

# **DRAFTING OF ANNUAL REPORT UNDER COMPANIES ACT 2013**

**BY**

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## **SOME IMPORTANT DEFINITIONS TO BE CONSIDERED WHILE DRAFTING ANNUAL REPORT:-**

### **1. Accounting Standards**

#### **a) Section 2(2):-**

“Accounting Standards” means the standards of accounting or any addendum there to for companies or class of companies referred to in section 133;

#### **b) Section 133:-**

The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949), in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

### **2. Associate Company [Section 2(6):-**

“Associate company”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation:- For the purpose of this clause,” Significant influence “ means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

### **3. Auditing Standards:**

#### **a) Section 2(7):-**

Auditing Standards means the standards of auditing or any addendum thereto for companies or class of companies referred to in sub-section (10) of section 143.

#### **b) Section 143 (10):-**

The Central Government may prescribe the standards of auditing or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under section 3 of the Chartered Accountants Act, 1949 (38 of 1949) , in consultation with and after examination of the recommendations made by the National Financial Reporting authority:

Provided that until any auditing standards are notified, any standard or standards of auditing specified by the Institute of Chartered Accountants of India shall be deemed to be the auditing standards.

#### **4. Book and Paper and Book or paper [Section 2(12)]:-**

“Books and Paper” and “Book or Paper” include books of account, deeds, vouchers, writings, documents, minutes, and registers maintained on paper or in electronic form.

#### **5. Books of Account [Section 2(13)]:-**

“Books of account” includes records maintained in respect of -

- i) All sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
- ii) All sales and purchases of goods and services by the company;
- iii) The assets and liabilities of the company; and
- iv) The items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section.

#### **6. Deposit [Section 2(31)]:-**

“Deposit” includes any receipt of money by way of deposit or loan or in any other form by a company, but does not include such categories of amount as may be prescribed in consultation with the Reserve Bank of India.

#### **7. Financial Statement [Section 2(40)]:-**

“Financial statement” in relation to a company, includes-

- i) A balance sheet as at the end of the financial year;
- ii) A profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
- iii) Cash flow statement for the financial year;
- iv) A statement of changes in equity, if applicable; and
- v) Any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause(iv)

#### **8. Key Managerial Personnel [Section 2(51)]:-**

“Key Managerial Personnel”, in relation to a company, means-

- i) The Chief Executive Officer or the Managing Director or the Manager,
- ii) The Company Secretary;
- iii) The Whole-time Director;
- iv) The Chief Financial Officer; and
- v) Such other officer as may be prescribed;

#### **9. Net Worth [Section 2(57)]:-**

“Net worth” means the aggregate value of the paid-up share capital and all reserves created out of the Profits and Securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

#### **10. Relative [Section 2(77)]:-**

“Relative”, with reference to any person means, anyone who is related to another, if-

- i) They are members of a Hindu Undivided Family;
- ii) They are husband and wife; or
- iii) One person is related to the other in such manner as may be prescribed.

The Prescribed relatives are

- 1. Father (includes Step Father)
- 2. Mother (includes Step Mother)
- 3. Son (includes Stepson)
- 4. Son's Wife
- 5. Daughter
- 6. Daughter's Husband
- 7. Brother (includes step brother)
- 8. Sister (includes step sister)

#### **11. Remuneration [Section 2(78)]:-**

“Remuneration” means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961(43 of 1961).

#### **12. Small Company [Section 2(85)]:-**

“Small company” means a company, other than a public company,-

- i) Paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than five crore rupees; or
- ii) Turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than twenty crore rupees:  
Provided that nothing in this clause shall apply to-
  - i) A holding company or a subsidiary company;
  - ii) A company registered under section 8; or
  - iii) A company or body corporate governed by any special Act;

#### **13. Turnover [Section 2(91)]:-**

“Turnover” means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year.

## CHECK LIST

### PROVISIONS OF THE COMPANIES ACT, 2013 REGARDING INDEPENDENT DIRECTORS, WOMEN DIRECTOR, COMMITTEES OF DIRECTORS AND CSR

SECTION	SUBJECT	CRITERIA
149	Independent Directors	Applicable to public Company: Both listed and un-listed: Paid up share capital of Rs.10 crores or more or turnover of Rs.100 Crores or Outstanding Loans etc., exceeding Rs.50 Crores.
149	Women directors	1. Listed company 2. Unlisted Public company: Turn over of Rs.300 crores or more or paid up capital of Rs.100 crores or more.
177	Audit Committee	1. Listed company 2. Unlisted Public company: Paid up capital of Rs.10 Crores or more Or turn over of Rs.100 crores or more OR Loans and Deposits etc., Rs.50 Crores or more
178	Remuneration and Nomination Committee	1. Listed company 2. Unlisted Public company: Paid up capital of Rs.10 Crores or more OR turn over of Rs.100 crores or more OR Loans and Deposits etc., Rs.50 Crores or more
138	Internal Audit	1. Listed company 2. Unlisted Public company: Paid up capital of Rs.50 Crores or more OR turn over of Rs.200 crores or more OR Bank borrowings Rs.100 crores or more OR Public deposit Rs.25 or more.crores
135	Corporate Social Responsibility	Net Worth of Rs.500 crores or more or turnover of Rs.1000 crores or more OR net profit of Rs.5 crores or more. Applicable to all companies, both public and private.
204	Secretarial Audit	1. Listed company 2. Unlisted company(public or private company): Paid up capital of Rs.50 Crores or more OR turnover of Rs.250 crores or more.

## **THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION, & REDRESSAL ACT, 2013**

### **(Disclosure Requirements under the Annual Report of Companies)**

The Sexual Harassment of Women at the work place (Prevention, Prohibition, & Redressal) Act, 2013 mandates that all companies need to make necessary disclosure about compliance with the said law in their Annual Report as per Section 22 and 28 of the said Act which is reproduced for your ready reference:

#### **“Section 22: Employer to include information in Annual Report**

The employer shall include in its report the number of cases filed, if any, and their disposal under this Act in the Annual Report of his organization or where no such report is required to be prepared, intimate such number of cases if any, to the District Officer.

#### **Section 28: Act not in derogation of any other law**

The provisions of the Act shall be in addition to and not in derogation of the provisions of any other law for the time being in force.”

Accordingly companies would need to incorporate the said information in their Annual Report to be filed with Registrar of Companies for the year ending 31<sup>st</sup> March, 2015. The disclosure can be made as follows:

#### **“Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.**

“The Company has in place an Anti Sexual Harassment Policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition, & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (Permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during the year 2014-2015.

No of Complaints Received :

No of Complaints disposed off :

## **THEORY OF RELATIVITY FOR INDIAN CORPORATES**

### **List of related party under Companies Act, 2013:**

1. Director or his Relative
2. Key Managerial Person (Managing Director, CFO, Company Secretary) or his relative
3. Firm in which Director/relative is partner
4. Private Company in which Director/relative is Member/Director
5. Public Company in which a Director is a Director or he with his relatives hold > 2% capital
6. Body Corporate whose Board/MD is accustomed to act in accordance with instructions of a Director
7. Holding Company of the Company
8. Subsidiary of the Company
9. Associate of the Company
10. Fellow Subsidiary of the Company
11. Key Managerial Person of the Holding Company. A close family member of such a person is also included

### **List of related party under AS18:**

1. Enterprises that directly or indirectly control the reporting entity
2. Enterprises that directly or indirectly are controlled by the reporting entity
3. Joint Venture of the reporting entity
4. Shareholders for whom the reporting entity is a joint venture or an associate
5. Individuals owning directly or indirectly an interest in the voting power of the reporting entity that enables them to have control or significant influence over it. Relatives of such individuals are also covered (More than 20%)
6. Enterprises owned by Directors or major shareholders of the reporting entity
7. Enterprises which have a common key management personnel with the reporting entity
8. Enterprises over which KMP/their relatives /individuals with significant influence or control over the reporting entity/their relatives have significant influence

## **NEW THEORY**

$$R = S.2(76) + S.188 + Cl.49 + S.40A(2)(a) + AS18$$

Where the Variables of this Equation are:

R = Related Party Transactions;

Section 2(76) and S.188 of the Companies Act, 2013, both of which are effective from 1<sup>st</sup> April, 2014 for all Companies;

Clause 49 of the Listing Agreement, which is effective from 1<sup>st</sup> October, 2014 for Listed Companies;

Section 40A(2)(a) of the Income Tax Act, 1961, and

AS 18 = Accounting Standard 18 issued by the ICAI

## **Contents of Directors Report in case of Non-Listed Companies**

The Director's Report should contain the following particulars:

- (i) the extract of annual return;
- (ii) number of Board Meetings;
- (iii) Directors Responsibility Statement;
- (iv) Details of frauds reported by the Auditor in his Report u/s 143(12), other than frauds reportable to the Central Government;
- (v) If the company has independent Directors, a statement on declaration (regarding meeting of criteria of independence) given by them;
- (vi) In case of every listed company and other public companies with a paid up capital of Rs.10 Crore or more or having turnover of Rs.100 Crore or more or having in aggregate, outstanding loans or borrowing or debentures or deposits exceeding Rs.50 Crore, Company's policy on director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of Directors etc...
- (vii) Explanation by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor and by the Company Secretary in practice in his secretarial audit report;
- (viii) Particulars of inter-corporate loans, guarantees or investments;
- (ix) Particulars of contracts or arrangements with related parties in prescribed form; [Refer Sec 188(1)] [Form AOC 2]
- (x) The state of company's affairs;
- (xi) The amount which it proposes to carry to any reserves;
- (xii) The dividend recommended;
- (xiii) Material changes and commitments, if any, affecting the financial position of the company during the period between the end of the financial year and the date of the Director's Report;
- (xiv) The conservation of energy, technology absorption, foreign exchange earnings and outgo;
- (xv) A statement regarding development and implementation of a risk management policy with reference to various risks which may threaten the existence of the company;
- (xvi) Details regarding policy on corporate social responsibility initiatives ( CSR initiatives) including composition of CSR committee;

- (xvii) In case of listed companies and other public companies having paid up share capital of Rs.25Crores or more, a statement stating the manner in which the Board has made formal annual evaluation of its own performance and that of its committees and individual directors,
- (xviii) Other prescribed matters as stated below:-
- a) The financial summary or highlights;
  - b) The change in nature of business, if any;
  - c) The details of directors of key managerial personnel who were appointed or have resigned during the year;
  - d) The names of companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year;
  - e) The details relating to deposits;
  - f) The details of deposits which are not in compliance with the applicable provisions;
  - g) The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status ad company's operations in future;
  - h) The details in respect of adequacy of internal financial controls with reference to the financial statements.



## **MODEL ANNUAL REPORT**

**Name of the Company**

**CIN:**

Registered Office Address:

### **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that the ----- Annual General Meeting of the Members of the Company will be held at the Registered Office of the Company, “-----”,

----- on to transact the following Business:

#### **A. As Ordinary Business:**

1. To receive, consider and adopt the audited Statement of Profit & Loss of the Company for the year ended 31<sup>st</sup> March 2015, the Balance Sheet as at that date and the Reports of the Directors and Auditors.
2. To declare Dividend for the year ended 31<sup>st</sup> March 2015.
3. To elect a Director in the place of ----- who retires by rotation and who being eligible, offers himself for re-appointment.
4. To elect a Director in the place of ----- who retires by rotation and who being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration. The present Auditors, ----- are eligible for re-appointment. The Board recommends their reappointment.

**By Order of the Board**

Place:

Date:

**Managing Director**

**(DIN:XXXXXXXX)**

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Encl:

1. Proxy Form
2. Reports & Audited Accounts for the year ended 31st March 2015

**Note:** A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Such proxy form duly stamped and executed should be deposited at the Registered Office of the Company at least 48 hours before the time fixed for commencement of the Meeting.

FORM MGT 11  
PROXY FORM

(Pursuant to Section 105(6) of the Companies Act 2013 and Rule 19(3) of the Companies (Management & Administration) Rules 2014)

Name of the Company :

CIN :

Registered Office :

Name of the Member (s)

Folio No. / Client ID & DP ID

Registered Address

E Mail ID

I / We being the member (s) holding \_\_\_\_\_ shares of the above named company hereby appoint:

1 Name

Address

E Mail ID

Signature

, or failing him/her;

2 Name

Address

E Mail ID

Signature

, or failing him/her;

3 Name

Address

E Mail ID

Signature

as my / our proxy to attend and vote on a poll for me /us and on my /our behalf at the ----- AGM of the Company, to be held on

at----- and at any adjournment thereof in

respect of such resolutions, in the manner as indicated below:

Resolution No	Description	Type of Reslution	Optional	
			For	Against
Ordinary Business				
1	Adoption of Audited Financial Statements for the year 31st March 2015	Ordinary		
2	Declaration of dividend	Ordinary		
3	Re-appointment of ----- as director who retires by rotation	Ordinary		
4	Re-appointment of ----- as director who retires by rotation	Ordinary		
5	Appointment of -----as Statutory Auditors and fixing their remuneration.	Ordinary		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Signature of the Shareholder :

Signature of the Proxy Holder :

Affix  
revenue  
Stamp

Notes :

- 1 This form of proxy, in order to be effective, should be duly completed and deposited at the Registered office of the company at -----, not less than 48 hours before commencement of the meeting.
- 2 It is optional to put a ✓ tick mark in the appropriate column against the Resolution indicated in the Box if you leave the 'For ' or 'Against' column blank against any or all Resolutions, your proxy will be entitled to vote in the manner as he / she think appropriate:
- 3 Please complete all details including details of member (s) in the above box before submission; and
- 4 Member may vote that a person shall not act as a Proxy for more than 50 members and holding in aggregate not more than ten percent of the total voting share capital of the Company. However, a single person may act as a proxy for a member holding more than ten percent of the total voting share capital of the company provided that such person shall not act as a Proxy for any other person.

**Name of the Company**

**CIN:**

Address of the Registered Office:

**----- Report of the Board of Directors to the Shareholders for the year ended 31<sup>st</sup> March, 2015.**

Your Directors have pleasure in presenting their Report together with the audited Balance Sheet as at 31<sup>st</sup> March, 2015 and the Statement of Profit and Loss for the year ended on that date.

**Financial Results**

Particulars	2014-2015 (Rs.in.lacs)	2013-2014 (Rs.in.lacs)
Revenue from operations and other income	-	-
Profit before interest and depreciation	-	-
Less: Interest	-	-
Less: Depreciation	-	-
Profit before Tax	-	-
Add/(less) provision for Tax	-	-
Profit after Tax	-	-
Add: Balance brought forward	-	-
Less: Interim/Final Dividend Paid	-	-
Less: Provision for proposed interim/Final dividend	-	-
Less: Dividend Distribution Tax	-	-
Less: Depreciation as per schedule II to the Companies Act 2013 in respect of assets for which useful life is over	-	-
Less: Transfer to Capital Reserves	-	-
Less: Transfer to General Reserves	-	-
Balance carried forward	-	-

**Turnover**

The turnover of the Company for the year under review is Rs.xxxx as against Rs.xxxx lacs in the previous year

**Transfer to Reserves**

During the year 2014-2015, the Company has transferred Rs.xxx and Rs. xxxx to Capital Reserves and General Reserves respectively.

**DIVIDEND:**

Your Directors have recommended a dividend of ----% (Last year ---%) for the financial year ended March 31<sup>st</sup>, 2015 amounting to Rs.----(inclusive of tax of Rs.-----). The dividend payout is subject to approval of members at the ensuing Annual General Meeting.

**Board Meetings**

During the financial year 2014-2015, there were ----- Board meetings which were held on -----, -----, ----- and -----.

**DIRECTORS' RESPONSIBILITY STATEMENT****The Directors Confirm:**

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures if any.
- b) that appropriate accounting policies have been selected and applied consistently, and have made judgements and estimates that have been made are reasonable and prudent so as to give a true and fair view of affairs of the Company at the end of the financial year and of the profit of the Company for that year.
- c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- d) that the annual accounts have been prepared on a going concern basis.
- e) That the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**Directors:**

Mr. M and Mr. N, Directors of the Company retire by rotation at the ensuing Annual General Meeting and offer themselves for reappointment

**Independent Directors:**

Having regard to the limits specified in Companies Act 2013, requirement of appointment of independent Directors and statement of declaration given by them is not applicable to the Company.

**Constitution of Audit Committee and Remuneration & Nomination Committee**

- a. As per section 177 of the Companies Act 2013 read with Rule 6 of the Companies (Meetings of the Board) Rules 2014, there was no requirement for the Company to have an Audit Committee
- b. Having regard to the limits specified in Companies Act 2013, requirement of constituting Remuneration and Nomination Committee is not applicable to the Company

**Auditors Report**

The auditor's report for the year 2014-2015, does not contain any qualification, reservation or adverse remark or disclaimer. Hence no explanation or comments of the Board of Directors are provided.

**FIXED DEPOSIT:**

The Company has not accepted any deposit during the year 2014-15 within the meaning of Section 73 of the Companies Act 2013

**Loans and Guarantees:**

The Company has not granted any inter-corporate loan, given guarantee or provided security for availing loan by any other Company.

**Investments:**

The Company has invested its funds in such number of Companies in such number of shares in other bodies corporate as referred to in Notes No. --- of the Balance Sheet.

**Associate Company:**

a. M/s ----- and M/s ----- are Associate Companies and the investments are held only for investment purposes.

b. Statement containing salient features of the Financial Statements of the Associate Companies is enclosed herewith as Annexure 1 in Form AOC 1 forming part of this report.

**Related party transactions:**

All related party transactions were entered at arms' length basis and in the ordinary course of business. The details of the Related Party Transactions as required under provisions of Section 134 (3) (h) read with Section 188 (1) of the Companies Act, 2013 along with Rule 8(2) of the Companies (Accounts) Rules, 2014 are enclosed herewith as Annexure 2 in Form AOC -2. forming part of this report

**Extract of Annual Return:**

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as Annexure 3 forming part of this report.

**Change in the Nature of Business:**

There is no change in the nature of business of the Company.

**Material Changes and Commitments:**

There were no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

**Conservation of Energy/ Technology Absorption and Foreign Exchange Earnings & Outgo**

The prescribed particulars of conservation of energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules 2014 are enclosed herewith as Annexure 4 forming part of this report.

**Regulatory/Court Orders**

During the year 2014-2015, no significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Company's operation in future.

**Internal Financial Controls:**

The Company has internal control procedures and sufficient internal control checks considering the size and nature of its business and the Board of Directors are of the view that those controls are adequate with reference to the financial statements.

**Risk Management**

The Company has identified certain business risks and also put in place measures for dealing with such risks which it faces in day to day operation of the Company

**State of Affairs of the Company**

Briefly state the operation of the company during the year 2014-2015.

**Corporate Social Responsibility (CSR)**

Section 135 of the Companies Act 2013 is not applicable to the Company as the Company does not have the specified turnover or net worth or profit criteria and hence there is no requirement for the Company to undertake CSR activities.

**Disclosure on Remuneration to Employees Exceeding Specified Limits**

The particulars of the employees who are in receipt of remuneration in excess of the limit prescribed under Rule 5(2) of the Companies (Appointment and Remuneration) of Managerial Personnel) Rules, 2014 are enclosed herewith as Annexure 5 forming part of this report.

(OR)

The Company has no employees who are in receipt of remuneration in excess of the limit prescribed under Rule 5(2) of the Companies (Appointment and Remuneration) of Managerial Personnel) Rules, 2014.

**Auditors:**

The Auditors of the Company, -----, Chartered Accountants, Madurai hold office until the conclusion of the ensuing Annual General Meeting and they are eligible for re-appointment The Board recommends their reappointment.

**Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013:**

The Company has adopted the Anti-Sexual Harrassment Policy in line with the requirements of the Sexual Harrassment of Women at the workplace. (Prevention, Prohibition and Redressal) Act 2013. No complaint was received by the Company during the year.

(OR)

The Company is not employing any women.

**Appreciation:**

The Board of Directors thank the Shareholders, Customers, Suppliers, Bankers, all employees and other stakeholders for their continuous support to the Company.

**On behalf of the Board of Directors**

Place:

Date :

**Managing Director**  
**(DIN:XXXXXX)**

