



CS Prity Adwani
Email : prity.adwani@gmail.com

Introduction

Annual Report is one of the most important documents representing the growth, level and the major events happened in the company during the year. Annual Report is sent to the Shareholder, Directors and Auditors of the Company before twenty-one clear days from the date of the Annual General Meeting of the Company.

While preparing the Annual Report, provisions of Companies Act, 2013 and in addition to it in case of Listed Companies, SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 are also considered to include all the necessary contents required as per law in the Annual Report. These guidelines prescribe all the contents which the Shareholders should be aware of including about the progress of the Company because they have invested funds in the Company.

KEY CONTENTS OF THE ANNUAL REPORT:

1. Notice of the Annual General Meeting (AGM)
2. Board Report (Directors' Report)
3. Independent Auditor's Report
4. Financial Statements of the Company (Balance Sheet, Statement of Profit & Loss, Cash Flow Statement and Notes to Accounts)

The above-mentioned documents are mandatory to be included in the Annual Report as per law. Few people follow the practice of including the Notice of AGM as well and few send it separately to the Shareholders. Detailed information on the abovementioned contents is being covered separately in this Article.

KEY RESPONSIBLE PERSON / OWNER OF THE ANNUAL REPORT:

Normally, in every company, Key Responsible Person is appointed for preparation of any document / policy. Accordingly, Company Secretary is expected prepare the Annual Report since it includes various compliance related clauses. Though the Annual Report includes the Financial Statements of the Company, it is expected that the Company Secretary should get the details from Accounts and Finance team and should publish the same

in the Annual Report. Therefore, Company Secretary is considered as the owner / key responsible person of Annual Report.

BETTER CORPORATE GOVERNANCE:

In the present era, Corporate Governance has become the most important factor for investors as well as regulators to bifurcate the Company as bad, good, and best. Company which is doing well but not compliant of applicable laws is considered as bad Company, Company doing well and is compliant of applicable laws is considered as good. However, Company doing well, Compliant of applicable laws and also following the better Corporate Governance practices is considered as best.

Better Corporate Governance includes, transparency, accountability, fairness, and responsibility. If the Company follows all these areas, it is recognised in the market. Whenever, someone does something good more than the necessity, he / she is considered as good and recognised in people.

Considering the above, as per the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, the Company Secretaries include all the information in the Annual Report as required by law. However, as a practice of better corporate governance and to increase the reputation of the Company, it is recommended to add the information (which is not confidential) in the Annual Report, to reflect the transparency, even if not mandatory by law which gives a Shareholder a proud feeling being the owner of the Company.

DETAILED CONTENTS OF BOARD REPORT AS PER LAW:

1. COMPANIES ACT, 2013:

1A. For All Companies (Listed / Unlisted Public / Private)

Section / Rule No	Title	Description
134 (3)	Financial Statement, Board's Report, etc.	a) Web Address, if any where the Annual Return is placed
		b) number of meetings of the Board;
		c) Directors' Responsibility Statement
		ca) details in respect of frauds reported by auditors
		d) a statement on declaration given by Independent Directors
		e) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the Auditors.
		f) particulars of loans, guarantees or investments made by the Company u/s 186
		g) particulars of contracts or arrangements with related parties in Form AOC 2
		h) the state of the company's affairs
		l) the amounts, if any, which it proposes to carry to any reserves;
		j) the amount, if any, which it recommends should be paid by way of dividend
		k) material changes and commitments, if any, affecting the financial position of the company
		l) the conservation of energy, technology absorption, foreign exchange earnings and outgo.
		m) a statement indicating development and implementation of a risk management policy
n) Web Link of the corporate social responsibility Policy for the Companies covered u/s 135.		
Rule 8(5)	the Companies (Accounts) Rules, 2014	8(5)(iv) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;



Section / Rule No	Title	Description
		<p>(v) the details relating to deposits, covered under Chapter V of the Act,</p> <p>(a) accepted during the year;</p> <p>(b) remained unpaid or unclaimed as at the end of the year;</p> <p>(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-</p> <p>(i) at the beginning of the year;</p> <p>(ii) maximum during the year;</p> <p>(iii) at the end of the year;</p>
		(vi) the details of deposits which are not in compliance with the requirements of Chapter V of the Act
		(vii) the details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;
		(viii) the details in respect of adequacy of internal financial controls with reference to the Financial Statements.
		(ix) a disclosure, as to whether maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained
		(x) a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 [14 of 2013]
		(xi) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year.
		(xii) the details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons there of.
Annexure I	The Companies (Corporate Social Responsibility Policy) Rules, 2014	Annual Report on CSR: Details about CSR Policy, CSR Committee, Average Net Profit, CSR Expenditure, Details of CSR spends, Manner of spends,
Others		Statement of Compliance with Secretarial Standards of ICSI

1B. For Listed Company / Unlisted Public Companies Having Paid Up Capital Rs. 10 Crs / Turnover Rs. 100 Crs. / Borrowings Rs.50 Crs

Section / Rule No	Title	Description
134 (3)	Financial Statement, Board's Report, etc.	(e) a web address of the policy on Directors' appointment and remuneration policy, if any.

1C. Only for Listed Company: (as per the amended definition of Listed Company, only the Equity Listed Companies are covered)

Section / Rule No	Title	Description
Rule 5	The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014	<p>(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;</p> <p>(ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;</p> <p>(iii) the percentage increase in the median remuneration of employees in the financial year;</p> <p>(iv) the number of permanent employees on the rolls of company;</p> <p>(viii) average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;</p> <p>(xii) affirmation that the remuneration is as per the remuneration policy of the company.</p> <p>the names of the top ten employees in terms of remuneration drawn and the name of every employee, who-</p> <p>(i) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;</p> <p>(ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;</p> <p>(iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.</p>



Section / Rule No	Title	Description
		<p>In addition to the above, following details are required to be mentioned:</p> <ul style="list-style-type: none"> (i) designation of the employee; (ii) remuneration received; (iii) nature of employment, whether contractual or otherwise; (iv) qualifications and experience of the employee; (v) date of commencement of employment; (vi) the age of such employee; (vii) the last employment held by such employee before joining the company; (viii) the percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above; and (ix) whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager: <ul style="list-style-type: none"> (i) all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the Directors (ii) details of fixed component and performance linked incentives along with the performance criteria; (iii) service contracts, notice period, severance fees; and (iv) stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.

1D. Other Companies:

1. Formal Board Evaluation:

(Section 134 Rule 8(4) of the Companies (Accounts) Rules, 2014)

Every listed company and

every other public company having a paid-up share capital of twenty-five crore rupees

shall include, in the report by its Board of directors, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

2. Secretarial Audit Report:

(Section 204 – Rule 9 of the companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014)

Every Listed Company and

Every public company having

(a) Paid-up share capital of fifty crore rupees or more; or

(b) Every public company having a turnover of two hundred fifty crore rupees or more;

(c) Every company having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more.

shall annex with its Board's report, a secretarial audit report, given by a company secretary in practice, in such form MR 3

3. Directors Remuneration:

(Schedule V of the Companies Act, 2013)

Every Public Company shall disclose in its Board Report under the heading "Corporate Governance":

(i) all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the Directors;

(ii) details of fixed component and performance linked incentives along with the performance criteria;

(iii) service contracts, notice period, severance fees; and

(iv) stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.

1. SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015:

Clause No.	Title	Description
24A	Secretarial Audit	Every listed entity and its material unlisted subsidiaries incorporated in India shall annex a secretarial audit report given by a company secretary in practice with the annual report.
32	Statement of deviation(s) or variation(s).	<p>(5) an explanation for the variation specified below:</p> <p>(a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;</p> <p>(b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.</p> <p>(7A) Where an entity has raised funds through preferential allotment or qualified institutions placement, it disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.</p>
34	Annual Report	<p>(a) audited financial statements i.e. balance sheets, profit and loss accounts etc and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable;</p> <p>(b) consolidated financial statements audited by its statutory auditors;</p> <p>(c) cash flow statement</p> <p>(d) directors report;</p> <p>(e) management discussion and analysis report - either as a part of directors' report or addition thereto;</p> <p>(f) for the top one thousand listed entities based on market capitalization, a business responsibility report describing the initiatives taken by the listed entity from an environmental, social and governance perspective, in the format as specified by the Board from time to time:</p>



Clause No.	Title	Description
43A	Dividend Distribution Policy	Web Link of the Dividend Distribution Policy
53	Annual Report for Debt Listed Companies	In case of Debt Listed Company: (a) audited financial statements i.e. balance sheets, profit and loss accounts etc, and Statement on Impact of Audit Qualifications as stipulated in regulation 52(3)(a), if applicable; (b) cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3/ Indian Accounting Standard 7, mandated under Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or by the Institute of Chartered Accountants of India, whichever is applicable; (c) auditors report; (d) directors report; (e) name of the debenture trustees with full contact details; (f) related party disclosures as specified in Para A of Schedule V.
77	Structure of Indian Depository Receipts	The listed entity shall ensure that the underlying shares of IDRs, if any shall rank pari-passu with the existing shares of the same class and the fact of having different classes of shares based on different criteria, if any, shall be disclosed by the listed entity in the annual report. 33(3)(d), if applicable;
Schedule V	Annual Report	A. Related Party Transactions B. Management Discussion and Analysis Report C. Corporate Governance Report D. Declaration of CEO confirming compliance of code of conduct E. Compliance Certificate F. Disclosure for demat suspense account/ unclaimed suspense account

1. OTHER LAWS:

POSH (The Sexual Harassment Of Women At The Workplace (Prevention, Prohibition And Redressal) Act, 2013)

Pursuant to the POSH Act a statement that the company has complied with the provision relating to the constitution of Internal Complaints Committee under

the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 need to be incorporated in the Annual Report.

There may be other disclosures not covered above depending on the applicability of various laws to different companies, however, the above-mentioned clauses intend to cover the broad idea on the Board / Directors Report of the Company.

RECOMMENDED STRUCTURE OF THE ANNUAL REPORT:

Accordingly, the structure of the Annual Report should be as follows depending on the applicability of the same to the Company:

1	Corporate Identity: Overview of the Company	6	Corporate Information: ✓ Leadership Team ✓ Statutory Auditors ✓ Secretarial Auditors ✓ Internal Auditors ✓ Bankers ✓ Registered Office Address ✓ Registrar and Transfer Agent, if any.
2	Notice of the Annual General Meeting		
3	Board's Report: ✓ Annexure I: Statement Containing Salient Features of Financial Statements of Subsidiaries (AOC – 1) ✓ Annexure II: Details of transactions with Related Parties (AOC - 2) ✓ Annexure III: Corporate Governance Report ✓ Annexure IV: Annual Report on CSR Activities ✓ Annexure V: Secretarial Audit Report (MR-3) ✓ Annexure VI: Managerial Remuneration ✓ Annexure VII: Management Discussion and Analysis Report		
4	Independent Auditors Report		
5	Financial Statements of the Company: ✓ Balance Sheet ✓ Statement of Profit and Loss ✓ Statement of Cash Flows ✓ Notes to Accounts		

WAY FORWARD:

As a way forward, being the Company Secretary of the Company and to enhance the Corporate Governance practices of the Company, it is recommended to disclose various points which can give the clear picture of the Company to the stakeholders.

Following are few suggestions to be considered while preparing the Annual Report of the Company:

1. Corporate Identity i.e. about the Company including its vision and mission: this helps for the new investor / shareholder and various stakeholders to understand the company.
2. Chairman's and Chief Executive Officer's message to the Shareholders: this helps the shareholder to understand senior management's perspective
3. Locations of the Company, number of employees, Credit Ratings, Key Highlights, product details / services offered should be included in the initial

pages.

4. Various Diagrams may be used to indicate the performance of the Company.
5. Along with the attendance of the Directors in the meetings, number of meetings, dates, names of the Directors, detailed bifurcation should be given.
6. Theme should be decided for the Annual Report every year considering the business growth of the Company
7. Various photographs with the Employees and Senior Management should be included in the Report which helps the shareholders to understand the resource which is running their business.
8. Photographs of the Directors on Board should be included with the small introduction of them.
9. Names of the Leadership Team may be included which makes them feel good.

**CONCLUDING REMARKS:**

Annual Report is the basic document representing the overall Company, its performance, shareholders, employees, and various stakeholders, it is a document which can decide whether the investor will invest in the Company, whether the vendor will give the deal to it, whether an employee will join the company, whether the ministry will accept the application, whether the competitor will tie up. Since the document is so important, why not to focus while preparing the same and to make it attractive for someone to read it thoroughly.

Therefore, being the Company Secretaries, lets try to make an Annual Report as a source of better Corporate Governance practices than merely a Regulatory Document.

GOVERNANCE BEYOND COMPLIANCE!!!!

Sources:

Ebook-MCA

SEBI (LODR) Regulations, 2015 updated till January 24, 2022

ICSI Secretarial Standard 4: Report of the Board of Directors.