

Annual Report & Its Constituents:

An annual report is a comprehensive report of a company. It is published at the end of the financial year. It gives detailed information about the company's activities during the year. These reports are then communicated to shareholders and other interested parties.

It gives a wealth of information about a firm. If someone has to invest in a company for the first time, it's imperative to go through its annual report to understand its financials and management style.

The components of annual report contain financial as well as non-financial information about a company.

Non Financial Information:

This is one of the most important sections of a company's annual report where owners and managers communicate with shareholders. In this section of the corporate report, they inform about the performance in the past year, achievements, hurdles, and challenges faced, among others.

- **Director's Report**

This section of the corporate report informs about the company's financial performance in the past year, projects under implementation, major customers, and other company initiatives.

- **Management Discussion and Analysis**

In this section, the management informs shareholders about the business environment that the company is facing. It includes industry outlook, company outlook, risks and updates on research and development, among others.

- **Details of Personnel in-charge Running the Company**

This section of the company report outlines the qualification of directors and other key people in the management who are responsible for making decisions on the company's behalf. It also provides details of those employees in the higher salary bracket, earning in excess of Rs. 60 lakhs per annum.

- **Report on Corporate Governance**

This section of annual report of a company contains information on board of directors, attendance record of various directors, details about past and previous general meetings and distribution of shares, among others.

- **Notice on Annual General Meeting**

As the name suggests, this section has information on the upcoming annual general meetings of the company as well as decisions that warrant ascent from shareholders. This component of annual report of any company also provides information on salary hike sought by promoters and managers along with details on new expansion projects.

Financial Information

- Independent Auditor's Report

The financial section of annual report of company starts with report of an independent auditor who presents his/her views about the financial information presented in the annual report.

It has key comments on things such as if there has been any deviation from the accepted account practicing norms, default in payments to lenders, utilisation of funds raised by company from its lenders, etc.

- Financial Statements

- Balance Sheet

It provides information on a company's balance sheet and assets until the financial year's last date. Liabilities refer to source of funds that a company uses to buy assets owned by it. A company's balance sheet is vital to understand its financial health, assets, and liabilities.

- Profit and Loss (P/L) Statement

This annual information report has details of the total sales that an organisation has achieved in a year and the expenses it has incurred to achieve them. The remaining balance after expenses and taxes is the net profit bagged by shareholders.

- Cash-Flow Statement

In annual financial report, cash-flow statement provides details of the cash that an organisation has generated in the last fiscal year. The section also has details of cash used in making investments. At the same time, it has details of cash received from selling investments.

- Schedules to Financial Statements

This section of a corporate annual report has a detail breakup of the numbers shown in financial statements. They help better understanding of these statements along with details of lenders, loan amount, repayment schedule and collateral offered to avail various loans. Understanding financial numbers become easy with this component.

- Related Party Disclosures

It's mandatory for every firm to disclose the transaction it enters into with its promoters and other entities. Careful analysis of these transactions reveals whether the promoter is using varied transactions for transferring money from the company to itself.