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²**35A. Special reserve fund.**—(1) the Financial Corporation may establish a special reserve fund, to which shall be transferred such portion of the dividends accruing to the State Government Development Bank and the Small Industries Bank on the shares of the Financial Corporation as may be fixed by agreement between the State Government, Development Bank and the Small Industries Bank:

Provided that after the notified date this sub-section shall have effect as if for the words "the State Government, the Development Bank and the Small Industries Bank", the words "the State Government and the Small Industries Bank" have been substituted except as regards all dividends accruing in respect of any completed accounting period prior to the notified date.

(2) No shareholder of the Financial Corporation, other than the State Government or the Small Industries Bank, shall have any claim to the special reserve fund.

(3) The amount standing to the credit of the special reserve fund may be utilised by the Financial Corporation for only such purposes as are approved by the State Government and the Small Industries Bank.]

36. General meetings.—(1) A general meeting (hereinafter referred to as the annual general meeting) shall be held annually at a place in the State where there is an office of the Financial Corporation within ³[four months] from the date on which the annual accounts of the Financial Corporation are closed, and a general meeting may be convened by the Board at any other time.

⁴(2) The shareholders present at the annual general meeting shall be entitled to discuss and adopt—

- (a) the balance-sheet and profit and loss account of the Financial Corporation made up to the date on which its accounts are closed and balanced;
- (b) the report of working of the Financial Corporation for the period covered by the accounts;
- (c) the auditor's report on the balance-sheet and accounts; and
- (d) proposals for declaration of dividend and capitalisation of reserves.

(3) The shareholders present at an annual general meeting may also discuss any other matter to be transacted at such meetings in accordance with the provisions of this Act.]

37. Audit.—⁵(1) The accounts of the Financial Corporation shall be audited by auditors duly qualified to act as the auditors under sub-section (1) of section 226 of the Companies Act, 1956 (1 of 1956), who shall be appointed by the Financial

1. Sub-section (3) omitted by Act 77 of 1972, sec. 23 (w.e.f. 30-12-1972).
2. Section 35A ins. by Act 6 of 1962, sec. 19 (w.e.f. 16-4-1962) and subs. by Act 39 of 2000, sec. 23 (w.e.f. 5-9-2000).
3. Subs. by Act 43 of 1985, sec. 24, for "three months" (w.e.f. 21-8-1985).
4. Subs. by Act 39 of 2000, sec. 24, for sub-section (2) (w.e.f. 5-9-2000).
5. Sub-section (1) subs. by Act 77 of 1972, sec. 25 (w.e.f. 3-12-1972) and again subs. by Act 39 of 2000, sec. 25 (w.e.f. 5-9-2000).

Corporation in general meeting of shareholders out of the panel of auditors approved by the Reserve Bank of India for such terms and on such remuneration as the Reserve Bank may fix.]

(2) Every auditor shall be supplied with a copy of the annual balance-sheet of the Financial Corporation, and it shall be his duty to examine it, together with the accounts and vouchers relating thereto, and every auditor shall have a list delivered to him of all books kept by the Financial Corporation and shall at all reasonable times have access to the books, accounts and other documents of the Financial Corporation and may in relation to such accounts examine any director or officer of the Financial Corporation.

(3) The auditors shall make a report to the shareholders upon the annual balance-sheet and accounts, and in every such report they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up so as to exhibit a true and correct view of the state of affairs of the Financial Corporation, and in case they had called for any explanation or information from the Board, whether it has been given and whether it is satisfactory.

(4) The State Government may, in consultation with the Comptroller and Auditor-General of India, at any time issue directions to the auditors requiring them to report to it upon the adequacy of measures taken by the Financial Corporation for the protection of its shareholders and creditors or upon the sufficiency of their procedure in auditing the affairs of the Financial Corporation and may enlarge or extend the scope of the audit or direct that a different procedure in audit be adopted, or direct that any other examination be made by the auditors, if in its opinion public interest so requires.

(5) The Financial Corporation shall send a copy of every report of the auditors to the Comptroller and Auditor-General of India at least one month before it is placed before the shareholders.

(6) Notwithstanding anything contained in the preceding sub-sections, the Comptroller and Auditor-General of India may, either of his own motion or on a request received in this behalf from a State Government, undertake such audit and at such times as he may consider necessary:

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(7) Every audit report under sub-section (6) shall be forwarded to the State Government and the Government shall cause the same to be laid before the Legislature of the State.

²**37A. Inspection.**—(1) The ³[Small Industries Bank] at any time may, with the approval of the Central Government, and on being directed so to do by that Government shall cause an inspection to be made by one or more of its officers of the working of any Financial Corporation and its books and accounts; and the ³[Small Industries Bank] shall send the report of such inspection to the Central Government and to the State Government and shall supply a copy thereof to the Financial Corporation.

1. Proviso omitted by Act 39 of 2000, sec. 25 (w.e.f. 5-9-2000).
2. Ins. by Act 56 of 1956, sec. 21 (w.e.f. 1-10-1956).
3. Subs. by Act 52 of 1975, sec. 37, for "Reserve Bank" (w.e.f. 16-2-1976) and against subs. by Act 39 of 2000, sec. 26, for "Development Bank" (w.e.f. 5-9-2000).