

# Presentation on Importance and Process of Annual Report

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## ■ Introduction

- An **Annual report** is a comprehensive report on a company's activities throughout the preceding year.
- Annual reports are intended to give shareholders and other interested people information about the company's activities and financial performance.



## ■ Define Annual Reports

### ■ Annual Reports (AP) -

are records of accountability. They present a Company's financial standing, image, identity, product, and performance; they give substantial insight into where the company may be headed in the future. Many companies use AP's as marketing tools by listing accomplishments, achievements, thanking and recognizing employees and Government.



## ■ Importance

- It gives an opportunity to take a step back and look at the overall practical and financial health of the Company's business.
- You can know how well the Company is doing.
- You can find out whether the Company is making more money than it is spending.
- You can get an idea of management's strategic plan for the coming year.

## ■ **Statutory Provisions at a glance.....**

- Companies to send Annual Report and Notice Calling AGM to its members and others atleast 21 clear days before the date of AGM.
- Annual Report to be submitted to Government Authorities like Stock Exchanges, ROC, RBI and Sectoral Regulators.
- Mandatory disclosure requirements.
- Annual Reports to be uploaded on Stock Exchange and Companies websites.
- Lender covenants.
- MCA Green Initiatives – dispatch of Annual Report through E-mail.
- Unlisted companies are also required to comply.

## ▪ **Reasons for creating an Annual Report**

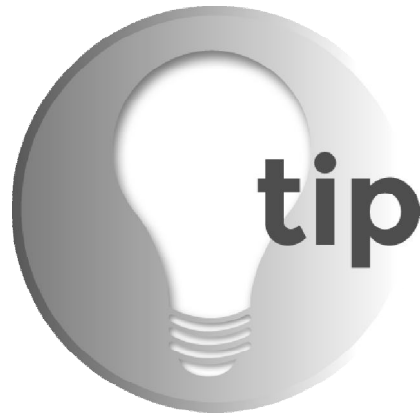
### ❖ **Objectives**

- Demonstrate accomplishments (results and how you did it)
- Recognize important people (Directors, Employees, Government Employees, Bankers, Consultants etc.)
- Create a historical progress record
- Provide an account of organization's work for the past year
- Fulfill a management best practice

### ❖ **Desired Outcomes**

- One-year shelf life
- Engagement (sharing your mission, story and successes)

- **Reasons for creating an Annual Report**



**People don't just share information, they tell stories.**

**Highlight your mission and results in stories that people want to tell and share.**

## ■ Contents

- Table of contents
- List of Board of Directors
- Notice calling Annual General Meeting
- Directors' Report
- Corporate Social Responsibility Report
- Management Discussion and Analysis Report
- Corporate Governance Report
- Business Responsibility Report
- Auditors' Reports
- Balance Sheet
- Statement of Profit and Loss



- **Contents (continues.....)**
  - Cash Flow Statement
  - Notes forming part of Financial Statements
  - Auditors' Report on Consolidated Financial Statements
  - Consolidated Balance Sheet
  - Consolidated statement of Profit and Loss
  - Consolidated Cash Flow Statement
  - Notes forming part of Consolidated Financial Statements
  - Subsidiary Company details
  - Photos

- **Directors and management:**

The director's role is to represent and serve the interests of shareholders by overseeing and appraising the Company's strategy, policies and performance.

The Directors are responsible for management decisions and operations across the Company's operations.

- **Annual general meeting:**

Gathering of the directors and stakeholders of every incorporated company, required by law to be held each calendar year.



- **Report of board of directors to members:**

Board of directors issue a report annually giving details about the Company's operational and financial performance, policies, programs and formulating strategies about the company to the members.

- **Management report:**

Management report is a statement made by management and it contains Management's views on overall economy of the country, operational performance of the Company and future performance based on assumptions / predictions.



## ■ **Auditors report:**

- An auditor's report provides an opinion of the validity and reliability of a company's financial statements.
- The goal of an auditor's report is ultimately to document reasonable assurance that a company's financial statements are free from material error.
- In case of qualification or adverse remark in the Auditors Report, the Board has to reply the same in its report.

- **Financial statement:**

It is prepared to know profit or loss and also the financial position of the business.

- **Shareholder's fund and policy holder's fund:**

Shareholder's funds are usually the shares in the company, any share issue premium, retained profits and possibly other reserved that have been accumulated.

Policyholders funds represent customer deposits plus interest credited at contract rates.

# Formal

Back & White- little color

Few or no images

Mostly columns & figures



### Building and Grounds

Year-to-date building and grounds work, the library board has approved a budget for building the new building and related work. The building is expected to be completed in 2011. The library board has approved a budget for building the new building and related work. The building is expected to be completed in 2011.

### Library Funding

The library board has approved a budget for building the new building and related work. The building is expected to be completed in 2011. The library board has approved a budget for building the new building and related work. The building is expected to be completed in 2011.

### Collection

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### World's Largest Public Library on the World Wide Web

The library's website is the largest in the world. It has over 100 million pages. The library's website is the largest in the world. It has over 100 million pages. The library's website is the largest in the world. It has over 100 million pages.

### Medical

The library has a large collection of medical books and journals. It has over 100,000 volumes. The library has a large collection of medical books and journals. It has over 100,000 volumes. The library has a large collection of medical books and journals. It has over 100,000 volumes.

### KIDNEY

The library has a large collection of kidney-related books and journals. It has over 100,000 volumes. The library has a large collection of kidney-related books and journals. It has over 100,000 volumes. The library has a large collection of kidney-related books and journals. It has over 100,000 volumes.

	2008	2009
<b>Contributions</b>		
Investment income		
<b>Total Revenues and Gains</b>	<b>2,641</b>	<b>11,952</b>
<b>Expenses</b>		
Grants	2,436,833 (1)	3,643,780 (1)
Direct charitable expenses	90,431 (1)	54,086 (1)
Program and administrative expenses	361,979	352,144
Federal excise and other taxes	60	21
<b>Total Expenses</b>	<b>3,072,303</b>	<b>4,050,043</b>
Change in net assets before beneficial interest	(1,070,442)	14,008,111
Change in beneficial interest in the Bill & Melinda Gates Foundation Trust		
Contributions from the Bill & Melinda Gates Foundation Trust	3,424,100 (1)	3,307,259 (1)
Increase (decrease) in net assets due to beneficial interest in the Bill & Melinda Gates Foundation Trust	3,424,100 (1)	(1,070,442)
Change in net assets	4,420,749	(1,809,362)
Unrestricted net assets, beginning of year	24,551,195	34,340,537
<b>Unrestricted Net Assets, End of Year</b>	<b>\$ 28,971,944</b>	<b>24,551,195</b>

### Comprehensive Statement of Cash Flows

	2008	2009
<b>Operating activities</b>		
Cash provided by operating activities (Note 1)	478,000	565,500
Non-cash activities		
Transfer of investments	20,200	20,200
Transfer of investments received and sold	46,775	304,276
Transfer of property and equipment, net of depreciation	127,800	27,250
Transfer of cash equivalents	12,440	15,375
Transfer of cash equivalents	1,861	1,861
Cash paid for equity investment and related expenses	(2,761)	(2,000)
Cash paid for acquisition of intangible assets (see Note 1)	(2,070)	(1,941)
Cash used by operating activities	248,074	222,419
Investing activities		
Cash received from sale	8,000	8,000
Proceeds from issuance of bonds	11,476	11,476
Proceeds from sale of bonds	2,281	1,673
Proceeds from sale of property	3,440	1,174
Transfer of cash equivalents	12,440	15,375
Cash provided by investing activities	37,237	47,628
Effect of change in foreign currency exchange rates	1,844	(1,877)
Business acquisition in cash and cash equivalents	1,844	20,910
Cash and cash equivalents at beginning of year	142,790	129,110
Cash and cash equivalents at end of year	232,908	142,790

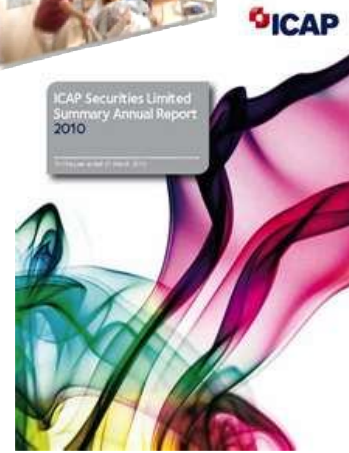
	2008	2009
<b>Assets</b>		
Current assets	11,000	11,000
Investments	10,000	10,000
Property and equipment	10,000	10,000
Intangible assets	10,000	10,000
Other assets	10,000	10,000
<b>Liabilities</b>		
Accounts payable	10,000	10,000
Accrued liabilities	10,000	10,000
Other liabilities	10,000	10,000
<b>Equity</b>		
Contributed capital	10,000	10,000
Retained earnings	10,000	10,000
Other equity	10,000	10,000

	2008	2009
<b>Assets</b>		
Current assets	11,000	11,000
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Other liabilities	10,000	10,000
<b>Equity</b>		
Contributed capital	10,000	10,000
Retained earnings	10,000	10,000
Other equity	10,000	10,000

# Dynamic

Bold, Colorful  
Mostly Images

Creative & Visually  
Striking



ICAP Securities Limited  
Summary Annual Report  
2010



## Digital

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- No printing costs associated
- Can be e-mailed
- Can be made available to a wider audience
- Can be much larger/longer
- Can be interactive or animated
- Can be easily changed and updated in case of errors



## Printed

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- Provides a physical reminder
- Cannot be easily modified/tampered with
- Controlled access-only available to certain people
- Does not require electronic expertise
- Does not require a digital space





## ■ **Preparing to create your Annual Report**

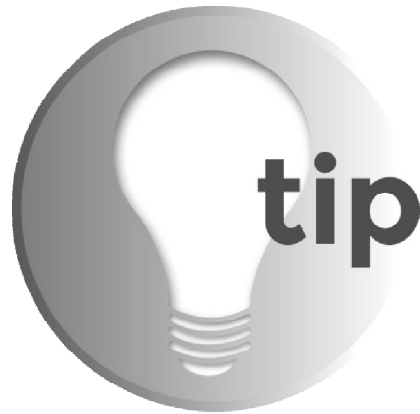
### ❖ **Process**

- Internal and / or External resources

### ❖ **Preparing through out the year**

- Track achievements / awards received by the Company.
- Keep various contents and reports up-to-date (and accurate)
- Compile photos of new projects / achievements
- Save organization's results reports
- Keep running list of what to include in your annual report
- Maintain annual report pro/con feedback list (your past reports and other reports you've seen)

- **Preparing to create your Annual Report**



**All year long, gather and catalog submitted photos  
(and ask for written permission to use)**

## ■ Preparing to create your Annual Report

### ❖ Timeline

#### □ Allow 2 to 3 months

- Prepare reports, Create Outline / Sections and basic layouts
- Gather and organize contents from internal and external sources.
- discussions with management team / other departments
- Design (internally, or externally via freelancer)
- Review Drafts (proofing)
- Print and pdf
- Distribute to stakeholders (physical and e-mail)
- Upload on websites
- Submissions to Statutory Authorities

## ■ Preparing to create your Annual Report

### ❖ Financial Information

- Keep it simple; plain English (spell out abbreviations)
- Show the trends and timelines
- Identify key messages
- Show where revenue comes from and how money is spent (fundraising and administrative costs)
- Use pie charts and bar charts
- Use numbers and percentages
- Tie financials to your mission (demonstrate money well spent)
- Devote no more than 20% of report to financials
- Explain where full financials can be read/accessed
  - Your website

- **Preparing to create your Annual Report**



**Use five or less elements in your pie charts  
for best reader comprehension**

## ■ **Preparing to create your Annual Report**

### ❖ **Accomplishments**

- Describe achievements (results) – not activities
- Show how activities helped achieve the Company's mission.
- Use impressive numbers (i.e. Total Turnover, EBIDTA, PAT, Net Worth, PBT etc).

### ❖ **Photos**

- Include lots of photos
- Use positive, uplifting photos
- Emphasize real people

## ■ **Preparing to create your Annual Report**

### ❖ **Whom to involve**

- Board Members
- Business Heads / Team
- Executive Director and CFOs
- Corporate Communication department
- Company Secretary
- Financial person
- Outside / Inside printing agency
- Proof reader
- Freelancer (writer, graphic designer)

## ■ Preparing to create your Annual Report

### ➤ Theme

#### ❖ Theme for the year

- Transformation
- Day in the Life
- Milestones
- Critical issues
- Success stories
- Progress toward the future
- New undertakings
- Milestone anniversary



- **Writing and Designing your Annual Report**



**Tell 3 key messages**

(to convey a specific impression  
of major accomplishments)

- **Writing and designing your Annual Report**

- **❖ Ideal length**

- Depends on activities of the organization and
- Not more than 80-90 pages
- Not less than 60-70 pages
- Examine sampling of annual reports to gauge optimum length

## ■ **Writing and designing your Annual Report**

### ❖ **Writing style**

- Formal and professional
- Clear reading level
- Inviting / highlight major accomplishments
- “Scope numbers,” connect all the dots

### ❖ **Photos and Photo Captions**

- Second most read/looked at in an annual report
- Serve as “visual quotes”
- Captions tell your mission, your story, your results (show real people)
- Connect photos to your accomplishments

- **Writing and designing your Annual Report**



**In your photo captions, explain what the people are doing  
and how that ties to your past year's  
accomplishments/achievements**


- **Writing and Designing your Annual Report**

- **❖ Must have contents**

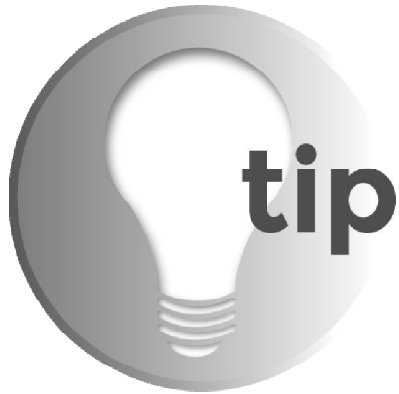
- Accomplishments (not activities)
- Financial highlights v/s. Operational Results
- Appreciation
- Future actions
- Corporate Social Responsibility

## ■ Writing and Designing your Annual Report

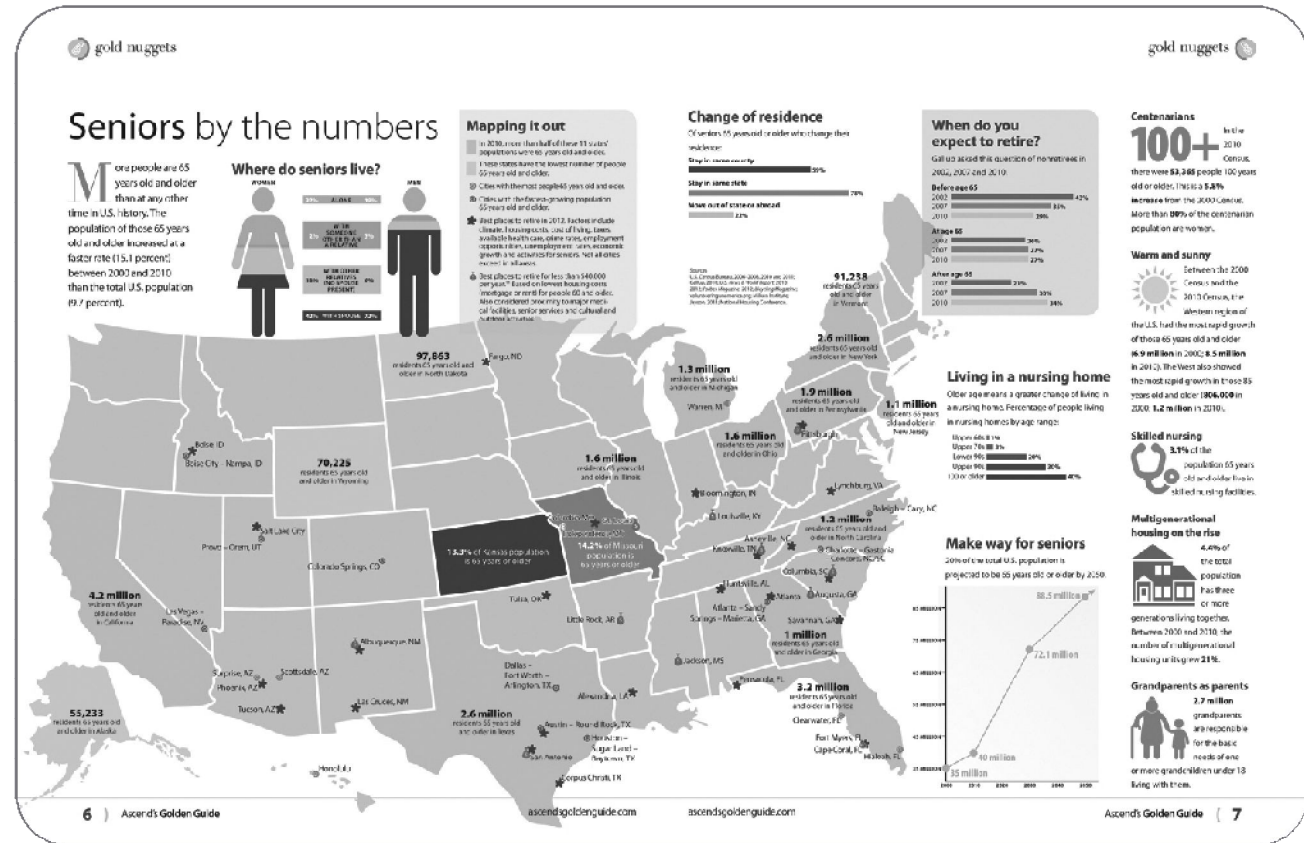
### ❖ Engaging Elements

- Pull out quotes
- Boxed Text
- Shaded color backgrounds
- QR Codes to videos 
- Infographics (creative approach)

# Writing and Designing your Annual Report



## Sample Infographic



## ■ Writing and Designing your Annual Report

### ❖ What Not to Do

- Hard to read (text heavy, small text size, poorly designed)
- Too long contents
- Photos without captions
- Grammatical / Spelling Errors
- Leaving the financials to interpretation
- Boring, lengthy Executive Director letter



- **Writing and Designing your Annual Report**

- **❖ Addressing Bad News**

- Address directly and honestly – show a silver lining if possible
- Address as challenges or transitions
- Include justification in the Chairman's Letter / Directors' Report

## ▪ **Distributing the Annual Report**

### ❖ **Electronic**

#### **Prepare for Adobe Acrobat PDF, ebook/flipbook, iPad, Smartphone**

- Upload .pdf file on website and connect via social media
- E-mail link / .pdf file to shareholders / stakeholders
- Link to audio
- Link to video (keep videos between 1 and 3 minutes in length)

### ❖ **Print**

- Most common method (consider quantity, self-mailing, self-cover)
- Connect via online (PDF, QR codes to video, ebook/flipbook)
- Dispatch copies of Annual Reports to shareholders and others.

## ■ **Next Steps**



- Who will prepare draft reports and compile statutory data ?
- Do we need to engage an external freelancer (writing and/or design)?
- Are we gathering major accomplishments and photos all year long?
- What will be our annual report's theme?
- Will we distribute in print and/or online?
- What are our best accomplishments to tell?
- Will we create a video?
- When will we release our annual report?
- Who will double and triple check the reported financials and other reports?

# New Trends

## Interactive Annual Reports

In India Kotak got an interactive annual report made for them last year from an overseas agency. So far, it's the sole company in India to have one as it is costly affair overseas.



## Trivia

Embedded videos are unique features of interactive reports, investors can be efficiently communicated with



## Impact

Investor's experience of surfing interactive annual report is like industrial visit of your company



Thank you