

Disclosures in Annual Report

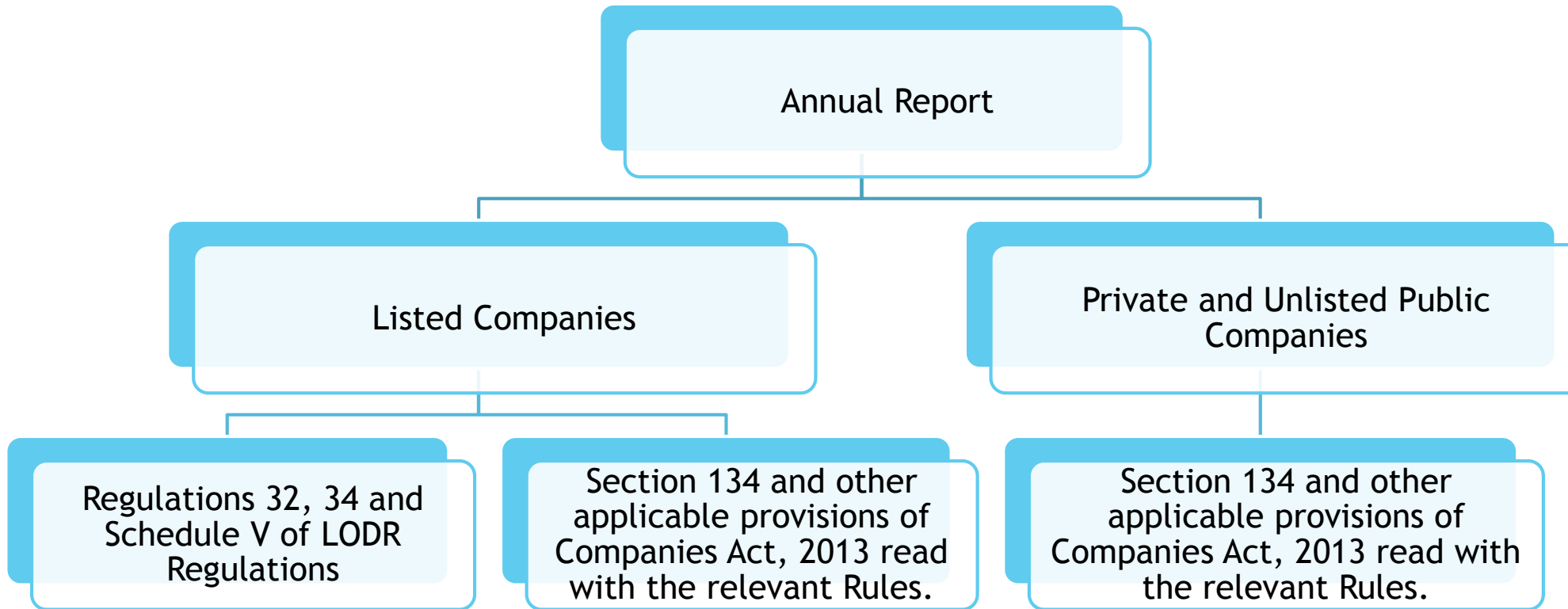
ICSI- 23rd May 2018

R. Balasubramanian - Practising CS

Annual Report

- ▶ ‘Annual Report’ - Mentioned only for Government Companies and for Central Government under the Companies Act, 2013.
- ▶ Section 134 along with Rule 8 of Companies (Accounts) Rules, 2014 to be referred for disclosures in Board’s Report.
- ▶ SEBI (LODR) Regulations, 2015 refers to the term ‘Annual Report’ as applicable for Listed Companies;
- ▶ In case of unlisted Companies, Companies Act, 2013 to be referred and in case of Listed Companies, Companies Act, 2013 along with LODR Regulations to be complied with.

Annual Report



Disclosures under Companies Act, 2013

Disclosures for All Companies - Companies Act, 2013

Contents of The Report	Reference to Act/Rule
Financial Summary/Highlights, Operations, State of Affairs	Section 134 Rule 8(5)(i) of Cos(Accounts) Rules, 2014
Events Subsequent to the date of Financial statements	Section 134(3) (l)
Change in the Nature of Business, if any	Rule 8(ii) of Cos (Accounts) Rules, 2014
Dividend, if declared & amount, if any, carried forwarded to Reserves.	Section 134 (3) (k)& (j)
No. of Board Meetings held during the year	Section 134 (3)(b)
Directors and Key Managerial Personnel appointed or resigned during the year	Rule 5 (iii) of Cos. (Accounts) Rules, 2014
Director's Responsibility Statement	Section 134 (3) (c) & 134 (5)
Information about the Financial Performance / Financial Position of the Subsidiaries / Associates/ JV	Rule 8(1) of Cos(Accounts) Rules, 2014 Rule 8(5) of Cos (Accounts) Rules, 2014
Extract of Annual Return ANNEXURE I	Section 134(3) (a)

Disclosures for All Companies - Companies Act, 2013

Contents of the Report	Reference to Act / Rule
Conservation of Energy, Technology Absorption And Foreign Exchange Outgo	Section 134 (3) (m) Rule 8 of Cos(Accounts) Rules, 2014
Significant & Material orders Passed by the Regulators if any	Rule 8 (5) (vii) Cos (Accounts) Rules, 2014
Details of Adequacy of Internal Financial Controls, if applicable	Rule 8(5) (viii) Cos(Accounts) Rules, 2014
Particulars of Loans, Guarantees or Investments	Section 134(3) (g)
Risk Management Policy	Section 134(3) (n)
Corporate Social Responsibility Policy - Reason for not spending	Section 134(3) (o) Rule 8 of Cos. (CSR Policy) Rules,2014
Related Party Transactions - Justification for Entering into Related Party Transactions - Form AOC-2	Section 134(3) (h) &Rule 8(2) of Cos. (Accounts) Rules,2014 Section 188(2)
Details in respect of Fraud reported by Auditors	Section 134(3)(ca)

Disclosures for Listed and Certain Unlisted Companies - Companies Act, 2013

Contents Of The Report	Reference to Act/Rule
Declaration from Independent Directors on Annual basis	Section 134(3) (d)
Composition of Audit Committee - Reasons for not accepting the recommendations of the Audit Committee	Section 177(8)
Policy laid down by the Nomination and Remuneration Committee for Remuneration of Directors, KMP & other employees and the Criteria formulated by the Committee for determining Qualifications, Positive attributes, Independence of a Director	Proviso to Section 178 (4)& Section 134
Secretarial Audit - Qualifications in Audit Reports, (by the company secretary in practice in his secretarial audit report)	Section 204(3)
Formal Annual Evaluation of Board, Committees and Independent Drs	Section 134(3) (p)
Details of Vigil Mechanism process implemented in the Company	Proviso to Section 177(10)

Disclosures about Remuneration - Listed Companies

Contents Of The Report	Reference to Act/Rule
<ul style="list-style-type: none">• Disclosures of Ratio of remuneration to each director,• Percentage increase in remuneration of Directors, KMP,• Percentage increase in median remuneration of employees in financial year;• Average percentile increase 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.• Affirmation that the remuneration is as per the remuneration policy of the company.	Section 197(12) Rule 5 (1) of Cos (Appointment & Remuneration) Rules, 2014

Disclosures about Remuneration - All Companies

Contents Of The Report	Reference to Act/Rule
<p>A statement showing:</p> <ul style="list-style-type: none">• Names of top 10 employees in terms of remuneration drawn; and• Name of every employee who was in receipt of remuneration not less than Rs. 1.02 Crore p.a or if employed for a part of financial year with a remuneration not less than Rs. 8.50 Lakhs p.m.• Name of every employee who was in receipt of remuneration in excess of MD/WTD/Manager and holds shares along with his dependants, not less than 2% of the equity shares of the Company.• The statement also to include the designation, remuneration, nature of employment, qualifications, age, last employment, percentage of shares, etc.,	Rule 5 (1) of Cos (Appointment & Remuneration) Rules, 2014

Disclosures for Deposit Taking Companies

Contents Of The Report	Reference to Act/Rule
<p>Details relating to Deposits, covering the following :</p> <ul style="list-style-type: none">• Accepted during the year;• Remained unpaid or unclaimed as at the end of the year;• 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. (i) at the beginning of the year (ii) maximum during the year (iii) at the end of the year.• Details of deposits which are not in compliance with the requirements of Chapter V of the Act	<p>Section 73, 74 & 76 Rule 8(5)(v) of Cos(Accounts) Rules, 2014</p>

Other Disclosures in Board's Report

Contents of the Report	Reference to Act / Rule
Details of shares issued with differential rights	Rule 4 of Cos (Share Capital and Debentures) Rules, 2014
Details of Sweat Equity shares issued	Rule 8 of Cos (Share Capital and Debentures) Rules, 2014
Details of Shares issued under ESOP	Rule 12 of Cos (Share Capital and Debentures) Rules, 2014
Annual Report on CSR activities	Rule 8 of Companies (CSR Policy) Rules, 2014
Fact of Resignation of Director during the FY	Section 168(1) of Companies Act, 2013
Disclosure of Anti Sexual Harassment Policy and Internal Complaints Committee	Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Disclosures under SEBI (LODR) Regulations, 2015

Disclosures as per LODR Regulations

Regulation 32: Statement of Deviations and Variations

- ▶ Any variation in the use of proceeds from the objects stated in offer document or explanatory statement to the notice of General Meeting;

Regulation 34(2): Annual Report

- ▶ Audited financial statements, Statement on Impact of Audit Qualifications;
- ▶ Consolidated financial statements;
- ▶ Cash flow statement (only in Indirect method);
- ▶ Directors Report;
- ▶ Management Discussion and Analysis Report;
- ▶ Dividend Distribution Policy and Business Responsibility Report for initiatives taken in Environmental, Social and Governance perspective (only for top 500 listed entities based on Market Capitalisation);
- ▶ Such other disclosures as specified in Schedule V of the Regulations.

Schedule V of LODR Regulations

- ▶ Related Party Disclosures - Loans and Advances made to Holding and Subsidiary Companies;
- ▶ Management Discussion and Analysis Report, including the following:
 - ▶ Industry Structure and developments;
 - ▶ Opportunities and Threats;
 - ▶ Segment - wise or Product - wise performance;
 - ▶ Outlook;
 - ▶ Risks and Concerns;
 - ▶ Internal Control Systems;
 - ▶ Discussion on financial performance with respect to operational performance;
 - ▶ Material Developments in HR /IR.
 - ▶ Disclosures of Accounting Treatment.

Schedule V of LODR Regulations

Corporate Governance Report containing the following;

- ▶ Category, composition, attendance of all the Directors of the Company including number of shares held and disclosure of their relationship;
- ▶ Composition, description, meetings and attendance of Audit Committee;
- ▶ Composition, description, meetings, attendance of NRC including performance evaluation criteria for independent Directors.
- ▶ Detailed disclosure of remuneration to all Directors;
- ▶ Particulars of Stakeholders' Relationship Committee;
- ▶ Details of last 3 Annual General Meetings held;
- ▶ Other disclosures as specified.


Schedule V of LODR

- ▶ Declaration signed by the chief executive officer stating that the members of board of directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.
- ▶ Compliance certificate from either the auditors or practicing company secretaries regarding compliance of conditions of corporate governance to be annexed.
- ▶ Disclosures with respect to demat suspense account/ unclaimed suspense account.


Companies (Amendment) Act, 2017

Section 92- Annual Return - Yet to be Notified

(Section 92(1)(c)) Indebtedness - Omitted
in the Annual Return;



(Section 92(1) Second Proviso) Central
Government to prescribe abridged form
of annual return for OPC, Small
Companies and other class of Companies
as may be prescribed;



(Section 92(3)) Annual Return to be
placed in the website of the Company
and the web-link to be disclosed in the
Annual Return.

Section 134 - Yet to be Notified

(Section 134(3)(a)) - The following words are substituted - “the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed.” instead of Extracts of Annual Return;

(Section 134(3) Proviso) - New Proviso inserted - Where disclosures under sub section 3 of Section 134 were made in Financial statements, the same shall be referred in Board’s report instead of repeating the same.

(Section 134(3) 2nd Proviso) - New Proviso inserted - Where the details of NRC and CSR committees are made available in Company’s website, the brief details are sufficient to be disclosed in the Board’s Report with a web-link.

(Section 134(3A)) - New Section - CG to provide abridged format of Board’s report for OPC and Small Company.

Annual Report - Present Scenario

- ▶ Few significant amendments are proposed to reduce the repetition of information in the Annual Report;
- ▶ However, the disclosures of all the necessary information have not been dispensed with.
- ▶ Additional Disclosures are required to be made for financial statements prepared based upon IND-AS.
- ▶ Comparatively similar with the Annual Reports of other countries.

Thank you!

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