

ANNUAL RETURN ON FOREIGN ASSETS AND LIABILITIES

S.No	Contents	Page Nos.
1.	<i>Features of the Annual Report Format</i>	2
2	<i>Various Sections in Annual Report :-</i>	2
3	<i>Section 1 – General Particulars</i>	2
4	<i>Section 2 – Financial Details of the Reporting Company</i>	2-6
5	<i>Section 3 – Foreign Liabilities</i>	7-12
6	<i>Section 4 – Foreign Assets</i>	13
7	<i>Section 5 – Other Assets & Liabilities</i>	14
8	<i>Conclusion</i>	15

By

P.Sriram

Prowis Corporate Services

The Annual Return on Foreign Assets and Liabilities reporting by Indian Companies was first introduced by the Reserve Bank of India vide its circular RBI/2010-11/427 dated 15th March 2011 so as to capture inward and outward of Foreign Direct Investment in a more comprehensive manner. As a result Part B of Form FCGPR was replaced by a separate Annual Return of Foreign Assets and Liabilities as Annexure - 1. This return has to be submitted by July 15th of every year.

Later, The Reserve Bank of India vide its circular RBI/2011-12/613 dated 20th June 2012 changed the format for submission of report on Annual Return of Assets and Liabilities.

FEATURES OF THE ANNUAL RETURN FORMAT

- The Annual Return is an easy to fill soft form with guidance to users and inbuilt validations.
- The Annual Return Form consists of five sections in which each section has to be validated to proceed with the next section.
- The Details are to be provided for the Previous March and Latest March.
- The amount in Rupees should be reported in Lakhs.
- The duly filled in Form has to be sent via E-mail to fla@rbi.org.in.
- On submission of return via mail, an acknowledgement on successful processing of the return without errors will be received from the department.

VARIOUS SECTIONS IN ANNUAL RETURN:

SECTION 1: In this section the General particulars of the Company are to be furnished.

SECTION 2 - FINANCIAL DETAILS OF THE REPORTING COMPANY

From this section details are to be provided for both the reference periods i.e previous march and latest march. The following details with respect to the reporting country are to be filled here.

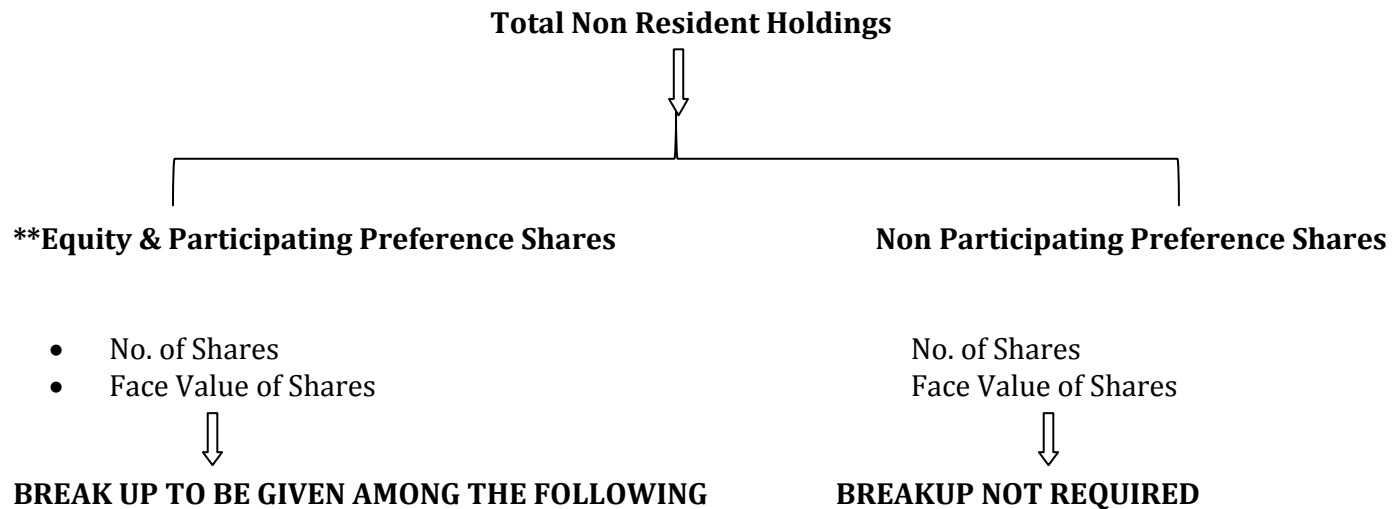
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Ph: + 91 44 6544 0766 E-mail info@prowiscorporate.com

BLOCK 1A:

	No. of Shares	Value of Shares
A. Paid up Equity Share Capital	xxx	xxx
B. Paid up - Participating Preference share capital	xxx	xxx
C. Paid up Non Participating Preference share capital	xxx	xxx
D. TOTAL PAID UP SHARE CAPITAL	XXXX	XXXX

DETAILS REGARDING NON RESIDENT HOLDINGS - This has to be reported at the face value of shares.

The Break up for this must be given in the following manner:



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- Individuals
- Companies
- FIIs
- Foreign Venture Capital Investors
- Foreign Trusts
- Private Equity Funds
- Pension/Provident Funds
- Sovereign Wealth Fund
- Partnership/Proprietorship Firms
- Financial Institutions
- NRIs/PIO
- Other Non Resident Holding

****NOTE: In case of different class of equity shares, consolidated report should be given.**

**3. % OF NON RESIDENT EQUITY AND
SHARE PREFERENCE SHARE CAPITAL**

**AMOUNT OF EQUITY & PARTICIPATING PREFERENCE
CAPITAL HELD BY NON RESIDENTS**

=

**TOTAL PAID UP EQUITY AND PARTICIPATING
PREFERENCE SHARE CAPITAL**

BLOCK 1B: RETAINED PROFIT CALCULATION

A. Profit/Loss Before Tax During The Year	xxx
B. Less: Tax	(xxx)

C. Profit/Loss After Tax	xxx
D. Less: Dividend/Interim Dividend	(xxx)
E. Less: Tax On Dividend [If Any]	(xxx)

F. Retained Profit	xxx

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BLOCK 1C: RESERVES & SURPLUS [BALANCE SHEET ITEMS]

A. Reserves	xxx
B. Add: Surplus	xxx

Total Reserves & Surplus	XXXX

NOTE:

1. The amount of reserves includes all the Reserves shown in Balance sheet of the Company.
2. The Balances carried forward from P&L Account balance is shown under Surplus [Either Profit or Loss]. This information is taken from the Balance Sheet i.e Accumulated Profit / Accumulated losses of the Company.

CALCULATION OF TOTAL NETWORTH OF THE COMPANY:

A. Paid Up Value of Equity and Participating Preference Share Capital	Xxx
B. Total of Reserves & Surplus	Xxx

C. Net worth of the Company [A+B]	Xxx

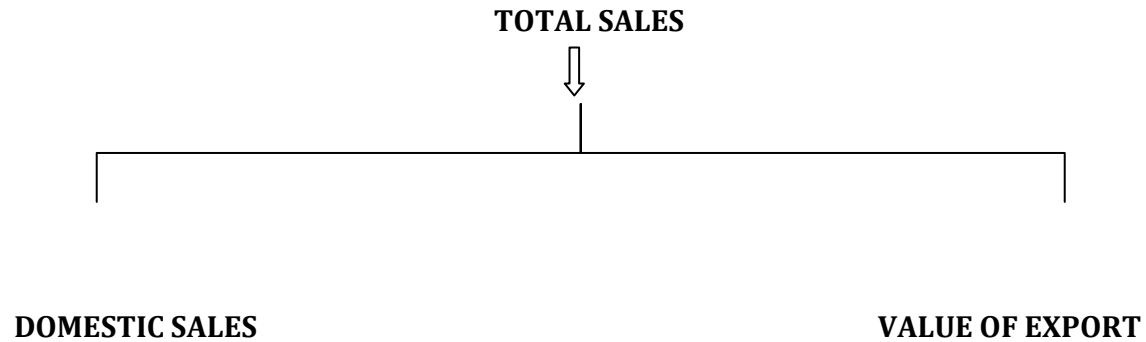
BLOCK 1D:

APPLICABILITY

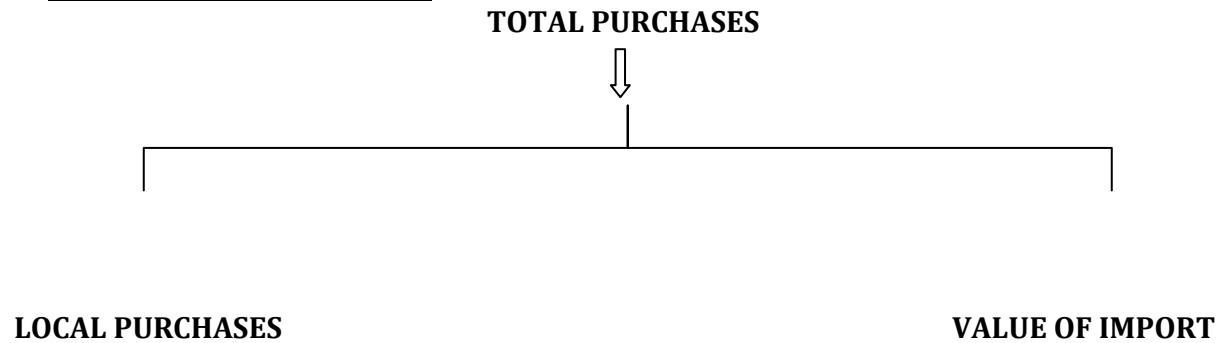
This Block is applicable if the Reporting Indian Company is a Subsidiary of Foreign Company i.e where more than 50% of the equity is being held by a single Foreign Direct Investor.

Break up to be given for **Sales & Purchases** in the following manner:

A. SALES FOR THE YEAR:



B. PURCHASES FOR THE YEAR



SECTION 3 - FOREIGN LIABILITIES

FOREIGN DIRECT INVESTMENT UNDER FDI SCHEME

This Section deals with reporting of FDI in India, where the Indian Company has issued shares to Non Resident Entities.

A Gist of Important Terms or Definitions:

DIRECT INVESTMENT: It's a category of **International Investment** in which a Resident Entity in one economy [**Direct Investor**] **acquires a lasting interest in an enterprise resident in another economy [Direct Investment Enterprise (DIE)]**

RESIDENCE OF ENTERPRISE: An enterprise is said to have a centre of economic interest and to be a resident unit of a country [Economic Territory] when:

- the enterprise is engaged in a significant amount of production of goods and/or services there (or)
- it owns land or building located there.
- It must maintain atleast one production establishment in the country and must plan to operate the establishment indefinitely or over a period of time.

FOREIGN DIRECT INVESTMENT IN INDIA:

In the Indian Context, FDI means

If the **Indian Company has issued the shares to Non Resident entities** under the FDI Scheme in India, then it should be reported under the FDI in India [Liabilities], Section III of the return.

COMPONENTS OF DIRECT INVESTMENT

EQUITY CAPITAL Comprising of

- Equity in branches and all shares [Except non participating preference shares] in subsidiaries and associates
- Contributions such as provision of machinery, land & Building by DI to DIE by equity Participation.
- Acquisition by a **DIE** of shares in its DI. [**Reverse Investment**]

OTHER CAPITAL

Refers to Other Receivables & Payables, except Equity & Preference share Invest.

Outstanding liabilities or claims arising due to borrowing & lending of funds.

Investment in debt securities including non participating preference shares. ***

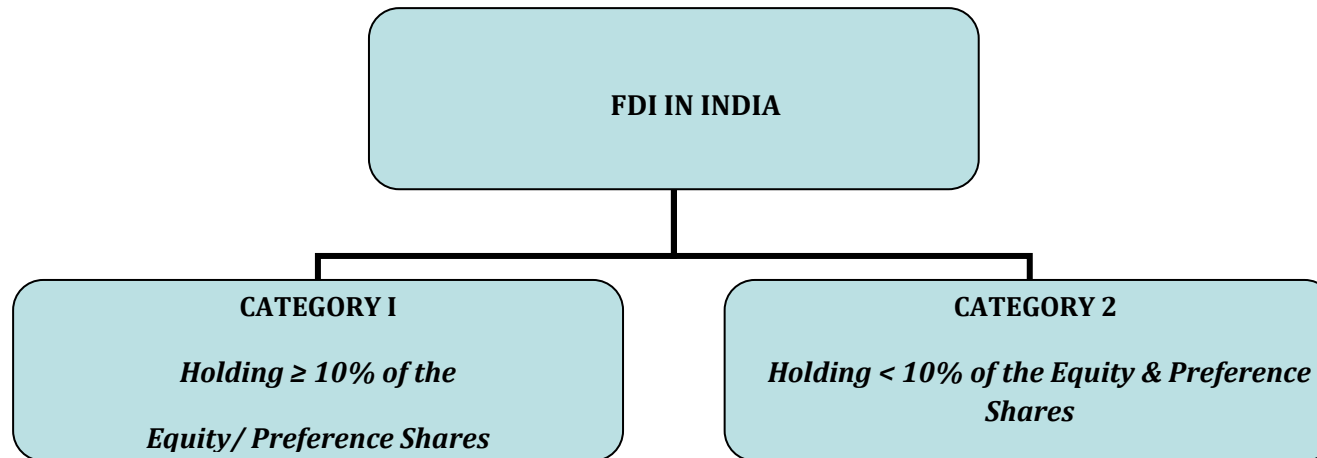
Trade Credits, financial leasing, share application money between DIs and DIES and between two DIES that share the same DI.

*****Note: Non Participating preference shares owned by the direct investor are treated as debt securities and should be included in other capital.**

The outstanding investments of every Non Resident Individual Investor in the reporting country should be disclosed in the following manner.

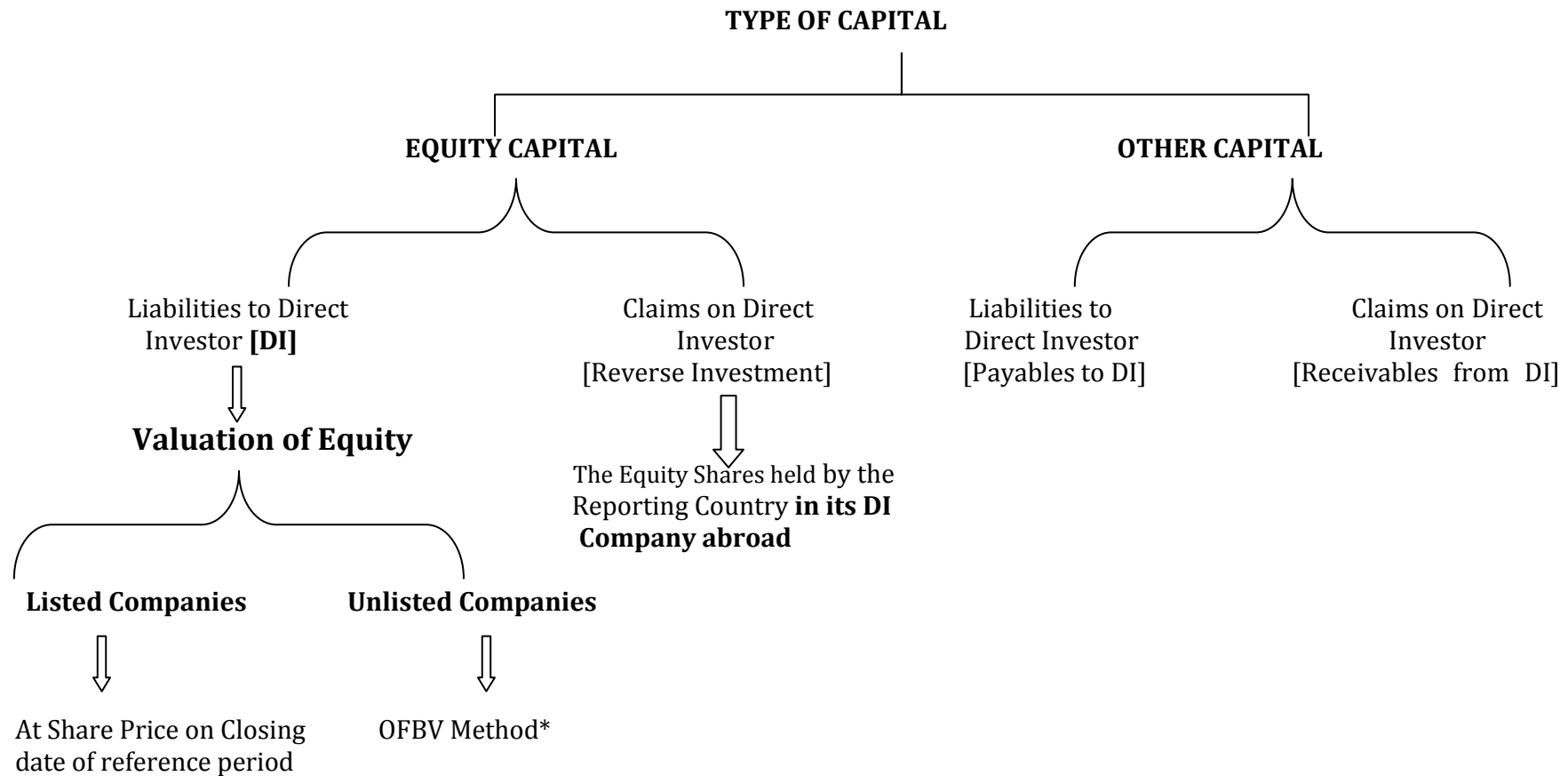
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NOTE: In respect of each category the following calculation/disclosure is required to be provided. The below chart explains in details.

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***OWN FUND OF BOOK VALUE METHOD [OFBV]:** In case of **unlisted companies** the equity has to be valued using OFBV Method as detailed below

A. Equity Share Capital	xxx
B. ADD: Participating Preference Share Capital	xxx

C. Equity & Participating Preference Share Capital	xxx
D. Add: Reserves & Surplus of the Company	xxx

E. Net Worth of the Company	xxx
F. Equity Share Capital held by Non Resident Direct Investor	xxx
G. Participating Preference Share Capital held by Non Resident Direct Investor	xxx

H. Equity & Participating Preference Share Capital held by Non Resident Direct Investor [F+G]	xxx
I. % of Non Resident Equity & Participating Share Holding	xx%
J. FDI at Market Value [E*I]	xx

PORTFOLIO INVESTMENT: BLOCK 2C & 5 FEATURES:

- It refers to the category of foreign investment which results in acquisition of financial assets without any lasting interest in the issuing enterprise as against FDI by which the Investor acquires a lasting interest in the enterprise.
- It includes external claims by or liabilities to reporting Indian Company in equity and debt securities **other than those included in direct investment (Block 2A, 2B on liability side and Block 4A and 4B on asset side.)**
- Shares purchased by non residents of Indian Reporting Company through secondary market should be reported as portfolio liabilities at Block 2C.
- Debt securities include long term bonds and notes and short term money market instruments.

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DISCLOSURE OF PORTFOLIO INVESTMENT

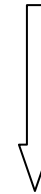
PORTFOLIO INVESTMENT IN INDIA

EQUITY SECURITIES

[AT MARKET VALUE]

- Ordinary Shares, stocks, participating preference shares ADRs, GDRs
- Shares/units in mutual funds & investment trusts
- Equity securities that are sold under repurchase agreement /Securities lending agreement.

DEBT SECURITIES



BONDS AND OTHER INSTRUMENTS

ORIGINAL CONTRACTUAL MATURITIES OF MORE THAN ONE YEAR

MONEY MARKET INSTRUMENTS

ORIGINAL CONTRACTUAL MATURITY UPTO 1 YEAR

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SECTION IV - FOREIGN ASSETS

[BLOCK 4A & 4B]

This section deals with reporting of investment in equity and/or participating preference shares of overseas company by an Indian Company under **Overseas Direct Investment Scheme** i.e investment in Joint Venture or Wholly Owned Subsidiaries abroad.

Disclosure requirements are same as provided in Section III i.e Foreign Liabilities except that the amount of such investments are reported in Foreign Currency. While reporting the foreign assets in foreign currency, exchange rate as at the end of March of Previous year and March of the Latest year should be used.

Here the Indian Company is called the Direct Investor and the Overseas Company is called the Direct Investment Enterprise. Details with respect to Equity, Reserves & Surplus of DIE abroad are to be reported under this section.

The value of Equity in case of listed Company has to be reported at Share price on Closing date of reference period and in case of Unlisted Company using OFBV Method.

PORTFOLIO INVESTMENT ABROAD - BLOCK 5

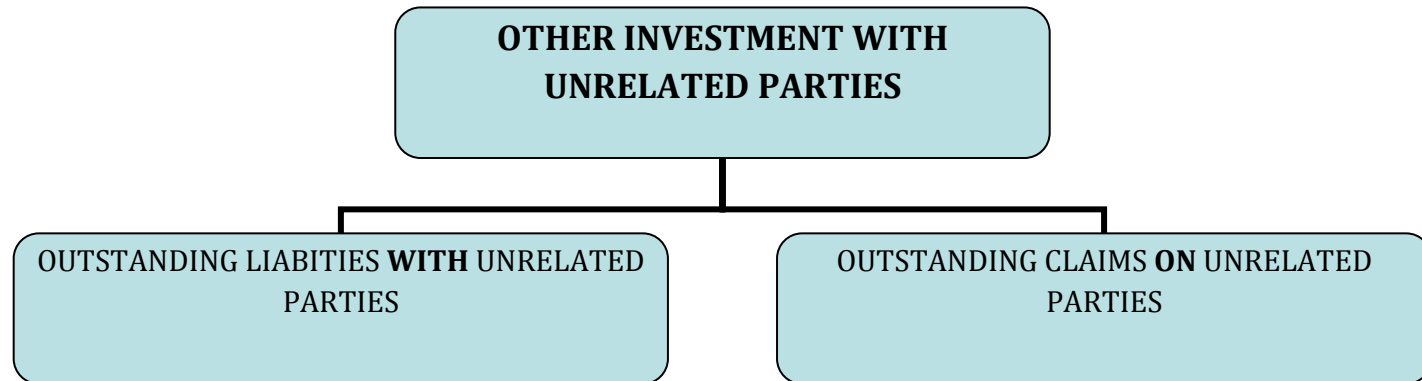
Any other investment made by **the Indian Company abroad other than those invested under Overseas Direct Investment Scheme** should be reported under this Section. The Disclosure requirements are same in line with **Block 2C**.

SECTION V - OTHER ASSETS AND LIABILITIES

[BLOCK 6]

This block is the Residual Block in this return where details of other investments i.e. position with unrelated parties is to be reported. This includes all financial outstanding liability and claims not considered as Direct Investment and Portfolio Investment.

The following disclosure is to be reported under this Block.



NOTE: The above claims/liabilities are with respect to Trade Credits, Loans, Currency Deposits, and other Receivable & Payable Accounts.

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CONCLUSION:

Thus the amended format of Return on Foreign Assets & Liabilities are at ease to fill with inbuilt validations. The Annual Return on Foreign Assets and Liabilities submitted by the Indian Companies will help in Compilation of India's Balance of Payments, International Investment Position, Coordinated Direct Investment and Coordinated Portfolio Investment in an efficient and effective manner.