CONTENTS OF DIRECTORS REPORT

~ BY MANOHAR MISHRA

REPORT OF BOARD OF DIRECTORS

- Meaning : Pursuant to Section 134 of the Companies Act, 2013 the Board of Director's are required to make a yearly report, to be annexed to the Financial Statement which will ,inter alia, contain the details pertaining to Financial Statement, Subsidiary Companies Detail, Details regarding KMP's, Related Party Transactions, Company's affair's, Dividend Recommended, Appointment and removal of KMP's ,Companies Policies on Corporate Social Responsibility and other matters.

- **Authentication** : Every report of Board of Directors shall be signed by :
  - Chairperson of the Company (if he is authorized), if he is not authorized then by
  - At least two directors (one of whom shall be Managing Director) in case if there is no Managing Director then by;
  - At least two Directors (in case of other than one person Company) ;
  - And one Director in case of One Person Company.

CONTENTS OF BOARD REPORT

- As per Section 134(3) of Companies Act,2013 and as per Rule 8 of Companies (Accounts) Rules,2014 Director's report shall include the following :

1. **An Extract of Annual Return** in form MGT-9 is required to be disclose in the Board Report.
2. **No. of Meeting of the Board held during the year.**
3. **Director's Responsibility Statement include the following :**

- a. Applicable Accounting Standards which has been followed;
- b. Relevant accounting policies followed and applied consistently;
- c. Director(s) had taken proper and sufficient care for the maintenance of accounting records;

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- d. Annual Accounts has been prepared on going concern basis;
- e. Directors of listed Companies to ensure adoption of internal financial control measures and that they are operating effectively
- f. Ensure compliance with the provisions of all applicable laws.

4. Declaration of Independence as given by Independent Director(s).
5. In case Company require to Constitute Nomination and remuneration committee, Company Policy on Directors Appointment and remuneration etc.

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6. **Observations made by Auditor and Secretarial Auditor:** Any qualification, reservation, or adverse remark or disclaimer made by the Auditor in Audit Report (Sec 139) and Practicing Company Secretary in Secretarial Audit report.
7. **Particulars of loan, guarantee or investment:** Any loan made, guarantee given or investment made during the financial year.

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8. **Disclosure regarding related parties transaction**: All related parties transaction ,if any, entered by the company to be disclosed in form AOC-2. [section 188(1) read with rule 8 of Companies (Accounts) Rules,2014].

9. **The state of Company affairs:** The Companies affairs in context to Financial and Operational performance

10. The amount, if any, carried to reserves required to be disclosed.

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11. Proposed dividend to be disclosed.

12. Any Material event occurring post Balance sheet date to be documented.

13. Conservation of energy, technology absorption, foreign exchange earning and outgo.

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14. **Development and implementation of risk management policy and any identification of risk which may threaten the existence of the company.**

15. **Disclosure Relating to CSR**: The following details relating to CSR require to be disclosed.

a) Composition of CSR Committee.

b) Policy developed and implemented by the Company on CSR.

c) Reasons for not spending the CSR amount

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16. Every listed company and public company having a paid up share capital of Rs. 25 crore or more calculated at the end of the preceding financial year shall include in its board report, a statement indicating the manner in which formal annual evaluation has been made by the board of its own performance and that of its committees and individual directors.

OTHER MATTERS AS PER RULE 8 OF COMPANIES (ACCOUNTS) RULES, 2014

8(1) Report on performance of subsidiaries, associates companies and joint ventures:

The Board's Report shall be prepared on "STAND ALONE BASIS" but the Report shall also contain a synopsis of the performance and financial position of its Subsidiaries / Associate Companies and Joint Venture.

As per Rule 8(5) of …… The Board report shall also contain the following details :

1) financial summary or highlights;

2) the changes in the nature of business, if any;

3) The details regarding Directors or KMP's:

- who have been appointed or
- Resigned during the year ;

- 4) The name of the Companies:

- Which has become its subsidiary, associate company or joint venture
- Which ceases to become its subsidiary, associate company or joint venture during the year;

- 5) The details relating to Deposits:
  1. Accepted During the Year;
  2. Remain unpaid or unclaimed at the end of the year;
  3. If there is any default in repayment of deposit or payment of interest thereon during the year and if so, Number of such cases and total amount involved ----
     a) at the beginning of the year;
     b) maximum during the year;
     c) at the end of the year;

  6) Details of Deposit which are not in compliance with the requirements of chapter V of the Act.
- 7. The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future;
  8. the details in respect of adequacy of internal financial control with reference to the financial.

DETAILS OTHER THAN SECTION 134

1.Secretarial Audit Report has been made mandatory for the following class of companies, viz :As per Sub section 1 of section 204-

a)Every listed company,

b)Every Public Company having a paid-up share capital of Rs. 50 crore or more;

c) Every public company having turnover of Rs. 250 Crore or more.

A detailed report as given by a Practicing Company Secretary will form part of the Boards Report

2. Policy of Nomination & Remuneration Committee: The Board of Directors in their report shall disclose the policy relating to remuneration to Directors, KMP and senior management.

3.Any WTD/MD who is receiving any Commission, can receive Remuneration from its Holding Company/Subsidiary Company, subject to Disclosure in Boards Report.

4. Disclosure of Vigil Mechanism: Establishment of Vigil Mechanism to be disclosed in Board Report {section 177(9)}

5..**Composition Of Audit Committee:** Composition of Audit Committee along with reason for not accepting recommendation(if any) to be disclosed in Board's Report. {section 177(8)}

6. Disclosures relating to Remuneration

- Every listed company shall disclose in the Board's Report the ratio of the remuneration of each director to the median remuneration of the employee's and such other details :

- the percentage increase in remuneration of each director, CFO,CEO,CS or Manager, if any, in the financial year.
- The percentage increase in the median remuneration of employees in the financial year;
- the number of permanent employees on the rolls of company.

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- employees receiving remuneration not less than Rs. 60,00,000 p.a (Sixty lakh rupees) or more than Rs. 500,000 (Five lakh rupees) p.m
- Employees himself or along with his spouse and dependent children, holds not less than 2% of the equity shares of company.
- Details of employees posted and working outside India.

SOME RELEVANT POINTS

- 1. **ASSOCIATE COMPANY** : "Associate company", in relation to other company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- Significant Influence means control of at least 20% (twenty percent) of total share capital, or of business decisions under an agreement.

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- 2. PENALTY
- **On Company:** Every Company who is in default shall be punishable with fine Rs. 50,000 (fifty thousand rupees) which may extend to Rs. 25 lakh (twenty-five lakh rupees).
- **On officer:** Every officer who is in default shall be punishable with Imprisonment upto 3 years or with fine of Rs. 50,000 (fifty thousand rupees) which may extend to Rs. 500,000, or with both.

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3. **FINANCIAL YEAR FOR WHICH THIS PROVISION APPLY**:

In respect of the financial year commencing on or after April 01,2014, the provision of section 134 of Companies Act,2013 will apply (As per Circular 08/2014 dated 04.04.2014).

Thank You!

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