2009 and the King Code of Governance Principles (Institute of Directors in Southern Africa, 2009:1-65), became effective on 1 March 2010 and requires that entities prepare an integrated report annually, specifically companies listed on JSE Limited. The responsibility for oversight of this report is assigned to the audit committee of the company. King III (Institute of Directors in Southern Africa, 2009:32) requires that the audit committee oversee integrated reporting, specifically referring to all factors and risks that may impact on the integrity of the integrated report, the financial statements, and the content of the summarised information, as well as engaging the external auditors to provide assurance on the summarised financial information. Neither King III nor the Institute of Directors in Southern Africa provides guidance on the treatment of photographic images. The audit committee has to "ensure that a

combined assurance model is applied to provide a coordinated approach to all assurance activities” (Institute of Directors in Southern Africa, 2009:33) and this model then has to be recommended to the board of the company for approval. It is uncertain whether “assurance activities” might refer to assurance of photographs as there is no distinction or definition of non-financial information, into which category the photographs in corporate annual reports discussed in this paper falls (see Section 1.2).

2.3.2 Changes to the Companies Act

The Companies Act (71/2008) has also recently been amended to accommodate the shift in inclusion of non-financial information in reporting. For the purposes of this research, non-financial information includes photographs. Certain sections of the Companies Act (71/2008), as amended (effective from 1 May 2011), are highlighted and commented on:

- Section 29(1) requires (a) that financial statements “satisfy financial reporting standards as to form and content” and (b) that the company “explain the transactions and financial position of the business of the company”. The spirit of an integrated report is supported by this requirement. *Form* and *content* are described by Soanes *et al.* (2001) as, respectively arrangement of something and material dealt with. The photographs appearing in the corporate annual reports should comply with this requirement to be considered a relevant part of financial reporting.
- Section 29(3) allows for a company to “provide any person with a summary of any particular financial statements, but (a) any such summary must comply with any prescribed requirements”; and Section (4) allows the minister to make regulations prescribing “(a) financial reporting standards contemplated in this Part; or (b) form and content requirements for summaries”. Since there is currently limited governing of non-statutory and non-financial information, provision had to be made to introduce appropriate regulations at a later date. The photographs are non-numerical and deemed non-financial information.

- Section 30(2)(b)(i) requires that the financial statements be audited “taking into account whether it is desirable in the public interest, having regard to the economic or social significance, as indicated by relevant factors”. It is unclear who determines when it is “desirable in the public interest”.
- Section 30(7)(b) allows the minister to make regulations regarding “the manner, form and procedures for the conduct of an independent review other than an audit”. It must also be borne in mind that the new Companies Act (71/2008) does not require private companies to be audited, only reviewed. The review process is still to be defined and the reviewers may also not be governed by the Independent Regulatory Board for Auditors, as auditors currently are. Because the Institute of Directors of Southern Africa (2009:33) indicated that the assurance of non-financial information is to ensure that an appropriate assurance model is applied under the oversight of the company’s audit committee, it is unsure which expert (or none) might be responsible for the assurance (if any) of photographic material. The integrated reporting requirement is initially only applicable to companies listed on JSE Limited, as is the King III code.

2.4 ENHANCEMENTS IN THE REGULATORY ENVIRONMENT RELATING TO NON-FINANCIAL DISCLOSURES

The sophistication of the audience for financial statements has increased, with a greater demand for meaningful information, as demonstrated in Section 1.7 by the advancement of accounting practices and mirrored in the work of Ryan *et al.* (2008:7-113), who observed the development of research in financial accounting. In the realm of positive accounting research and specifically agency theory, Ryan *et al.* (2008:107) indicate that the managers of the company are in a relationship with shareholders and are considered their agents, with incentives based on the financial statements, motivating decision-making. The global debates (Business Day, 2010:16-17, 23; Gillingham, 2010:16; Hannington, 2010:14; Knonki, 2011:18; Patel, 2011:14-16; Roberts, 2011:3-5; Temkin, 2010:15; Zilwa, 2011:3-6) on enhanced reporting and providing contextualised information in an integrated report as required in King III are an indication that the pressure on management to provide more relevant detail has

intensified, with the result that corporate annual reports have had substantially more information than in the past, and have therefore become very lengthy, as observed in Table 1.1.

Disasters such as the Enron debacle are described by Bagranoff, Simkin and Strand (2005:12) as important because of the magnitude of money and jobs lost, as well as the complex manipulation of accounting records. This has led to a drive for enhanced reporting with the latest being the concept of the *integrated annual report*. Provision has been made in the regulatory environment to allow for the inclusion of more non-financial information, as discussed earlier in this chapter, while the role of photographs as a non-numerical medium is still to be explored in relation to non-financial information, accounting and corporate annual reports.

While there are many regulations governing the financial information required for the mandatory financial information system, namely the regulatory parts of an annual report, there is less regulation governing the discretionary information system. This is echoed by Lubbe *et al.* (2011:40) in their caution to readers that the non-financial information has not been audited. To be able to understand the use and regulation or lack of photographs in a corporate annual report and the connection with financial reporting, it is first necessary to know who the viewers or users of corporate annual reports are, and who prepares these reports.

2.5 THE AUDIENCE (VIEWERS OR USERS) OF CORPORATE ANNUAL REPORTS

In understanding how photographs are intended to be used in corporate annual reports, it is first necessary to know who the viewers or users of corporate annual reports are, driving the evolving need for information. Leventis and Weetman (2004:315) through interview research report that voluntary disclosures were frequently increased in response to market pressures and demands for information, and especially where bad news was reported or share yields were low. The intention was identified to be offsetting bad news with greater disclosure, providing insight and assurance to stakeholders. Flegm (2004:59) reasons that there has been a shift in the objective of presenting information, moving from providing financial information to

the management and creditors of an organisation to an investor-oriented audience, hence shifting from a focus on accounting principles to reporting principles.

Each stakeholder has his or her own interpretative approach to analysing financial reports, as observed in the many studies that have been carried out on behaviour (Forbes, 2009:58; Lewis, 2008:17; Montier, 2008:97) in an attempt to predict behaviour, but despite some correlations, human nature and emotion make it mostly uncertain and unpredictable. A Harvard management update (Evers, 2012:38) discusses how emotions are complex brain processes, each with a distinctive style that is shaped by DNA and life experiences. It, therefore, follows that each individual may filter or process information in a different manner, which suggests he or she is driven by emotion, and hence any aspect of financial reporting that could elicit a reaction or emotional response may be deserving of some attention, especially if the company wants to ensure that the message or interpretation of what is included is received as intended and not misinterpreted.

2.6 THE PREPARERS OF CORPORATE ANNUAL REPORTS

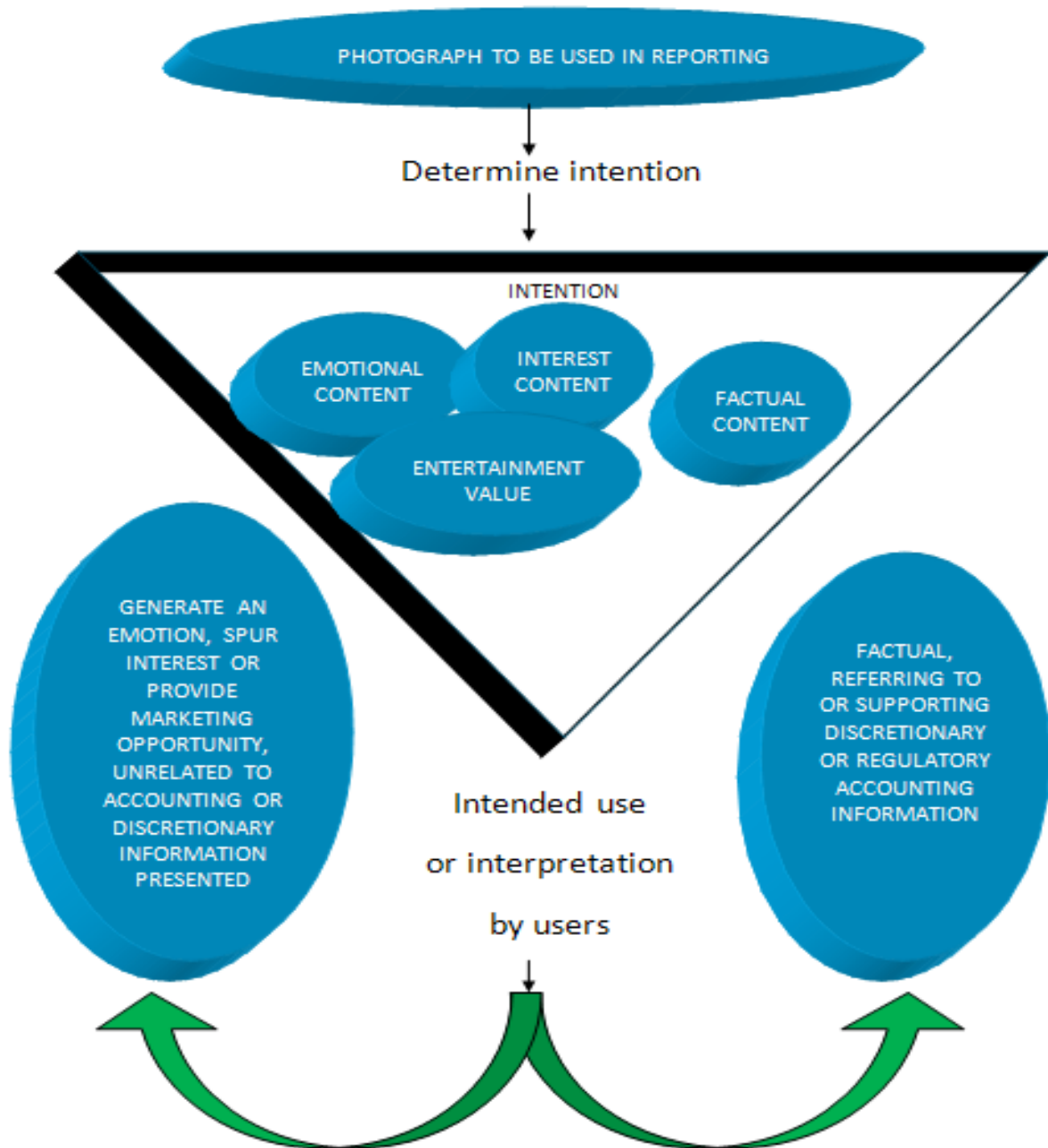
The participants in financial reporting are sometimes users as well as preparers of information, and they also need to be cognisant of the needs of users. In the process of compiling a report on the financial and other performance of the company, the preparer needs to consider how the information is to be used or analysed by a shareholder, investor, debt provider or similarly oriented audience (Cronjé, 2007:257), to ensure that the content is relevant and appropriately appealing and informative. The preparers of financial statements and corporate annual reports are therefore responsible for selecting the most relevant information and by implication, the photographic material that is to be presented. There are many views of the role and purpose of the corporate annual report, ranging from a means of communicating to stakeholders, presenting a corporate image or personality of the organisation as well as a marketing tool (Stanton & Stanton, 2002:478). Management is responsible for the preparation of information for the board of directors' approval and auditors also interact with management and the board and make independent opinions on this information (International Federation of Accountants, 2003:8). This is supported by Cronjé (2007:195), who declares that management is the main role player, with the

finance departments of companies entrusted to prepare mandatory and voluntary disclosures and the final corporate annual report.

The claim that “all images carry a message of some sort – you cannot use an image without conveying a meaning or opening it up to interpretation” is made by Marshall and Meachem (2010:95). They split visual communication into two categories, namely information and persuasion, which they describe as assisting understanding and changing perceptions, respectively. The images which are displayed in the discretionary section of the corporate annual report are demonstrated by Davison (2010a:167) to be more closely aligned to advertising than accounting, arguing that “where advertising aims to *construct images*, accounting is based on efforts, at least, to *represent truths*”. She further states that accounting is “more construction than representation” (Davison, 2010a:167).

From these perspectives, the researcher produced a representation in Figure 2.1, which illustrates that the use of a photograph and its elicited response generally takes one of two divergent directions. The one direction, determined by the emotional, interest or entertainment intention, is considered to have more of a marketing intention. The other direction, denoted by factual content, is considered to be more closely aligned with the objective of supporting or providing evidence for accounting information. The elements or attributes of photographs to determine the intention have not yet been established, and this receives more attention in chapters 3, 4 and 5.

Figure 2.1: Intended use of photograph, based on content and indicating form of communication



Source: Own observation

A decision must be made by preparers regarding the message that the photograph is intended to convey or the response that it intends to elicit, bearing in mind that interpretation can be varied. Ball (2011:115) notes that there is increased use of the visual domain, in which he includes images and text which supplement the regulatory requirements. He further reports that the literature explored indicated that the majority of readers of corporate annual reports were least likely to read the regulatory portions

thereof. The appropriate use and display of photographic images in corporate annual reports therefore become of great importance.

2.7 CONCLUSION

It is important that regulatory frameworks in South Africa provide for future developments in the accounting and reporting fields and support new introductions. The King III requirement for an integrated report is supported by changes to the Companies Act (71/2008) which allow for other initiatives such as methods and tools to enhance reporting information. The technology used in the reporting function also comes under the spotlight and the medium of photography may form part of this as photographic images are presented in corporate annual reports. It is, however, noted with reference to non-financial information that no specific mention is made of the audit or assurance of photographic images, despite the frequent appearance of these in corporate annual reports. The use of a photographic image is not governed by any of the accounting frameworks, discussed in Section 1.3 and, as such, there is no guideline to bring validity and credibility to the images used, no requirement to relate the image to the content of the annual report, and no restrictions on the use of photographic material.

It is envisaged by the Harvard Business School (Eccles *et al.*, 2010:46) that integrated reporting will be a catalyst for change, stimulating a healthy narrative on the requirements for linking the corporation's goals, strategies, governance, performance and core business activities as well as sustainability of its existence and objectives, which may include increased profit, good reputation, and being widely recognised. Because *accounting* was defined by Bromwich (2005:9) as a measurement in quantitative and financial terms, and despite being viewed as somewhat subjective, the process of auditing all the information that is to be presented in the annual report, may provide a degree of credibility, which could lead a reader to consider the content as factual rather than subjective (Hooper & Low, 2000:24). The use of photographs to convey factual information may therefore be taken more seriously if the informational content thereof could be audited, or at the very least, assured.

The placement or position of the image or images may also be important to consider, if they are intended to create a particular mood or stimulate a thought or emotion, create a distraction, support or provide factual information. A semiotic approach to visual communication is used by Breitbarth *et al.* (2010:243), positing that “images are collections of signs linked together in a certain way by the viewer, hence, meanings can only be suggested by the producer”. The interpretation of the information presented in a photograph varies, depending on the reader or user and the nature of their requirement. These requirements have also evolved with more demands for a greater variety of information, without deterioration in credibility, integrity and other attributes that a corporate annual report is intended to possess. That “accounting developed from the owner/manager’s basic need for a systematic, disciplined means of maintaining control of his business and to assist in the formation of future plans” is identified by Flegm (2004:169) with the need for more subjective and qualitative analysis arising as business and society have become more complex. There is also a suggestion that this could perhaps result in “unreasonable expectations on the part of many users as to the absolute precision of all accounting data” (Flegm, 2004:255).

CHAPTER 3

PHOTOGRAPHS IN CORPORATE ANNUAL REPORTS

3.1 INTRODUCTION

As established in Chapters 1 and 2, the landscape of financial reporting has changed (Vorster *et al.*, 2003:1), from the days when transactions were recorded on stone tablets to today, where the use of technology to assist in preparing, presenting and analysing information is common practice. The sheer size of corporate annual reports has been increasing year by year, as evidenced in Table 1.1. The recent publication of the King III code has resulted in at least the JSE Limited-listed companies being required to produce an integrated report. The *integrated reporting* concept promotes the concept of *discretionary reporting* in addition to mandatory financial information, which is supported by Cronjé (2007:257), who explains that corporate annual reports “can be visualised as the product of information systems representing an interaction between the entity and stakeholders to generate and share information ... driven by accounting practices, which are again driven by the needs of users to reduce uncertainty and risks.”

Cronjé’s research (2007:21) reveals two interrelated systems, namely the mandatory financial information system and the discretionary information system. The discretionary information system contains disclosures, which include graphs, colour, visual representations and photographs. This transition in accounting practices has resulted in the inclusion of greater amounts of non-financial information than has been presented in the past, as can be seen in Table 1.1.

The purpose of this chapter is to explore the component of non-financial information, introduced in Chapter 1, being the use of photographs in corporate annual reports. The primary focus is to establish whether the presentation of photographs in corporate annual reports does indeed deserve a more in-depth study based on their perception by and impact on readers and users of financial reports.

The chapter commences with the investigation in Section 3.2 of the role that photographs play in corporate annual reports, with questions regarding the intention of including photographs in corporate annual reports: Does the presentation of the photograph intend to provide information that is not already there? Alternatively, does it attempt to distract from other information that is presented? Is it merely provided for entertainment or as an opportunity to advertise the company's products or services? The relationship between a picture and words is explored in Section 3.3, and in Section 3.4, the relationships observed in photographs and their association with semiology. This is followed in Section 3.5 by an investigation of responses to images and in Section 3.6 the potential to communicate. The chapter continues with an examination of the relationships between accounting, financial reporting and photographs in corporate annual reports, in Section 3.7 and discusses the perceptions of photographic images in corporate annual reports in Section 3.8, identifying links between these concepts in Section 3.9. The chapter closes with a conclusion in Section 3.10.

3.2 PHOTOGRAPHS IN CORPORATE ANNUAL REPORTS

The researcher's informal discussions of how photographs are perceived conversations with various individuals in the banking sector, accounting and private business revealed that most considered the photographs used in financial reporting as a form of marketing, rather than as evidence or items to be used in analysis and that analysis is mostly based on the numbers and commentary, not the photographs. The perception of photographs not being taken seriously is supported by Davison and Warren (2009:846), who note that it is believed that accounting is about the numbers, yet they recognise three components of the communication in corporate annual reports, namely the numbers, the words and the visuals. They furthermore advocate that the growing number of images in the annual reports is being ignored. Photographs frequently appear in corporate annual reports of companies, specifically those listed on JSE Limited. Most of the corporate annual reports in the sample (Appendix A) displayed photographs, with some only exhibiting portraiture of the board members, and others displaying a wide range of photographic images throughout the report.

In Chapter 2, it was stated that the latest developments in the regulatory environment support the concept of an *integrated report*. The global and local debates on how integrated reporting should be implemented and effected also lean towards more frequent and effective use of electronic means or technology (Eccles *et al.*, 2010:9), and this may, by its digital nature, include photography. The use of systems is also recommended to sift through the growing volume of data available (Business Day, 2011a:17; Coetzer, 2011:17). Some statistics on the amount of data provided (Business Day, 2011b:17) illustrate that 30 billion radio frequency tags were used in 2010 compared with 1.3 billion in 2005, and predictions are that the 800 000 petabytes of information in 2009 will grow to 35 zetabytes by 2020, a petabyte being more than one quadrillion and a zetabyte being more than one sextillion. There is a suggestion by Coetzer (2011:17) that systems are needed to assist in identifying useful and relevant information from the abundance available, which implies that not all information available is relevant. Perhaps the cliché “more is less” is appropriate, as the sheer volume of information may be a distraction to users of corporate annual reports, diverting attention away from critical information to an abundance of less relevant information.

The word *relevant* is defined by Soanes *et al.* (2001) as closely connected. The works of scholars such as Wheatley (2006:10) view the connections between items or concepts as the fundamental ingredient of meaning. Wheatley also emphasises that as life in general becomes more complex, humans strive to find meaning and ways to be more simplistic, basic and direct, to control ‘things’ and create order. The increasing complexity of business and society is discussed in Section 1.3 and following Wheatley’s comment, may suggest that the increased use of photographs is an attempt to provide information in a more meaningful form or because it may be a simpler, more direct approach to provide a greater amount of information in a condensed or basic format.

3.3 THE RELATIONSHIP BETWEEN A PICTURE AND WORDS

A proverb ascribed by Wikipedia (2011a) to Chinese origin is that “one picture is worth ten thousand words”, but a more commonly used one is that “a picture is worth a thousand words”. Regarding the importance of language as a means of

communication, the Concise Oxford English dictionary (Stevenson & Waite, 2011) defines *word*, as “a distinct meaningful element of speech or writing, used with others to form sentences”, while *language* is defined as “the method of human communication, either spoken or written, consisting of the use of words in a structured and conventional way” (Stevenson & Waite, 2011). *Communication* derives from the verb *communicate*, “share or exchange information or ideas” (Stevenson & Waite, 2011). It therefore follows that if a picture has its own language and also communicates information and ideas, it may play a complementary role in the presentation of the corporate annual report. The definition of information in Section 1.2, as “data that have been organized and processed to provide meaning and improve the decision-making process” (Romney & Steinbart, 2012:24), supports the notion that photographs can be considered information and can influence decision-making.

Wheatley (2006:94-98) explored the concept of *information* and concludes that information theory has treated information as tangible, and quantifiable into “bits and bytes to be counted, transmitted, received, and stored”, which she considers limiting, suggesting that “life uses information to organize matter into form” and the “role of information is revealed in the word itself: *in-formation*”. The accounting discipline provides guidelines for the recording of transactions and these records provide information regarding the transactions, events and performance of organisations, as mentioned in Section 1.1. Organisations are growing in complexity, as described in Section 1.3, and there is a desire to reduce this complexity and show information more simply. Since a picture communicates in a language of its own and pictures are considered in the preceding paragraph to be providing information, the heart of this notion is that pictures can be considered to be informing readers and without acknowledging the potential of this communication, may influence interpretation and decision-making of readers of corporate annual reports.

The game of “broken telephone” is used by Wheatley (2006:94-98) to demonstrate how children may first learn that information can become distorted, and then how adults expect to be able to manage and control information instead of working with information in the same way that life does, that is by using the information to generate new capacities. So, in order for information to be meaningful and able to communicate, it must form a relationship with “something”. This concept of

information allows the possibility that a photograph can be used to convey and communicate messages carried in corporate annual reports, even though users might not be aware of it. The power of a connection or relationship that could be created between the reader of the corporate annual report, the images displayed therein and their interpretation is suggested by Wheatley (2006:34) when she declares that “in the quantum world, relationships are not just interesting; to many physicists, they are *all* there is to reality”.

Communication in corporate annual reports is maintained by Crowther *et al.* (2006:175) to occur in three forms, two being linguistic and the third, which encompasses pictures being non-linguistic, all of which are regarded as integral components of the “communication event”. Burnett (2005:17) suggests that the image “remains sensuously engaged with viewers even as it is layered with more and more meanings”. He also states that “the language of description that usually accompanies a photograph cannot fully account for its mystery” (Burnett, 2005:19)

That no image retains its meaning for long because “time and history continuously recontextualize meaning and viewership” is reported by Burnett (2005:17). The impact and content being perceived in a photograph may differ depending on the date that it is taken, which could possibly be in a different reporting period to the corporate annual report in which it appears, as there is currently no guideline on what would be appropriate use of images. The interpretation of the image may therefore also change, depending on when it is viewed. These are important aspects since corporate annual reports are related to a specific reporting period and the photographs displayed therein are limited to a point in time, which is the date and time in which they were taken. The intended response to a photograph in the corporate annual report may change over time, thus upsetting the original intent.

3.4 PHOTOGRAPHS AND THEIR RELATIONSHIPS

The photographic medium is used with intent, and is not accidental, as photographic assignments are planned to achieve a desired effect, according to Eber and Neal (2001:16), who also state that a skilled photographer understands the objectivity of the medium, likening it to a painter who “understands how paint sits on canvas, and

uses it to mold [sic, US spelling] her subjective reality, her truth". Arguing that a digital artist does the same, using an "objective mathematical model and pixel information to show the truth of their lived experiences and the collective experiences of all humans", Eber and Neal (2001:17) conclude that humans use symbols and imagination to make sense of the world, reifying these representations once embedded in the memory, and once created, they tend to be "endowed with objective, factual qualities".

Photographs are generally perceived as a representation of something, be it a person, object, view, or other subject matter, which some perceive as real and others perceive as fabricated. Hirsch (2007:53) argues that a photograph stands for something else, and is a representation and therefore considered a symbol or similarly, a sign. A *sign*, is defined by Soanes *et al.* (2001) as "a thing that indicates that something else exists". The inclusion of photographs in corporate annual reports may be intended to represent a fact, thought or stimulate conversation which is best portrayed visually rather than in the written word. In Section 3.3, a *word* was defined as a unit of language, which may have semantic (literal) or pragmatic (practical) content, and form a part of semiology, that is, the study of signs and sign processes, likeness, signification and communication, divided into three branches as explained by Wikipedia (2011c). *Semantics* is described as the relation between signs and the things to which they refer, or their meaning; syntactics (or syntax) described as the relation among signs in formal structures; and *pragmatics* explained to be the relation between signs and the effects they have on people who use them.

3.4.1 Semantics in accounting

In accounting, *measurement* is defined by Bromwich (2005:9) as converting physical numbers of items into monetary units, items such as physical units of raw materials and components are converted into a monetary value, based on an appropriate accounting principle. The accepted unit of measure in accounting, according to Riahi-Belkaoui (2004:213), is the monetary unit. The monetary unit used in accounting is a sign representing the physical asset or assets, and based on semantics being the relation between signs and the things to which they refer, the relation between the monetary value (the sign) and the asset being represented creates meaning. This

semantic connection creates meaning and the representation can therefore be understood and explained.

Similarly, the process of taking a photograph could be equated to recording a transaction, resembling an entry made for accounting records to record the acquisition of assets, provided the information contained in the photograph (the sign) could be converted into a practically understood arrangement such as a monetary unit. The challenge is being able to convert a photograph into a universally recognised arrangement, structure or similar presentation that may be interpreted in a uniform manner, as no guideline has yet been observed on how to do so.

3.4.2 Syntax in accounting

The *syntax*, which is defined by Wikipedia (2011c) as the relation among signs in formal structures, could be likened to the literal interpretation of accounting principles and practices contained in IFRS, as this framework and its components are used as guiding principles to report transactions, such as that described in Section 1.1 and the performance of an organisation in a meaningful structure. The *syntax* in financial reporting could refer to the relationships formed between accounting principles and practices, it could also refer to the relationships between the different parts of the regulatory information system, namely the balance sheet (statement of financial position), income statement, cash flow statement and accompanying notes, or it could refer to the relation between the regulatory and discretionary information systems in corporate annual reports. The relation or syntax of photographs in corporate annual reports, or lack thereof, is to be further explored by investigating what connection, if any, exists between a photograph (a sign) and other information represented and what it is intended to signify in the structure of a corporate annual report.

3.4.3 Pragmatics in accounting

Pragmatics is defined by Wikipedia (2011c) in semiology as the relation between signs and the effect that they have on people. A company's results are presented in

the corporate annual report and ‘things’ such as assets and transactions are translated into numbers, graphs, charts, formulas, ratios and photographs, to assist users in interpreting or analysing information. There are many methods and studies on how to approach the analysis and interpretation of the numerical information contained in corporate annual reports (Lubbe *et al.*, 2011), represented by the monetary unit, but little observed guidance on the interpretation or analysis of photographs, as discussed in Section 1.7.

3.4.4 The association of signs in accounting and financial reporting

It was stated earlier that the corporate annual report is a presentation of the company and its results and a reflection of the corporate identity of the company, providing discretionary information considered relevant to its performance in addition to its regulatory report on the results. McGoun *et al.* (2005:213) describe *financial statements* as “signs that represent businesses”. They investigated the nature of accounting signification and conclude that in the successive types of representations discovered, the financial statements become increasingly dissociated from the businesses they are meant to represent (McGoun *et al.*, 2005:213). Wright (2004:82) declares that the “photographic image may not be simply reducible to cognitive or semantic explanations and the separation of linguistic and visual communication may owe more to the legacy of Cartesian dualism than it does to visual representations”.

Ensuring a connection is made or a relationship formed is described by Wheatley (2006:34) as fundamental to being able to communicate a message or information, and the relationship or connections formed between a picture and words in the corporate annual reports are to receive greater consideration. The question can be asked, why? A photograph was found to be used with intent, having the ability to take on factual qualities (as described by Eber & Neal, 2001:17) and represent a sign or symbol of something, with the potential to communicate information in a manner that influences a person overtly or subliminally, depending on the connection between the sign or representation that the photograph may make and the reader. Justesen and Mouritsen (2009:981) state that photographs have a “special convincing potential”, not only illustrating historical performance but providing a physical sample evidencing proof of this, rather than only a representation.

3.5 RESPONSES TO IMAGES

Humans have become used to being entertained and have come to expect it, with attention being regularly sought through the use of media and technology, intending to stimulate a desire or to seek a specific response or behaviour. This view is supported by Davison and Warren (2009:847) who agree that modern society is dominated by the visual, and by Hui and Rudkin (2008:2) who examined literature on media and visual representation. There have been many studies on the behaviour of investors (Forbes, 2009:58; Lewis, 2008:17; Montier, 2008:97) and although some responses have been found to be predictable, the human element of emotion causes responses to be mostly unpredictable. Human responses are largely emotional rather than based purely on objective intellectual reasoning, which is often lost in the conversion between the intellect and the emotions, or the limbic system (Bradberry & Greaves, 2009:6-7). David (2001:195) states that the content of the discretionary section of the corporate annual report “provokes interpretive and emotional reactions” that “offer more to readers than data on the company’s yearly progress”, which implies that the connection with an emotion may be the trigger that changes the form of data into information.

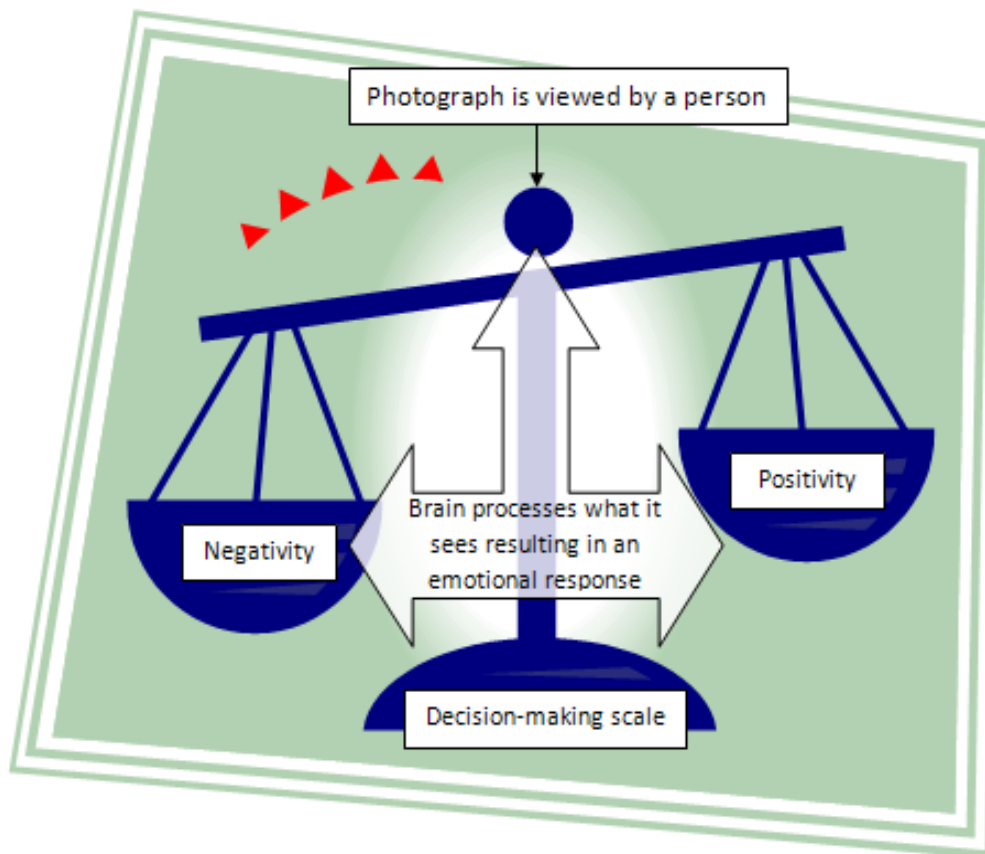
Since photographs may have the ability to elicit an emotion and may be used to prompt a response and create a connection between the reader and the image, the concept of emotion is examined. The word *emotion* is claimed by Wikipedia (2011b) to be derived from the French word *émouvoir*, based on the Latin *emovere* (*e* meaning ‘without’ and *movere* meaning ‘move’). It is also defined by Soanes *et al.* (2001) as “instinctive feeling as distinguished from reasoning”, suggesting that it is separate from reasoning or the rational decision-making that is expected in accounting and financial reporting. Using a photograph or photographs in a corporate annual report may be intended to create a particular emotion, influencing the reader.

In attempting to understand the behaviour of investors (Forbes, 2009:58; Lewis, 2008:17; Montier, 2008:97) it was observed that emotion causes responses to be mostly unpredictable. This unpredictability can lead to uncertainty and organisations have no guidelines on how to decide whether to include photographs in corporate annual reports, and how to do so. On further exploring the subject of emotion and

emotional responses, it is evident that emotion goes hand- in- hand with a physical reaction or response, which Bradberry and Greaves (2009:6-7) illustrate by mapping the transmission of all human senses, such as sight and smell, in the form of electric signals that pass from cell to cell, entering the base of the brain, and travelling through the limbic system (where emotions are purported to be produced) to the frontal lobe, where rational thinking is purported to occur. Their studies identified that only 36% of people tested were able to understand or manage their emotions, suggesting that the majority were controlled by their emotions. The implication of this statistic could lead to a possible conclusion that 76% of readers of corporate annual reports are being influenced emotionally and photographs may trigger or heighten an emotion elicited from other information contained in the corporate annual report.

Information travelling between the rational and emotional parts of the human brain is likened to a city street. The term *plasticity* is used by neurologists to describe the brain's ability to change, stating that "a single cell can grow 15 000 connections with its neighbours" (Bradberry & Greaves, 2009:52). The challenge that humans face is in increasing their emotional intelligence so that they are better able to identify and understand these responses. It is the opinion of Marshall and Meachem (2010:95) that visual communication is most effective when the audience is unaware of the intention to persuade them. The users or readers of corporate annual reports are human and their reactions to the content of corporate annual reports, whether written or visual, will consequently be subject to the human physiology and a lack of response is therefore unlikely. These emotional triggers elicited by viewing a photograph may have a positive or negative influence, tipping the decision-making scale one way or the other, as depicted in Figure 3.1.

Figure 3.1: Decision-making scale, influenced by emotions of positivity or negativity



Source: Own observation

The decision to include or exclude a photograph from a corporate annual report is likely based on the initial response of the decision-maker as depicted in Figure 5.1, despite potentially being unaware of the motivation to do so. Whether this stimulant would also correlate with the desired response to be elicited from the reader is uncertain. The rationale for including selected photographs is not evident in the corporate annual reports in the sample observed, nor is there any mention of the selection process followed. The ability of photographs to elicit a response or emotion can be powerful, making their selection a critical task. In attempting to respond to some questions regarding the intention of the preparer of the report in selecting photographs, in the opinion of the researcher, the following are considered in the analysis of the sample companies' latest corporate annual reports:

- (A) Does the presentation of the photographs generally intend to provide information that is not already there?

- (B) Alternatively, does it attempt to distract from other information that is presented?
- (C) Is it provided purely for entertainment, or as
- (D) an opportunity to advertise the company's products or services?

In the opinion of the researcher, the perception of the most predominant theme was selected from the options (A) to (D) for each of the sample companies and shown in Table 3.1. The perception was found to be strongly influenced by the explanatory captions. Without the influence of explanatory captions, the photographs were admired and considered by the researcher to be brand advertising or fulfilling a marketing opportunity. Ball (2011:131) also perceives the corporate annual report to be a "glossy self advertising product that projects the image of a company that emphasizes quality".

Table 3.1: Intention of inclusion of photographs in corporate annual reports

Company	(A) Add	(B) Distract	(C) Entertain	(D) Advertise
Anglo American Plc (2010)	✓			
Sasol Limited (2011) Annual Financial Statements Integrated Report	✓			
Nedbank Group Limited (2011) Annual Report Integrated Report	✓			
Massmart Holdings Limited (2011)				✓

Source: Own observation

3.6 HOW A PHOTOGRAPH COMMUNICATES

In Section 3.3, an age-old proverb was quoted stating that a picture is worth ten thousand words. How does a photograph communicate? Brommer (in Excell, Batdorff, Brommer, Rickman & Simon, 2011:216) writes of “studium and punctum”, which is likened to an image which talks (studium) versus one which screams (punctum), and how much thought goes into the preparation of such an image to elicit a response from the viewer. He expresses an opinion that the majority of photographs taken would fall into the studium category, being stock images of various types, including but not limited to scenes, landscapes and portraits. An analysis of the photographs in the sample list (see Appendix A) reveals the most predominant subject matter of images displayed which is detailed in Table 3.2.

Table 3.2: Subject matter in photographs presented in corporate annual reports

Company	Portraiture	People at work	Children	Events	Building / Equipment	Nature / Landscape
Anglo American Plc (2010)	✓	✓	✓	✓	✓	✓
Sasol Limited (2011) Annual Financial Statements Integrated Report	✓ ✓	✓ ✓	✓	✓	✓ ✓	✓
Nedbank Group Limited (2011) Annual Report Integrated Report	✓	✓	✓	✓	✓	✓ ✓
Massmart Holdings Limited (2011)	✓				✓	

Source: Own observation

3.6.1 Portraiture in the corporate annual reports listed in Table 3.2

Table 3.2 reveals that the companies in the sample used a varying range of subject matter in their photographs. The portraiture was used mainly to depict directors and management. The images were of well-groomed, professional persons who were mostly smiling, but with an air of masculinity and seriousness. According to Aaltio and Mills (2002:183), this masculine connotation reinforces the logic of accounting and may appeal to potential investors and financial analysts. The representation of gender in executive positions, investigated by Moola (2012:10), revealed that companies that had women executives in larger proportions on their executive committees had a return on equity that was seven percentage points higher than those with no women on their executive committees. This was supported by a McKinsey report in 2010 and similar research in the United States, according to Moola (2012:10).

3.6.2 People at work in the corporate annual reports listed in Table 3.2

The photographed people, who appear to be at work, were featured at regular intervals throughout the discretionary parts of the corporate annual reports. Where the person or people faced the camera, most were smiling and most also wore clothing which appeared almost new, especially safety gear. This may be perceived by viewers as representative of happy employees, and signals that the company is a caring and considerate employer, with high regard and concern for the well-being and safety of employees. Briot (2009:351) cautions one to be careful not to distort reality when photographs are taken for record-keeping, as there is the possibility of modifying the facts being recorded. He suggests that the photographer should not allow his or her presence or personality to be felt when looking at the photograph, which further supports the notion that a photographer can communicate through the images that are taken.

3.6.3 Children, events, buildings and landscapes in the corporate annual reports listed in Table 3.2

Photographs of children appeared in most of the social responsibility reports, and appear to emphasise the humanitarian attributes of the company, being associated with goodwill and the innocence of the children. The social responsibility sections were also found to be the most popular section to display eventing photographs, showing activities and communities that benefit from investment. The photographs of buildings and equipment mostly accompanied reports or overviews of financial and operating results of the company by the management. The angles, contrasts and mood-enhancing techniques are discussed in more detail in Chapters 4 and 5, with input from appropriately skilled experts in photography and digital artistry. The use of angles, contrasts and mood-enhancing techniques appeared to be used in most of the photographs, accentuating the apparent good condition of the assets portrayed, most likely to reinforce the assurance of value within the company. Photographs of nature and landscapes were less prevalent in the sample of corporate annual reports analysed and mostly appeared in the social responsibility sections, appearing to support the philosophy of environmental responsibility. These representations engendered a positive response in the researcher, associating this feeling with the expectation that the results of the organisation would also be positive.

3.7 COMPARING THE ROLES OF ACCOUNTING AND FINANCIAL REPORTING AND THEIR RELATIONSHIP TO PHOTOGRAPHS IN CORPORATE ANNUAL REPORTS

To compare the relationship between the photographs in corporate annual reports in the context of accounting and financial reporting, the role of accounting is examined, and the role of financial reporting thereafter.

Accounting is described by Bromwich (2005:9) as seeking to “provide measurement in quantitative and financial terms denominated in the appropriate monetary unit”. His theory is that, over time, accounting and the regulation on published reports have switched “from seeking to provide information to help shareholders and creditors protect their investments to helping make investment decisions”, while for Vorster et

al. (2003:1), *accounting* can be “viewed as a process of communication”, with the goal of providing information. The increase in the size of corporate annual reports, as demonstrated in Table 1.1 and the number of photographs, as shown in Table 2.1, are testament to the increasing volume of information being presented in the corporate annual report, but it should be borne in mind that an increased volume of information does not necessarily mean that the report contains more relevant information, as discussed in Section 3.2.

As the complexity of transactions has increased, so have the principles and practices of accounting and financial reporting. The research is continuously expanding as seen in the developments discussed in Chapter 2, seeking a methodical solution for presenting information in a format that meets the needs of users. Helweg-Larsen and Helweg-Larsen (2007:283) maintain that the value in traditional reporting of numbers in columns (the financial statements) is increasingly becoming limited and no longer contributes effectually to decision-making. This has implications for accounting researchers in exploring the traditional bounds of accounting and financial reporting and the appropriateness of these methods in the context of a changing landscape. Helweg-Larsen and Helweg-Larsen (2007:283) present the concept of *business visualisation*, which is a three-dimensional view of the financial statements, which they conclude is easier for non-financial experts to understand conceptually. Their proposition is one which introduces a new way of communicating financial information, in a visual presentation rather than columns of numbers.

Hooper and Low (2000:6) consider the scientific method of doing accounting research limits perspectives as this method assumes that the relationship between naturally occurring phenomena is being enduring, quantifiable, and objectively determinable. They take this further, expounding that those “who visualise accounting as a scientific discipline may deplore the subjectivity involved as being risky and even misleading. On the other hand, reporting from a historical perspective may be misleading and, in any case, neither perspective allows accountants to reliably predict the future” (Hooper & Low, 2000:8). This suggests that accounting should aim to provide information to assess the past as well as predict the future of an organisation, and may extend to the display of photographs in being able to support this aim.

In the varying views of accounting and accounting research, the intent is to communicate and provide quantifiable, reliable information to interested parties, to be used objectively. However, the publication of this information in a corporate annual report was found to have the power to influence society and individuals, and has been used to evaluate the impact on various aspects of society, assess past results, formulate expectations of future performance, and make decisions about continued, increased or decreased participation in or with the company. This power is recognised and evolves the concepts of *accounting* and specifically *financial reporting* into a new format, namely the integrated report (Business Day, 2010:16-17, 23; Gillingham, 2010:16; Hannington, 2010:14; Knonki, 2011:18; Patel, 2011:14-16; Roberts, 2011:3-5; Temkin, 2010:15; Zilwa, 2011:3-6). The *integrated reporting* concept is not intended only to be about producing a good report, but rather about companies achieving a sustainable existence, becoming responsible about the environment, and demonstrating how this has been achieved (or will be achieved) in direct relation to the results of the company. Roberts (2011:3-4) describes Danish healthcare company Novo Nordisk as being the global frontrunner as they have issued integrated reports since 2004, and declares that this approach has resulted in improved relations, reputation, and a greater trust and confidence of stakeholders in the company.

The role of accounting and specifically financial reporting is therefore no longer seen as an opportunity to only provide information, but also to be able to demonstrate how a company impacts on society, with the spirit of integrated reporting not only focusing on the report but also on “report-ing” i.e. doing something. Davison (2010b:118) comment that there is recognition of the potential for the corporate annual report to be used as a communication tool rather than only to record activities. An opportunity was recognised by Cronjé (2007:189) for disclosure of contextual information to fill a gap that the statutory information system cannot do, complementing the statutory information system and improving understanding.

In accounting, it is intended to provide information on a company’s transactions. It was established that the level and pattern of earnings already convey information, as described by Arya, *et al.* (2002:2). These patterns are observed by users and may represent the success or failure of a company, depending on the interpretation thereof. In effect, the patterns become a representation and hence become symbolic

of success or failure. Baudrillard (1994:1) examines the relations between reality, symbols and society, whereby “the simulacrum is never that which conceals the truth - it is the truth which conceals that there is none”. The question can be asked whether a photograph should be classified as a symbol. Hirsch (2007:53) argues that the photograph stands for something else, or is being a representation, and hence a symbol. If left to the individual viewer, the photograph can become a symbol or representation of a *perceived* reality that may or may not be misconstrued.

The relationship between a photograph, a perceived reality and what is fact is critical if users or readers of corporate annual reports are to correctly construe transactions or events displayed in the images. Wheatley (2006:10-11) highlights a quote from ancient Sufi teaching, which demonstrates a shift from understanding whole systems to focusing on *relationships* within these networks: “You think because you understand *one* you must understand *two*, because one and one makes two. But you must also understand *and*”. In relating this to the corporate annual report, the whole system or network could refer to the corporate annual report in its final format with the relationships between the content of the report and its sections, either in the form of numbers, words or photographs, forming the network. The connections or relationships in the network are what bring meaning to the whole. In Wheatley’s opinion, the quantum world is where a relationship is considered the key determinant of everything and unseen connections are “the fundamental ingredient of all creation”. This implies that the corporate annual report is only meaningful if the whole of its content is perceived as integral and related or connected, and not viewed in isolation.

The relationship between the four fundamental components of a financial statement, being the balance sheet (statement of financial position), income statement, cash flow statement and accompanying notes, creates an overall reflection of a company’s performance, and these are not meaningful in interpreting the financial health of a company if viewed in isolation, separate from each other, or separate from their notes. This hypothesis was tested by PricewaterhouseCoopers (2003:1) who sought to explore whether “a company could reap rewards from more expansive, content-rich reporting”. They concluded that viewing any one piece of information in isolation distorts reality and, taken out of context, can be misconstrued. Logic therefore guides one in concluding that there is a necessity to interpret what is being presented, but

without knowing how to do this, the viewer may draw the desired conclusion about a photograph or misinterpret it. The discretionary disclosures are intended to contribute to the overall understanding of the business and its performance and to provide context for the regulatory reported numbers, with the photographs being among the discretionary information displayed.

3.8 PERCEPTION OF PHOTOGRAPHS IN CORPORATE ANNUAL REPORTS

Photographs have formed part of corporate annual reports for some time, but are not specifically required or their use discouraged, nor has any comment been made on their role in the concept of *integrated reporting*, despite photography being a powerful medium or tool. With technology being on the forefront of the integrated reporting discussions (Business Day, 2010:16-17, 23; Gillingham, 2010:16; Hannington, 2010:14; Knonki, 2011:18; Patel, 2011:14-16; Roberts, 2011:3-5; Temkin, 2010:15; Zilwa, 2011:3-6) as a means to facilitate the provision of information, the photographic medium or tool being used has not yet received much attention.

Briot (2009:351) describes the general uses of photography, among others, as the recording of scenes or events, creating visual documents for future study and research, for use as forensic evidence, for administrative purposes, such as ID cards, for record-keeping or as an art form. Briot also states that the difference between the photograph being considered as art work and taken for commercial purposes or record-keeping is determined by the intention of the photographer and the intended emotional response to the subject being photographed. The role of accounting and financial reporting, as highlighted in Section 3.7, is to present information to stakeholders which may be used in decision-making. Therefore, it is more likely that the photographs are intended to be displayed and viewed as supporting or providing credible information, linked to the objective of the annual report, rather than as a form of art. Although this cannot be ruled out without appropriate research.

The role of accounting, as described in Section 3.7, is to provide information on a company's transactions and performance in a responsible manner in order to be considered by both users and preparers of corporate annual reports as an accurate accounting measurement presented as a true and fair view, defined by Bromwich

(2005:9) as “an unbiased accounting representation of the economic situation of the business constrained by the accounting methods used”. The photographic material that is selected to accompany the narratives and form part of the discretionary information should follow this principle, however, being subjective or at this point, undefined, there is no requirement to do so. The potential risk in this is explained by Eber and Neal (2001:15), who state that “viewers still often react as though a photographic representation of physical reality is in essence truth”, despite the reality that “both the human eye and the camera are selective in what is emphasized, and the meaning of what is seen or recorded is taken out of context”. Eber and Neal (2001:17) also discuss the state of hyper-reality, maintaining that “hyper-reality is reflected in designing oranges to be more orange-like than the real orange; injecting steaks with chemical substances to make them more steak-like than the real thing”. The photograph may be interpreted in many different ways by humans through a different reality or blueprint formed by their experiences, knowledge and many other influences, and through which the image and the emotion that it triggers are processed.

In defining the two concepts of *truth* and *reality*, it becomes clear that this could lead to opposing facts or ideas as Soanes *et al.* (2001) define *truth* as a factor or belief accepted as truth; and *reality* as the state of things as they actually exist. Furthermore, Ryan *et al.* (2008:13) debate realism versus idealism and how humans distinguish what is real, concluding that humans are conscious not of reality but rather of perceptions of what senses present. From these explanations, it is very difficult to decide whether a photograph represents reality, that which actually exists, or is a true and fair view or representation, as there is no authentication or verification of the photographs, on perusing the corporate annual reports in the sample used (Appendix A). This dilemma is more thoroughly discussed with the principles of assurance and principles and practices of photography in Chapters 4 and 5.

3.9 THE LINK BETWEEN FINANCIAL REPORTING AND PHOTOGRAPHS IN CORPORATE ANNUAL REPORTS

Hall (2007:146) states that in the early development of photography, specifically in the nineteenth century, it “was readily perceived as an inherently ‘objective’ mode of

representation ... evidence of proof”, explaining that “we believe it because we believe our eyes” and likens the camera to a “mirror held up to Nature”. Wright (2004:82) explains that the perception of photography has transformed from this simple acceptance to a means of communicating a message, and, quoting Fred Ritchin, in a language of “subtlety, ambiguity, revelation and distortion”. The results of the study commissioned by the International Federation of Accountants (2003:1) on the loss of credibility in financial reporting follow a similar vein, recognising deficiencies and a lack of transparency leading to misreporting and reporting failures. The concept of *integrated reporting* requires organisations to contextualise their performance (Eccles *et al.*, 2010:1), encouraging the greater use of discretionary inclusions. This may be an opportunity for greater deception, as an eloquently worded narrative may be able to guide a thought process to a positive outcome and together with a photographic image may be used to accentuate a positive mood, creating a powerful combination.

Although it may be true that the images are not viewed with the same simple acceptance, it is agreed that they have the ability to set in motion a particular emotion or train of thought, and can challenge preconceptions or stimulate thought. Torres *et al.* (2005:225) agree that “photographs have a tremendous capacity to convey context, provide complex information, stimulate discussion, and promote self-reflection”, and state that “photography can be a catalyst for dialogue that stimulates audiences” participation in interpreting important events and experiences [and] provide an opportunity for stakeholders to construct their own meaning of the findings”. This could be argued to foster the latest financial reporting requirement of the integrated report, enhancing the discretionary disclosures by being able to convey, provide, stimulate and promote as Torres *et al.* (2005) claim. In critically examining these statements, it could be construed that a corporate annual report without photographs may not be similarly perceived as or stimulate the same degree of thought than a report that displays photographs.

3.10 CONCLUSION

It was stated in this chapter that a photograph consists of many units of information, which communicate and convey information to its viewers. Gouws (2012) in private

conversation said that the difference between data and information is that information has the power to surprise and change direction, otherwise it is just data. The literature review indicated that photographs have a language of their own and despite having been observed to be displayed in corporate annual reports, the intention or purpose of the photographs is not evident. The notion of a relationship between a picture, words and communication was explored in regard to the relationships and the roles that photography and accounting fulfil, in the context of corporate annual reports. If viewed in isolation, the meaning of the photographs and the information that they convey in the language of photography may be misconstrued.

The concept of *semiology*, which is the relations between signs, their meaning and practical application, with resultant effect and interpretation, was used to demonstrate the symbiotic relationships that exist in both accounting and photography. The pragmatic approach in semiology requires that the signs be analysed and interpreted to establish their effect on people. In this case, the signs are the photographs displayed in a corporate annual report. This may be important as any impact on readers of corporate annual reports may influence decision-making, in which case the company has a vested interest in understanding how the images may be interpreted and affect users' analysis. The value in visuals is also recognised by Davison (2009:900), who concludes that this remains unacknowledged yet provides the businesses with perceived value despite not being able to express this value in a recognised monetary form.

Different categories of photographs were identified, with most reportedly falling into the studium version, which "talks" rather than shouts. A photograph may also be perceived as a symbol, but without guidance, it may be misinterpreted. In a changing world, in which uncertainty and risk are ever present, humans in their respective fields of expertise are constantly seeking out new ways to bring some control and predictability to their existence. This is evidenced by the constantly growing number of studies and the volume of research being conducted around the world, as discussed in Chapter 1.

The process of communicating information is likened to writing a story by Lubbe *et al.* (2011:2) who emphasise that this should be done in a language that meets the most common needs of users. Because the photographs form part of the discretionary,

non-financial information, they should therefore by association have a role in the story, or be ignored as irrelevant or un-noteworthy, in which case there may be an argument to exclude the photographs from the corporate annual report. Therefore, in the absence of a documented approach or framework for the accounting profession, photographs used in financial reporting and corporate annual reports appear to be random, with no formal structure to the process of photography or the use of photographic images. Powell (2010:29) states that narratives, illustrations and other media may be vulnerable to manipulation and thus need some validation in order to ensure that they do not become contaminated. The concept of *assurance* was introduced in Chapter 1, noting that principles of assurance for discretionary information were adopted in South Africa (International Federation of Accountants, 2010:3). Because photographs were classified as non-financial information, and appear in the discretionary section of corporate annual reports, the concept of *assurance* is explored in more depth in Chapter 4.

CHAPTER 4

PRINCIPLES OF ASSURANCE AND THEIR RELEVANCE FOR PHOTOGRAPHIC IMAGES

4.1 INTRODUCTION

The review of changes to the regulatory framework for accounting practices and reporting in Chapter 2 revealed that the inclusion of more discretionary information, in particular non-financial information, has become widespread. The developments in the regulatory environment support the inclusion of non-financial and discretionary information in financial reporting. The accounting practices were enhanced with the standards of assurance presented by the International Federation of Accountants in New York in April 2011 (International Auditing and Assurance Standards Board, 2011). The use of photographs in financial reporting was discussed in Chapter 3 with their potential communicative effect having been explored and found to be a powerful trigger however, the ability to interpret photographic images used in corporate annual reports is not yet fully understood.

The goal of accounting as described in Chapter 3 is to provide interested parties with sufficient information to make assessments and draw conclusions, each for their own purpose. This notion is supported by Lubbe *et al.* (2011: 698), who refer to Warren Buffet as an expert in analysis and interpretation of financial statements and quote part of a letter he wrote: “Questioning GAAP (Generally Accepted Accounting Practice) figures may seem impious to some. After all, what are we paying the accountants for if it is not to deliver us the “truth” about our business? But the accountants’ job is to record, not to evaluate. The evaluation job falls to investors and managers. Accounting numbers, of course, are the language of business and as such are of enormous help to anyone evaluating the worth of a business and tracking its progress... Managers and owners need to remember, however, that accounting is but an aid to business thinking, never a substitute for it.”

It is significant that the word *truth* is used by Warren Buffet in inverted commas, as it suggests that the meaning might be other than what it seems. Without knowing the intention of the word *truth* being placed in inverted commas, it could be surmised that

there may be a general distrust of the information, its credibility, accuracy or truthfulness, which is a common theme in the studies discussed in Chapter 1, supporting the notion that confidence in the reporting of information requires improvement. Warren Buffet's statement refers to accounting numbers, but also suggests that it is "an aid" to decision-making, demonstrating that there are more sources of information to be assessed and evaluated than the numbers only.

A professional photographer was consulted to construct a basic understanding of the many variables that are applied in a photograph, and to review literature on this subject. Informal discussions were also held with a digital artist, drawing on experience and expertise in preparing images for corporate annual reports, to compile a list of some of the practices used. The objective of this chapter is to explore what connection or link if any is evident from discussions, the review of literature, the accounting and reporting principles of assurance and the photographic or similar material used in corporate annual reports.

This chapter commences with a discussion in Section 4.2 of the principles of assurance and their relation to the photographic or similar material in corporate annual reports. Section 4.3 examines the elements of a photograph and their association with the principles of assurance, with the question of when is a form of assurance needed debated in Section 4.4. To complete the discussion, in Section 4.5, the appearance of captions with the photographs is examined. The chapter closes with a conclusion in Section 4.6.

4.2 ASSURANCE OF PHOTOGRAPHS FOR FINANCIAL REPORTING

The corporate annual report is a compilation of mandatory and discretionary information, including the photographs, which are deemed non-financial and appear with the reports, commentaries and other discretionary disclosures, as discussed in earlier chapters and as demonstrated in Table 2.1. When one considers the symbiotic components of the corporate annual report (as discussed in Section 3.10) and the process of compiling the information using the regulatory and discretionary systems identified by Cronjé (2007:45-75), the following information is revealed:

- The numbers (mandatory information) go through a rigorous process of formulation by persons with suitable qualifications and experience (e.g. bookkeepers, accountants and financial officers).
- The commentary and narratives (discretionary information) are generally compiled by responsible and accountable officers of the company, although not audited or there being any requirement to be audited, only assured. These sections of the corporate annual report are generally governed by a set of principles or guidelines, and are required to conform to recognised standards and be assured by an appropriate authority.

So why should the inclusion of a photograph in a corporate annual report require any attention? Beattie and Jones (2002:547) note in their study that regulators are increasingly concerned about the potential for manipulation of discretionary information, paying specific attention to the communication deemed to be carried in material such as photographs, rather than only the financial reporting aspects. Justesen and Mouritsen (2009:981) comment that by its inclusion in the report it “partakes in new actions by being linked to accounting numbers and text and then it becomes an accountability device”. They, furthermore, conclude that visualisations are not empty window-dressing but devices that enact the organisation’s activities, representing “a long network of actors, commitments and accountabilities that strengthen it in the annual report” (Justesen & Mouritsen, 2009:988).

4.2.1 The traditional objectives of audit and the assurance engagement development

It is the accountant’s responsibility to abide by the principles of the accounting discipline for the recording and presentation of transactions and financial reports. The *audit* is described by Bromwich (2005:9) as the “validating of the financial reporting package and the confirmation that its content comply with extant accounting regulations by independent qualified accountants”. The use of the word *package*, which is defined by Soanes *et al.* (2001) as “terms offered or agreed as a whole”, suggests that the corporate annual report is to be validated in its entirety, as a whole, yet it is evident that this is not the case, specifically when considering that the

majority of companies in the sample did not subject the photographs to any noticeable validation (as discussed in Chapter 1).

The traditional role of the audit is noted by Bagranoff *et al.* (2005:18) to have evolved from an evaluation of accuracy and completeness of financial statements to “providing third-party testimony that a client complies with a given statute, law, or similar requirement”, describing it as an assurance service. The changes in South Africa’s regulatory environment encourage the assurance of information in circumstances where an audit of information would previously have been required. Hence the introduction of ISAE 3000 (IRBA, 2009:1), as noted in Chapter 1.

4.2.2 Assurance engagements and a theoretical application to photographic images

The ISAE were presented by the International Federation of Accountants in New York, in April 2011 (International Auditing and Assurance Standards Board, 2011). The standards focus on engagements *other than* audits or reviews of historical financial information. This is relevant to the topic of photographs in corporate annual reports as they are considered non-financial and subjective and may not, as such, be auditable, but at the least, an appropriate level of assurance may be applicable. By subjecting the photographs to an audit or appropriate level of assurance, it may be possible to ensure that these can be presented as credible, valid representations and be assured of being a true and fair view, which Bromwich (2005:9) defines as “an unbiased accounting representation of the economic situation of the business constrained by the accounting methods used”. The practitioner, in assurance engagements, is obliged to provide an assurance in the most appropriate form, either reasonable or limited, or alternatively, to facilitate an evaluation and form of expert assurance, which is prepared by a practitioner based on the evaluation of relevant evidence and the significance or materiality thereof (International Auditing and Assurance Standards Board, 2011:66).

4.2.3 Principles of assurance engagements and their relationship to photographic images

A pre-condition regarding the assurance engagement for the expert or practitioner to provide an assurance is that the subject matter is deemed appropriate or relevant. The ISAE principles (International Auditing and Assurance Standards Board, 2011:44) provided to ensure the relevance of subject matter are whether it is “identifiable, and capable of consistent measurement or evaluation against applicable criteria” and “such that the information about it can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate”. Can this be done with photographs? One consideration is the subject matter of a photograph, which, if taken at face value, would be identified by the content visible to the eye. The characteristics to determine suitability of criteria are listed in ISAE (International Auditing and Assurance Standards Board, 2011:45) and if the content or subject matter portrayed in the photographs can meet applicable criteria, this may lead to the ability to appropriately measure or evaluate the images. The main characteristics are listed as relevance, which assists in decision-making by intended users; completeness, by not omitting relevant factors for decision-making; reliability, by allowing for reasonably consistent measurement or evaluation; neutral, namely free from bias; and able to be understood by intended users.

Romney and Steinbart (2012:24-25) present seven characteristics that make information useful and meaningful, five of which are the same criteria listed above, namely relevant, reliable, neutral, complete and understandable. These criteria or characteristics are, respectively, claimed to reduce uncertainty, improve decision-making, confirm or correct expectations; be free from error or bias, accurately represent events or activities; not omit important aspects; and in a useful and intelligible format. The three additional characteristics considered important by Romney and Steinbart (2012:24-25) are that information must be “timely” (provided in time for decision-making); “verifiable” (whereby two independent and knowledgeable people would produce the same information); and “accessible” (be available to users in a usable format, when they need it).

4.2.4 A theoretical application of principles of relevance and characteristic criteria to photographic images

In the absence of a formal framework of evaluation and as a preliminary check to establish whether the two guiding principles of relevance and the five characteristics outlined in Section 4.2.3 could be applied to a photograph, and specifically to the visible content or subject matter, the photograph in Figure 4.1 and the researcher's first impressions are noted in Table 4.1.

Figure 4.1: Operating Review, Page 82 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

Table 4.1: Evaluation of Figure 4.1 using characteristics and principles outlined by the International Standards on Assurance Engagements

Characteristics in order for measurement and evaluation criteria to be determined	Exhibited Yes / No	Explanation
Relevance	No	The appropriateness of the subject matter and whether the visual representation is material and relevant to the reporting period are not evident. The photograph is displayed in a section of the report which discusses legal compliance, including ethical behaviour, accountability and human rights. The connection between the photographic image and the report is unclear.
Completeness	No	There is no reference to the photograph, nor any caption, which would assist in understanding whether this image completely represents the reality as it is.
Reliability	No	Insufficient detail to evaluate.
Neutrality	No	Considered by the photographer and the digital artist to be intended to affect mood and was posed for effect, with use of technology in possible digital manipulation of the final image.
Understandability	No	The intention of using this image, the message or information it is intended to convey and the decision to display it in the legal compliance section of the annual report are unclear.
Principles for considering subject matter relevant		Comments
Capable of consistent measurement or evaluation against applicable criteria		An expert in photography could consider a number of sources in evaluating whether this image could be consistently evaluated, using like-for-like medium, that is, a photograph or photographs of the same subject matter taken at regular intervals without any form of manipulation and comparing the content. Criteria for comparison and evaluation would need to be determined.
Information about the photograph can be subject to procedures for obtaining sufficient, appropriate evidence to support a reasonable assurance or limited assurance conclusion		Each digital photograph contains a record of information that could be used to authenticate the subject matter in a form that can be clearly reconciled with the list of assets, or other record of the company, for that reporting period.

Source: Own observation and ISAE (International Auditing and Assurance Standards Board, 2011:45)

This rudimentary analysis and the results in Table 4.1 may indicate that the photographic image in isolation, that is, without an explanation or complementary narrative, and without an assurance, is unlikely to be perceived by viewers as meeting the qualitative characteristics that information in financial reporting is expected to achieve. It also does not prove the opposite, that is, that the photographs cannot meet the qualitative characteristics. In Section 3.7, it was stated that *accounting* is information, quantifiable and objectively used to communicate and provide reliable information to interested parties. The form of assurance is intended to do just that – provide *assurance*, which is defined by Soanes *et al.* (2001) as a statement or promise intended to give confidence. To comprehend how this could be done with photographs, the elements of the photographs as they appeared in corporate annual reports, are to be explored.

4.3 ELEMENTS OF A PHOTOGRAPH AND THEIR ASSOCIATION WITH PRINCIPLES OF ASSURANCE

The principles of photography are discussed in Chapter 5, namely the use of light, colour, shapes, composition and power points, among others, to gain insight into the broad spectrum of the opportunity and capability of this medium. The more basic elements applicable to images were compiled with the assistance of a professional photographer. These elements are the content, composition, angle and mood, as well as the digital preparation, storage and use thereof. The list is not comprehensive and could be the subject of a further, complete study in view of the complexity and vast amount of information to be considered. However, the aim here is not to become a photographic expert but to explore how photographs are used in corporate annual reports and what is practically displayed. Some of the basic elements are briefly discussed, with reference to Figure 4.1, to gain some insight into the technical nature of the photographic images in corporate annual reports and whether they can be deemed to have the necessary characteristics to be considered suitable for a form of assurance. The impressions of the photographic expert are noted in the following section.

The professional photographer's impressions of Figure 4.1:

The composition of the image means how the content is arranged, by considering what is emphasised, for example, the subject in the foreground or the background of the image, and the relationships between items or subjects. The photograph in Figure 4.1 has two obvious subject matters – one is the plant and the other is the worker. The mood of the image can generally be determined by assessing whether it appears to have been artificially created, or whether it seems unaffected by the presence or skill of the photographer. The mood created appears romanticised, based on the plant being reflected in enhanced colours of various shades of blues mixed with warm pinks and orange. In the daytime, the colour is predominantly grey or brown. The photograph appears to have been taken with a filter, identified by the blue haze on the worker's safety helmet. The "flare" on the lights could have been created using timed exposure or high ISO technology, however, to do so, the worker would also have had to stand still for this image, which then indicates that he posed.

The angle that is considered normal in photography is an eye-level view. Any change from a straight-on view, as an object would normally be seen, might change the perception of size or perspective. The angle in this figure is elevated, which emphasises the size of the plant. The worker and the elevated part of the structure are positioned in the strongest third of the image, with the darkness of the structure and the use of a flash emphasising the worker, who would have had to remain motionless for the picture to be taken. The image is also composed of strong vertical lines and the angled lines lead the viewer's attention inwards, to the worker and his gaze then redirects the viewer's attention to where he is looking, which draws attention back to the plant.

In the preparation of the photograph, the process followed may assist in identifying what has been done to the digital image and the degree of intervention and manipulation. This is more technical, but since the objective of accounting and financial reporting is to ensure a true and fair view, representing the truth or reality, any manipulation of images may be construed as tampering with the "truth" of the image. These technicalities will be discussed in Chapter 5.

The researcher's impressions of Figure 4.1:

The researcher experienced a sense of wonder at the apparent magnificent size of the plant and the hues and colours evoked a feeling of goodwill. This may be misleading as Sasol is named the second-largest carbon emitter in South Africa (Buthelezi, 2011:15) and is purported to be a major pollutant, which poses the question whether the image was intended to create a feeling of contentment, to distract from the negative environmental reality. The dominant subject matter is deemed to be the plant, as well as a person who appears to be an employee. The plant appears to be in operation, evident from the smoke that is being emitted. In addition the person depicted in the photograph appears to be using a transmitter, possibly providing or receiving information, which further promotes a sense of activity or productivity. The intention of displaying this photograph is questioned by the researcher:

- Does the image attract the viewer's attention? If so, how?
- What was the intention of displaying this image? Is it intended to influence the viewer or, to distract the viewer? Alternatively, is it merely decoration?
- What does the photograph convey? Does it provide information that is not already there? Alternatively, does it support or distract from written information that it accompanies?
- What information or message is being conveyed, if any?
- Why is the photograph located in that particular part of the report?

Only a full investigation, with the assistance of the company (Sasol Limited), the person or company responsible for the compilation of the corporate annual report and the photographer commissioned to undertake the photographic assignment, would reveal the answers to the questions posed above. Any further attempt by the researcher would be based on assumptions and conjecture. The user of the corporate annual report or the viewer, in this case, the researcher, was not provided with any obvious information relating to the photograph in Figure 4.1 and any reaction to the image would likely be different for each viewer, as human behaviour is unpredictable (Forbes, 2009:58; Lewis, 2008:17; Montier, 2008:97).

4.4 STAGE WHEN A PHOTOGRAPH IS CONSIDERED TO CONVEY INFORMATION, PROMPTING A NEED FOR ASSURANCE

The concept of *information* discussed in Chapter 3 and studies by writers such as Burnett (2005:17) and Eber and Neal (2001:15) reveals that a photograph can be used to convey and communicate messages carried in corporate annual reports, even though viewers might not be aware of these messages. The possibility that the impact and content perceived in a photograph may differ from the date that it is taken to when it is viewed in the corporate annual report, and being interpreted differently at a later date is also raised in Section 3.3. As stated earlier, the photographic medium is used with intent, and is not accidental, as photographic assignments are planned to achieve a desired effect. The effect of photographic images may be that they become symbols for the viewer and in processing the images, the imagination tends to endow these symbols with objective, factual qualities; they may become symbols of success or failure or many other variables, depending on the interpretation of the viewer.

The discretionary disclosures are intended to contribute to the overall understanding of the business and its performance and to provide context for the regulatory reported numbers, with the photographs being among the discretionary information displayed, as discussed in Chapter 1. Since Wheatley (2006:34) concludes that without a connection or relationship being created, no meaning can be created, this may suggest that using the example of Figure 4.1, the photographic image, without a connection or relationship to the text or numbers, may have no meaning for the user and is likely to be ignored or forgotten. The importance of understanding the needs of the users of corporate annual reports was highlighted in Section 2.5. Without satisfying a need for a meaningful presentation, the information may be disregarded and the purpose of displaying it in the corporate annual report may lose its perceived value or impact.

There is a need for a relationship or connection to be made, bearing in mind that information only becomes information when it is able to influence or change direction, as highlighted in Section 3.8. The understanding and interpretation of information in a financial report are considered the crux of the matter. Arya *et al.* (2002:11) liken a

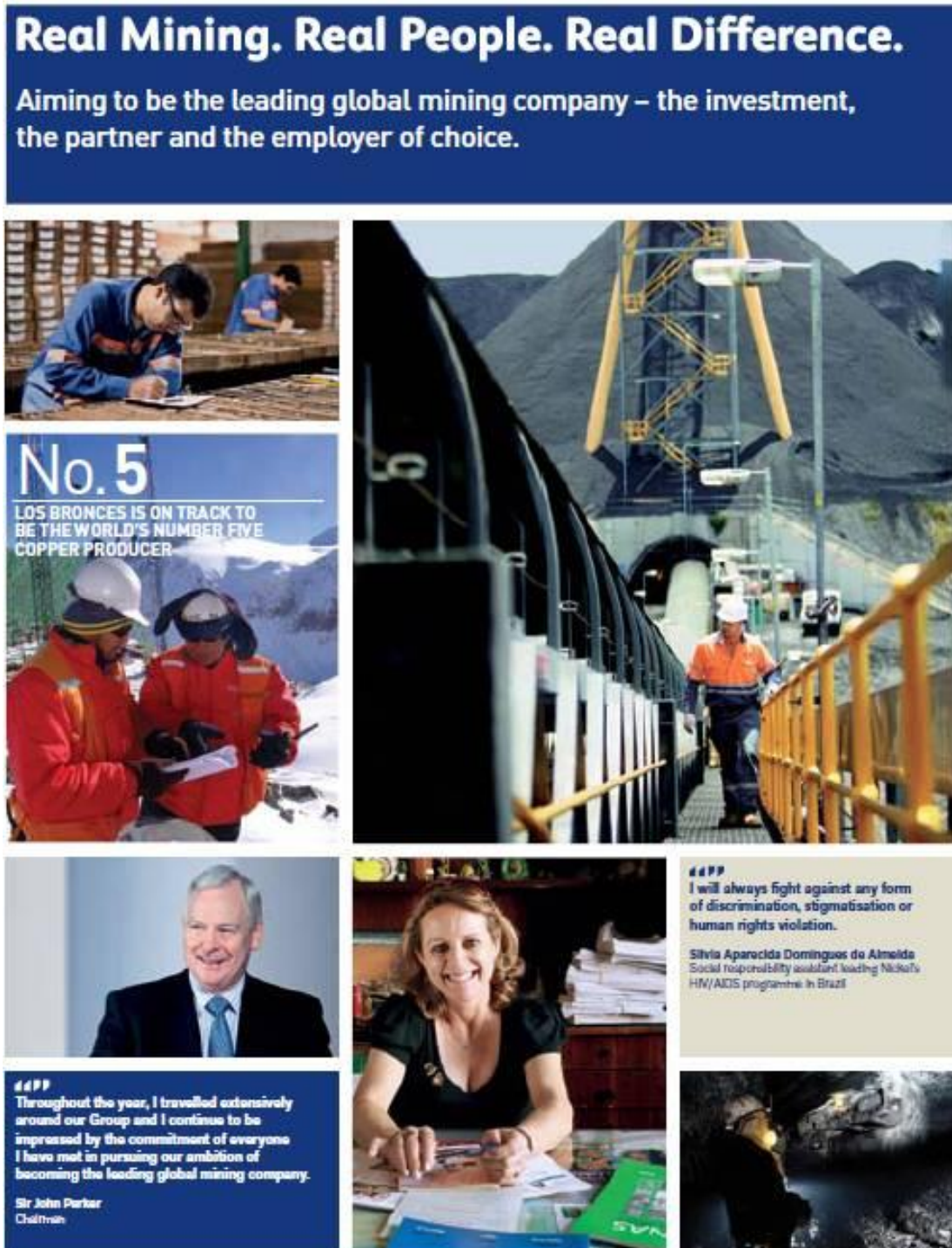
relationship in financial reporting to that of a photographer and a model, rather than a photographer and a landscape. They state that thinking that financial reporting photographers take photograph-like 'true' pictures of a firm may be misleading because a photograph is influenced by the relationship between the organisation and its corporate annual report.

The relationship or connection between the user and the information is emphasised as being necessary to deliver meaning. The question of relevance was also discussed in Sections 4.2.2 and 4.2.3 and it may be appropriate to apply the principles of relevance in order to assist in the decision to provide assurance of information.

4.5 CAPTIONS APPEARING WITH PHOTOGRAPHIC IMAGES

The relevance of the subject matter is a pre-condition for an expert or practitioner forming an assurance, along with determining the appropriate criteria in preparing the subject matter information, evidence to support conclusions drawn and the rationale for the choice of a meaningful level of assurance (International Auditing and Assurance Standards Board, 2011:24). It was indicated in Table 4.1 that the photograph alone does not appear to meet any of the characteristics of criteria for assurance of information, to be able to result in a credible source of information. *Credible* is defined in by Soanes *et al.* (2001) as convincing or able to be believed. The absence of these connections to photographs in corporate annual reports may be the reason that photographic material is not yet required to be audited or assured. The accompaniment of a caption with the image displayed is a technique the researcher noted in the corporate annual reports in the sample of photographic material in Appendix C. This technique may create the necessary connections and lend credibility to images. Some examples of this are provided in Figure 4.2, and Figure 4.3 each followed by a brief opinion of the potential impact on readers or viewers of corporate annual reports, based on the researcher's own reaction.

Figure 4.2: Introduction, Page 2 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

Anglo American Plc used strongly worded, powerful captions in Figure 4.2, bringing context to the images while also providing information that is not supplied in the narrative or report. The slogan “Real Mining. Real People. Real Difference.” is possibly enhanced by the photographs, as the images, accompanied by appropriate

captions, seem to capture this sentiment, evident from the people (presumed to be employees) appearing to be productive in the business of mining with their smiles suggesting contentment and the apparent activity symbolising productivity.

Figure 4.3: Introduction, Page 6 of 2010 Annual Report of Sasol Limited

our products

Our fuels, chemicals and related products benefit the lives of millions of people around the globe. From hot-melt adhesives and car parts to microchip coatings, printing inks, household and industrial paints, cellphone circuit boards, transport fuels, compact discs, medical lasers, sun creams, perfumes and plastic bottles, hundreds of our products made in South Africa, the USA, Europe, the Middle East, Asia and other regions have many thousands of end uses.

Cars

- Many plastic components are manufactured from polypropylene, a Sasol Polymers product.
- Brake fluid contains Sasol Pentylol™, made by Sasol Solvents.
- Poly ethyl benzene found in automotive paint and the bitumen on road surfaces (a coal by-product) comes from Sasol Oil's subsidiary, Tosas.
- Alumina made by Sasol Olefins & Surfactants is used as an automotive emissions control catalyst.
- Plasticiser alcohol is used for dashboards.
- Wax is used in tyres.

Automotive fuel

Sasol produces fuel from coal and gas and also supplies a range of lubricants for motor vehicles.

Jet fuel

Sasol's synthetic jet fuel, which is produced at Sasol Secunda, is a world first.

House paint

Most popular house paints are sold in pails made from polypropylene manufactured by Sasol Polymers.

Detergents, cleaners and personal care

Sasol Olefins & Surfactants is one of the world's leading producers of surfactant intermediates and surfactants, which ultimately find their way into laundry detergents, other household and industrial cleaning products and personal care products.

Source: Sasol Limited

Sasol Limited also combined the use of narratives, providing information regarding their products, in Figure 4.3 and also in Figure 4.4, with photographs of smiling individuals, conveying a sense of contentment.

Figure 4.4: Introduction, Page 7 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

The inclusion of captions, as observed above, may assist preparers and readers of corporate annual reports in limiting the possibility of misinterpretation of intent and to assist in regulating the response to the images. The purpose of the photograph and its meaning become evident in the direct relationship created between what is being depicted (the subject matter or content of the image) and the content of the caption. For Edwards and Hart (2004:199), “meaning is derived from a symbiotic relationship between materiality, content and context”. The importance of appropriate content is evidenced in the study by PricewaterhouseCoopers in an effort to test a hypothesis “that a company could reap rewards from more expansive, content-rich reporting”

(PricewaterhouseCoopers, 2003:1). In the company's investigation, it was found that the overwhelming number of variables and influences in the marketplace and industry trends proved too numerous to render a relevant analysis. They therefore proceeded to elicit the participation of Coloplast, a Danish healthcare company, which had won an award for the quality of presenting its corporate performance, linking key activities to strategy, operating and financial outcomes, and providing information which far exceeded the regulatory minimums. The Coloplast 2002 report was used and edited into two portions, for scrutiny by different teams of analysts. Neither team was given the full report having only the statutory information or the narratives to the annual report. The outcome was that 60% of the analysts with more information about the past performance and sustainability of the business available to them recommended buying the stock, whereas 80% of the analysts with less complete information (the statutory information) recommended selling it. This was termed 'The Coloplast Experiment' and PricewaterhouseCoopers (2003:1) concluded with the message that "companies that fail to communicate contextual and non-financial information in a credible and well-structured fashion is that although analytical investment models may be financially driven, confidence in their use increases when there is greater access to more contextual and non-financial information".

The experiment demonstrates the power of words and, if applied to captions, in combination with the photographs, the words could have a doubly powerful effect on readers. The photographs, combined with a skilled writer formulating a cleverly worded narrative or caption, could be overwhelmingly convincing. Hooper and Low (2000:3) comment on the "growing role of complementary narratives and photographs in annual reports", elaborating that the narratives "by their very metaphoric nature show up accounting to be more of an art than a science". Rã mĩ (2011:371) notes that reports with unrelated visuals are more likely to be distracting and less likely to be recalled, whereas illustrative examples tend to be easier to recall.

In a document on a sustainability framework discussing narrative reporting for enhanced transparency to investors Sir David Tweedie, a previous Chair of the International Accounting Standards Board, is quoted as follows: "Accounting doesn't do things too well sometimes and that is why the narrative statement is going to be so important in addition to the raw facts ... My view is that financial accounting should

show things in the raw, warts and all, and narrative reporting should say: ‘Now let me explain this to you’” (International Federation of Accountants, 2011:155). A relationship between materiality, content and context is needed to promote meaning and understandability, as denoted by Edwards and Hart (2004:199). By investigating the possibility of the photograph and its caption being subject to an appropriate level of assurance, the company and its representatives may be compelled to use photographs that match the characteristics required of assurance, as listed in Section 4.2.3, and possibly support an appropriate form of assurance.

4.6 CONCLUSION

The objective of a corporate annual report is to present information about an organisation’s position and performance, meeting the needs of interested parties, and to do so in a manner which evokes confidence in its understandability, reliability, relevance and comparability of the information presented. These are the main qualitative characteristics of financial reports as listed by Vorster *et al.* (2003:18). Accountants are required to evaluate information to ensure that these characteristics are apparent to be able to provide an opinion on the use of such information. The essential characteristics of financial reports are almost identical to the characteristics for determining ISAE criteria (International Auditing and Assurance Standards Board, 2011:45) against which to evaluate or assess relevance, for assurance purposes. In an attempt to evaluate a figure extracted from one of the corporate annual reports to determine whether the characteristics were evident, the impression was that the photographs would not meet the criteria. It could be concluded that *this image* (Figure 4.1) in isolation, may not be relevant or sufficiently material to warrant an assurance requirement.

This preliminary conclusion is based on only one photograph and is therefore not representative of all photographic images used in corporate annual reports but the conclusion supports the notion that photographs have the ability to stimulate thought and emotion or arouse responses in viewers. However, photographs are not yet recognised as information worthy of a form of audit or assurance. This may be because the photographs are not identified as bearing information and this medium and its impact have not been understood. The surface of this technology has been

scratched in this chapter, exploring the basic elements of the photograph (using the image in Figure 4.1) and how this image appears to have been used with specific intent, but without the purpose of its inclusion in the corporate annual report being clear.

The majority of the corporate annual reports in the sample (see Appendix A) reviewed were found to contain photographs. However, most have made little or no attempt to link them to the commentary, and surprisingly few use captions. The sustainability framework (International Federation of Accountants, 2011:12) considers how accountants can assist in improvements, from a reporting perspective, to help yield reports and accounts that holistically reflect the performance of an organisation, with improvements in assurance that will add credibility to the disclosures and reporting processes. Two of the key considerations that were stated by the International Federation of Accountants (2011:163) for professional accountants are avoiding overdisclosure and clutter. Nedbank Group Limited is cited as an example where the extensive use of charts and diagrams makes its risk section more engaging and easily accessible, and is cited as an example where a company views narrative reporting as a fair reflection of the management information used internally. Photographs and carefully worded captions may assist in meeting both of these objectives, provided that an appropriate level of credibility is observed and can be assured for both.

The appearance of photographs in corporate annual reports and observed principles and practices of photography are discussed in more depth in Chapter 5.

CHAPTER 5

THE MANIPULATION OF PHOTOGRAPHS IN CORPORATE ANNUAL REPORTS

5.1 INTRODUCTION

Chapters 2 to 4 explored literature and the regulatory environment, as well as principles of assurance proposed by qualified, independent authorities for guidance on accounting and financial reporting, gaining an understanding of the developments in these fields and of the climate for change and future enhancements. These chapters specifically sought out connections between the principles of accounting and financial reporting as they may relate to non-financial information and specifically to photographs which appear in corporate annual reports. The role of photographs as a means to convey information, non-financial or other, and communicate was also researched and is yet to be proved beyond doubt, although evidence has been found in many studies (Eber & Neal, 2001; Excell et al., 2011; Hirsch, 2007) that there is the possibility of the transfer of information to a viewer, whether he or she are aware of it or not.

Concerns were raised by regulators and researchers and the potential noted by authors such as Beattie and Jones (2002:547) and Powell (2010:29) for manipulation of discretionary information, specifically referring to photographs and suggesting that these may be vulnerable to manipulation. The possibility of misrepresentation or even fraud which this form of technology may lend itself to is considered high. Romney and Steinbart (2012:143-144) describe *fraud* as “gaining an unfair advantage over another person” with the following in evidence: a false statement, representation or disclosure; a material fact inducing a person to act, an intent to deceive, a justifiable reliance on the misrepresentation; and injury or loss suffered. The reality is that the escalation of technology and the use of media such as photographs to communicate have opened another avenue of exploration. The technical nature of the photographic medium was briefly discussed in Chapter 4, and a preliminary analysis done on Figure 4.1 with the results of the analysis shown in Table 4.1.

The objective of this chapter is to explore the technicalities of photography to establish how this medium is used and whether it has attributes that can meet the

characteristics or criteria set out in the principles of assurance in order to be considered relevant.

In this chapter, the principles of photography are discussed in Section 5.2 with the aim to understand how these are applied as practices in Section 5.3, with examples of how some images appear to have been used in the sample of corporate annual reports in Appendix C. The principles and practices of photography were gathered from reviewing literature on photography and in informal discussions with a professional photographer and a digital artist based on their experiences. Their expertise was also gained by analysing and discussing the samples in informal discussions. The chapter closes with a conclusion in Section 5.4.

5.2 THE PRINCIPLES OF PHOTOGRAPHY USED IN IMAGES DISPLAYED IN CORPORATE ANNUAL REPORTS

The use and appearance of images such as photographs in corporate annual reports are currently not governed or regulated in any way and organisations are therefore free to decide how images are to be displayed for an intended impact or response. The full spectrum of the medium of photography can be used to the advantage or disadvantage of the organisation and the ability of the photography medium to reflect truth, reality or not is to be better understood, beginning with the origin and basic principle of photography, namely light.

Photography was developed using light to create an image and light is the foundation on which all other photographic principles are built. Craig (1975:154) explains how the word *photograph* is derived from the Greek words *phos* (meaning light) and *graphos* (meaning to write), making the term “to write with light”. The photographer’s skill in using this basic principle, as well as other techniques such as focal points, power points, framing images and others (discussed below), lends itself to the possible manipulation of the subject matter or the final image for a pre-determined effect using, for instance, Photoshop and other software tools to manipulate the digital production of photographs. Manipulation is defined by Soanes *et al.* (2001) as “handle or control skilfully” and “control or influence in a clever or underhand way”. Powell (2010:29) states that there is the possibility of clever manipulation of

narratives, illustrations and other media, which the medium of photography is capable of facilitating. He combines the suggestion of manipulation with the word *clever*, which may imply that the use and display of the non-financial information, namely narratives, illustrations and other media in financial reporting are skilful. However, if the word *clever* is used with sarcasm or derision, this may suggest that the intention is to purposefully mislead or influence the viewer in an underhanded way. It is the opinion of Breitbarth *et al.* (2010:239) that “corporate reports communicate and manipulate meaning by using images”. The possibility therefore exists that this medium could be used to intentionally mislead the viewer or to support or direct attention in a negative or positive manner. To demonstrate the power in this medium, some of the principles of photography and how they are used are described in Sections 5.2.1 to 5.2.6, and their effect is demonstrated in examples extracted from corporate annual reports and discussed in Section 5.3.

5.2.1 How light is used in photographic images in corporate annual reports

Light-related camera settings are pre-selected by the photographer based on light and desired exposure, and allow the photographer to control how much of the image (foreground, subject and background) is in focus. This allows the illusion of movement and the amount of detail seen or “hidden”. The aperture, namely the size of the lens diaphragm, also referred to as f-stop, allows more or less light through the diaphragm and controls the depth of field. A smaller opening allows less light and this enables a greater depth of field, meaning more of the subject matter will be in focus. The shutter speed controls the amount of light let through the lens onto the sensor or film. This allows the photographer to capture images that are ultra-sharp (faster speed) or show a blur of movement (slower speed). ISO is the rate which determines the light sensitivity of the sensor or film. An ISO25 is exceptionally slow but has a greater final quality, whereas an ISO12500 is lightning fast but has a poorer final quality, which appears less sharp and more grainy. Lenses are designed to pinpoint the light onto a sensor and can be used to distort an image by using a wide-angle lens, while normal and telephoto lenses create little or no distortion.

The selection of the time of day or night to photograph also influences light, as the intensity varies and offers the opportunity for different moods. Sunrise and sunsets

are referred to as the 'golden hours', which bring the sense of warmth into the image. Sunsets are the warmer of the two, with sunrise being a sharper or cleaner, whiter light. More light allows for bright, airy feelings. A soft-box is also used by photographers to diffuse light, although air pollution and an overcast day achieve a similar effect. The diffusion of light helps to bring out detail and colour. Side, back and front lights allow a photographer to control contrasts, shadows and silhouettes, which bring texture, when one can almost feel the texture of the subject being photographed, giving it dimension. All of these aspects allow the photographer to add drama to an image.

5.2.2 Colour as a tool in financial reporting

Colour is considered to be an important tool used in financial reporting to elicit an emotional response and affect mood (Courtis, 2004:266). The effect of colour researched by Karayan, Agbejule and Burrowes (2011:2) was found to influence the perceptions of investors by creating order, focusing readers' attention and affecting mood. It was also argued that colour is used to divert attention, de-emphasising negative information. Kim van Reizig (2011:20) demonstrates this, commenting that her research has shown that stimuli (specifically colour) appeal to emotions and provoke a reaction. Primary colours are the most dominant or vibrant, and have the greatest impact. Secondary colours are made up of a mixture of primary colours, an example of a secondary colour being orange, made up of a blend of the primary colours, red and yellow. Black and white could be whimsical, convey timelessness or emphasise past tense or age, reminiscent of the days when newspapers were black and white. Colours, according to Excell *et al.* (2011:113), represent emotions as indicated in Table 5.1.

Table 5.1: Colours and the emotions that they represent

Colour	Emotions represented
Red	aggression, strength, boldness, passion
Pink	femininity, childlikeness
Purple	sophistication, royalty, religion
Blue	cold, loyalty, security, comfort
Green	serenity and calm, peace, money, health and nature
Yellow	brightness, spring, caution
Orange	warmth, energy, excitement
White	innocence, purity, cleanliness

Source: Adapted from Excell *et al.* (2011:113)

5.2.3 Shapes and their potential effect on corporate annual report readers

Shapes are used in the composition, not only of the photograph but also of the arrangement of text and images in a report. Excell *et al.* (2011:81) describe *composition* as “the art of arranging the elements within your frame into a pleasing image”, with lines, shapes and patterns making up the “visual path that leads your eye through the frame to the point of interest”. According to them, “Straight lines convey a sense of strength and power and often have a static feel to them. Diagonal lines also signify power, but rather than being static, they convey a sense of motion”, directing a viewer’s eye (Excell *et al.*, 2011:88). Vertical lines signify strength and power, and curves “are lines but with a softer feel to them” giving a “sense of peace and calm” (Excell *et al.*, 2011:84,86). Clouds are often a contrast in an image which has many hard (straight) lines, such as the image used for the front cover of the annual report of Buildmax Limited (Figure 5.1).

Figure 5.1: Front Cover of 2010 Annual Report of Buildmax Limited



Source: Buildmax Limited

Williams and Newton (2007:244) state that shapes can convey or influence emotion as indicated in Table 5.2.

Table 5.2: Shapes and the emotions that they represent

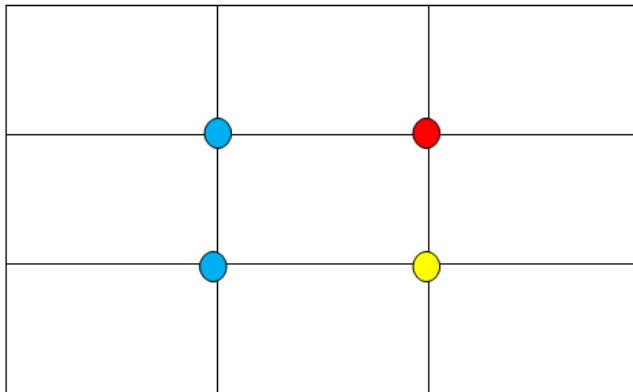
Shape	Emotions represented
Square	solid, static, straightforward
Circle	continuum, feelings of warmth, nurturing and perfection
Triangle	dynamic, action, conflict and tension

Source: Adapted from Williams and Newton (2007)

5.2.4 The use of composition and power points in visuals

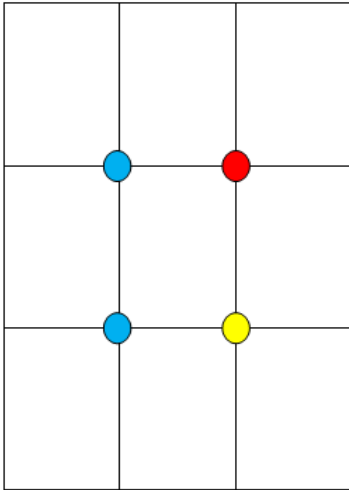
Marshall and Meachem (2010:98) demonstrate tactics used in directing an audience's attention, guiding them through information by using visual continuity. Hirsch (2007:33) states that "the arrangement of objects within a pictorial space determines the degree to which a photograph communicates" and that "visual order revolves around understanding composition". He also notes that it is claimed to be the strongest way of "seeing" a subject. Photographers use what is commonly referred to as the Rule of Thirds, dividing the frame or image into thirds, as indicated in Figures 5.2 and 5.3. These visual points and the power of their effect are based on western conventions of reading from left to right.

Figure 5.2: Landscape Rule of Thirds



Source: Own design

Figure 5.3: Portrait Rule of Thirds



Source: Own design

A simple decision, such as holding the camera to take a landscape (horizontal) or portrait (vertical) photograph can change the focus of the image, as shown in Figures 5.2 and 5.3. The red points represent the most powerful visual point, with the yellow one being the second strongest and the blue being the weakest. Deciding where to position the subject in the frame can have differing effects, and if positioned to one or other side within the frame it can change the dynamic of the mood, creating drama.

Framing an image can change the way it is perceived, by creating a sense of direction or “steering” the eye. Attention can be drawn to a particular aspect of an image. Horizontal frames (Williams & Newton, 2007:246) tend to draw eyes from left-to-right, vertical ones from top to bottom, while square frames draw the eyes in a circular direction.

Spatiality is also a way to evoke an attitude, with too little white space conveying a feeling of overcrowding, or sometimes dynamic and suggestive of action, whereas more white space in an image elicits an attitude of class, wealth, “uniqueness and room to breathe” (Williams & Newton, 2007:257).

The composition of the image is probably one of the most powerful principles that are applied when intending to affect mood and emotion. Composition tips using photography design principles and how these impact on the photographs are elaborated on and some of these principles are as follows (APN Photography School, 2011):

- rhythm: likened to music that is just noise when not in harmony. The rhythm is created using the principles of shape and colour, already described above;
- harmony: using patterns, lines and texture to allow the image to work together;
- symmetry and balance: refer to the patterns and placement of subject matter being captured in the image, where the Rule of Thirds is fundamental;
- proportion: used to demonstrate scale, such as a human figure against a building to denote size;
- emphasis and contrast: created to draw attention to a specific feature of the image or to add to the mood or level of interest;
- unity: where the overall effect is in unity.

Communication and understanding are maintained to be enhanced when the visual and text elements are in harmony (Marshall & Meachem, 2010:107).

5.2.5 Storage of photographic images for financial reporting

Resolution refers to the number of pixels that the camera is able to record, with a higher resolution offering the opportunity for better quality images. This information is compressed so that it can be saved and stored, and the greater the compression, the more data is lost. Saving the images in RAW format allows for a larger amount of information to be stored for adjustments in tones and colours, when processing. A RAW image is one that is unchanged and in its purest digital form. The metadata is data from the camera, imprinted into every image, which contains all the information for that image, including data such as the date, time, ISO -setting, lens setting, shutter speed.

5.2.6 Digital processing of images for displaying in reports

Digital processing uses software such as Photoshop to make corrections and enhance an image to produce a final result. This enables a digital artist to manipulate the image in many ways imaginable, for a positive or negative outcome. The comparison of the original image with the final result will reveal how much manipulation was done, as each enhancement or change is recorded in the data history of each image. This comparison is only possible by viewing the original (untouched) RAW file and comparing it with the final digital image.

5.3 PRACTICES OF PHOTOGRAPHY IN FINANCIAL REPORTING ASSIGNMENTS

According to both the professional photographer and the digital artist, photographers who are hired for their skill in photography for corporate annual reports understand how to produce images which are intended to communicate a message or provide information. In South Africa, there is no university degree for photography, only courses offered by private business. Professional photographers become skilled through practice and experience in the principles of photography. The company that commissions the photographer generally does so based on the reputation of the photographer and the style of his or her work, without having to understand the principles of this discipline. The commissioning of a photographer generally is based on the desired outcome of the images. A good photographer can produce images that will achieve a context causing the viewer to make the desired assumptions around the circumstances of the image (which may not be the correct assumptions). The human element brings the following to the fore:

- The unpredictability of the human reaction to a photograph, where one person's view will be different from another. For example, a younger female may view an image differently from an older male, with varying levels of emotion or reaction.
- How different stakeholders process and analyse information. For example, an equity investor may have a different motivation and hence interpret an image differently from an employee.

The three phases of a photographic assignment following the appointment of a photographer or photographic company are discussed in the following section.

5.3.1 The photographic assignment

The manner in which the planning phase is approached lays the foundation for what follows. The company that is commissioning the photographer will generally have completed their initial planning before the photographer is hired or assigned the task. Certain activities would then be planned together with the photographer for coordination of other vendors (if needed). The photographic assignment is then generally divided into three events, being preparation, photographic activity and post-photography.

5.3.2 Preparation for a photographic assignment

The starting point in most photographic assignments is to decide what must be recorded and what is intended to be communicated. This provides the foundation for the completion of the assignment and determines the range of photographs to be taken. The choice of the subject or subjects is the next step and this can be done with the intention of providing information that is purely factual, has an entertainment or a marketing value, or is intended to influence emotion. An example of using flowers to instil a feeling of youth and innocence is provided by Excell *et al.* (2011:113). The use of such an image can be found in the annual report of Pinnacle Point Group Limited, shown in Figure 5.4. The nature of this business, as described in the 2010 annual report, is that of a property developer, specifically in the lifestyle, golf and leisure area, and the image may be intended to elicit an emotion of wellbeing and serenity, building a desire to be a part of that environment.

Figure 5.4: Auditor's Report, Page 24 of 2010 Annual Report of Pinnacle Point Group Limited



Source: Pinnacle Point Group Limited

Another example of an image that appears to be intended to evoke an emotion is the front cover of BASF SE's 2010 annual report (see Figure 5.4), which displays a child with blue eyes against a backdrop of a blue sky with soft clouds (blue could represent comfort), holding a toy, in a wild area, on a beautiful day. It is surmised that a flash or reflector was used to create contrast and add drama, with an upward slant on the subject matter, ensuring that the child dominates this image, creating a powerful emotional response. BASF produces a range of chemical products, plastics, performance products, functional and agricultural solutions, as well as oil and gas. This photograph was reported by BASF in Page 2 of the annual report to be that of a child wearing a diaper, being one of the first consumer products to carry BASF's co-efficiency label. The diaper is, however, not dominant in the image.

Figure 5.5: Front Cover of 2010 Annual Report of BASF SE



Source: BASF SE

The number of other items to be planned are too numerous for this discussion, and only a few examples are provided for the purpose of introducing the overwhelming number of variables that are planned. These variables will influence the final outcome of the photographs, such as buying new clothing, especially new safety gear, cleaning the environment and equipment in order to project the best possible image, and hiring labour to be reflective of an active and profitable business, among many others. The photographer generally visits the site before the assignment in order to determine the best time of day to photograph, taking into consideration weather conditions and every possible influence on the scene and subject matter. An aerial photograph can be costly but is often dramatic and has a great impact, as demonstrated in Figure 5.6, with the use of power points, lead-in lines, contrast and focal point. The lead-in lines are created by the road leading in from the bottom left, diagonally upwards to the strongest power point, where the major part of the structure is. The time of day is just before or just after midday, when the shadows are the shortest, thus allowing more light on the structures, and hence allowing more detail to be seen. The light coming from the right and having the shadows to the left of the structures, adds to the power of the lead-in lines. Focal points may have been used to make the background slightly softer, or it may have been air pollution. The clarity of the subject matter suggests that this image was manipulated, and is not as a result of pollution. The vertical and horizontal alignment of the building is incorrect and suggests that the aspherical distortion on the edges of the image has been corrected.

Figure 5.6: Business Review, Page 25 of 2010 Annual Report of Sasol Limited

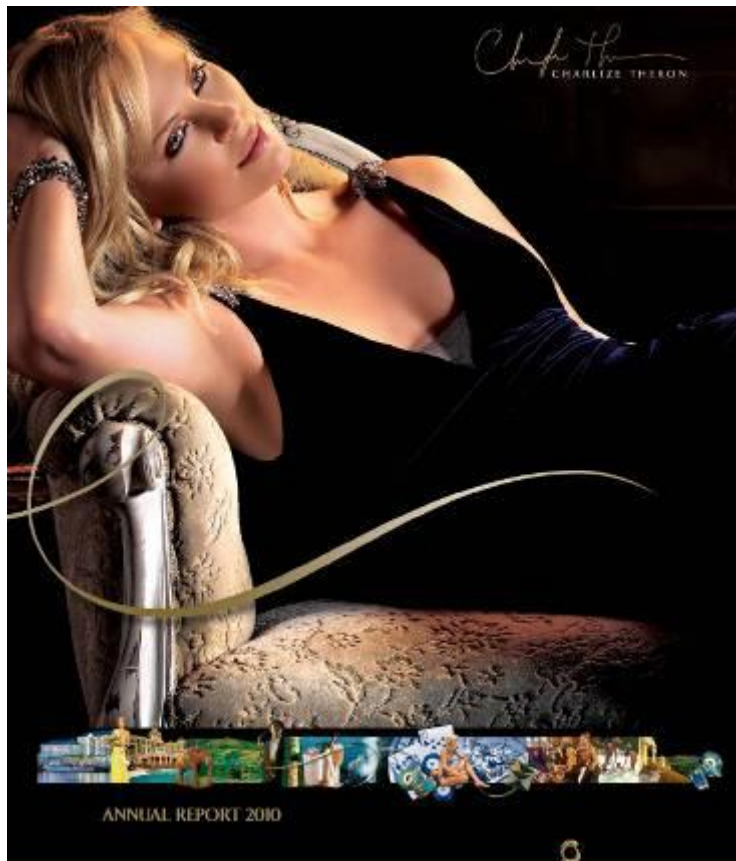


The technical and financial success of Oryx GTL, Sasol's joint-venture operation in Qatar, has demonstrated the commercial viability of our proprietary technology.

Source: Sasol Limited

The use of an internationally recognised or famous person may convey that a business is important enough to warrant such an ambassador to the company. It also sends a message to the viewer that the company can afford such a person. The choice of a celebrity may also assist in conveying a message or implied message. Charlize Theron's association with Sun International Limited is an example of this concept (see Figure 5.7). Theron is a South African who has become an international celebrity, admired by some for both her physical appearance and success, which could generate emotions such as pride and admiration. The photographer used negative space (the black areas of the image), a technique used to balance the reversal of the Rule of Thirds and lead-in lines.

Figure 5.7: Front Cover of 2010 Annual Report of Sun International Limited



Source: Sun International Limited

5.3.3 Execution of a photographic assignment

The commissioned photographer is generally given a brief, which provides instructions or guidance on the terms of photographic images required. The amount

of discretion that the photographer has in selecting subjects to photograph is likely to vary from one company to another, bearing in mind that the selection of the person or photographic company will have been based on their reputation and previous work. The execution of the photographic assignment will be determined by the brief given.

5.3.4 Post-photography and possible manipulation of images in corporate annual reports

The photographer assigned to take the photographs may or may not be involved in the final production of the images. If not, the photographs are generally handed over to the company in digital, RAW format. The selection of the images can be made by any one of a number of parties (the photographer, a representative of the company, management, the board, or perhaps even an agency or digital artist). The accountability for what is selected is also wide, ranging from high to little or no accountability for the final product. In discussions with digital artists, it was found that the management and the board of the company were involved in the final decision-making.

Digital artists, like photographers, should be skilled in their trade, using technology to manipulate photographs to produce a final product. They do not necessarily have a code or set of principles and are paid for presentable images, irrespective of manipulation that may have been involved. An example of this is shown in Figure 5.8 and four additional examples are displayed in Figures 5.9 to 5.12. In informal discussions with Miss B Bruce, a digital artist, the techniques of using deep-etching so that backgrounds could be removed and replaced with a different background (see Figure 5.12, example 4) were discussed. The vehicles were also “cleaned” digitally, enhancing the dominant colour (orange), and appearing pristine (see Figures 5.9 and 5.10, examples 1 & 2). Photographs were taken before the company updated their ‘Bell’ logo, and the image or images adapted in a manner to appear as if it was already there (see Figure 5.11, example 3). The ‘retouching’, as the digital artist refers to this type of manipulation, can save costs, as it is generally less expensive and time-consuming than commissioning and executing new photographs. Digital (stock) libraries are being used more frequently as opposed to commissioning a photographer.

Figure 5.8: Page 23 of the 2008 Annual Report of Bell Equipment Limited



Source: Bell Equipment Limited

Some of the before and after images (examples 1 – 4) provided by a digital artist are shown in Figures 5.9 to 5.12.

Figure 5.9: Example 1

Before

After



Source: Digital Artist B Bruce

Figure 5.10:....Example 2

Before



After



Source: Digital Artist B Bruce

Figure 5.11: ...Example 3

Before



After



Source: Digital Artist B Bruce

Figure 5.12: Example 4

Before

After



Source: Digital Artist B Bruce

The image in Figure 5.13 was clearly manipulated, with a halo effect evident around the structure, where it “meets” the sky. It is uncertain what manipulation was carried out, without seeing the original, RAW photograph. It also bears noting that there is no apparent activity (either vehicles or people) in this image.

Figure 5.13: Group Profile, inside cover of 2010 Annual Report of Assore Limited



Source: Assore Limited

5.4 CONCLUSION

The principles and practices of photography, as discussed in this chapter, present many opportunities for manipulation of the final images at any point up to their inclusion in the financial report the opportunities are divided into three main categories, as follows:

- prior to the photographic assignment, in the design and decision phase that the company enters into, which is referred to as the planning phase;
- during the photographic assignment, which mostly involves the photographer, the subject matter and any direction or assistance given to the photographer;
- after the assignment, when the images are processed and stored and finally inserted in the annual report.

As established earlier, photographs can convey information and communicate in a way that can influence emotion and affect rational thought process and hence decision-making. The credibility of financial reporting has been questioned and many studies and investigations into enhancing and improving reporting have been the result of this, as discussed in earlier chapters. The concept of *integrated reporting* is intended not only to provide more contextual information but also requires that the company explain how its results and strategies are linked and how each is affected by the other. It is expected that more non-financial information will be included in corporate annual reports, and this may mean that photographs are more widely used. In view of the ability to manipulate photographs and therefore have an impact on readers, it is considered important to introduce an ethical manner in which to record and present images in accounting and corporate annual reports.

A responsibility to ensure that what is displayed can be deemed credible and reliable would require an investigation into the controls over photographs. Further studies and investigation are required to reveal the items that would need to be controlled to reduce the potential for these poor practices to occur and to develop new standards of control to re-establish credibility and reliability of photographic images.

CHAPTER 6

SUMMARY AND CONCLUSION

6.1 INTRODUCTION

This chapter serves to summarise that which has been explored and concluded in previous chapters in Section 6.2. Gaps were identified in Section 6.3, recommendations are made in Section 6.4 and conclusions are made in Section 6.5.

6.2 SUMMARY

The aim of this research was to examine the regulatory developments in order to establish what precincts have been created (if any) to deal with the problem of loss in credibility in financial reporting. The growing inclusion of additional, non-financial information in corporate annual reports was noted, as well as the lack of principles and practices of accounting to deal with the use of photographic images.

Photographs were found to affect readers and users of corporate annual reports and their role was considered in relation to accounting and corporate annual reports and whether credibility and relevance can be gained for their use in corporate annual reports. To complement the study, the technical aspects of photography were explored with specific reference to how photographic principles and practices are used in the presentation of photographs in corporate annual reports.

The main observations of this research are briefly discussed in the following sections.

The move to increased voluntary disclosure

The enhancement of accounting and financial reporting is a topic that is regularly being researched and proposals debated before new standards are introduced to meet the demands of the increasing complexity in transactions and the growing demands and needs of users and readers of corporate annual reports. The variety of information being published in the corporate annual reports has increased to cater for a wider audience, and has an escalating impact on society. One of the consequences of the additional information is a greater volume being produced. A

sample of companies was selected and their corporate annual reports reviewed, comparing their 2005 reports with their 2009 and 2010 or 2011 reports and it was established that the size in megabytes and the length in pages of the reports had increased, as well as the display of photographic images. The quality of the information had not necessarily improved.

Efforts to increase disclosure and enhance transparency

A recent development in accounting and financial reporting is the concept of *integrated reporting*, deemed by some as an opportunity to restore credibility. The initiation of the *integrated reporting* concept has been a global effort, much like the development of IFRS to converge national reporting standards (GAAP in South Africa) to create a globally accepted international financial standard. The integrated report, required in terms of the King III code of 2009 and applicable to all JSE-listed companies, is an attempt to bring context to the numbers, demonstrate sustainability of the company and its business, and so improve credibility and accountability for the information produced in a financial report. The use of non-numerical or non-financial information such as photographs is expected to increase, and they can no longer be ignored or overlooked. The changes in the regulatory environment and principles of assurance support and encourage the presentation of such information, suggesting that the numbers alone are not sufficient to aid decision-making. Davison (2008:792) acknowledges that more is conveyed through the discretionary section of the corporate annual report which was initially only intended to supplement the financial statements and other regulated disclosures, concluding that the “discretionary words and pictures are often the richest signs in the annual report” (Davison, 2008:820). Hooks *et al.* (2010:354) contend that companies are formed from three resources, two being physical and financial capital and the third vital resource being intellectual capital. The visual images are claimed by Hooks *et al.* (2010) to be presented in order to communicate about intellectual capital, which is further distinguished as human, structural and relational/social capital. In their opinion, the traditional reporting system is out -of -date and they are not surprised that companies look for progressive ways to present or report on intellectual capital in corporate annual reports.

Limitation of accounting standards

The initial International Financial Reporting Standards were adopted in South Africa in 2005, and are continually being enhanced, as observed from the introduction of additional standards relating to audit and assurance (IRBA, 2009:36-40). The conceptual framework developed by the IFRS Foundation was issued in September 2010 by the International Accounting Standards Board (2010:21-51) and resulted in the replacement of Chapters 1 and 3 of the existing Framework for the Preparation and Presentation of Financial Statements. The changes allow for better harmonisation so that it is applicable to the range of accounting models and evolving concepts. Technology is on the forefront of the integrated reporting format discussions and a greater use thereof is advocated, which may influence and possibly promote the medium of photography and its use in accounting and reporting. Photographic images have been displayed in corporate annual reports, irrespective of the format of report used, however they have not been governed by the accounting and reporting principles that apply to the corporate annual reports. The discretionary information section contains narratives, graphs and other non-regulatory information, which may be subject to an appropriate form of assurance rather than an audit. It is in this section that the photographs have been placed, as shown in Table 2.1.

Photographs were classified in this study as non-financial information, and they are displayed at the company's discretion. While the accounting discipline has changed in order to accommodate an audit or assurance of non-financial information, this has not yet been related to photographic images in the corporate annual report, revealing continuing limitations in accounting and financial reporting. Cronjé (2007:44) examines the transition in accounting practices specific to corporate annual reports, and categorises these into two systems, namely the mandatory information system (regulatory), and the discretionary information system (other information which is not mandatory). He reveals that many principles first emerged as discretionary disclosures and became mandatory following regular use and perceived relevance of the information. The discretionary information section is just that – discretionary, and it is the prerogative of the organisation to decide what and how information should be presented. In selecting the photographic images, the responsible parties could be influenced by emotion (unknowingly) based on their perception of the image and a

personal reaction or interpretation which could differ from the reader and consequently influence the reader in an unintended way. Time was found to be a factor that also influences interpretation and perception, just as the relationship between an organisation and its corporate annual report was observed to be influenced.

Relevance of voluntary and visual disclosures

Since the objective of a corporate annual report is to present all information about the position and performance of the business in a structured format, complying with accounting, auditing and financial reporting standards and principles, the preparers of corporate annual reports should have an intimate understanding of the needs of users of the reports as well as the accounting and financial reporting principles and practices applicable to content. The content of the report only becomes relevant if it can be used and be considered information; that is, informing a user of something, usually to be able to make a decision such as continuing a relationship with an organisation, investing into it or many other examples. Any information that is not considered meaningful might be ignored. Therefore photographs may be overlooked or ignored if not considered meaningful. A semiotic approach to visual communication reveals that meaning is derived from a symbiotic relationship between materiality, content and context, without which the information being displayed could lead to poor decision-making by the user based on a lack of interpretation or misinterpretation. The interpretation of the information presented in a photograph varies, depending on the reader or user and the nature of their requirement. These requirements have also evolved as demands for greater variety of information increase. The challenge is to meet this demand without a deterioration in credibility, integrity or other attributes that a corporate annual report is intended to possess.

Communication of information through visuals

The concept of *information* as 'something' is based on a meaningful connection to the reader or user. This was revealed by observing the relationship between a picture and words. It was stated that a *word* is a unit of language, which is a human capacity

using a complex system of communication to convey information meaningfully by connections or relationships that occur and organise themselves into patterns that can communicate. Regarding the emotional intelligence of people tested by Bradberry and Greaves (2009:13), it was revealed that 64% of people were controlled by their emotions rather than being able to understand or manage these. This is important because pictures are a visual stimulation and before one has any rational thought about what a picture represents, it implies one has an emotional reaction. This response has the ability to generate energy for a physical reaction, without necessarily being accompanied by direction for that energy, which could result in a reflex or instinctive response such as a scream before one is able to rationally process what one has seen. The images in corporate annual reports (examples displayed and discussed) are found to be a form of communication, providing information by eliciting an emotional response, whether or not the viewer is conscious of it. Davison and Warren (2009:846) comment that the communication of accounting-related information is done in three languages, being numerical, words *and* images. The role of relationships, relevant to accounting, corporate annual reports and photographs was further analysed, and the concept of *semiology* used to interpret these relationships, suggesting that the photographs could become a symbol or sign, ultimately likening the taking of a photograph to passing an entry to the records of a company.

Possible manipulation of visual images

Concerns were raised by professionals such as Powell (2010:29) that narratives and other media used in financial reporting could be open to skilled manipulation were discussed. Recommendations were made to widen the scope of an audit or assurance to include information of a non-financial kind. This notion of clever manipulation is also supported by Jones (2007:97), stating that the presentational elements of the corporate annual report (in which he includes photographs) are managed in such a way to present results in the most favourable light possible, likening the process to creative accounting. Cho *et al.* (2009:934) provide evidence that technology could potentially be used to mislead users, at least in reporting on the organisation's social responsibility. Photographs are increasingly displayed in corporate annual reports, yet their role in accounting and financial reporting has not

yet been established or defined. So why run the risk of displaying such an unknown quantum? Despite the lack of an understanding of the role that photographs play in accounting and financial reporting, they were found to be able to stimulate thought and have an impact that might otherwise not have been possible.

To further understand how photography is used, the principles and practices of photography were analysed in Chapter 5. This analysis highlighted the capability and opportunity for manipulation of final images at every stage in the process of photography, beginning in the planning phase, and leading through the assignment to the post-photography, digital processing and storing of the photographs. The credibility of this medium of communication is therefore in question and may be regarded as not having attributes which could be audited or assured, and therefore considered a mere decoration or window-dressing, rather than possessing a powerful means of communicating relevant information in a meaningful manner.

The potential of captions

The principles of assurance as recorded by the International Standard on Assurance Engagements were reviewed in Chapter 4, to establish whether photographs could be considered suitable for assurance. To be able to complete an appropriate form of assurance, whether reasonable or limited, the images should be subject to certain criteria, such as being relevant. To be considered relevant, the images would need to be measured and evaluated against suitable criteria, and be subject to procedures for obtaining sufficient evidence to support the assurance. Following an analysis of an image extracted from a corporate annual report, it was construed that the image alone is open to wide interpretation, depending on the perspective of the viewer and what is or is not considered relevant in the image. This amount of subjectivity in photographs and photography poses a challenge. The potential for misinterpretation was, however, found to be reduced with the use of captions, as revealed in Section 4.5, with the caption perceived to guide the viewer in interpreting the purpose of displaying the image, and appearing to guide the viewer on its content. The text may also be less subjective and lend itself to the principles and criteria for assurance, in a similar manner as the other discretionary narratives are assured.

6.3 GAPS IDENTIFIED

Photographs were described as a powerful medium used to communicate information in a manner which can influence emotion, responses and decision-making. Users of corporate annual reports increasingly demand more information to assist in decision-making by attempting to reduce uncertainty and improve transparency. Photographs were found to assist in understanding and visual communication of important information in corporate annual reports, however, two gaps were identified. These are the lack of principles to guide a company on how to appropriately undertake photographic assignments and display photographic images; and, there are no guidelines on how to analyse and interpret the information contained in the photographs.

6.3.1 Lack of principles for the assurance of photographs

On having observed the principles of assurance, the lack of a framework or system for an appropriate level of assurance of images has created an opportunity for companies to exercise *carte blanche* in the decision to display photographs that may or may not have been authenticated. Since accounting methods have not yet been developed to include the audit or assurance of photographs or the photographic process, it will be necessary to explore this topic further.

Since the opportunities also exist for manipulation in every stage of the process, and the objective of auditing and assurance is to bring credibility to the information being presented, moral integrity and ethics may feature greatly in each of the phases of the photographic assignment as well as in the selection and display of the images. *Ethics* is defined by Bagranoff *et al.* (2005:93) as a “set of moral principles or values” and by Soanes *et al.* (2001) as “the moral principles that govern a person’s behaviour or how an activity is conducted”. The ISAE (International Auditing and Assurance Standards Board, 2011:41-42) incorporate fundamental principles for ethics in terms of which evaluation of the threats to ethical principles and applying safeguards to eliminate or reduce these threats are required. The fundamental principles outlined include integrity, objectivity, competence and due care, confidentiality and professional behaviour, with the threats to these identified as self-interest, self-review, advocacy, familiarity and intimidation. A further exploration of these fundamental principles of

ethics of assurance is also recommended for further research into enhancing the validity of photographic images in corporate annual reporting because even conscientious and competent approaches to the photographic aspects could lead to different conclusions or judgements, hence the need for an effort to narrow this gap.

6.3.2 Lack of guidelines for the interpretation of photographs

In analysing the relationship between a photograph, the commentary and the numbers it is clear that all could be important for the photograph to be correctly perceived. In a survey conducted by Cronjé (2007:190), 73.3% of respondents agreed that it was important that the statutory and discretionary reporting systems should not be viewed separately but as interrelated and should be interpreted together. It follows that since the photographic images form part of the discretionary reporting system, they should consequently also not be treated as separate but rather as part of the information, connected to the disclosures. The placement of photographic images in the annual report could also be relevant because, if viewed in isolation or out of context, the meaning, message or information that it is intended to convey can be lost. There has been some research into the meaning and information communicated in photographs but no guidelines offered for a formalised approach to the interpretation of photographs, a topic that requires further research.

6.4 RECOMMENDATIONS TO CLOSE THE GAPS

To establish best practice for the activities of a company in the commissioning and selection of photographs to be published in its corporate annual report, the elimination of poor practice is essential, as this could otherwise lead to misrepresentation, deception and a lack of transparency. This could destroy the credibility of the images and result in the photographs failing the test of being a true and fair representation. The role of ethics could become a recognised part of the photographic process, with controls to support and govern the process of recording and presenting information in photographic form, and criteria to assess the standards with which to comply.

In the process of photography, some examples are offered following informal discussions with a professional photographer and a digital artist based on their experience and observations. These examples are discussed in the following sections.

6.4.1 Planning phase

In this phase, the integrity of the company and its representatives are relied upon to set the tone for the photographic assignment. Firstly, the strategy for the assignment is defined, which outlines the basics, such as important or material items and subject matter, as well as the ultimate purpose of the photographs and what is intended to be communicated through these. This strategy or planning document could become part of the final record-keeping, for presentation to an audit committee or other suitable independent overview and evaluation of intent.

The qualities that a photographer needs are also vital to ensure the integrity of the assignment to include objectivity, reliability, credibility and professional competence. The formation of a professional association for photographers who are evaluated and are required to pass certain minimum criteria could aid a company or an auditing firm in carrying out an assignment or providing expert assurance. An example of this is provided in Appendix D.

6.4.2 Photographic assignment

The photographer should be given terms of engagement at the start of the assignment, which would provide guidance in terms of timing, conduct and co-ordination of other vendors (if needed), as well as instructions or directions on what photographs are needed. Integrity is paramount to ensure accountability and, therefore, the photographic assignment should be planned with the objective of producing credible and valid representations, relevant to the information contained in the annual report.

Two checklists are recommended for completion by the person or company commissioning the photographer; and the photographic company and/or the photographer. Examples of the checklists are provided in Appendix D. These checklists could form the basic information to be used to authenticate and verify the condition of the item or items being photographed, the circumstances of the assignment and extent of pre-work such as painting, re-arrangement, or other manipulation. The photographer could be required to report on these during the photographic assignment, with the report forming part of the evidence accompanying the photographs and then being evaluated and possibly even forming the basis of a form of assurance.

6.4.3 Post-assignment

The advancement in technology created the opportunity for extensive digital manipulation of images, which is largely undetectable to the untrained eye and often even to an expert. The manipulation was noted in Chapter 1 and discussed in Chapter 5. There is ample opportunity to attempt to mislead the viewer in each phase, as demonstrated. Several measures therefore need to be taken to improve the effectiveness of controls, one of which is control over the digital preparation, storage and use of the final photographs. The controls over the recording and storage of the digital data could be audited, to ensure that these are adequate. One of the ways that this can be done is by using the camera's metadata (which is data from the camera, imprinted into every image) and reviewing this to establish that images remain largely un-manipulated. A report could also be prepared by a digital artist detailing the digital modifications performed, and a report by the photographer on how the photographic assignment was carried out. This could be done using the additional supporting checklist (or similarly designed format) to be provided by the photographer (and digital artist), with criteria determined by the company or an audit committee. The audit committee could also establish who is best equipped to evaluate photographic content and whether there is a need for assurance by an independent expert. Criteria can be determined stating that, unless met, photographs would not be considered as ethically recorded, reliable or credible, and would hence be discarded or no assurance given. Alternatively, the form of assurance could

mention that the criteria established could not be met and hence reliance could not be placed on the images.

A brief checklist was developed by the researcher, in consultation with a professional photographer and a digital artist, as an interlude to a further and more detailed checklist (which will require further investigation). This checklist includes some of the basic information that is recorded and how it can be used to determine authenticity of photographs (see Appendix D).

6.5 CONCLUSION

The objective of an annual report is to provide information on the financial performance of a company to its stakeholders. At present, there is a recognised framework in which the financial and non-financial information is presented, from which it can be disseminated and analysed. While some research indicates that photographs are ignored by some, an increasing number of annual report users pay more attention to the discretionary disclosures than the numbers the photographs assist in enhancing communication and complementing the numbers by providing insight into a powerful visual.

The increased use of technology and innovation to create concise and relevant corporate annual reports requires controls over this technology, aiming for the credibility of financial reporting to be restored so that the information can be relied upon for decision-making. The integrity of the information is established by an appropriate audit or assurance of the final information for the production of the report, yet accounting professionals lack any principles or guidelines for the use of the photographic medium for recording and communicating information reliably. Research has been done which relates photography to accounting or financial reporting, but tended to focus on the effects of the images on readers, rather than the technical aspects of recording and storing images and displaying them in corporate annual reports. While the effect on the reader is of the utmost importance, two potential gaps in the use of photographs to convey information or a message were found. These are:

- regulations have been established that allow corporate annual reports to include a greater degree of non-financial information, and accounting practices have been adapted to provide for the audit or assurance thereof, yet what is lacking is an appropriate system of control and a framework for assurance, specifically for images used in financial reporting.
- despite the prevalence of photographs in corporate annual reports for many years, there is no system or way in which to interpret or analyse the images, without which the information being conveyed can be misinterpreted, overlooked or ignored, yet these pictures are possibly still able to affect perception by influencing emotion.

Some things, especially in isolation, do not make sense until there is a way to prioritise information so that it can be analysed and interpreted. The photographs were found to be open to wide interpretation and misinterpretation, yet with an appropriate caption or narrative, a reciprocal link was noted between the information in the photographs and the written information, and therefore meaning could be established.

The potential for the manipulation of photographic images casts doubt on the integrity and credibility of this medium in truthfully representing information. Some recommendations were made in Section 6.4 to provide additional information which would form part of the records of the company, accompanying the photographs or photographic record. This additional information could assist in providing evidence of the extent of manipulation, if any. In addition to these recommendations, a system of control and a framework for assurance are needed and should be designed, following an in-depth study of the elements of a photograph, the process of photography and other relevant aspects, in relation to accounting and financial reporting. Users and preparers of corporate annual reports should be interviewed and further examination of appropriate literature undertaken, with a view:

- to introduce an appropriate code of conduct, to ensure professional behaviour of all parties and to be able to report any irregularities;
- to design a code of ethics to bring credibility to the images used in corporate annual reports;

- to pioneer appropriate criteria and principles of control within the company so that an audit of these controls can be established and a form of assurance on the photographs provided.

The International Federation of Accountants (2003:2) highlighted the need for corporate ethics codes to be in place and actively monitored in order to be effective. The incentives for management are deemed to be based on financial results, and as such, the risk of misstatement of financial information to reflect the desired result is prevalent and needs to be reduced. An improved oversight of management by the board of directors is recommended, as well as greater attention to auditor effectiveness, independence by strengthening of audit standards, regulations, accounting, reporting practices and implementing codes of conduct for participants in the financial reporting process.

The use of photographic images may become important if it is found that their presentation is considered relevant, adds meaning, provides context, evidence or additional disclosure to the information already contained in corporate annual reports. The photographs could fill the gaps that the numbers and words are unable to achieve on their own.

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APPENDIX A

SAMPLE OF COMPANIES

Table A.1: Sample

Capitec Bank Holdings Limited	1
Kumba Iron Ore Limited	2
Shoprite Holdings Limited	3
Assore Limited	4
Clicks Group Limited	5
MTN Group Limited	48
Invicta Holdings Limited	49
Sanlam Limited	50
Pangbourne Properties Limited	51
Redefine Properties Limited	52
The Bidvest Group Limited	96
UCS Group Limited	97
Liberty Holdings Limited	98
Absa Group Limited	99

From 'Worst 20 over Five Years'

AG Industries (in liquidation - no financial reports available)	1
Super Group Limited	2
Purple Capital Limited	3
Buildmax Limited	4
Trans Hex Group Limited	5

Ranking in the 'Excellence in Corporate Reporting 2010' Survey:

Anglo American Plc	1
Sasol Limited	2
Nedbank Group Limited	3
Massmart Holdings Limited	4
Anglogold Ashanti Limited	5

APPENDIX B

ANALYSIS OF CORPORATE ANNUAL REPORTS

In reviewing the sample of financial reports (see Appendix A), a simple analysis has been done by the researcher based on first impressions of what the purpose of the photographs are considered to be.

Table B.1: Top five from Top 100 survey

	Provides context	Assists with analysis	Replaces narrative	Provides evidence	Provides additional disclosure
Capitec Bank Holdings Limited	X	X	X	X	X
Kumba Iron Ore Limited	✓	✓	✓	✓	X
Shoprite Holdings Limited	X	X	X	✓	X
Assore Limited	✓	✓	X	✓	X
Clicks Group Limited	X	X	X	X	X

Source: Business Times, 2010:2

Capitec Bank Holdings Limited has one image in its 2010 annual report, with no apparent link between the photograph used and the commentary or numbers.

Kumba Iron Ore Limited has numerous photographs in its 2010 annual report, which each have a narration, which brings context to the image and relates it to the commentary. The skill of the photographer is evident with strong images, making use of all of the photographic skills discussed in Chapter 5. The sense created is one of strength and power, as well as co-operation.

Shoprite Holdings Limited has photographs displayed throughout the commentary in its 2010 annual report, each with a caption indicating where the photograph was taken. There is no obvious attempt to use the images other than as “evidence” of investment in assets.

Assore Limited has photographs displayed throughout the commentary in its 2010 annual report, each with a caption indicating where the photograph was taken. Like Shoprite Holdings Limited, there is no obvious attempt to use the images to other than as “evidence” of investment in assets.

Clicks Group Limited has photographs throughout its 2010 annual report, with no captions and no apparent link between the photographs used and the commentary or numbers.

Table B.2: Middle five from Top 100 survey

	Provides context	Assists with analysis	Replaces narrative	Provides evidence	Provides additional disclosure
MTN Group Limited	X	X	X	X	X
Invicta Holdings Limited	X	X	X	X	X
Sanlam Limited	X	X	X	X	X
Pangbourne Properties Limited	X	X	X	X	X
Redefine Properties Limited	X	X	X	✓	X

Source: Business Times, 2010:2

MTN Group Limited has few images in its 2009 annual report, with no apparent link between the photographs used and the commentary or numbers.

Invicta Holdings Limited has photographs throughout its 2009 annual report, with no captions and no apparent link between the photographs used and the commentary or numbers.

Sanlam Limited has photographs throughout its 2010 annual report, with no captions and no apparent link between the photographs used and the commentary or numbers. The images also do not appear related to the core business.

Pangbourne Properties Limited has photographs throughout its 2010 annual report, with no captions and no apparent link between the photographs used and the

commentary or numbers. It is assumed that the photographs are of building owned by the business, because of its nature, although there is no information (or captions) to support this assumption.

Redefine Properties Limited has a mix photographs throughout its 2010 annual report, some with captions, indicating their location. There are also photographs which appear unrelated to the core business. There is no apparent link between the photographs used and the commentary or numbers.

Table B.3: Bottom four from Top 100 survey

	Provides context	Assists with analysis	Replaces narrative	Provides evidence	Provides additional disclosure
The Bidvest Group Limited	X	X	X	X	X
UCS Group Limited	✓	✓	X	✓	X
Liberty Holdings Limited	X	X	X	X	X
ABSA Group Limited	X	X	X	X	X

Source: Business Times, 2010:2

The Bidvest Group Limited only has photographs of its board members in its 2010 annual report.

UCS Group Limited only has photographs of its board members in its 2010 annual report, each with a narrative that provides information on the business or its performance.

Liberty Holdings Limited has limited use of photographs in its 2010 annual report, of board members.

ABSA Group Limited has photographs throughout its 2010 annual report, with no captions and no apparent link between the photographs used and the commentary or numbers. Some of the images also do not appear related to the core business.

Table B.4: Worst four from Top 100 survey

	Provides context	Assists with analysis	Replaces narrative	Provides evidence	Provides additional disclosure
AG Industries Limited					
Super Group Limited	X	X	X	X	X
Purple Capital Limited	X	X	X	X	X
Buildmax Limited	X	X	X	X	X
Trans Hex Group Limited	X	X	X	X	X

Source: Business Times, 2010:2

Super Group Limited has limited use of photographs in its 2010 annual report, with no captions and no apparent link between the photographs used and the commentary or numbers.

Purple Capital Limited only has no photographs in its 2010 annual report.

Buildmax Limited has few images in its 2010 annual report, with no apparent link between the photographs used and the commentary or numbers.

Trans Hex Group Limited has photographs displayed in its 2010 annual report, with no captions and no apparent link between the photographs used and the commentary or numbers.

Table B.6: Best five from Excellence in Corporate Reporting 2010

	Provides context	Assists with analysis	Replaces narrative	Provides evidence	Provides additional disclosure
Anglo American Plc	✓	✓	✓	✓	X
Sasol Limited	✓	✓	✓	✓	✓
Nedbank Group Limited	X	X	X	✓	X
Massmart Holdings Limited	X	X	X	✓	X
AngloGold Ashanti Limited	X	X	X	X	X

Source: Business Times, 2010:2

Anglo American Plc has numerous photographs in its 2010 annual report, which each have a narration, which brings context to the image and relates it to the commentary. The skill of the photographer is evident with strong images, making use of all of the photographic skills discussed in Chapter 6. The sense created is one of strength and power, as well as co-operation.

Sasol Limited has numerous photographs in its 2010 annual report, which each have a narration, which brings context to the image and relates it to the commentary. The skill of the photographer is evident with strong images, making use of all of the photographic skills discussed in Chapter 6. The sense created is one of strength and power, as well as co-operation.

Nedbank Group Limited has few photographs in its 2010 annual report, some with captions, indicating the event or location.

Massmart Holdings Limited has limited use of photographs in its 2010 annual report, of board members and some locations.

AngloGold Ashanti Limited has few images in its 2010 annual report, with no apparent link between the photographs used and the commentary or numbers.

Findings of the overview

The use of photographs in the abovementioned annual reports has revealed that without a caption, the images are glossed over and it is highly unlikely that they are used for forensic or other analysis.

The companies that made use of captions and narratives provided context to the commentary and by creating the link to the numbers, became relevant, with the possibility of being used or providing some contribution or value in the analysis of the company.

The starting point to reconciling the images to the numbers would be the link between the photographs and the narrative or commentary. No reconciliation could have been done with the majority of the companies in the sample.

There was no apparent correlation in the use of the photographs between the companies ranked in the top five, middle five, bottom five of the “Top 100” survey, or the “Excellence in Corporate Reporting” survey.

APPENDIX C

EXAMPLES OF IMAGES IN CORPORATE ANNUAL REPORTS

The following comments are based on informal discussions with a professional photographer and digital artist and their impressions of a selection of images extracted from corporate annual reports.

Anglo American Plc

The people depicted on the front cover of Anglo American Plc's annual report, in Figure C.1, appear to be intended to look like (and may actually be) "real people" of the company (as the slogan in the bottom right corner denotes). These photographs are most likely taken in a controlled environment, as they are uniform in design, and are able to produce high contrast. The images also portray mixed emotions (with each person displaying a different emotion). The "dirt" on their faces looks real and adds to the essence of genuineness.

Figure C.1: Front Cover of 2010 Annual Report of Anglo American Plc



**DELIVERING
REAL EXCELLENCE**
Annual Report 2010



Real Mining. Real People. Real Difference.

Source: Anglo American Plc

The photograph of Cynthia Carroll, Chief Executive of Anglo American Plc, seen in Figure C.2, portrays a candid looking image which suggests that the Chief Executive is involved in the operational aspects of the business. There has been no use of a flash or other obvious set-up.

Figure C.2: Overview, page 12 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

Another example in Figure C.3 is of an image in which there is no apparent use of artificial lighting, such as the use of a flash. The subject matter in Figure C.3 also looks genuine as the person is wearing items that have clearly been used. The individual fills the power point of the image, with his safety gear featuring prominently.

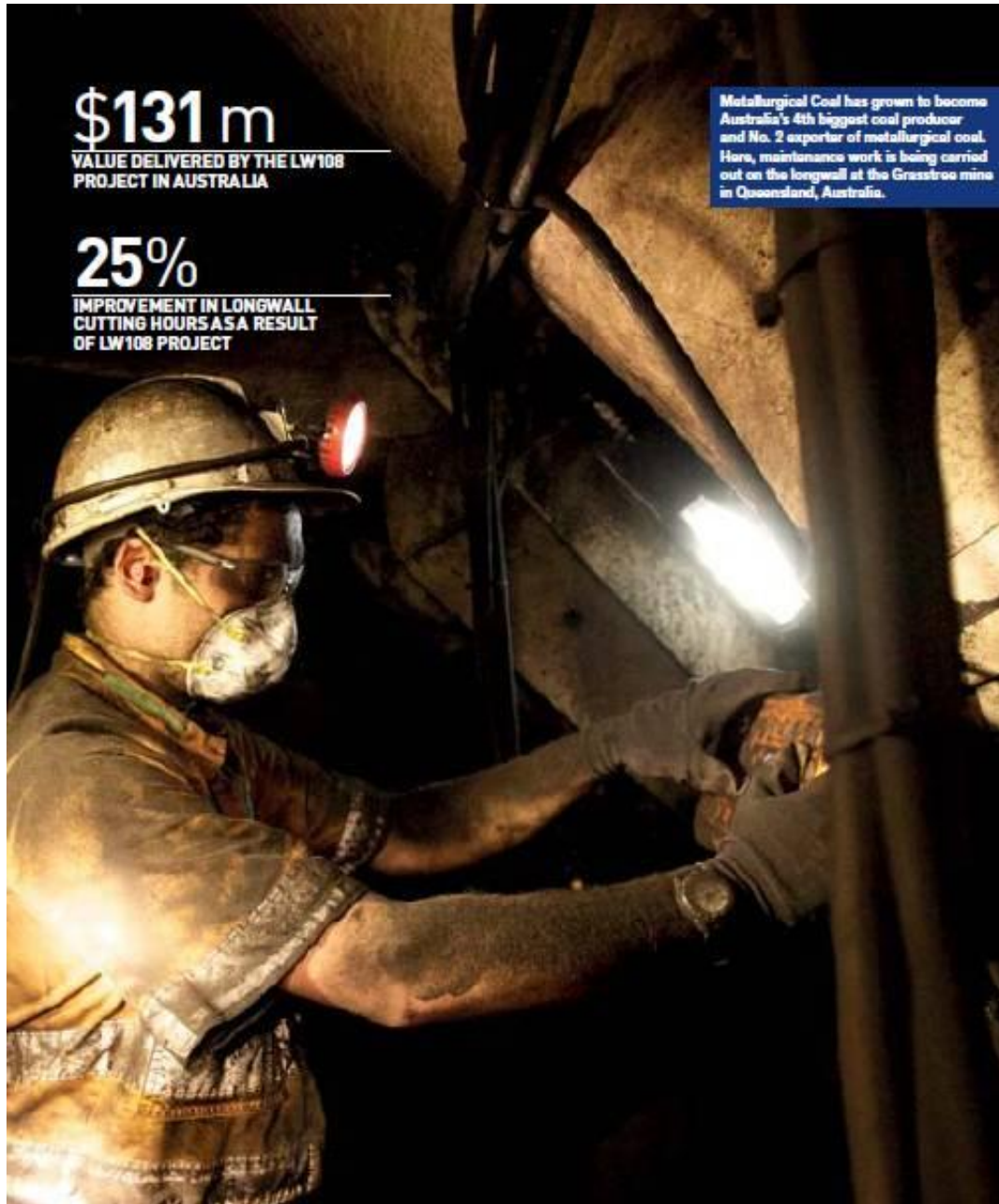
Figure C.3: Operating and Financial Review, Page 17 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

The person depicted in Figure C.4 appears to be working, yet the image is not blurred by movement. To achieve this, the photographer is either using long exposure or high ISO technology. The use of a white-skinned individual also provides the opportunity to use the contrasts for dramatic effect.

Figure C.4: Operating and Financial Review, Page 21 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

The inside of the tube depicted in Figure C.5 is clean and appears to have been recently painted. The lead in line is used to direct attention to the workers and create a powerful frame for them. The circular frame suggests continuity and there is a sense of movement suggesting productivity. The shadows add to the drama of the image.

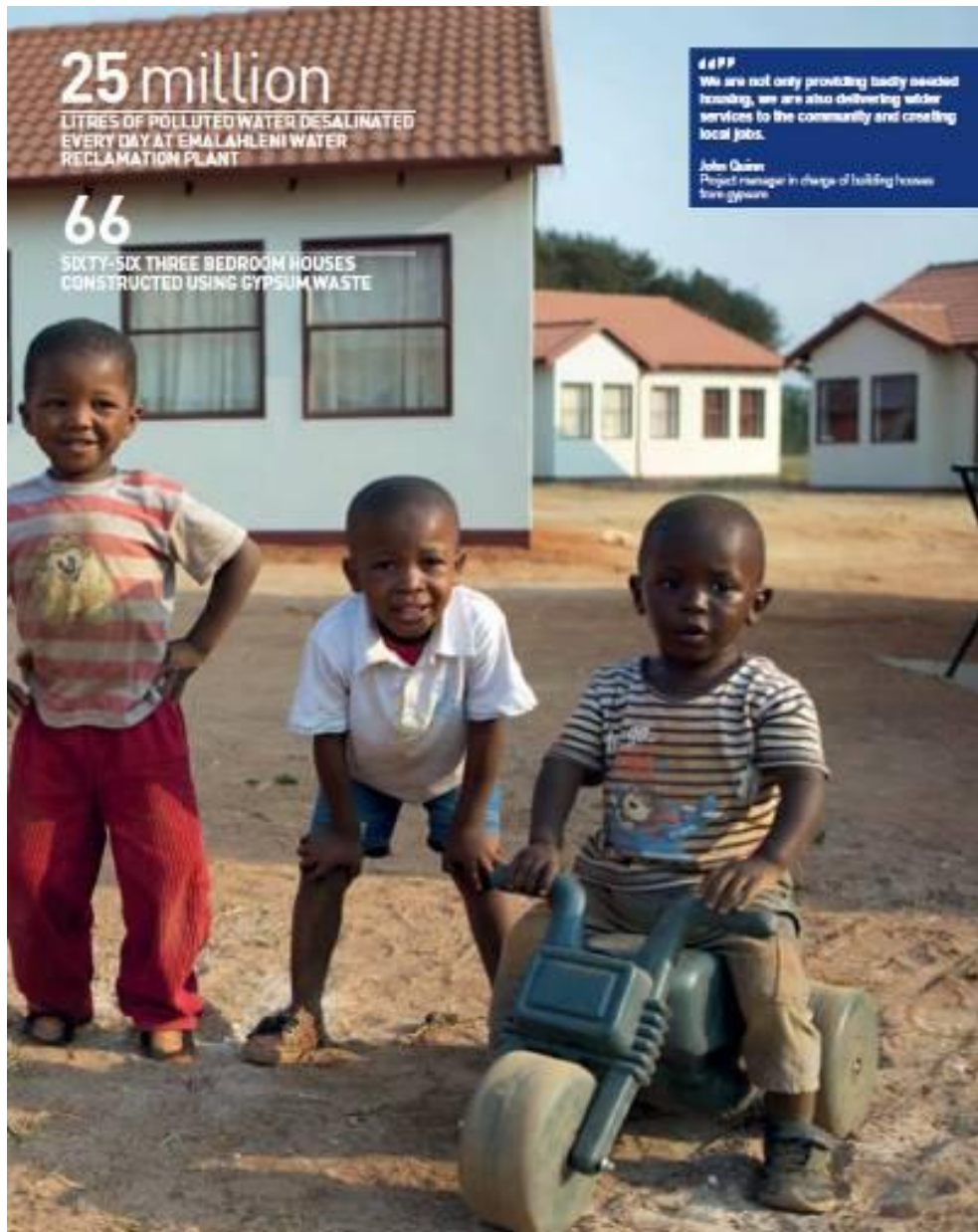
Figure C.5: Operating and Financial Review, Page 23 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

Photographs of children are frequently used when portraying social type images. The photograph in Figure C.6 is posed, but it communicates a message of happy children, possibly because of the new houses, which are slightly out of focus, bring attention to the children, rather than the houses.

Figure C.6: Operating and Financial Review, Page 25 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

Aspherical distortion is used in Figure C.7 to create power, with the shining steelwork against a blue sky. The ambience of early evening light has been balanced with the surrounding security lights, providing contrast and bringing out the detail of the structure.

Figure C.7: Operating and Financial Review, Page 54 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

This image in Figure C.8 has been taken shortly after it has rained, with the clouds still visible, providing a soft box effect. This soft box effect allows the low contrasts to bring out the colour in the image and emphasizes the detail and magnitude of the structures. The rain water also makes the structures look clean and appearing to be well maintained, hiding possible rust.

Figure C.8: Operating and Financial Review, Page 69 of 2010 Annual Report of Anglo American Plc



Source: Anglo American Plc

In the image in Figure C.9, the foreground subjects, being the two workers, contrast of their clothing and the photographic angle have been used to bring scale and demonstrate the vast size of the coal stockpile.

Figure C.9: Operating and Financial Review, Page 83 of 2010 Annual Report of Anglo American Plc

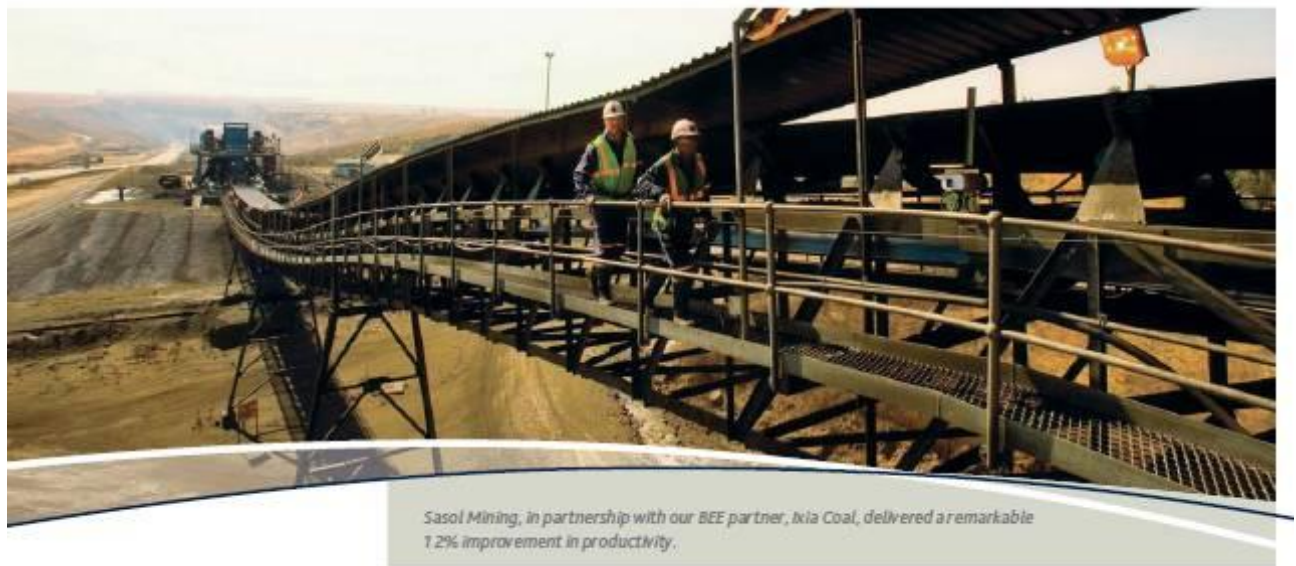


Source: Anglo American Plc

Sasol limited

The use of the photographic angle in Figure C.10 and choice of lens (shorter lens, emphasizing the length of the structure, with all detail in focus) creates an awe-inspiring image, with the time of day appearing to have been selected to ensure that the workers and the structure are well lit.

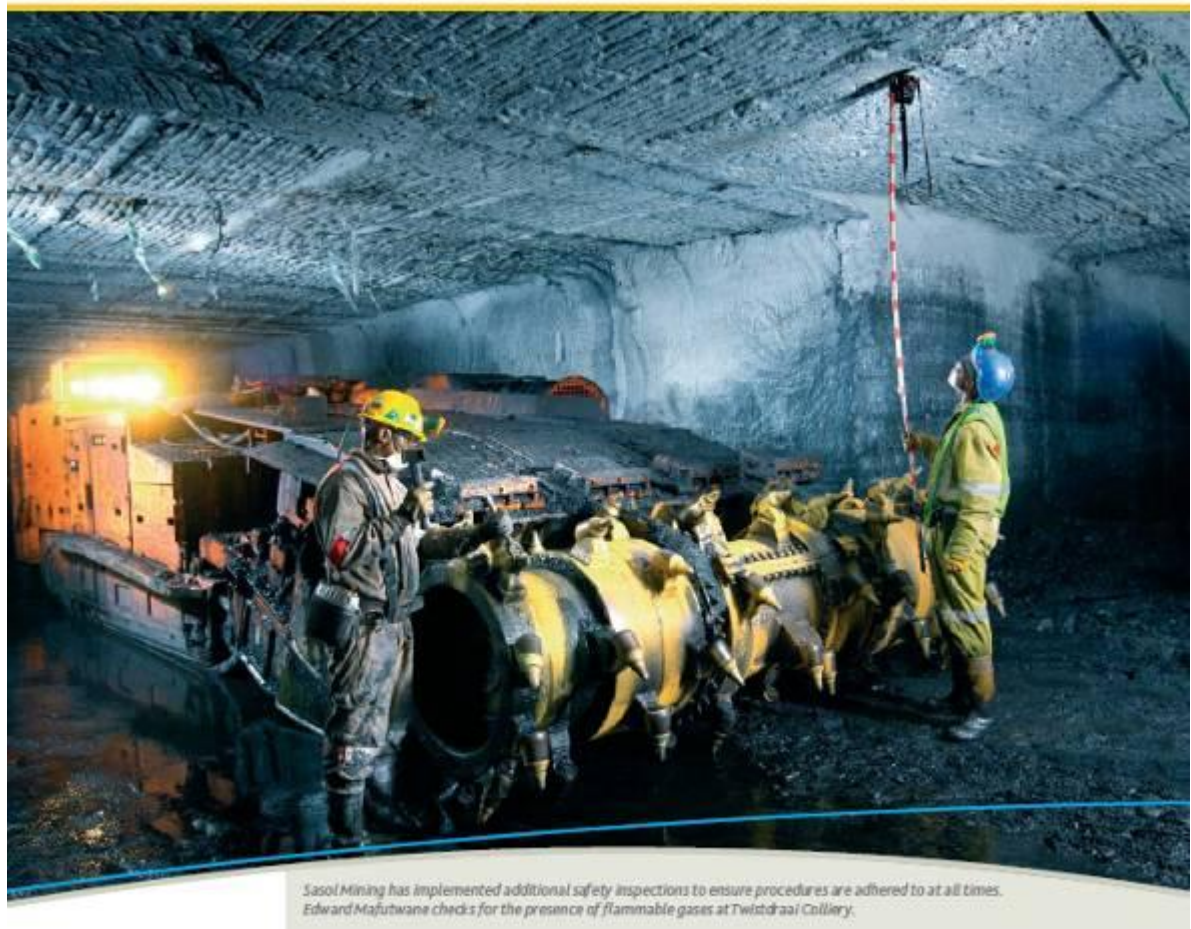
Figure C.10: Business Review, Page 9 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

The light in the left side of the image in Figure C.11 is flared out which indicates a timed exposure or high ISO technology. The use of additional lighting emphasizes the size of the equipment and underground area, with the viewer's eyes being led by the lead in lines of the equipment to the workers, specifically the safety inspector, who appears to have been positioned on the power point, with the other worker adding to the sense of productivity.

Figure C.11: Operating Review, Page 30 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

The lead in line Figure C.12 is created by the person in the red jacket pointing to the power point. By doing so, it also allows the viewer to read “occupational safety” on his jacket, which may have been intended to emphasize the company’s adherence to safety and hence well-being of the workers. The people appear to have been positioned on the power points of the image, bringing a focus to their productivity and also highlighting their expressions (apparent enjoyment).

Figure C.12: Operating Review, Page 36 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

The focal point in Figure C.13 is on this worker's face, with the background and foreground slightly blurred. The viewer's eyes are lead to the water being poured into the person's mouth and the sunlight glaring off the dark glasses. The caption indicates that workers could suffer from dehydration, so hydration is naturally considered important, which this image conveys. The anomaly in this image is that the worker's clothes show no signs of sweat or dirt expected in the harsh environment described in the caption.

Figure C.13: Operating Review, Page 42 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

The photograph in Figure C.14 has been set up in early morning, when the colour and contrasts are most accentuated. The lead in lines from the left direct the viewer's eyes to the power point bringing a focus to the gentleman who appears to be controlling the group. The structures in the background are pristine, appearing to have been cleaned for the occasion.

Figure C.14: Operating Review, Page 45 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

The workers Figure C.15 are all smiling, in brand new clothing, which may indicate a staged photograph.

Figure C.15: Operating Review, Page 72 of 2010 Annual Report of Sasol Limited



Source: Sasol Limited

Nedbank Limited

The images in Figure C.16 are most likely from records of events and appear candid.

Figure C.16: Review, Page 16 of 2010 Annual Report of Nedbank Limited



Source: Nedbank Limited

The image used for the first page of the group report, depicted in Figure C.17 is most likely an opportunity to advertise a Nedbank product rather than providing information or context for the group report section.

Figure C.17: Financial Report, Page 51 of 2010 Annual Report of Nedbank Limited



Source: Nedbank Limited

The individual in Figure C.18 is most likely an employee, not an actor, and appears to be active, with his instruments of work in the background. The background has been softened and lightened, which brings the eyes back to the person's face.

Figure C.18: Operational Overview, Page 65 of 2010 Annual Report of Nedbank Limited



Source: Nedbank Limited

The window and background in Figure C.19 has been neutralised by softening and lightening or airbrushing, to allow the subject matter to stand out. The individuals appear posed and the white board has been used as another advertising or marketing opportunity. The photographer has balanced the light perfectly to allow the external light outside the window to burn out the background enough so that the eye is not attracted to the detail thereof.

Figure C.19: Operational Overview, Page 75 of 2010 Annual Report of Nedbank Limited



Source: Nedbank Limited

Massmart Holdings Limited

Timed exposure allows for the illusion of movement, which technique has been used in Figure C.20 and Figure C.21, with the light being balanced throughout the images.

Figure C.20: Report to Shareholders, Page 18 of 2010 Annual Report of Massmart Holdings Limited

Reports to Shareholders



Source: Massmart Holdings Limited

Figure C.21: Ten-year Review, Page 44 of 2010 Annual Report of Massmart Holdings Limited

Ten-year Review



Source: Massmart Holdings Limited

The photographer has taken the photograph in Figure C.22 from an elevated position, which would have reduced the aspherical distortion of the Makro brand, positioned on the power point.

Figure C.22: Operational Review, Page 62 of 2010 Annual Report of Massmart Holdings Limited



Source: Massmart Holdings Limited

The signage in the right hand image in Figure C.23 leads the eyes and attracts the viewer. The image in the bottom right corner is taken from an elevated position, which is a stronger view, making the shop space looking larger.

Figure C.23: Operational Review, Page 63 of 2010 Annual Report of Massmart Holdings Limited



Source: Massmart Holdings Limited

The workers in Figure C.24 all appear to be wearing brand new clothing and everyone is smiling. The meat in the container being passed over the counter is unwrapped (in reality this is usually wrapped and labelled) which may be a further indication that this photograph was posed.

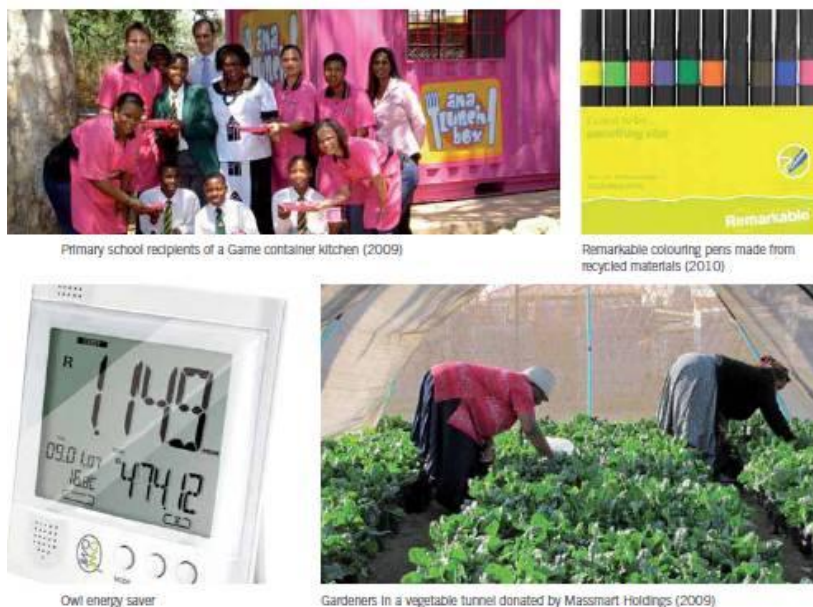
Figure C.24: Operational Review, Page 97 of 2010 Annual Report of Massmart Holdings Limited



Source: Massmart Holdings Limited

The images in Figure C.25 are most likely from records of events and appear candid.

Figure C.25: Corporate Accountability, Page 104 of 2010 Annual Report of Massmart Holdings Limited



Source: Massmart Holdings Limited

Anglogold Ashanti Limited

The use of colour contrasts, using orange for borders and images in black and white creates a dramatic effect with use of strong lines in the images in Figure C.26 to Figure C.30.

Figure C.26: Key Features, Page 10 of 2010 Annual Report of AngloGold Ashanti Limited



Source: AngloGold Ashanti Limited

Figure C.27: Chairman's Letter, Page 12 of 2010 Annual Report of AngloGold Ashanti Limited



Source: AngloGold Ashanti Limited

Figure C.28: CFO's Report, Page 32 of 2010 Annual Report of AngloGold Ashanti Limited



Source: AngloGold Ashanti Limited

Figure C.29: Review of Operations, Page 80 of 2010 Annual Report of AngloGold Ashanti Limited



Source: AngloGold Ashanti Limited

Figure C.30: Review of Operations, Page 95 of 2010 Annual Report of AngloGold Ashanti Limited



Source: AngloGold Ashanti Limited

APPENDIX D

EXAMPLES OF CHECKLISTS

Intention:

- to provide a checklist for the photographic assignment, which establishes the purpose and intent of the company whose annual report is being prepared and which essentially supplies sufficient evidence to authenticate the validity and truthfulness of the photographs;
- to provide a checklist completed by the photographer or photographic company being commissioned for the assignment, which bring accountability and responsibility to the photographer or photographic company for the reinforcement of ethical behaviour.

Selection of photographer or photographic company

The following information to be sent to the auditors, for completion of assurance.

Non association member

- Company: Undertaking that representatives have no criminal record
- Individual: No criminal record
- Education / Training
- Experience
- References
- Equipment

Association member

- Member of professional body (consider establishing an association, with accountability to the Accounting Body).
- Contract to ensure that all undertakings and information provided are correct and accurate.
- Consequence of breach of contract is expulsion and possible criminal charges.

For photographer to complete

Accountability acknowledgement:

- No rules of the association have been broken
- Information provided is correct
- Information provided in assignment checklist is correct and accurate
- Undertakings regarding the photographer's independence to ensure that there are no hidden agendas of self-interest, possibility of familiarity or inappropriate compensation.
- Assurance that no bribery or intimidation has occurred.

Checklist for the photographic assignment

Items to be recorded:

- Was the photographer briefed on the desired outcome, or was the context of the photo left up to the photographer?
- Was the subject matter independent of the company or connected?
- Condition of the subject matter. What the company has done to prepare the subject matter (example: wash or paint an object)
- Did something have to physically be done to change the appearance of the subject? Examples: New safety gear, overalls, shoes.
- Were actual employees or customers used in the photographs, or were actors or casuals hired? Example: Casual people hired for a photograph of a yard, to give impression of high productivity.
- GPS co-ordinate of each image: position of photographer & subject.
- Date and time of shoot.
- Weather conditions (to verify that the photograph was taken on that day).
- Record the metadata (which is data from the camera, imprinted into every image, includes date, time, ISO-setting, lens setting, shutter speed).