

Annual Report - Concepts

Lesson 16

KEY CONCEPTS

■ Annual Report ■ Board's Report ■ Annual Return ■ Management Discussion and Analysis ■ Corporate Governance Report ■ CSR Committee ■ CSR Policy ■ CSR Activity

Learning Objectives

To understand:

- Contents of Annual Report
- Contents of the Directors' Report whether mandated by law or adopted as a good corporate practice
- Various other disclosures required to be made to the shareholders
- Annual Return
- Abridged Board Report for OPC and small company
- Corporate Social Responsibility

Lesson Outline

- Introduction
- Annual Report
- Board's Report
- Annual Return
- Secretarial Standard on Report of the Board of Directors
- Procedure for preparation of Board's Report
- CSR Committee
- CSR Policy
- CSR Activities
- Lesson Round-Up
- Glossary
- Test Yourself
- List of Further Readings
- Other References

REGULATORY FRAMEWORK

- The Companies Act, 2013
- The Companies (Share Capital & Debenture Rules), 2014
- The Companies (Accounts) Rules, 2014
- The Companies (Meetings of Board & its Powers) Rules, 2014
- The Companies (Management & Administration) Rules, 2014
- The Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014
- The Companies (Incorporation) Rules, 2014
- SEBI (LODR) Regulations, 2015
- SEBI (Share Based Employee Benefits) Regulations, 2014
- Secretarial Standard (SS-4)- Secretarial Standard on Report of Board of Directors
- The Companies (Corporate Social Responsibility Policy) Rules, 2014
- Schedule VII of the Companies Act, 2013.

INTRODUCTION

Transparency is a pivotal feature in the market based monitoring of companies and is central to shareholders' ability to exercise their ownership rights on an informed basis, which can help attract capital and maintain confidence in the capital markets.

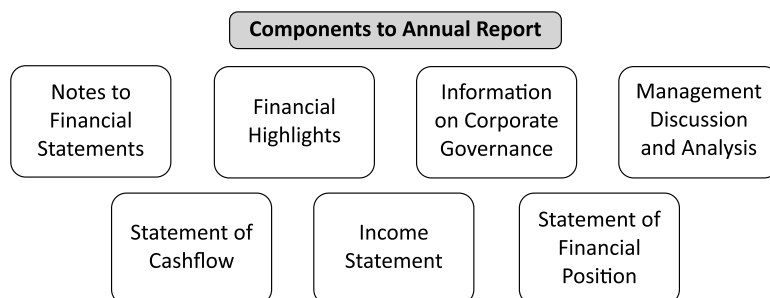
Adequate disclosure also helps improve public understanding of the structure and activities of enterprises, corporate policies and performance with respect to environmental and ethical standards, and companies' relationships with the communities in which they operate. Disclosures are made both through the print media and the electronic media. Today corporates have to disclose mandatorily under various legislations such as: –

Disclosures by Board

- Disclosures under the Companies Act, 2013 and Rules made thereunder;
- SEBI (LODR) Regulations, 2015 and other regulations applicable for Listed Companies;
- Secretarial Standard on Board's Report-SS4 (Recommendatory);
- Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules made thereunder;
- Disclosures under other applicable Acts.

1. ANNUAL REPORT

The annual report is a comprehensive report provided by most public companies to disclose their corporate activities over the past year. The report is typically issued to shareholders and other stakeholders who use it to evaluate the firm's performance including both operating and financial highlights.



An annual report is interactive in nature to its shareholders. It generally starts with the board's message to shareholders in form of dedicated report. Their message intends to brief the shareholders about the key performance angles of the current year. It also demonstrates the growth prospects relative to its industry landscape in order to get shareholders' attention to the company's potential for excellence.

Annual reports also give an account of corporate activities, legal highlights and corporate governance arena. In addition, the management discussion and analysis report emphasizes management commentary on risks and concerns of the business.

Financial statements give financial details of the current year and the past year by showcasing year-on-year comparisons easier for a shareholder. In addition, the notes to financial statements describe the technical anomalies and assumptions taken in preparing the financial statements.

The annual report also present changes in accounting policies, financial disclosure, capital projects, and other information/disclosures relevant to shareholders.

As per Regulation 34 of the SEBI (LODR), Regulations, 2015, the listed entity shall submit to the stock exchange and publish on its website-

- (a) A copy of the annual report sent to the shareholders along with the notice of the annual general meeting or on before the commencement of dispatch to its shareholders;
- (b) In the event of any changes to the annual report, the revised copy along with the details of and explanation for the changes shall be sent not later than 48 hours after the annual general meeting.

Such annual report shall contain the following:

- (a) Audited financial statements i.e. balance sheet, profit and loss account etc, and Statement on Impact of Audit Qualifications as stipulated in regulation 33(3)(d), if applicable;
- (b) Consolidated financial statements audited by its statutory auditors;
- (c) Cash flow statement presented only under the indirect method as prescribed in Accounting Standard-3 or Indian Accounting Standard 7, as applicable, specified in Section 133 of the Companies Act, 2013 read with relevant rules framed thereunder or as specified by the Institute of Chartered Accountants of India, whichever is applicable;
- (d) Directors Report;
- (e) Management discussion and analysis report - either as a part of directors report or addition thereto;
- (f) For the top one thousand listed entities based on market capitalization, a business responsibility report describing the initiatives taken by the listed entity from an environmental, social and governance perspective, in the format as specified by the Board from time to time.

The requirement of submitting a business responsibility report shall be discontinued after the financial year 2021–22 and thereafter, **with effect from the financial year 2022–23, the top one thousand listed entities based on market capitalization shall submit a business responsibility and sustainability report in the format as specified by the Board from time to time.**

Further that even during the financial year 2021–22, the top one thousand listed entities may voluntarily submit a business responsibility and sustainability report in place of the mandatory business responsibility report.

Also, the remaining listed entities including the entities which have listed their specified securities on the SME Exchange, may voluntarily submit such reports.

Explanation: For the purpose of this clause, market capitalization shall be calculated as on the 31st day of March of every financial year.

Further it is provided that the annual report shall contain any other disclosures specified in Companies Act, 2013 along with other requirements as specified in Schedule V of SEBI (LODR) Regulations, 2015.

As per SEBI (LODR) Regulations, 2015, the annual report shall contain the following additional disclosures:



A. Related Party Disclosure

1. The listed entity which has listed its non-convertible securities shall make disclosures in compliance with the Accounting Standard on “Related Party Disclosures”.
2. The disclosure requirements shall be as follows:

Sr. No.	In the accounts of	Disclosures of amounts at the year end and the maximum amount of loans/ advances/ Investments outstanding during the year.
1	Holding Company	<ul style="list-style-type: none"> ● Loans and advances in the nature of loans to subsidiaries by name and amount. ● Loans and advances in the nature of loans to associates by name and amount. ● Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount.
2	Subsidiary	Same disclosures as applicable to the parent company in the accounts of subsidiary company.
3	Holding Company	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.

For the purpose of above disclosures directors’ interest shall have the same meaning as given in Section 184 of Companies Act, 2013.

- 2A. Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/ promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results.
3. The above disclosures shall not be applicable to listed banks.

B. Management Discussion and Analysis

1. This section shall include discussion on the following matters within the limits set by the listed entity's competitive position:
 - (a) Industry structure and developments;
 - (b) Opportunities and Threats;
 - (c) Segment-wise or product-wise performance;
 - (d) Outlook;
 - (e) Risks and concerns;
 - (f) Internal control systems and their adequacy;
 - (g) Discussion on financial performance with respect to operational performance;
 - (h) Material developments in Human Resources / Industrial Relations front, including number of people employed;
 - (i) Details of significant changes (i.e. change of 25% or more as compared to the immediately previous financial year) in key financial ratios, along with detailed explanations therefor, including:
 - (i) Debtors Turnover
 - (ii) Inventory Turnover
 - (iii) Interest Coverage Ratio
 - (iv) Current Ratio
 - (v) Debt Equity Ratio
 - (vi) Operating Profit Margin (%)
 - (vii) Net Profit Margin (%)or sector-specific equivalent ratios, as applicable.
 - (j) Details of any change in Return on Net Worth as compared to the immediately previous financial year along with a detailed explanation thereof.

2. Disclosure of Accounting Treatment:

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements, together with the management's explanation as to why it believes such alternative treatment is more representative of the true and fair view of the underlying business transaction.

C. Corporate Governance Report

The following disclosures shall be made in the section on the corporate governance of the annual report.

- (1) A brief statement on listed entity's philosophy on code of governance.
- (2) Board of Directors:
 - (a) composition and category of directors (e.g. promoter, executive, non-executive, independent non-executive, nominee director - institution represented and whether as lender or as equity investor);

- (b) attendance of each director at the meeting of the board of directors and the last annual general meeting;
 - (c) number of other board of directors or committees in which a directors is a member or chairperson, and with effect from the Annual Report for the year ended 31st March 2019, including separately the names of the listed entities where the person is a director and the category of directorship;
 - (d) number of meetings of the board of directors held and dates on which held;
 - (e) disclosure of relationships between directors *inter-se*;
 - (f) number of shares and convertible instruments held by non- executive directors;
 - (g) web link where details of familiarisation programmes imparted to independent directors is disclosed;
 - (h) A chart or a matrix setting out the skills/expertise/competence of the board of directors specifying the following:
 - (i) With effect from the financial year ending March 31, 2019, the list of core skills/expertise/competencies identified by the board of directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the board; and
 - (ii) With effect from the financial year ended March 31, 2020, the names of directors who have such skills / expertise/ competence.
 - (i) confirmation that in the opinion of the board, the independent directors fulfill the conditions specified in these regulations and are independent of the management;
 - (j) detailed reasons for the resignation of an independent director who resigns before the expiry of his/ her tenure along with a confirmation by such director that there are no other material reasons other than those provided.
- (3) Audit Committee:
- (a) brief description of terms of reference;
 - (b) composition, name of members and chairperson;
 - (c) meetings and attendance during the year.
- (4) Nomination and Remuneration Committee:
- (a) brief description of terms of reference;
 - (b) composition, name of members and chairperson;
 - (c) meeting and attendance during the year;
 - (d) performance evaluation criteria for independent directors.
- (5) Stakeholders' Relationship Committee:
- (a) name of the non-executive director heading the committee;
 - (b) name and designation of the compliance officer;
 - (c) number of shareholders' complaints received during the financial year;
 - (d) number of complaints not solved to the satisfaction of shareholders;

- (e) number of pending complaints.
- (5A) Risk Management Committee:
- (a) brief description of terms of reference;
 - (b) composition, name of members and chairperson;
 - (c) meetings and attendance during the year;
- (6) Remuneration of Directors:
- (a) all pecuniary relationship or transactions of the non-executive directors *vis-a-vis* the listed entity shall be disclosed in the annual report;
 - (b) criteria of making payments to non-executive directors. Alternatively, this may be disseminated on the listed entity's website and reference drawn thereto in the annual report;
 - (c) disclosures with respect to remuneration: in addition to disclosures required under the Companies Act, 2013, the following disclosures shall be made:
 - (i) all elements of remuneration package of individual directors summarized under major groups, such as salary, benefits, bonuses, stock options, pension etc;
 - (ii) details of fixed component and performance linked incentives, along with the performance criteria;
 - (iii) service contracts, notice period, severance fees;
 - (iv) stock option details, if any and whether issued at a discount as well as the period over which accrued and over which exercisable.
- (7) General body meetings:
- (a) location and time, where last three annual general meetings held;
 - (b) whether any special resolutions passed in the previous three annual general meetings;
 - (c) whether any special resolution passed last year through postal ballot – details of voting pattern;
 - (d) person who conducted the postal ballot exercise;
 - (e) whether any special resolution is proposed to be conducted through postal ballot;
 - (f) procedure for postal ballot.
- (8) Means of communication:
- (a) quarterly results;
 - (b) newspapers wherein results normally published;
 - (c) any website, where displayed;
 - (d) whether it also displays official news releases; and
 - (e) presentations made to institutional investors or to the analysts.
- (9) General shareholder information:
- (a) annual general meeting - date, time and venue;
 - (b) financial year;

- (c) dividend payment date;
 - (d) the name and address of each stock exchange(s) at which the listed entity's securities are listed and a confirmation about payment of annual listing fee to each of such stock exchange(s);
 - (e) in case the securities are suspended from trading, the directors report shall explain the reason thereof;
 - (f) registrar to an issue and share transfer agents;
 - (g) share transfer system;
 - (h) distribution of shareholding;
 - (i) dematerialization of shares and liquidity;
 - (j) outstanding Global Depository Receipts or American Depository Receipts or warrants or any convertible instruments, conversion date and likely impact on equity;
 - (k) commodity price risk or foreign exchange risk and hedging activities;
 - (l) plant locations;
 - (m) address for correspondence;
 - (n) list of all credit ratings obtained by the entity along with any revisions thereto during the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad.
- (10) Other Disclosures:
- (a) disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large;
 - (b) details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;
 - (c) details of establishment of vigil mechanism/ whistle blower policy, and affirmation that no personnel has been denied access to the audit committee;
 - (d) details of compliance with mandatory requirements and adoption of the non-mandatory requirements;
 - (e) web link where policy for determining 'material' subsidiaries is disclosed;
 - (f) web link where policy on dealing with related party transactions;
 - (g) disclosure of commodity price risks and commodity hedging activities;
 - (h) details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A);
 - (i) a certificate from a Company Secretary in practice that none of the directors on the board of the company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority;
 - (j) where the board had not accepted any recommendation of any committee of the board which is mandatorily required, in the relevant financial year, the same to be disclosed along with reasons

thereof: Provided that the clause shall only apply where recommendation of / submission by the committee is required for the approval of the Board of Directors and shall not apply where prior approval of the relevant committee is required for undertaking any transaction under these Regulations;

- (k) total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part;
 - (l) disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:
 - (a) number of complaints filed during the financial year
 - (b) number of complaints disposed of during the financial year
 - (c) number of complaints pending as on end of the financial year
 - (m) disclosure by listed entity and its subsidiaries of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount'. Provided that this requirement shall be applicable to all listed entities except for listed banks.
- (11) Non-compliance of any requirement of corporate governance report of sub-paras (2) to (10) above, with reasons thereof shall be disclosed.
- (12) The corporate governance report shall also disclose the extent to which the discretionary requirements as specified in Part E of Schedule II have been adopted.
- (13) The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 shall be made in the section on corporate governance of the annual report.

D. Declaration signed by the chief executive officer stating that the members of Board of Directors and senior management personnel have affirmed compliance with the code of conduct of board of directors and senior management.

E. Compliance certificate from either the auditors or practicing Company Secretaries regarding compliance of conditions of corporate governance shall be annexed with the directors' report.

F. Disclosures with respect to demat suspense account/ unclaimed suspense account

The listed entity shall disclose the following details in its annual report, as long as there are shares in the demat suspense account or unclaimed suspense account, as applicable :

- (a) aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year;
- (b) number of shareholders who approached listed entity for transfer of shares from suspense account during the year;
- (c) number of shareholders to whom shares were transferred from suspense account during the year;
- (d) aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year;
- (e) that the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Disclosure of certain types of agreements binding listed entities:

Information disclosed under clause 5A of paragraph A of Part A of Schedule III of these regulations.

Statement of deviation(s) or variation(s)

As per Regulation 32 of SEBI(LODR) Regulations, 2015, The listed entity shall submit to the stock exchange the following statement(s) on a quarterly basis for public issue, rights issue, preferential issue etc:

- (a) indicating deviations, if any, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable;
- (b) indicating category wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting, as applicable and the actual utilisation of funds.

The statement(s) shall be continued to be given till such time the issue proceeds have been fully utilised or the purpose for which these proceeds were raised has been achieved and shall be placed before the audit committee for review and after such review, shall be submitted to the stock exchange(s).

The listed entity shall furnish an explanation for such variation in the directors' report in the Annual Report.

The listed entity shall prepare an annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice, certified by the statutory auditors of the listed entity, and place it before the audit committee till such time the full money raised through the issue has been fully utilized.

Where the listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement, the listed entity shall submit to the stock exchange(s) any comments or report received from the monitoring agency within forty-five days from the end of each quarter.

Where the listed entity has appointed a monitoring agency to monitor the utilisation of proceeds of public issue or rights issue or preferential issue or qualified institutions placement, the monitoring report of such agency shall be placed before the audit committee on a quarterly basis, promptly upon its receipt.

Explanation —For the purpose of sub-regulations (6) and (7), “monitoring agency” shall mean the monitoring agency as specified in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Where an entity has raised funds through preferential allotment or qualified institutions placement, the listed entity shall disclose every year, the utilization of such funds during that year in its Annual Report until such funds are fully utilized.

Documents & Information to shareholders

According to Regulation 36 of SEBI (LODR) Regulations the listed entity shall send the annual report in the following manner to the shareholders:

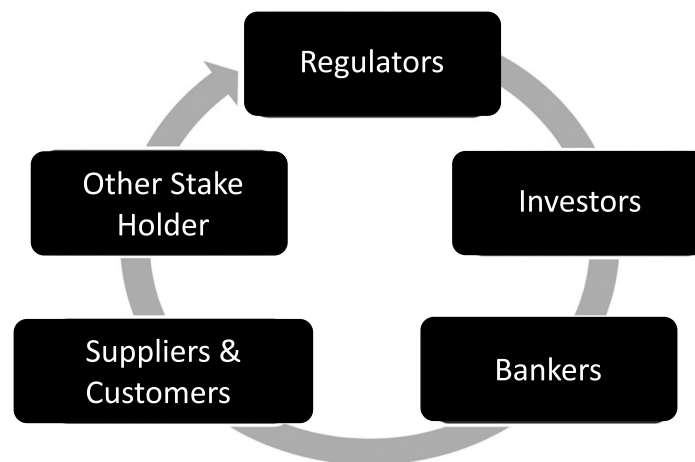
- (a) Soft copies of full annual report to all those shareholder(s) who have registered their email address(es) either with the listed entity or with any depository;
- (b) A letter providing the web-link, including the exact path, where complete details of the Annual Report is available to those shareholder(s) who have not so registered;
- (c) Hard copies of full annual reports to those shareholders, who request for the same.

2. BOARD'S REPORT

The Board's Report is the most important means of communication by the Board of Directors of a company with its shareholders. It is a comprehensive document which serves to inform the shareholders about the performance and various other aspects of the company, its major policies, relevant changes in management, future programmes of expansion, modernization and diversification, capitalization or reserves, etc. The Board's Report enables not only the shareholders but also the lenders, bankers, government and the public to make an appraisal of the company's performance and provides an insight into the future growth and profitability of the company.

The Companies Act, 2013 is based on enhanced disclosures and transparency. The Board's Report is a document, preparation of which requires thorough understanding of the subject. The Act requires the Board of Directors to disclose on various parameters including the risk management, board evaluation, implementation of Corporate Social Responsibility, a statement of declaration given by independent directors. The Secretarial Audit Report is also required to be annexed to the Board's Report.

It is mandatory for the Board of Directors of every company to present financial statement to the shareholders along with its report, known as the "Board's Report" at every annual general meeting. Apart from giving a complete review of the performance of the company for the year under report, material changes till the date of the report, the report highlights the significance of various national and international developments which can have an impact on the business and indicates the future strategy of the company. The Board's Report enables shareholders, lenders, bankers, government, prospective investors, all the stakeholders and the public to make an appraisal of the company's performance and reflects the level of corporate governance in the company.



Practical Issues

The Board's Report is prepared by Secretarial Department under the supervision and guidance of Company Secretary. It is of utmost importance for Company Secretary of a company that when new financial year begins, he sends to all branches of business, finance, accounts etc.

A detailed **"To Do List"** that these branches of business must follow during the financial year. It should also consist of instruction that as and when any significant event or happening takes place that potentially has bearing on company's business, operations, future viability, profits etc, it must be reported forthwith. This will enable to make timely disclosure within 24 hours, if the event is covered u/r 30 of SEBI (LODR) Regulations, 2015. Else, a noting will go to the AGM folder for reference when the Annual Report is being finalized.

Getting regular inputs and collecting them in AGM folder is important for ensuring preparation of an exhaustive and complete Board's Report without missing any reportable event. Every CS should inculcate the habit and remember that preparation of Annual Report / Board's Report is an ongoing project throughout the year. When the year is about to close or soon thereafter, a reminder should also go.

The matters to be included in the Board's Report have been specified in Section 134 of the Companies Act, 2013 and Rule 8 of the Companies (Accounts) Rules, 2014. Apart from this, under Sections 67, 92, 129, 131, 135, 149, 160, 168, 177, 178, 188, 197, 204 of the Companies Act, 2013, relevant information has to be disclosed in the Board's Report. The Board's Report of companies whose shares are listed on a stock exchange must include additional information as specified in the SEBI (LODR) Regulations, 2015.

DISCLOSURE IN BOARD'S REPORT PURSUANT TO THE COMPANIES ACT, 2013

Disclosures under Section 134(3)	Issue of Equity Shares with differential rights under Section 43 r/w Rule 4 of the Companies (Share Capital & Debentures) Rules, 2014	Issue of Sweat Equity Shares under Section 54 r/w Rule 8 of the Companies (Share Capital & Debentures) Rules, 2014
Details of Employees Stock Option Scheme – Section 62(1)(b) r/w Rule 12(9) of the Companies (Share Capital & Debentures) Rules, 2014	Restrictions on purchase by company or giving of loans by it for under Section 67 r/w Rule 16 of the Companies (Share Capital & Debentures) Rules, 2014	Disclosures pertaining to Consolidated Financial Statements under Section 129
Voluntary revision of Financial Statements or Board's Report – Section 131(1)	Corporate Social Responsibility – Section 135	Appointment/ Re-Appointments of an Independent Director – Section 149(10)
Resignation of Director – Section 168(1)	Composition of Audit Committee – Section 177(8)	Details of Vigil Mechanism – Section 177(10)
Policy relating to the remuneration for the directors, key managerial personnel and other employees – Section 178(4)	Related party transactions – Section 188(2)	Disclosures pertaining to remuneration of directors and employees – Section 197(12)
Remuneration received by MD and WTD from holding or subsidiary companies – Section 197(14)	Secretarial Audit Report – Section 204(1)	

Secretarial Standard on Report of the Board of Directors” (SS-4)

The “Secretarial Standard on Report of the Board of Directors” (SS-4), formulated by the Secretarial Standards Board (SSB) of the Institute of Company Secretaries of India (ICSI) and issued by the Council of the ICSI, has

been effective from 1st October, 2018. Adherence to SS-4 is recommendatory. SS-4 prescribes a set of principles for making disclosures in the Report of the Board of Directors of a company and matters related thereto. SS-4 is in conformity with the provisions of the Companies Act, 2013. This Standard is in conformity with the provisions of the Act. However, if due to subsequent changes in the Act, any part of this Standard becomes inconsistent with the Act, the provisions of the Act shall prevail.

For example, SS-4 provides that even if no amount is proposed to be transferred to reserves, or if no dividend has been recommended by the Board, a statement to that effect should be included in the Board's Report. The purpose of this requirement is to ensure the inclusion of certain important information that should be presented to the stakeholders in a single document.

The lesson sets out the explanations, procedures and practical aspects in respect of the provisions contained in SS-4 to facilitate compliance thereof by the stakeholders.

In addition to the disclosure requirements prescribed in this Standard, some sector specific Regulations/Guidelines may require additional disclosures to be made in the Board's Report/Annual Report of companies operating in specific sectors such as Public Sector Undertakings (PSUs), Insurance Companies, NonBanking Financial Companies, Housing Finance Companies etc. Hence, such companies should make requisite disclosures in accordance with applicable sector specific Regulations/Guidelines in its Board's Report/Annual Report.

Disclosures under Section 134(3)

Section 134 of the Act enjoins upon the Board a responsibility to make out its report to the shareholders and attach the said report to financial statements laid before the shareholders at the annual general meeting, in pursuance of Section 129 of the Act.

The Board's Report shall be prepared based on the stand alone financial statements of the company and shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report.

In terms of Sub-section (3) of Section 134, the Board's Report shall include:

- (a) **The web address**, if any, where annual return referred to in sub-section (3) of section 92 has been placed;
- (b) **Number of meetings of the Board:** Board's Report should contain total number of Board Meetings held during the year;

According to SS-4, the number and dates of meetings of the Board held during the year shall be disclosed in the Report.

- (c) **Directors' Responsibility Statement:** Section 134(5) of the Act specifically provides that the Directors' Responsibility Statement shall set out the following affirmations:
 - (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
 - (ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
 - (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting

records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

- (iv) the directors had prepared the annual accounts on a going concern basis; and
- (v) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- (vi) The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Explanation – The term “internal financial controls” means the policies and procedures adopted by the company for ensuring the orderly and efficient conduct of its business, including adherence to company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

In the matter of *Cambridge Technology Enterprises Ltd., CA NO. 59/621A/HDB/2016, NCLT-Hyderabad*, it was held that where company did not follow accounting standards in preparation of annual account as stated in Director's Responsibility statement, hence, violated provision of section 217, on company's application, compounding was allowed subject to payment of compounding fees.

(ca) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government:

- Nature of Fraud with description;
- Approximate Amount involved;
- Parties involved, if remedial action not taken; and
- Remedial action taken.

The auditor shall report the matter related to details of frauds under sub-section (12) of section 143 to the Central Government involving an amount of Rupees One Crore or above.

(d) A statement on declaration given by independent directors under sub-section (6) of section 149:

Every Independent Director shall give a declaration that he meets the criteria of independence laid down in sub- section (6) of section 149, which is to be given by him at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director. The Board’s Report should contain a statement to the effect that the independent directors have given such a declaration.

SS-4 provides that Board’s Report should include a statement to the effect:

- (a) *that necessary declaration with respect to independence has been received from all the Independent Directors of the company;*
- (b) that the Independent Directors have complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

(e) **Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178:** The Board' Report of companies which are required to constitute Nomination and Remuneration Committee shall include:

- criteria for determining qualifications,
- positive attributes and independence of a director, and
- recommend to the Board a policy relating to the remuneration of directors, Key Managerial Personnel and other employees.

Section 178(4) provides that the Nomination and Remuneration Committee shall formulate and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. Such policy shall ensure that –

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

Such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's Report.

Exceptions:

Government companies are given certain exemptions from the contents of the Board's report vide notification G.S.R. 463 (E) dated 05.06.2015. Clause (e) of sub-section (3) of section 134 which deals with policy of appointment and remuneration of directors does not apply to such companies. Further, clause (p) dealing with formal evaluation of performance of board or its committees does not apply if the directors are evaluated by the evaluation methodology used by the Department or Ministry of State or Central Government, as the case may be, which is administratively in charge of the company.

In case of an unlisted public/private company which is licensed to operate by RBI or SEBI or IRDA from the International Financial Services Centre located in an approved multi services SEZ set-up under the SEZ Act, sub-section (3) of this section will be applicable with modification such that if any information listed in this sub-section is provided in the financial statement, the company may not include such information in the report of the Board of Directors (Notification No. GSR 8(E), dated 4-1-2017).

(f) **Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –**

- **Auditor's report under section 143:** Clause (h) of Section 143(3) provides that the auditor's report shall state any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith.
- **Cost Audit Report under section 148:** Section 148(5) of the Act and Rule 6 of the Companies (Cost Records and Audit) Rules, 2014 provides that the rights, duties and obligations applicable to the Auditor under Chapter X of the Act shall *mutatis mutandis* apply to a cost auditor appointed under Section 148 of the Act. It also provides that the cost auditor shall submit his report to the Board of

Directors of the company. The cost auditor's report shall also state any qualification, reservation or adverse remark relating to the maintenance of cost accounts and other matters connected therewith.

- **Secretarial Audit Report under Section 204(3):** Section 204(3) of the Act provides that the Board of Directors, in their report made in terms of sub-section (3) of section 134, shall explain in full any qualification or observation or other remarks made by the Company Secretary in practice in his secretarial audit report. Thus, the Board should state detailed explanation in its Board's Report for all the observations and qualifications given by the Secretarial auditor in his secretarial audit report including the reasons for such material deviations and reasons that led to such deviations.
- (g) **Particulars of loans, guarantees or investments under section 186:** The particulars of loans given, guarantees provided or investments in securities and acquisition made during the year under section 186 of the Act should be attached to the Board's Report.
- (h) **Particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form;** The Report of the Board shall contain the details of contracts or arrangements entered with Related Parties as referred to in Section 188 (1) in **Form AOC-2** pursuant to Rule 8(2) of Companies (Accounts) Rules, 2014.
- (i) **The state of the company's affairs:** Information and data which are usually considered pertinent and necessary for the purpose of a proper appreciation of the state of affairs of a company relating to the period for which the financial statements have been prepared must be disclosed in the report. Relevant changes which have occurred, as compared to the position as stated in the previous year's Board's Report which have a material bearing on the performance of the company should be indicated in the Board's Report.

The figures of the previous year relating to achievement of targets of production and sales should also be given in the Board's Report to facilitate comparison and the reasons for any substantial deviation there from should be explained in brief.

- (j) **The amounts, if any, which it proposes to carry to any reserves:** A company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company. If no amount is proposed to be transferred to reserves, a statement to that effect shall be included.

Illustration:

If no amount is transferred to the Reserves, the following statement be included in the Report:

"The Board of Directors of your company, has decided not to transfer any amount to the Reserves for the year under review."

- (k) **The amount, if any, which it recommends should be paid by way of dividend:** The Board's Report shall disclose the amount per share and the percentage which the Board recommends to be paid as dividend under section 123 of the Act.

According to SS-4, following should be disclosed in the Board's Report:

- a. The amount and the percentage of interim dividend declared, if any, during the year.
- b. The total amount of dividend for the year.
- c. A statement on compliance with the Dividend Distribution Policy, if applicable, and the reasons for deviation and the rationale for additional parameters considered, if any.
- d. Payment of dividend from reserves.

In case no dividend has been recommended by the Board, a statement to that effect shall be made in Board's Report as good governance practice.

(l) Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report: The Board's Report should include material changes and commitments, if any, affecting the financial position of the company and occurring between the date of balance sheet and the date of the report. The Directors' Report should, therefore, contain material changes pertaining to post-financial statement events impacting the operations and performance of the Company.

(m) The conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as prescribed:

Rule 8(3) of the Companies (Accounts) Rules, 2014, prescribes the following details:

A. Conservation of energy

- (i) the steps taken or impact on conservation of energy;
- (ii) the steps taken by the company for utilising alternate sources of energy;
- (iii) the capital investment on energy conservation equipment.

B. Technology absorption

- (i) the efforts made towards technology absorption;
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution;
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year):
 - (a) the details of technology imported;
 - (b) the year of import;
 - (c) whether the technology been fully absorbed;
 - (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
- (iv) the expenditure incurred on Research and Development.

C. Foreign exchange earnings and Outgo: The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgo during the year in terms of actual outflows.

Exemptions:

The requirement of furnishing information and details under Rule 8(3) of the Companies (Accounts) Rules, 2014 shall not apply to a Government company engaged in producing defence equipment.

Illustration:

If there are no such disclosures applicable to a company, a statement should be disclosed in the Report as under:

“Disclosures pertaining to conservation of energy, technology absorption, foreign exchange earnings and outgo, are not applicable to your company during the year under review.”

- (n) **A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company:** The company should provide about the overall risk management framework of the company, whether it has constituted risk management committee, the risk management policy of the company, the possible risks and steps taken to mitigate those risks in this section.
- (o) **Details about the policy developed and implemented by the company on Corporate Social Responsibility initiatives taken during the year:** Section 135(4) of the Act provides that the Board of every company having net worth of Rs. 500 Crores or more or turnover of Rs. 1,000 Crores or more or net profit of Rs. 5 Crores or more during the immediately preceding financial year shall disclose contents of Corporate Social Policy in its report and also place it on the company's website.

Further, Section 135(2) requires that the composition of the CSR Committee shall be disclosed in the Board's Report.

The Board of every company referred to in Section 135 (1) of the Companies Act, 2013, shall ensure that the company spends, in every financial year, at least two per cent. of the average net profits of the company made during the three immediately preceding financial years or where the company has not completed the period of three financial years since its incorporation, during such immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy.

However, if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the amount.

Preparation of CSR Report

It is mandatory to include an Annual Report on CSR in the prescribed format, in the Board's report of the Company. The report containing the details of CSR Activities undertaken by the company and contents of CSR policy shall be made available on Company's website.

- **Directors Report:**

The Company shall annex with its Board Report an annual report on CSR containing particulars specified in Annexure I (for F.Y. Commenced Prior To 1st day of April, 2020) or Annexure II (w.e.f. F.Y. Commencing on or after 1st day of April, 2020), as applicable.

- **In case of a Foreign Company:**

The Balance sheet filed u/s 381(1) (b) of the Companies Act, 2013 shall contain an annual report on CSR containing particulars specified in Annexure I (for F.Y. Commenced prior to 1st day of April, 2020) or Annexure II (w.e.f. F.Y. Commencing on or after 1st day of April, 2020), as applicable.

Impact Assessment for big CSR projects

- Companies with average CSR obligation of 10 Crore or more in the three immediately preceding financial years shall undertake impact assessment through an independent agency for projects of Rs.1 crore or more which have been completed not less than 1 year before undertaking the impact study.
- The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.
- A Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed five percent of the total CSR expenditure for that financial year or ₹ 50 Lakh, whichever is less.

- (p) **Board evaluation:** Section 134 of the Act read with Rule 8(4) of the Companies (Accounts) Rules, 2014 provides that every listed company and every other public company having a paid up share capital of twenty five crore rupees or more calculated at the end of the preceding financial year shall include, in the report by its Board of directors, a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made.

Exceptions:

1. In case Government company - clause (e) of Sub-section (3) of Section 134 shall not apply.- Notification dated 5th June, 2015.
2. In case of Government company - clause (p) of Sub-section (3) of Section 134 shall not apply, in case the directors are evaluated by the Ministry or Department of the Central Government which is administratively in charge of the company, or, as the case may be, the State Government, as per its own evaluation methodology – Notification dated 5th June, 2015.
3. In case of Specified IFSC Public Company/Specified IFSC Private Company- In Sub-section (3) of section 134, following proviso shall be inserted as per Notification Dated 4th January, 2017: “if any information listed in this sub-section is provided in the financial statement, the company may not include such information in the report of the Board of Directors”.

- (q) **Such other matters as prescribed: -**

Rule 8(5) of the Companies (Accounts) Rules, 2014, prescribes that the Board’s Report shall also include following matters -

- (i) The financial summary or highlights;

The financial summary and highlights thereof should be accompanied by the macro-economic, geo-political, financial, industry specific as well as any company specific information affecting the business of the company and the market in which it operates, along with the industry performance vis-à-vis the company’s performance.

- (ii) The change in the nature of business, if any;

In case the company has commenced any new business or discontinued/sold or disposed off any of its existing businesses or hived off any segment or division during the year, the Report shall disclose the details of the same highlighting the key focus areas.

- (iii) The details of directors or key managerial personnel who were appointed or have resigned during the year;

As per SS-4, the disclosure shall include the following:

- (a) names of the persons who have been appointed / ceased to be Directors and/or Key Managerial Personnel of the company:
 - (i) during the year;
 - (ii) after the end of the year and up to the date of the Report;
- (b) mode of such appointment/cessation;
- (c) names of the Directors retiring by rotation at the ensuing annual general meeting and whether or not they offer themselves for re-appointment.

- (iiia) A statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year;

Explanation.-For the purposes of this clause, the expression “proficiency” means the proficiency of the independent director as ascertained from the online proficiency self-assessment test conducted by the institute notified under sub-section (1) of section 150.

- (iv) The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;
- (v) The details relating to deposits, covered under Chapter V of the Act,-
- (a) accepted during the year;
 - (b) remained unpaid or unclaimed as at the end of the year;
 - (c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved—
 - at the beginning of the year;
 - maximum during the year;
 - at the end of the year.
- (vi) The details of deposits which are not in compliance with the requirements of Chapter V of the Act;
- (vii) 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;
- (viii) The details in respect of adequacy of internal financial controls with reference to the financial statements;
- (ix) A disclosure, as to whether maintenance of cost records as specified by the Central Government under sub- section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained;
- (x) a statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 along with the following details:
- (a) number of complaints of sexual harassment received in the year;
 - (b) numbers of complaints disposed off during the year; and
 - (c) numbers of cases pending for more than 90 days
- (xi) the details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 during the year along with their status as at the end of the financial year;
- (xii) the details of difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof.
- (xiii) A statement by the company with respect to compliance of the provisions relating to the Maternity Benefit Act, 1961.

Where disclosures referred to in sub-section (3) of Section 134 of the Companies Act, 2013 have been included in the financial statements, such disclosures shall be referred to instead of being repeated in the Board's Report.

Further, where the policy referred to in clause (e) or clause (o) of sub-section (3) of Section 134 of the Companies Act, 2013 is made available on company's website, if any, it shall be sufficient compliance of the requirements under such clauses if the salient features of the policy and any change therein are specified in brief in the Board's Report and the web-address is indicated therein at which the complete policy is available.

Rule 8 of the Companies (Accounts) Rules, 2014 shall not apply to One Person Company or Small Company.

Abridged Board Report for OPC and Small Company

The Central Government has been empowered to prescribe an abridged Board's report, for the purpose of compliance with section 134 of the Companies Act, 2013 by One Person Company or Small Company.

Rule 8A of the Companies (Accounts) Rules, 2014, prescribes the Matters to be included in Board's Report for One Person Company and Small Company.

1. The Board's Report of One Person Company and Small Company shall be prepared based on the stand alone financial statement of the company, which shall be in abridged form and contain the following:-
 - (a) the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed;
 - (b) number of meetings of the Board;
 - (c) Directors' Responsibility Statement as referred to in sub-section (5) of section 134;
 - (d) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government;
 - (e) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report;
 - (f) the state of the company's affairs;
 - (g) the financial summary or highlights;
 - (h) material changes from the date of closure of the financial year in the nature of business and their effect on the financial position of the company;
 - (i) the details of directors who were appointed or have resigned during the year;
 - (j) the details or significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.
2. The Report of the Board shall contain the particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the **Form AOC-2**.

Disclosures pertaining to Issue of Equity Shares with differential rights

Section 43 of the Act provides that a company limited by shares can issue equity shares with differential rights as to dividend, voting or otherwise in accordance with rules prescribed under Rule 4 of the Companies (Share Capital and Debentures) Rules, 2014.

Rule 4(4) of the Companies (Share Capital and Debentures) Rules, 2014, provides that the Board of Directors

shall, *inter alia*, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights as to dividend, voting or otherwise was completed, the following details, namely:-

- (a) total number of shares allotted with differential rights;
- (b) details of the differential rights relating to voting rights and dividends;
- (c) percentage of shares with differential rights to the total post-issue equity share capital with differential rights issued at any point of time and percentage of voting rights which the equity share capital with differential voting rights shall carry to the total voting rights of the aggregate equity share capital;
- (d) price at which such shares have been issued;
- (e) particulars of promoters, directors or key managerial personnel to whom such shares are issued;
- (f) change in control, if any, in the company consequent to the issue of equity shares with differential voting rights;
- (g) diluted Earnings Per Share pursuant to the issue of each class of shares, calculated in accordance with the applicable accounting standards;
- (h) pre and post issue shareholding pattern along with voting rights shall be in the format specified under Rule 4(2).

Disclosures pertaining to Issue of Sweat Equity Shares

Section 54(1)(d) of the Act provides that where the equity shares of the company are listed on a recognized stock exchange, the sweat equity shares are issued in accordance with the regulations made by the SEBI and if they are not so listed, the sweat equity shares are issued in accordance with Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014.

As per rule 8(13) of the Companies (Share Capital and Debentures) Rules, 2014, the Board of Directors shall, *inter alia*, disclose in the Directors' Report for the year in which such shares are issued, the following details of issue of sweat equity shares namely:-

- (a) the class of director or employee to whom sweat equity shares were issued;
- (b) the class of shares issued as Sweat Equity Shares;
- (c) the number of sweat equity shares issued to the directors, key managerial personnel or other employees showing separately the number of such shares issued to them, if any, for consideration other than cash and the individual names of allottees holding one percent or more of the issued share capital;
- (d) the reasons or justification for the issue;
- (e) the principal terms and conditions for issue of sweat equity shares, including pricing formula;
- (f) the total number of shares arising as a result of issue of sweat equity shares;
- (g) the percentage of the sweat equity shares of the total post issued and paid up share capital;
- (h) the consideration (including consideration other than cash) received or benefit accrued to the company from the issue of sweat equity shares;
- (i) the diluted Earnings Per Share (EPS) pursuant to issuance of sweat equity shares.

Disclosures of Details of Employees Stock Option Scheme - Section 62(1)(b)

Section 62(1)(b) of the Act read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 provides that the Board of directors, shall, *inter alia*, disclose in the Directors' Report for the year, the following details of the Employees Stock Option Scheme:

- (a) options granted;
- (b) options vested;
- (c) options exercised;
- (d) the total number of shares arising as a result of exercise of option;
- (e) options lapsed;
- (f) the exercise price;
- (g) variation of terms of options;
- (h) money realized by exercise of options;
- (i) total number of options in force;
- (j) employee wise details of options granted to:
 - (i) key managerial personnel;
 - (ii) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year;
 - (iii) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

Disclosures pertaining to Restrictions on purchase by company or giving of loans by it for purchase of its shares – Section 67

Proviso to Section 67(3) read with Rule 16(4) of Companies (Share Capital and Debentures) Rules, 2014 provides that where the voting rights are not exercised directly by the employees in respect of shares to which the scheme for provision of money for purchase of or subscription for shares by employees or by trustees for the benefit of employees relates, the Board of Directors shall, *inter alia*, disclose in the Board's Report for the relevant financial year the following details, namely:-

- (a) the names of the employees who have not exercised the voting rights directly;
- (b) the reasons for not voting directly;
- (c) the name of the person who is exercising such voting rights;
- (d) the number of shares held by or in favour of, such employees and the percentage of such shares to the total paid up share capital of the company;
- (e) the date of the general meeting in which such voting power was exercised;
- (f) the resolutions on which votes have been cast by persons holding such voting power;
- (g) the percentage of such voting power to the total voting power on each resolution;
- (h) whether the votes were cast in favour of or against the resolution.

Disclosures pertaining to Consolidated Financial Statements

Rule 8(1) of the Companies (Accounts) Rules, 2014 specifies that the Board's Report:

- shall be prepared on the basis of standalone financial statements of the company; and

- shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report.

Proviso to Section 129(3) read with Rule 5 of the Companies (Accounts) Rules, 2014 states that the company shall also attach along with its financial statement a separate statement containing the salient features of the financial statements of a company's subsidiary or subsidiaries, associate company or companies and joint venture or ventures in **Form AOC-1**.

Voluntary revision of Financial Statements or Board's Report – Section 131(1)

Section 131(1) of the Act provides that revised financial statements or a revised report may be prepared in respect of any of the three preceding financial years after obtaining approval from the Tribunal, where it appears to the directors of a company that the financial statements or the report of the Board, do not comply with the provisions of section 129 or section 134 of the Act, and the detailed reasons for revision of such financial statements or report should be disclosed in the Board's Report in the relevant financial year in which such revision is being made.

In the matter of *Technicolor India (P.) Ltd. vs. Registrar of Companies CP NO. 124 (BB) OF 2019 NCLT Bengaluru*, the Petitioner filed company petition before NCLT under section 131, read with section 134 seeking to approve decision of company to revise Board's report with specific reference to Corporate Social Responsibility (CSR) annexed to Board's report for fiscal year dated 31-3-2018. Due to mismatch of amount spent on CSR some error occurred, the petition was filed in accordance with law and due notice were ordered to ROC and Income Tax Department, thus, the company was permitted to revise the Board's report.

In the matter of *Indiavidual Learning (P.) Ltd. vs. Registrar of Companies, C.P. NO. 83/BB/2019, NCLT-Bengaluru*, where in Board Report of company filed with RoC, certain matters were unintentionally omitted to be reported, it could be permitted to revise said Board Report if same would not prejudice interest of company, its shareholders or stakeholders or violate any provisions.

Appointment / Re-Appointment of an Independent Director - Section 149(10)

Subject to the provisions of Section 152 of the Act, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for reappointment on passing of a special resolution by the company and disclosure of such appointment in the Board's Report.

As per SS-4, the disclosure shall include the following:

- in case of appointment of Independent Directors, the justification for choosing the proposed appointees for appointment as Independent Directors; and
- in case of re-appointment after completion of the first term, the rationale for such re-appointment.

Resignation of Director - Section 168(1)

A director may resign from his office by giving notice in writing to the company and the Board. Section 168(1) of the Act, requires the Board to place the fact of resignation of a director in report of directors laid in the immediately following general meeting by the Company.

Composition of Audit Committee - Section 177(8)

The Board's Report shall disclose the following –

- Composition of an Audit Committee;
- Where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in the report along with the reasons thereof.

Details of Vigil Mechanism - Section 177(10)

Section 177(9) read with Rule 7 of the Companies (Meeting of Board and its Powers) Rules, 2014 provides that every listed company and the following class or classes of companies shall establish a vigil mechanism for their directors and employees to report their genuine concerns or grievances-

- (a) Companies which accept deposits from the public;
- (b) Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees.

The details of establishment of such mechanism shall be disclosed by the company on its website, if any, and in the Board's Report.

Disclosures pertaining to remuneration of directors and employees –Section 197(12)

Section 197(12) read with Rule 5 of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 provides that Board's Report of:-

- (1) Every listed company shall include :
 - (a) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;
 - (b) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;
 - (c) the percentage increase in the median remuneration of employees in the financial year;
 - (d) the number of permanent employees on the rolls of company;
 - (e) average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;
 - (f) affirmation that the remuneration is as per the remuneration policy of the company.

Explanation : the expression “median” means the numerical value separating the higher half of a population from the lower half and the median of a finite list of numbers may be found by arranging all the observations from lowest value to highest value and picking the middle one;

If there is an even number of observations, the median shall be the average of the two middle values.

- (2) The Board's Report shall include a statement showing the names of the top ten employees in terms of remuneration drawn and the name of every employee, who, -
 - (i) if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;
 - (ii) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
 - (iii) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

- (3) The statement referred to in sub-rule (2) shall include the following as under:
- (i) designation of the employee;
 - (ii) remuneration received;
 - (iii) nature of employment, whether contractual or otherwise;
 - (iv) qualifications and experience of the employee;
 - (v) date of commencement of employment;
 - (vi) the age of such employee;
 - (vii) the last employment held by such employee before joining the company;
 - (viii) the percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2) above; and
 - (ix) whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager:

Provided that the particulars of employees posted and working in a country outside India, not being directors or their relatives, drawing more than sixty lakh rupees per financial year or five lakh rupees per month, as the case may be, as may be decided by the Board, shall not be circulated to the members in the Board's Report, but such particulars shall be filed with the Registrar of Companies while filing the financial statements and Board's Report.

These particulars shall be made available to any shareholder on a specific request made by him in writing before the date of such Annual General Meeting wherein financial statements for the relevant financial year are proposed to be adopted by shareholders and such particulars shall be made available by the company within three days from the date of receipt of such request from shareholders:

Provided also that in case of request received even after the date of completion of Annual General Meeting, such particulars shall be made available to the shareholders within seven days from the date of receipt of such request.

As per Section 197(14) any director who is in receipt of any commission from the company and who is a managing or whole-time director of the company shall not be disqualified from receiving any remuneration or commission from any holding company or subsidiary company of such company subject to its disclosure by the company in the Board's Report.

Auditors

Names of the Statutory Auditor, Cost Auditor and Secretarial Auditor and details of any change in such Auditors, during the year and up to the date of the Report due to resignation / casual vacancy / removal / completion of term shall be disclosed in the Report.

Secretarial Auditor Report

As per provisions of Section 204(1) of Companies Act, 2013, every listed company or every public company having a paid-up share capital of 50 crore rupees or more or a turnover of 250 crore rupees or more or every company having outstanding loans or borrowings from banks or public financial institutions of 100 crore rupees or more shall annex with its Board's Report, a Secretarial audit report, given by a company secretary in practice in **Form MR-3**.

Regulation 24A of the SEBI (LODR) Regulations, 2015 states that every listed entity and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit by a Secretarial Auditor who shall be a Peer Reviewed Company Secretary and shall annex a Secretarial Audit Report in such form as specified, with the annual report of the listed entity.

Every listed entity shall submit a **secretarial compliance report** in such form as specified, to stock exchanges, within sixty days from end of each financial year.

Compliance with Secretarial Standards

SS-4 provides that, the Board's Report shall include a statement on compliance of applicable Secretarial Standards and other Secretarial Standards voluntarily adopted by the company.

Disclosures under SEBI (Share Based Employee Benefits) Regulations, 2014

Regulation 14 of the Regulations provides that in addition to the information that a company is required to disclose, in relation to employee benefits under the Companies Act, 2013, the Board of directors of such a company shall also disclose the details of the scheme(s) being implemented, as specified by SEBI in this regard.

As per SS-4, the following disclosure are to be made in the Board's Report.

- The Board of directors in their report shall disclose any material change in the scheme(s) and whether the scheme(s) is / are in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014;
- web-link of disclosures made on the website of the company, as required under SEBI (Share Based Employee Benefits) Regulations, 2014.

Disclosure Requirements under the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is applicable to every workplace, establishment, company or organisation employing 10 or more employees irrespective of its location or nature of industry. The said Act provides for constitution of a Committee to be known as the "Internal Complaints Committee".

Section 21 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 mandates that Internal Committee shall prepare an Annual Report and Section 22 of the said Act provides that the employer shall include in its report the number of cases filed, if any, and their disposal under this Act in the Annual Report.

Rule 14 of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Rules, 2013 provides that the annual report which the Complaints Committee is required to prepare under Section 21 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 shall contain the following details:

- Number of complaints of sexual harassment received in the year;
- Number of complaints disposed off during the year;
- Number of cases pending for more than 90 days;

- Number of workshops or awareness programme against sexual harassment carried out;
- Nature of action taken by the employer or District Officer.

Investor Education and Protection Fund

The Board should, as a good corporate practice, inform the shareholders about the amounts, if any, which have been transferred during the year to the Investor Education and Protection Fund established under sub-section of section 125 of the Act and the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016.

Further, the Board's Report should clearly state the amounts, if any, which were to be transferred to the Investor Education and Protection Fund but have not been so transferred, along with the reasons for such failure.

According to SS-4, the disclosure shall include the following:

- (a) *details of the transfer/s to the IEPF made during the year as mentioned below:*
 - i. *amount of unclaimed/unpaid dividend and the corresponding shares;*
 - ii. *redemption amount of preference shares;*
 - iii. *amount of matured deposits, for companies other than banking companies, along with interest accrued thereon;*
 - iv. *amount of matured debentures along with interest accrued thereon;*
 - v. *application money received for allotment of any securities and due for refund along with interest accrued;*
 - vi. *sale proceeds of fractional shares arising out of issuance of bonus shares, merger and amalgamation.*
- (b) *details of the resultant benefits arising out of shares already transferred to the IEPF;*
- (c) *year wise amount of unpaid/unclaimed dividend lying in the unpaid account upto the year and the corresponding shares, which are liable to be transferred to the IEPF, and the due dates for such transfer;*
- (d) *The amount of donation, if any, given by the company to the IEPF;*
- (e) *Such other amounts transferred to the IEPF, if any, during the year.*

Credit Rating of Securities

According to SS-4, as a good governance practice the disclosure on credit rating should also be included in the Board's Report:

- (a) credit rating obtained in respect of various securities;
- (b) name of the credit rating agency;
- (c) date on which the credit rating was obtained;
- (d) revision in the credit rating;
- (e) reasons provided by the rating agency for a downward revision, if any.

In addition to the above, as per the Listing Regulations, listed companies are required to disclose in the Corporate Governance Report a list of all credit ratings obtained by the company along with any revisions thereto during

the relevant financial year, for all debt instruments of such entity or any fixed deposit programme or any scheme or proposal of the listed entity involving mobilization of funds, whether in India or abroad.

In case a company obtains the credit rating but has not used / using the same, the reasons thereof should be mentioned in the Report.

As a matter of good corporate governance it is desirable that such material events like credit rating of the various securities of the company including the revision in credit rating should also be disclosed in the Report. Hence, the Standard requires appropriate disclosure in the Report.

APPROVAL OF THE BOARD'S REPORT

The Board's Report should be considered, approved and signed at a meeting of the Board duly convened or held through video conferencing or other audio visual means.

Note: The MCA vide Notification dated June 15, 2021 has omitted Rule 4 of the Companies (Meetings of Board and its Powers) Rules, 2014 which was related to the matters not to be dealt with in a meeting through video conferencing or other audio-visual means.

Accordingly, with the said amendment, now the approval of the Board's report can be considered in a Board Meeting held through video conferencing or other audio-visual means.

Signing of Board's Report - Section 134(6)

The Board's Report and any annexures thereto under section 134(3) shall be signed by the chairperson of the company if he is authorised by the Board and where he is not so authorised, shall be signed by at least two directors, one of whom shall be a managing director, or by the director where there is one director.

Where Chairperson is authorised by the Board	Chairperson of the Company	As per SS-4, the annexures to the Board's Report shall be signed in the similar manner as the Board's Report, except the Report on CSR activities of the company, which is required to be signed by the Chief Executive Officer or the Managing Director or any other Director of the company and by the Chairman of the CSR Committee of the company.
Where Chairperson is not authorised by the Board	At least by two directors, one of whom shall be Managing Director, or by the director where there is one director	

Situation where the Company is under CIRP and powers of the Board are suspended

As per clause (b) of sub-section (1) of section 17 of Insolvency and Bankruptcy Code (IBC), a company of which Interim Resolution Professional (IRP) is appointed, the powers of the Board of Directors stands suspended and shall be exercised by IRP. It may be noted that though the powers of the Board of Directors are suspended, they are bound to provide all assistance to IRP as only the powers of the Board are suspended and not their duties.

Further, sub-section (1) of section 19 of IBC provides that the personnel of the Corporate Debtor, its promoters or any other person associated with the management of the Corporate Debtor shall extend all assistance and cooperation to the IRP as may be required by him in managing the affairs of the corporate debtor.

An insolvency professional should ensure that the company undergoing insolvency process complies with the applicable laws. It should be the responsibility of the Management/KMPs of the company to continue to comply with the applicable laws and report periodically to the insolvency professional. The order passed by NCLAT in the case of *M/s. Subasri Realty Private Limited* strengthens this view by stating that after appointment of the Resolution Professional (RP) and declaration of moratorium, the Board of Director

stands suspended, but that does not amount to suspension of Managing Director or any of the Director or officer or employee of the Corporate Debtor. To ensure that the Corporate Debtor remains a going concern, all the Director/ employees are required to function and to assist the Resolution Professional who manages the affairs of the Corporate Debtor during the period of moratorium.

Since the ultimate responsibility and powers of the Board lies with IRP/ RP, in the aforesaid context, it appears that IRP/RP should approve and sign the Report. The IRP/RP may also direct the Directors/Officials of the Corporate Debtor to sign the Report and take all necessary actions for compliance of applicable laws.

Circulation of the Board's Report

The copy of Board's Report shall be issued, circulated or published along with a signed copy of every financial statement, including consolidated financial statement if any, all the notes annexed to or forming part of such financial statement and the Auditors' Report . [Section 134(7)]

RIGHT OF MEMBERS TO RECEIVE COPIES OF FINANCIAL STATEMENTS, BOARD'S REPORT, ETC.

Section 136 of the Act provides that, a copy of the financial statements, including consolidated financial statements, if any, auditor's report and every other document required by law to be annexed or attached to the financial statements, which are to be laid before a company in its general meeting, shall be sent to:

- every member of the company,
- every trustee for the debenture holder of any debentures issued by the company, and
- all persons other than such member or trustee, being the person so entitled, not less than 21 clear days before the date of the meeting.

However, if the copies of the documents are sent less than twenty-one days before the date of the meeting, they shall, notwithstanding that fact, be deemed to have been duly sent if it is so agreed by members—

- (a) holding, if the company has a share capital, majority in number entitled to vote and who represent not less than ninety-five per cent. of such part of the paid-up share capital of the company as gives a right to vote at the meeting; or
- (a) having, if the company has no share capital, not less than ninety five per cent. of the total voting power exercisable at the meeting.

Exceptions:

In case of section 8 companies, the said documents shall be sent to the members not less than fourteen clear days before the date of the annual general meeting.

In the case of a listed company, it shall be deemed to be complied with, if the copies of the documents are made available for inspection at its registered office during working hours for a period of twenty-one days before the date of the meeting and a statement containing the salient features of such documents in the prescribed form or copies of the documents, as the company may deem fit, is sent to every member of the company and to every trustee for the holders of any debentures issued by the company not less than twenty-one days before the date of the meeting unless the shareholders ask for full financial statements.

A listed company shall also place its financial statements including consolidated financial statements, if any, and all other documents required to be attached thereto, on its website, which is maintained by or on behalf of the company.

FILING OF THE BOARD'S REPORT

Section 137(1) of the Act provides that copies of financial statement along with all documents required to be annexed should be filed with the Registrar of Companies within 30 days along with the prescribed fees, after the financial statements, including consolidated financial statements have been adopted at the annual general meeting. The Board's Report has to be attached to the financial statements.

In case a company does not hold an annual general meeting in any year, a statement of facts and reasons along with financial statement and attachment shall be filed with Registrar.

Pursuant to the provisions of section 117/ 179 of the Companies Act, and the Rules made thereunder the resolution for approving the Board's Report is also required to be filed to the Registrar within 30 days from the approval by the Board in MGT-14. (*The Central Government vide its notification dated 05th June 2015 exempted Private Limited Companies from filing of the above stated approval resolutions with the Registrar of Companies*).

Third Proviso of Section 137(1) of the Act also provides that a One Person Company should file a copy of the financial statements duly adopted by its member, along with all the documents which are required to be attached to such financial statements, within one hundred eighty days from the closure of the financial year.

Fourth Proviso of Section 137(1) of the Act provides that, a company shall, along with its financial statements to be filed with the Registrar, attach the accounts of its subsidiary or subsidiaries which have been incorporated outside India and which have not established their place of business in India.

In the case of a subsidiary which has been incorporated outside India (herein referred to as "foreign subsidiary"), which is not required to get its financial statement audited under any law of the country of its incorporation and which does not get such financial statement audited, the requirements of the fourth proviso of Section 137(1) of the Act, shall be met if the holding Indian company files such unaudited financial statement along with a declaration to this effect and where such financial statement is in a language other than English, along with a translated copy of the financial statement in English.

Test Your Knowledge

Whether a company covered under above provisions can place/file unaudited accounts of a foreign subsidiary if the audit of such foreign subsidiary is not a mandatory legal requirement in the country where such foreign subsidiary has been incorporated and such audit has not been conducted ?

PROCEDURE FOR PREPARATION OF BOARD'S REPORT

1. Section 136(1) of the Companies Act, 2013 provides that every company, public or private shall forward to its member along with its annual financial statements, the Board's Report. The Board's Report is an important document in which the Board gives a complete review of the performance of the company during the year under review and other information as explained below.
2. The Board's Report shall be prepared based on the standalone financial statements of the company and the report shall contain a separate section wherein report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement is presented.
3. Board's Report and the financial statements shall be approved in Board Meeting either duly convened or held through Video-Conferencing or audio-visual means.
4. Section 134(3) read with rule 8(3) of Companies (Accounts) Rules, 2014 lists down various items to be included in the Board's Report as already detailed in the chapter.

5. As per Rule 8A of the Companies (Accounts) Rules, 2014, the Board's Report of One Person Company and Small Company shall be prepared based on the standalone financial statements of the company, which shall be in abridged form (as already detailed in the chapter).
6. Where it is proposed to pay dividend on equity or preference shares, the Board's Report shall contain the recommendation of the Board as to the rate of dividend for the year under review for the approval of members at the annual general meeting. The Board's proposal about dividend shall be in conformity with the relevant rules.
7. As there must be some interval of time between the end of the financial year and the day on which the Board finalised the Board's Report, the Board shall indicate in the report the up-to-date status and position affecting the financial impact on the operations of the company as well as material changes that have occurred which have a bearing on the working of the company. It would include events such as the following:-
 - a. Disposal of a substantial part of the undertaking;
 - b. Changes in the capital structure;
 - c. Any serious breakdown which has happened and the steps taken to reduce its adverse impact;
 - d. Alteration in wage structure arising out of trade union negotiation;
 - e. Material changes concerning purchase of raw materials and sale of the products etc.

Subject to following the necessary precaution of not to disclose any information which is not in the interest of the business of the company or which may help the competitors, the Board's Report shall give details of the changes, if any, that have occurred during the year under review, in the nature of the business of the company and in the class of business in which the company has interest and also in the nature of its subsidiary, if any.

8. The company shall disclose composition of the committees of the company viz. Corporate Social Responsibility Committee, Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee in the Board's Report as per the requirement of Section 135, 177, 178 of the Act, if applicable.

Section 177(8) of the Act, provides that the Board's Report shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefore.

9. The details of Loans, Guarantee and investment shall be mentioned in the Board's Report as per provisions of Section 186 of the Act.
10. The company shall disclose in its Board's Report regarding all the particulars of contracts or arrangements with related parties referred to in section 188(1) in the Form AOC-2. [Rule 8 of Companies (Accounts) Rules, 2014]
11. It is provided that in Board's Report, a statement must be enclosed which shows the development and implementation of risk management policy of the company. The suggested items for this statement are as follows:
 - a. Introduction
 - b. Meaning and definitions Risk Management
 - c. Types of Risks
 - d. Risk Management

- e. Risk Assessment
 - f. Risk Identification Activities
 - g. Risk Handling
 - h. Monitoring and Reporting
 - i. Conclusion
12. Section 177(10) of the Act, provides for disclosure of details of establishment of vigil mechanism by the company on its website, if any, and in the Board's Report.
 13. Section 197(12) read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provides for disclosures which are discussed earlier in the chapter.
 14. Section 204(1) read with Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 requires to annex the Secretarial Audit Report in the Form – MR-3 with the Board's Report of the specified class of companies.

Such secretarial audit report under section 134, is required to be given by a Company Secretary in practice.
 15. Section 134(3)(f) of the Act, provides that the board of directors shall be bound to give full information and contain a suitable explanation in the Board's Report on any qualification, reservation or adverse remark made by the Auditors in their report on the accounts audited by them and by the company secretary in practice in his secretarial audit report.
 16. Rule 8(3) Companies (Accounts) Rules, 2014 provides that the Board's Report to include the particulars in respect of conservation of energy/technology absorption as already detailed in this Chapter. (Sample Board's Report is placed at the end of lesson).

3. ANNUAL RETURN

Annual Return is a significant document for the stakeholders of a company as it provides in a nutshell, very comprehensive information about various aspects of a company. It is perhaps the most important document required to be filed by every company with the Registrar of Companies. Apart from the Financial Statements, this is the only document to be compulsorily filed with the Registrar every year irrespective of any events / happenings in the company. While the Financial Statements give information on the financial performance of a company, it is the Annual Return which gives extensive disclosure and greater insight into the non-financial matters of the company and the people behind management of the company.

Objective of filing Annual Return

The basic purpose behind filing of Annual Returns with the Registrar is to provide Annual information in respect of company, promoters, members, meetings, remuneration of directors and key managerial persons etc., to the Registrar of Companies/shareholders/other stakeholders. Filing of Annual returns yearly to the Registrar of Companies is the responsibility of the management of the Company. It helps stakeholders to ensure that the company is administered in a proper way in the interest of its members and creditors.

Applicability

As per section 92 of the Companies Act, 2013, every company is required to prepare the Annual Return in **Form No. MGT-7** except One Person Company (OPC) and Small Company. One Person Company and Small Company shall file annual return from the financial year 2020-2021 onwards in **Form No. MGT-7A** containing the particulars as they stood on the close of the financial year.

Annual Return is to be filed with the Registrar within 60 days from the date on which Annual General Meeting (AGM) is actually held or from the last day on which AGM should have been held.

Applicability to Foreign Companies

- As provided in sub-section (2) of section 384 of the Act, the provisions of section 92 regarding filing of annual return apply to a foreign company subject to such exceptions, modifications and adoptions as may be provided for in the Rules.
- Rule 7 of the Companies (Registration of Foreign Companies) Rules, 2014 provides that every foreign company shall prepare and file, within a period of sixty days from the last day of its financial year, to the Registrar annual return in **Form FC-4** along with fee, containing the particulars as they stood on the close of the financial year.

Contents of Annual Return

Annual Return shall contain the following particulars in consonance with the Section 92(1) of the Act:

- (a) its registered office, principal business activities, particulars of its holding, subsidiary and associate companies;
- (b) its shares, debentures and other securities and shareholding pattern;
- (c) its indebtedness;
- (d) its members and debenture-holders along with changes therein since the close of the previous financial year;
- (e) its promoters, directors, key managerial personnel along with changes therein since the close of the previous financial year;
- (f) meetings of members or a class thereof, Board and its various committees along with attendance details;
- (g) remuneration of directors and key managerial personnel;
- (h) penalty or punishment imposed on the company, its directors or officers and details of compounding of offences and appeals made against such penalty or punishment;
- (i) matters relating to certification of compliances, disclosures as may be prescribed;
- (j) details, as may be prescribed, in respect of shares held by or on behalf of the Foreign Institutional Investors indicating their names, addresses, countries of incorporation, registration and percentage of shareholding held by them; and
- (k) such other matters as may be prescribed.

Additional contents

Secretarial Standard on General Meetings (SS-2) provides that the annual return shall disclose the date of Annual General Meeting (AGM) held during the financial year.

Attachments to E-form MGT-7/MGT-7 A

- List of Shareholders/ debenture holders
- Approval letter for extension of AGM (if any)
- Copy of MGT-8 (if applicable)

- List of Directors
- Optional Attachments, if any

Signing of Annual Return

Under section 92(1) of the Act, the Annual Return is required to be signed both by a director and the Company Secretary, or where there is no Company Secretary, by a Company Secretary in Practice.

The Annual Return of One Person Company and Small Company shall be signed by the Company Secretary or where there is no company secretary, by the director of the company. The Act authorises the Central Government to prescribe abridged form of annual return for “One Person Company, Small Company and such other class or classes of companies as may be prescribed. Accordingly, Rule 11(1) has prescribed separate Annual Return for these companies.



Certification of Annual Return

Certification of Annual Return under sub-section (2) of section 92 of the Act read with rule 11(2) of the Companies (Management and Administration) Rules, 2014, the Annual Return of a listed company or of a company having a paid-up share capital of Rs. 10 Crores or more or turnover of Rs. 50 Crores or more shall be certified by a Company Secretary in Practice in the **Form No. MGT-8**.

The certificate shall state that the annual return discloses the facts correctly and adequately and that the company has complied with all the provisions of this Act.

For the purpose of certification, PCS should carry out a scrutiny of the data available and check the correctness of the same. The PCS should be prudent in understanding the events and its impact and consequences, while certifying the same. For ensuring the correctness of information contained in the Annual Return, the primary source documents should be looked into. While doing the detailed scrutiny, he may rely on certified copies of the resolutions, forms, agreements and also certificates from the management.

Indicative list of Required Documents / Records for Annual Return preparation/certification

- Memorandum and Articles of Association;
- Shareholding pattern and its breakup;
- List of Promoters;
- Statutory Registers :
 - Register of Members - Form MGT-1;
 - Register of Debenture-holders and other security holders- Form MGT-2;
 - Foreign Registers of Members / Debenture holder / other security holder;
 - Register of Directors and Key Managerial Personnel & their Shareholding;
 - Register of loans, guarantee, security and acquisition made by the company- Form MBP-2;
 - Register of Investment not held in its own name by the company-Form MBP-3;

- Register of Contracts or Arrangements with related party and with bodies corporate etc. in which directors are interested- Form MBP-4;
- Register of deposit;
- Register of Charge- Form CHG-7;
- Register of Employee Stock Option- Form SH-6;
- Register of Buyback - Form SH-10;
- Register of Sweat Equity shares - Form SH-3;
- Other Statutory Registers and Records.
- Minutes of the Meetings:
 - Board Meeting;
 - General Meeting;
 - Committee Meeting;
 - Class Meeting;
 - Creditors Meeting;
 - Debenture holders Meeting;
 - Court convened Meetings for the purpose of restructuring and amalgamation.
- Attendance Registers of all Meetings;
- Forms & receipts filed with the Registrar of Companies;
- Copy of Notices and agenda papers for convening meetings of the Board / Committees / Annual General Meeting/Extraordinary General Meetings/Postal Ballots/Court convened Meetings / Creditors Meetings / Class Meetings/ Debenture holders Meeting;
- Copy of Latest Financial Statements along with the Board's Report and Auditor's Report;
- Shareholder List, details of Share Transfers taken place between close of the previous financial year and close of the financial year to which Annual Return relates, controls of the data as on the date of Annual General Meeting of the company or the beneficial positions as on close of financial year downloaded from the records of the Depository participants by Registrar Transfer Agent (RTA) of the company on record/book closure date prior to AGM;
- Certificate from RTA stating the number of shareholders as on the close of the financial year;
- Change of name of the company, change in the face value of the shares of the company, new ISIN No. of the company in respect of the allotment or as a result of any change in capital structure due to any corporate action taken by the company during the Financial year;
- Board Resolution for any type of corporate actions taken by the company;
- Corporate Action Forms filed by the company with Depositories;
- Any orders received by the company, Director or officer from Tribunal/court or from any other regulatory body under any act;
- Listing and Trading Approval(s) from Stock Exchanges, Credit Confirmation from Depositories namely NSDL and CDSL respectively/confirmation from both depositories in respect of allotment of equity shares of the company;

- Intimation to Stock Exchanges, Confirmation from National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for change of the name of the company, change in the face value of equity shares, change in ISIN of the company and the Scrip Code/Symbol of the company, etc.;
- Other prescribed documents.

Practical Scenario

As per the ICSI Unique Document Identification Number (UDIN) Guidelines, 2019.

UDIN generation is mandatory for the following services rendered by a PCS, including:

- Certification of Annual Return in Form MGT-8 under Section 92(2) of the Companies Act, 2013 and Rule 11(2) of the Companies (Management and Administration) Rules, 2014.
- Issuance of Secretarial Audit Report in terms of Section 204 of the Companies Act, 2013.
- Issuance of Secretarial Audit Report to material unlisted subsidiaries of listed entities (whose equity shares are listed) in terms of Regulation 24A of SEBI (LODR) Regulations, 2015.
- Issuance of Annual Secretarial Compliance Report to Listed entities (whose equity shares are listed) under SEBI Circular No. CIR/CFD/CMD1/27/2019 dated 8th February, 2019.
- Compliance Certificate regarding compliance of conditions of Corporate Governance as prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Signing of Annual Return in Form MGT-7 under Section 92(1) of the Companies Act, 2013 and Rule 11(1) of the Companies (Management and Administration) Rules, 2014.

Inclusion in Board's Report & Website

According to Section 92(3), every company shall place a copy of the annual return on the website of the company, if any, and the web-link of such annual return shall be disclosed in the Board's Report (*Notified on 28.08.2020*).

Filing of Annual Return with Registrar

Every company is required to file with the Registrar a copy of the annual return, within sixty days from the date on which the AGM is held or where no AGM is held in any year within sixty days from the date on which the AGM should have been held together with the statement specifying the reasons for not holding the AGM in **Form MGT-7**, with such fees or additional fees as may be prescribed. From the financial year 2020-21 onwards, One Person Company and Small Company shall file return in **Form MGT-7A**.

For foreign company the filing is to be done in **E-Form FC-4**.

In the matter of *R. Vardharajan, Judicial Member vs. Registrar of Companies CP. NO. 338/441/ND/18, NCLT-New Delhi*, Applicant-company filed application for compounding of default in compliance with provisions of sections 159 and 220 of Companies Act, 1956 for not filing its annual return, balance sheet and profit and loss account for financial year 2013-14. Applicant contended that said default was inadvertent mistake with no mala fide intention and it had put an end to offence by filing annual return and annual accounts for financial year 2013-14. RoC in its report stated that no complaint had been received nor was there any inspection or investigation proceedings pending against applicant. The court held that based on facts, the offence was compounded subject to remittance of certain fine.

Preservation of Annual Return

According to Rule 15 of the Companies (Management and Administration) Rules, 2014:

- The Company is required to keep and maintain copies of the Annual Return filed under Section 92 of the Companies Act, 2013 at the registered office of the company.
- However, such copies of Annual Return may also be kept at any other place in India in which more than one-tenth of the total number of members entered in the register of members resides, if approved by a special resolution passed at a general meeting of the company.
- Copies of all Annual Returns and copies of all certificates and documents required to be annexed thereto shall be preserved for a period of eight years from the date of filing with the Registrar.

Inspection of Annual Return - Section 94 r/w Rule 14 of the Companies (Management & Administration) Rules, 2014

- Copies of Annual returns prepared pursuant to Section 92, shall be open for inspection during business hours, of not less than two hours on every working day as the board may decide, by any member, debenture holder, other security holder or beneficial owner without payment of fee and by any other person on payment of such fee as may be specified in the articles of association of the company but not exceeding 50 rupees for each inspection.
- Any such member, debenture holder, security holder or beneficial owner or any other person may require a copy of return on payment of such fee as may be specified in the articles of association of the company but not exceeding 10 rupees for each page. Such copy of return shall be supplied within 7 days of deposit of such fee.
- The Central Government may also, by order, direct an immediate inspection of the document, or direct that the extract required shall forthwith be allowed to be taken by the person requiring it.

Return to be Evidence - Section 95

Copies of annual returns maintained under Section 94 of the Companies Act, 2013 shall be *prima facie* evidence of any matter directed or authorised to be inserted therein by or under the Companies Act, 2013.

Contravention and Consequences

If any company fails to file its annual return under section 92(4), before the expiry of the period specified therein, such company and its every officer who is in default shall be liable to a penalty of ten thousand rupees and in case of continuing failure, with further penalty of one hundred rupees for each day during which such failure continues, subject to a maximum of two lakh rupees in case of a company and fifty thousand rupees in case of an officer who is in default.

In terms of section 92(6), if a Company Secretary in Practice certifies the annual return otherwise than in conformity with the requirements of section 92 or the rules made thereunder, he shall be liable to a penalty of two lakh rupees.

CASE LAWS

- 1) In the matter of *Anil kumar Poddar vs. Nessville Trading (P.) Ltd.*, Appellant made an application for inspection of register of members and annual return of respondent company for the years 2009 to 2012. When company failed to provide copies of aforementioned documents, he filed petition for supply

of documents. The Respondent relied upon doctrine of “ejusdem generis” saying the word “any other person” mentioned in Section 163(2) of the erstwhile Companies Act, 1956 (corresponding to section 94 of the Companies Act, 2013) is limited to the person holding commercial interest such as creditor, financier, customer etc., because the preceding would the member and debenture holder to this word “any other person” being the persons having interest in the company, then the following word “any other person” cannot be said as extendable to any person who has no interest in the company, normally, a person considered to aggrieved when his interest is affected by the act of somebody else, but whereas this Petitioner has no interest in these companies, therefore, he cannot be called aggrieved to file these company petitions against the Respondent. The NCLT, Mumbai Bench held that, since petitioner was neither a shareholder, nor debenture holder nor holding commercial interest in respondent company, he was not entitled to seek relief under Section 163 of the erstwhile Companies Act, 1956 (corresponding to section 94 of the Companies Act, 2013) regarding supply of copies of documents for inspection.

- 2) In the matter of *Suhas Chakma vs. South Asia Human Rights Documentation Centre Pvt. Ltd.*, the contention of the petitioner is that he never executed any instrument of transfer of his shareholdings to the 2nd respondent, and that he came to know that he was not a shareholder of the 1st respondent company by virtue of inspection of the Annual Return and that in relation to the illegal and fraudulent transfer of his shares, he came to know about the same only upon perusal of the Annual Returns. The NCLT, New Delhi Bench observed that, in view of the wordings used in section 164 of the Companies Act, 1956 (now Section 95 under the Companies Act, 2013) to the effect that registers, returns and documents shall be only *prima facie* evidence and hence subject to rebuttal, and therefore, cannot be treated as conclusive evidence and in absence of share transfer forms and specified share certificates/letter of allotment in question, transfer of equity shares of Petitioner by Respondents were fraudulent and sham and declare it to be illegal and void.

Test Your knowledge

- 1) XYZ Ltd., a listed company, seeks your advice, as the Secretarial Auditor of the company, on the inclusion of Extract Annual Return in the Board’s Report for the financial year 2020-21?
- 2) Every Company shall place a copy of its annual return on the website of the Company. Comment.
- 3) Vinod, Chairperson of the Monika Ltd. is going to USA for official work and instructed to the Company Secretary for signing of Board’s Report in his absence from other directors of the Company. Whether the other directors can sign the Board’s Report? If yes, explain the provisions for signing of Board’s Report in the absence of Chairperson in the Company. What would be your answer if this company is One Person Company.
- 4) The Board of Directors of ABC Ltd. approaches you for advice on the voluntary revision of financial statements or board reports of the company as per the Companies Act, 2013. Advise the Board of Directors.
- 5) RST Ltd.’s annual general meeting should have been held on 30th Sept., 2020. However, as the accounts for the year 2019-2020 were not ready, the AGM could not be held. In order to avoid legal action against himself and the company what are the compliances required to be met by the Company Secretary under Section 92 of the Companies Act 2013?

Active Company Tagging Identities and Verification (ACTIVE)

Rule 25A of the Companies (Incorporation) Rules, 2014

Every company incorporated on or before the 31st December, 2017 shall file the particulars of the company and its registered office, in e-Form ACTIVE (Active Company Tagging Identities and Verification) on or before 15.06.2019.

Provided that any company which has not filed its due financial statements under section 137 or due annual returns under section 92 or both with the Registrar shall be restricted from filing e-Form-ACTIVE, unless such company is under management dispute and the Registrar has recorded the same on the register:

Provided further that companies which have been struck off or are under process of striking off or under liquidation or amalgamated or dissolved, as recorded in the register, shall not be required to file e-Form ACTIVE:

Provided also that in case a company does not intimate the said particulars, the Company shall be marked as “ACTIVE-non-compliant” on or after 16th June, 2019 and shall be liable for action under sub-section (9) of section 12 of the Act:

Provided also that no request for recording the following event based information or changes shall be accepted by the Registrar from such companies marked as “ACTIVE-non-compliant”, unless “e-Form ACTIVE” is filed –

- (i) SH-07 (Change in Authorized Capital);
- (ii) PAS-03 (Change in Paid-up Capital);
- (iii) DIR-12 (Changes in Director except in case of :
 - (a) cessation of any director; or
 - (b) appointment of directors in such company where the total number of directors are less than the minimum number provided in clause (a) of sub-section (1) of section 149 on account of disqualification of all or any of the director under section 164;
 - (c) appointment of any director in such company where DINs of all or any its director(s) have been deactivated;
 - (d) appointment of director(s) for implementation of the order passed by the Court or Tribunal or Appellate Tribunal under the provisions of the Companies Act, 2013 or under the Insolvency and Bankruptcy Code, 2016).
- (iv) INC-22 (Change in Registered Office);
- (v) INC-28 (Amalgamation, de-merger).

Where a company files “e-Form ACTIVE”, on or after 16th June, 2019, the company shall be marked as “ACTIVE Compliant”, on payment of fee of ten thousand rupees.

CORPORATE SOCIAL RESPONSIBILITY

CSR is a concept whereby companies not only consider their profitability and growth, but also the interests of society and the environment by taking responsibility for the impact of their activities on stakeholders, environment, consumers, employees, communities, and all other members in the public sphere. The basic premise is that when the corporations get bigger in size, apart from the economic responsibility of earning profits, there are many other responsibilities attached to them which are more of non-financial/social in nature. These are the expectations of the society from the corporates to give something in return to the society with whose explicit or implicit help these entities stand where they are.

CSR aims to fulfil expectations that society has of businesses and it is viewed as a comprehensive set of social

policies, practices and programs that are integrated throughout business operations. The concept of CSR has evolved over the years and now used as strategy and a business opportunity to earn stakeholder goodwill.

The United Nations Industrial Development Organisation (UNIDO) puts forward the following definition of Corporate Social Responsibility (CSR) –

“Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple- Bottom-Line Approach”), while at the same time addressing the expectations of shareholders and stakeholders.”

CSR under the Companies Act, 2013

The Companies Act, 2013 is a legislation which officially embarked on one of the world’s largest experiments of introducing the concept of CSR as a mandatory provision. The inclusion of CSR is an attempt by the government to engage the businesses with the national development agenda. With the introduction of new Act, there is a statutory obligation for the corporates to take initiatives towards Social, Environmental and Economic Responsibilities.

Applicability

As per section 135(1) of the Companies Act 2013, the CSR provision is applicable to companies which fulfils any of the following criteria during the immediately preceding financial year:-

- Companies having net worth of Rs. 500 crore or more; or
- Companies having turnover of Rs. 1000 crore or more; or
- Companies having a net profit of Rs. 5 crore or more.

The Companies (Corporate Social Responsibility Policy) Rules, 2014 have widen the ambit for compliance obligations to include the holding and subsidiary companies as well as foreign companies whose branches or project offices in India which fulfills the criteria specified above.

According to the Rule 3 of the CSR Rules, the CSR provision will also be applicable to every company including its holding or subsidiary, and a foreign company having its branch office or project office in India having net worth of Rs. 500 crore or more, or turnover of Rs. 1000 crore or more or a net profit of Rs. 5 crore or more during the immediately preceding financial year.

Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per sub-section (6) of section 135 shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section.

CSR COMMITTEE

Companies that trigger any of the aforesaid conditions must constitute a Corporate Social Responsibility Committee of the Board to formulate and monitor the CSR policy of a company. Section 135(1) of the Act requires the CSR Committee to consist of three directors or more, including at least one independent director. Where a company is not required to appoint an independent director under sub-section (4) of section 149, it shall have in its Corporate Social Responsibility Committee two or more directors.

Rule 5 of CSR Rules, 2014 further state that, where a private company has only two directors on the Board, the CSR Committee can be constituted with these two directors. The CSR Committee of a foreign company shall comprise of at least two persons of which one person should be resident in India and the other person

nominated by the foreign company. The Board's report shall disclose the composition of the Corporate Social Responsibility Committee.

The composition of the CSR Committee for various categories of companies is as under:	
Listed companies	Three or more directors, out of which at least one shall be an independent director.
Private companies	Two or more directors. No independent directors are required as mentioned in the proviso under section 135(1)
Foreign company	At least two persons out of which: (a) one shall be as specified under clause (d) of subsection (1) of section 380 of the Act, and (b) another shall be nominated by the foreign company. [Refer rule 5(1) of the Companies (CSR Policy) Rules, 2014]

The functions of CSR Committee

The CSR Committee shall formulate CSR Policy and establish the steps for the effective implementation, maintenance, periodic review and improvement of CSR system.

The role and responsibilities of the CSR Committee are:

- To formulate and recommend to the Board, a CSR Policy which would indicate the activities to be undertaken by the company in areas or subject, specified in Schedule VII of the Act.
- To recommend the amount of the expenditure to be incurred on the activities undertaken in pursuance of the CSR policy.
- To monitor the CSR policy of the company time to time.

{As per Rule 5(2) of the CSR Rules, 2014: The CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the following, namely:-

- (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;
- (b) the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4;
- (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes;
- (d) monitoring and reporting mechanism for the projects or programmes; and
- (e) details of need and impact assessment, if any, for the projects undertaken by the company.

However, the Board may alter such plan at any time during the financial year, as per the recommendation of its CSR Committee, based on the reasonable justification to that effect.

Meeting of CSR Committee

Number of CSR Meetings: Law is silent w.r.t. number of CSR Committee meetings in a year. But as per Secretarial Standard 1 "Committees shall meet as often as necessary subject to the minimum number and frequency stipulated by the Board or as prescribed by any law or authority."

Quorum for CSR Meetings: Law is also silent w.r.t. quorum for the committee meeting. But as per Secretarial Standard 1: The presence of all the members of any Committee (applicable to CSR Committee also) constituted by the Board is necessary to form the Quorum for Meetings of such Committee unless otherwise stipulated in the Act or any other law or the Articles or by the Board.

A member of the Committee appointed by the Board or elected by the Committee as Chairman of the Committee, in accordance with the Act or any other law or the Articles, shall conduct the Meetings of the Committee. If no Chairman has been so elected or if the elected Chairman is unable to attend the Meeting, the Committee shall elect one of its members present to chair and conduct the Meeting of the Committee, unless otherwise provided in the Articles.

CSR Implementation [Rule 4 of the Companies (Corporate Social Responsibility Policy) Rules, 2014]

The Board shall ensure that the CSR activities are undertaken by the company itself or through –

- (a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, established by the company, either singly or along with any other company; or
- (b) a company established under section 8 of the Companies Act, 2013 or a registered trust or a registered society, established by the Central Government or State Government; or
- (c) any entity established under an Act of Parliament or a State legislature; or
- (d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Mandatory Registration of CSR Entity: Every eligible entity who intends to undertake any CSR activity, shall register itself with the Central Government by filing the form CSR-1 electronically with the Registrar, with effect from the 01st day of April 2021:

However, the provisions of this sub-rule shall not affect the CSR projects or programmes approved prior to the 01st day of April 2021.

Certification of Professional: Form CSR-1 shall be signed and submitted electronically by the entity and shall be verified digitally by a Chartered Accountant in practice or a Company Secretary in practice or a Cost Accountant in practice.

On the submission of the Form CSR-1 on the portal, a unique CSR Registration Number shall be generated by the system automatically.

Role of International Organisation: A company may engage international organisations for designing, monitoring and evaluation of the CSR projects or programmes as per its CSR policy as well as for capacity building of their own personnel for CSR.

A collaboration of other Companies for CSR Expenditure: A company may also collaborate with other companies for undertaking projects or programmes or CSR activities in such a manner that the CSR committees of respective companies are in a position to report separately on such projects or programmes in accordance with these rules.

CFO Certification: The Board of a company shall satisfy itself that the funds so disbursed have been utilised for the purposes and in the manner as approved by it and the Chief Financial Officer or the person responsible for financial management shall certify to the effect.

CSR POLICY

“CSR Policy” means a statement containing the approach and direction given by the board of a company, taking into account the recommendations of its CSR Committee, and includes guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

The approach and direction for CSR is to be recommended by the CSR Committee to the Board, and based on the same, the approach and direction is finalised by the Board of Directors. The CSR Policy is to be prepared and recommended by the CSR Committee to the Board for its approval as per section 135(3)(a) of the Act read with rule 2(f) of the CSR Rules. This process may happen simultaneously also depending upon the convenience of the Board.

As per section 135(3)(a) of the Act, the CSR Policy shall indicate the activities to be undertaken by the company in areas or subjects, specified in Schedule VII to the Act. The definition of ‘CSR Policy’ has been amended vide Companies (CSR Policy) Amendment Rules, 2021 notified on 22nd January 2021. Hence, in respect of the companies to whom CSR provisions were applicable prior to this date, it is recommended that the CSR Policy be amended in line with the revised provisions to include, inter-alia, the guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

The guiding principles to be included in the CSR Policy as contemplated in the CSR Rules appear to be macro level indicators as to the areas in which CSR projects are proposed to be undertaken, which can be articulated in the annual action plan for each financial year.

For example:

- Guiding principles for selection of CSR projects can be what parameters are to be evaluated while selecting a project, namely what should be the thrust area, local area, other areas where there exists a need for CSR project, projects of national importance, areas which deplete natural resources, etc. and what proportion of CSR spending is to be apportioned for these purposes so that there is an adequate positive impact arising out of the activities undertaken by the company.
- Guiding principles for implementation of CSR projects can be whether they will be undertaken directly or through any Implementing Agency, minimum benchmarks of various criteria while selecting an Implementing Agency such as no conflict of interest, no political background, satisfactory due diligence, track record indicators etc.
- Guiding principles for monitoring of CSR projects can be at what frequency spending shall be monitored, whether site visits would be needed, who shall visit, what evidences should be collected as to the progress of the project, etc.

It is recommended that CSR Policy should be drawn up to the extent it is relevant in the context of company and should be compatible with the legal requirements. CSR Policy should be approved by the Board of Directors and reviewed and updated, as and when required. It is recommended that a company should:

- i) Outline a CSR Policy to reflect the vision, mission and goals on a broader level;
- ii) CSR Policy should articulate broadly target group (marginalized group)/ geography (local/ wider area)/ sectors (health/education/ environment).

CSR ACTIVITIES [SCHEDULE VII OF THE COMPANIES ACT, 2013]

Some activities are specified in Schedule VII as the activities which may be included by companies in their Corporate Social Responsibility Policies. The entries in the said Schedule VII must be interpreted liberally so as to capture the essence of the subjects enumerated in the said Schedule. The items enlisted in the amended

Schedule VII of the Act, are broad-based and are intended to cover a wide range of activities as illustratively. These are activities related to:

- (i) eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- (ii) promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects;
- (iii) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- (iv) ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga;
- (v) protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- (vi) measures for the benefit of armed forces veteran, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans, and their dependents including widows;
- (vii) training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
- (viii) contribution to the Prime Minister’s National Relief Fund or Prime Minister’s Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) or any other fund set up by the Central Government for socio- economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (ix) (a) Contribution to incubators or research and development projects in the field of science, technology, engineering and medicine, funded by the Central Government or State Government or Public Sector Undertaking or any agency of the Central Government or State Government; and
 (b) Contributions to public funded Universities; Indian Institute of Technology (IITs); National Laboratories and autonomous bodies established under Department of Atomic Energy (DAE); Department of Biotechnology (DBT); Department of Science and Technology (DST); Department of Pharmaceuticals; Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH); Ministry of Electronics and Information Technology and other bodies, namely Defense Research and Development Organisation (DRDO); Indian Council of Agricultural Research (ICAR); Indian Council of Medical Research (ICMR) and Council of Scientific and Industrial Research (CSIR), engaged in conducting research in science, technology, engineering and medicine aimed at promoting Sustainable Development Goals (SDGs) –Substituted by Notification dated 24th August, 2020].
- (x) rural development projects;
- (xi) slum area development, where ‘slum area’ shall mean any area declared as such by the Central Government or any State Government or any other competent authority under any law for the time being in force;
- (xii) disaster management, including relief, rehabilitation and reconstruction activities.

However, in determining CSR activities to be undertaken, preference would need to be given to local areas and the areas around where the company operates.

As per Clarification issued by MCA on 18th June, 2014; following may be noted with regard to provisions mentioned under section 135:

- One-off events such as marathons/ awards/ charitable contribution/ advertisement/sponsorships of TV programmes etc. do not be qualified as part of CSR expenditure.
- Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.) are not count as CSR expenditure under the Companies Act.

Website Disclosure (Rule 9 of the CSR Rules, 2014)

The Board of every eligible company referred to in sub-section (1) of Section 135 shall, after taking into account the recommendations made by the Corporate Social Responsibility Committee, approve the Corporate Social Responsibility Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, if any and ensure that the activities as are included in Corporate Social Responsibility Policy of the company are undertaken by the company.

The Board of Directors of the Company shall ensure essential disclosure of the following on the website of the Company, if any:

- The composition of the CSR Committee;
- CSR Policy and Projects approved by the Board.

CSR Portal

The National Corporate Social Responsibility Data Portal is an initiative by Ministry of Corporate Affairs, Government of India to establish a platform to disseminate Corporate Social Responsibility related data and information filed by the companies registered with it.

The CSR ambit is getting bigger and for upcoming years it would turn as a unique knowledge base for analyzing and achieving sustainability goals as among various large economies India is a country which has assured by mandating CSR through its legislative action.

Business Responsibility Reports by Listed Companies

Ministry of Corporate Affairs, Government of India, in July 2011, came out with the 'National Voluntary Guidelines ("NVGs") on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles.

SEBI, in 2012, mandated the top 100 listed entities by market capitalisation to file BRR as per the disclosure requirement emanating from the NVGs. The requirement for filing BRRs was extended to the top 500 entities companies by market capitalisation from the financial year 2015-16. In December 2019, SEBI extended the BRR requirement to the top 1000 listed entities by market capitalisation, from the financial year 2019-20.

In terms of Regulation 34(2)(f) of SEBI's Listing Regulations, the top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year) are required to include Business Responsibility Report, as part of their annual report, describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the SEBI from time to time.

Social Stock Exchange

India is the only country in the world to have mandatory provisions of CSR for the corporates. The Hon'ble Finance Minister as part of the Budget Speech for FY 2019-20 had proposed to initiate steps towards creating a Social Stock Exchange (SSE), under the regulatory ambit of Securities and Exchange Board of India, for listing social enterprise and voluntary organizations.

Accordingly, SEBI constituted a working group on 'Social Stock Exchanges' (SSE) under the Chairmanship of Shri Ishaat Hussain on September 19, 2019. The broad terms of reference to the working group were to review and recommend:

- (i) Possible structures and mechanisms, within the securities market domain, to facilitate raising of funds by social enterprises and voluntary organizations;
- (ii) Associated regulatory framework inter-alia covering the issues relating to eligibility norms for participation, disclosures, listing, trading, oversight etc.

The committee observed that the designing of Social Stock Exchange (SSE) also requires a recognition that for profit social enterprises (FPEs) are different from non-profit social enterprises (NPOs) as they operate in different ways and have different financing needs. NPOs (which include section 8 companies, trusts and societies) and FPEs uses different kinds of capital. The working group has, therefore, suggested different approaches for each under the aegis of the SSE. The committee proposed unifying elements and common approaches for the two under the SSE umbrella. These constitute the common minimum reporting standard for all enterprises. The standard incorporates reporting of social impact, governance and financials.

While analysing the comments received on this report, it was felt that further expert advice and clarity may be needed on certain critical operational issues before comprehensively firming up views in the matter. Accordingly, a Technical Group (TG) was constituted by SEBI on September 21, 2020 to review and make recommendations on certain critical operational issue, in the context of the recommendations made by the Working Group on the Social Stock Exchange.

After detailed deliberations, the SEBI vide notification dated July 25, 2022 inserted Chapter X-A on Social Stock Exchange in SEBI (ICDR) Regulations, 2018.

As per regulation 292A (i) "Social Stock Exchange" means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and / or list the securities issued by Not for Profit Organizations in accordance with provisions of these regulations.

SPECIMEN RESOLUTION/FORMATS

Specimen Board Resolution for Approval of the Board's Report

"RESOLVED THAT the Boards' Report to be sent to the Shareholders of the company for the year ended 31st March..... is prepared in accordance with the provisions of Section 134 of the Companies Act, 2013 together with its Annexures and also contain suitable explanation and fullest information on every reservation, qualification or adverse remarks, if any, contained in Auditor's reports, as submitted to the meeting, be and is hereby approved and the same be signed by Shri..... Chairman of the company, by Shri..... Managing Director and Shri Director for and on behalf of the Board of Directors of the company."

Specimen Resolution to be Passed by the Board of Directors for Approval of the Board's Report Containing Board's Response to Auditors' Comments and Qualifications

"RESOLVED THAT, pursuant to Section 134 of the Companies Act, 2013, the draft of the Board's Report for the year ended 31st March..... as circulated earlier and as modified by incorporating the information and explanation

given by the Board on every reservation, qualification or adverse remark contained in the Auditors' Report under Section 143 (2), and as laid on the table, be and is hereby approved and that the Board's Report be signed by the Chairman on behalf of the Board and that the Secretary of the company be directed to issue the same to the members of the company together with the printed copies of the audited accounts, and the Auditors' Report."

Specimen Board's Report

Your Directors are pleased to present 21st Annual Report and the audited financial statements for the financial year ended on 31st March, 20.....

Financial Results:

The financial performance of the Company, for the year ended on 31st March, 20..... is summarized below:

<i>Particulars</i>	<i>Standalone</i>		<i>Consolidated</i>	
	<i>For the year ended 31st March 20..... (C.Y.)</i>	<i>For the year ended 31st March 20..... (P.Y.)</i>	<i>For the year ended 31st March 20..... (C.Y.)</i>	<i>For the year ended 31st March 20..... (P.Y.)</i>
Sales and Other Income	23,956	21,494	45,831	42,254
Profit before Interest, Depreciation, Exceptional	11,332	9,307	12,751	10,841
Expenses & Tax [PBIDET]	455	243	773	465
Less: Depreciation	10,877	9,064	11,978	10,376
Profit before Interest, Exceptional Expenses & Tax	5	4	13	13
(PBIET)	10,872	9,060	11,965	10,363
Less: Interest	-23	-585	850	532
Profit Before Tax [PBT] Less: Provision for Tax Profit After Tax [PAT] Less: Minority Interest	10,895	9,645	11,115	9,831
Profit attributable to shareholders	-	-	220	186
Add: Profit brought forward from the previous year	10,895	9,645	10,895	9,645
Less: Additional depreciation upon revision in useful lives of tangible assets	24,149	18,247	24,149	18,247
Profit available for appropriation, which is appropriated as follows:	35,018	27,892	35,018	27,892
Proposed Final Dividend	2,344	2,344	2,344	2,344
Corporate Dividend Tax on Dividend	477	399	477	399
Transfer to General Reserve	0	1,000	0	1,000
Balance carried to Balance Sheet	32,197	24,149	32,197	24,149

Total	35,018	27,892	35,018	27,892
Basic and Diluted Earning Per Share (EPS of FV Rs. 10) [in Rupees]	27.88	24.69	27.88	24.69

Annual Report 20..... - 20.....

The Company proposes to retain an amount of Rs. 32,197 lacs in the Statement of Profit and Loss. The consolidated financial highlights include the financials of ABC, XYZ, a partnership firm.

Results of operations:

During the year under review, the consolidated gross sales grew by 3.1%. On standalone basis, the Company has earned total revenue of Rs.23,956 lacs. The PBDT increased by 21.8 % to Rs.11,332 lacs and the Profit Before Tax increased by 20% to Rs.10,872 lacs. The Profit after Tax has increased to Rs.10,895 lacs as compared to Rs.9,645 lacs in the previous year and the EPS has increased from Rs.24.69 in the previous year to Rs.27.88. A detailed analysis of performance for the year has been included in the Management Discussion and Analysis, which forms part of the Annual Report.

Dividend

Your Directors have recommended a dividend of Rs.6/- [i.e. 60%] per equity share [last year Rs.6/- per equity share] on 3,90,72,089 equity shares of Rs.10/- each fully paid-up for the financial year ended on 31st March, 2020, amounting to Rs.2,821 lakhs [inclusive of corporate dividend tax of Rs.477 lakhs]. The dividend, if declared by the shareholders at the ensuing Annual General Meeting, will be paid to those shareholders, whose names stand registered in the Register of Members as on In respect of shares held in dematerialized form, it will be paid to the members whose names are furnished by the National Securities Depository Limited and the Central Depository Services [India] Limited, as beneficial owners. The Dividend Payout ratio for the current year (inclusive of Corporate Dividend Tax) is 25.90 percent on profits.

During the year, the unclaimed dividend pertaining to the dividend for the year ended 31st March, 2015 was transferred to Investor Education and Protection Fund.

Consolidated financial Statements

ABC, XYZ is under the majority control of the Company and hence the accounts of ABC, XYZ are consolidated with the accounts of the Company in accordance with the provisions of Accounting Standard [AS]- 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, Companies Act, 2013 [“Act”] read with Schedule III of the Act and Rules made thereunder and the Listing Agreement with the Stock Exchanges. The audited Consolidated Financial Statements are provided in this Annual Report.

Though Company does not have any subsidiary Company, the Company has formed a policy relating to material subsidiaries, which is approved by the Board of Directors and can be accessed on the Company's website at the link:

Related Party Transactions

All transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any transactions with related parties which could be considered as material in accordance with the policy of the Company on materiality of related party transactions.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at the link: Disclosures on related party transactions are set out in Note No. 34 to the financial statements.

Directors**i. Cessation:**

Mr. P [DIN-XXXXXXXX], Director and Mr. Q [DIN-XXXXXXXX], Managing Director of the Company have resigned with effect from and respectively.

The Board places on record its appreciation for contributions and guidance provided by Mr. P and Mr. Q during their respective tenure as a Director / Managing Director of the Company.

ii. Retirement by rotation:

In accordance with the provisions of section 152[6] of the Act and in terms of Articles of Association of the Company, Mr. X [DIN-XXXXXXXX] will retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for reappointment. The Board recommends his reappointment.

iii. Appointment of Additional / Whole Time Director:

Mr. R was appointed as an Additional Director and Whole time Director w.e.f....., subject to the approval of the Members at the ensuing Annual General Meeting. Mr. R is designated as the Key Managerial Personnel pursuant to the provisions of section 203 of the Act.

iv. Independent Directors:

The Independent Directors have submitted their declarations of independence, as required pursuant to the provisions of section 149(7) of the Act, stating that they meet the criteria of independence as provided in section 149(6).

v. Chairman:

Upon cessation of Mr. M [DIN-XXXXXXXX] as the Director of the Company, Dr. N was appointed as the Chairman of the Board and Company w.e.f.

vi. Key Managerial Personnel:

The following persons were designated as Key Managerial Personnel:

1. Mr. Q, Managing Director, [up to]
2. Mr. R, Whole Time Director, [w.e.f.]
3. Mr. O, Chief Financial Officer, and
4. Mr. J, Company Secretary.

vii. Board Evaluation:

Pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder and as provided under Schedule IV of the Act and SEBI (LODR), Regulation, 2015 the Board has carried out the annual performance evaluation of itself, the Directors individually as well as the evaluation of its committees. The manner in which the evaluation was carried out is provided in the Corporate Governance Report, which is part of this Annual Report.

viii. Remuneration Policy:

The Board has on the recommendations of Nomination and Remuneration Committee, framed a Policy on selection and appointment of Directors, Senior Management and their remuneration. The Remuneration Policy is stated in the Corporate Governance Report, which is part of this Annual Report.

Directors' Responsibility Statement

In terms of section 134[3][c] of the Act, your Directors state that:

- i. in the preparation of the annual financial statements for the year ended on 31st March, 20.....,

- applicable accounting standards read with requirements set out under schedule III of the Act, have been followed along with proper explanation relating to material departures, if any;
- ii. such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 20..... and of the profit of the company for the year ended on that date;
 - iii. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
 - iv. the annual financial statements are prepared on a going concern basis;
 - v. proper internal financial control are in place and that the financial controls are adequate and are operating;
 - vi. the systems to ensure compliance with the provisions of all applicable laws are in place and are adequate and operating effectively.

Board Meetings

A calendar of meetings to be held in a year is decided in advance by the Board and circulated to the Directors. During the year, four Board and four Audit Committee Meetings were convened and held, the details of which are provided in the Corporate Governance Report, forming part of the Directors' Report. The gap between two consecutive meetings was not more than one hundred and twenty days as provided in section 173 of the Act.

Corporate Governance

The Company has complied with the Corporate Governance requirements under the Act and as stipulated in Listing Regulations. A separate section on detailed report on the Corporate Governance practices followed by the Company under the Listing Agreement along with a certificate from M/s. DEF & Associates, Practicing Company Secretary, confirming the compliance, is part of the Annual Report.

i. Statutory Auditor and their Report:

M/s. D, Chartered Accountants, [Firm Registration No.] Statutory Auditor of the Company hold office until the conclusion of the ensuing 21st Annual General Meeting and are eligible for reappointment. Pursuant to provisions of section 139 of the Companies Act, 2013 and the Rules made thereunder, the Board proposes to reappoint M/s. &, Chartered Accountants as Statutory Auditor of the Company from the conclusion of the ensuing 21st Annual General Meeting till the conclusion of 26th Annual General Meeting. They have furnished a certificate confirming the eligibility under section 141 of the Companies Act, 2013 and Rules made thereunder.

The Board based on the recommendation of Audit Committee, recommends the reappointment of M/s, Chartered Accountants, as the Statutory Auditor of the Company.

The Board has duly reviewed the Statutory Auditor's Report on the Accounts. The observations and comments, appearing in the Auditor's Report are self-explanatory and do not call for any further explanation/ clarification by the Board of Directors as provided under section 134 of the Act.

ii. Cost Auditor:

Pursuant to the provisions of section 148 [3] of the Act read with The Companies [Cost Records and Audit] Amendment Rules, 2014, the cost audit records maintained by the Company in respect of its product is required to be audited. The Board had, on the recommendation of Audit Committee, appointed M/s UV & Associates, Cost Accountants [Firm Registration No.....] to audit the cost records of for

the financial year ended on 31st March, 20..... on a remuneration of Rs.1.80 lacs As required under the Act and Rules made thereunder, the remuneration payable to the Cost Auditor is required to be placed before the Members General Meeting for ratification. Accordingly, a resolution to ratify the remuneration payable to M/s. UV & Associates for the financial year ending on 31st March, 20..... is included at Item No. 8 of the Notice convening 21 Annual General Meeting.

iii. Secretarial Auditor and Secretarial Audit Report:

Pursuant to the provisions of section 204 of the Act and The Companies [Appointment and Remuneration of Managerial Personnel] Rules, 2014, the Company has appointed M/s. DEF & Associates, Practicing Company Secretary to undertake Secretarial Audit for the financial year ended on 31st March, 20. Secretarial Audit Report. The Board has duly reviewed the Secretarial Auditor's Report and the observations and comments, appearing in the report are self-explanatory and do not call for any further explanation / clarification by the Board of Directors as provided under section 134 of the Act.

Corporate Social Responsibility [CSR]

The Board of Directors of the Company has constituted a Corporate Social Responsibility [CSR] Committee under the Chairmanship of Dr. N. Other members of the Committee are Mr. Y and Prof. Z. CSR Committee has recommended to the Board, a CSR Policy, indicating the activities to be undertaken by the Company, which is approved by the Board. The CSR Policy is posted on the website of the Company.

As part of its initiatives under Corporate Social Responsibility [CSR], the Company has contributed for healthcare, education and research in cancer and for eradicating poverty and malnutrition for the year under review. Other details of the CSR activities as required under section 135 of the Act are given in the CSR Report as Annexure-B.

Business Risk Management

A well-defined risk management mechanism covering the risk mapping and trend analysis, risk exposure, potential impact and risk mitigation process is in place. The objective of the mechanism is to minimize the impact of risks identified and taking advance actions to mitigate it. The mechanism works on the principles of probability of occurrence and impact, if triggered. A detailed exercise is being carried out to identify, evaluate, monitor and manage both business and non-business risks.

Discussion on risks and concerns are covered in the Management Discussion and Analysis Report, which forms part of this Annual Report.

Internal control systems and its adequacy

The Company has internal control systems commensurate with the size, scale and complexity of its business operations. The scope and functions of internal auditor are defined and reviewed by the Audit committee. The internal auditor reports to the Chairman of the Audit Committee. Internal Auditors presents their quarterly report to the Audit Committee, highlighting various observations, system and procedure lapses and corrective actions are taken. The internal auditor also assesses opportunities for improvement of business processes, systems and controls, to provide recommendations, which can add value to the organization and it also follows up on the implementation of corrective actions and processes. The Management Auditor also ensures the compliance of the observations of internal and statutory auditors and presents his report to the Audit Committee.

Managing the Risks of fraud, corruption and unethical business practices

i. Vigil Mechanism/ Whistle Blower Policy:

The Company has established vigil mechanism and framed whistle blower policy for Directors and

employees to report concerns about unethical behavior, actual or suspected fraud or violation of Company's Code of Conduct or Ethics Policy. Whistle Blower Policy is disclosed on the website of the Company.

ii. Business Conduct Policy:

The Company has framed "ABC Business Conduct Policy". Every employee is required to review and sign the policy at the time of joining and an undertaking shall be given for adherence to the Policy. The objective of the Policy is to conduct the business in an honest, transparent and in an ethical manner. The policy provides for anti-bribery and avoidance of other corruption practices by the employees of the Company.

Weblink of Annual Return

The weblink of the Annual Return is _____.

Constitution of Audit Committee

The Board has reconstituted the Audit Committee which comprises of Mr. H as the Chairman and Dr. B.M. Hegde, Prof. Z and Mr. Y as the members. More details on the Committee are given in the Corporate Governance Report.

Particulars of Employees

The information required under section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as Annexure-C.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014, and forms part of this Report.

General Disclosure

Your Directors state that the Company has made disclosures in this report for the items prescribed in section 134(3) of the Act and Rule 8 of The Companies (Accounts) Rules, 2014 to the extent the transactions took place on those items during the year.

Disclosure, regarding maintenance of cost records

Disclosure, regarding maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained.

Disclosure relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

A statement that the company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 along with the following details:

- (a) number of complaints of sexual harassment received in the year;
- (b) numbers of complaints disposed off during the year; and
- (c) numbers of cases pending for more than 90 days

Acknowledgement

Your Directors wish to place on record their sincere appreciation for significant contributions made by the employees at all levels through their dedication, hard work and commitment, enabling the Company to achieve good performance during the year under review.

Your Directors also take this opportunity to place on record the valuable co-operation and support extended by the banks, government, business associates and the shareholders for their continued confidence reposed in the Company and look forward to having the same support in all future endeavors.

For and on behalf of the Board

(Company Name)

Place: Ahmedabad

Date :

Mr. N
Chairman

LESSON ROUND-UP

- The annual report is a comprehensive report provided by most public companies to disclose their corporate activities over the past year.
- According to Regulation 34 of SEBI (LODR) Regulation, 2015, the listed entity shall submit to the stock exchange and publish on its website a copy of the annual report sent to the shareholders along with the notice of the annual general meeting not later than the day of commencement of dispatch to its shareholders.
- The listed entity shall send annual report to the holders of securities, not less than twenty-one days before the annual general meeting.
- Disclosures in the Board's Report are derived from various places, apart from disclosures specified in section 134 of the Act.
- Section 134 of the Act enjoins upon the Board a responsibility to make out its report to the shareholders and attach the said report to financial statements laid before the shareholders at the annual general meeting.
- As per section 92 of the Companies Act, 2013, every company shall file its annual return in Form No.MGT-7 except One Person Company (OPC) and Small Company. One Person Company and Small Company shall file annual return from the financial year 2020-2021 onwards in Form No.MGT-7A.
- Annual Return is to be filed with the Registrar within 60 days from the date on which Annual General Meeting (AGM) is actually held or from the last day on which AGM should have been held.

GLOSSARY

Holding Company: "holding company", in relation to one or more other companies, means a company of which such companies are subsidiary companies (Section 2(46) of Companies Act, 2013)

Explanation – For the purposes of this clause, the expression "company" includes any body corporate.

Subsidiary Company: "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company–

- (i) controls the composition of the Board of Directors; or

- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation – For the purposes of this clause,–

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression “company” includes any body corporate;
- (d) “layer” in relation to a holding company means its subsidiary or subsidiaries.

[Section 2(87) of Companies Act, 2013]

TEST YOURSELF

(These are meant for recapitulation only. Answers to these questions are not to be submitted for evaluation).

1. What information is required to be disclosed in Annual Report?
2. Draft a Directors’ Report of your company.
3. What forms the Directors’ Responsibility Statement?
4. What points should be kept in mind while preparing Annual Report?
5. What are the contents of Abridged Board’s Report in case of small company?
6. Copies of all annual returns prepared under section 92 and copies of all certificates and documents required to be annexed thereto shall be preserved from the date of filing with the Registrar.
 - (a) For a period of 6 years
 - (b) For a period of 5 years
 - (c) For a period of 8 years
 - (d) For a period of 7 years
7. Mr. Alex is the chairperson of M/s XYZ Ltd. The directors are of the view that the board report can be signed by Mr. Alex as he is the chairperson of the company and he do not need any kind of authorization from board before signing the board report. As a Company Secretary advice the board of directors:
 - (a) Mr. Alex can sign the board report being the chairperson of the Company
 - (b) The board report must be sign by the two directors on of whom shall be MD or by the director where there is one director.
 - (c) Mr. Alex and the Company Secretary can sign the board report.
 - (d) MD and Company Secretary can sign the board report.

