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MVDCO ADVISORY SERVICES

News Letter

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TABLE OF CONTENTS

Income Tax

1. Income Computation and Disclosure Standards (ICDS) 2
2. Circular No. 6 on Capital Gain 2

Audit

1. Roadmap to Convergence process to Indian Accounting Standard (Ind AS) 4
2. Consolidated Financial Statements under Companies Act, 2013 7

Company Law

1. Explanatory notes on Section 185 and 186 of the Companies Act, 2013 12
2. Director's Report Under The Companies Act, 2013 17

Disclaimer and Statutory Notice 23

Income Tax

The Government of India has come out with a notification on "Income Computation and Disclosure Standards" (ICDS) to be followed by all the assesses, that follows Mercantile system of Accounting, for the purpose of computation of Income chargeable to Income Tax under the heads "Profits and Gains from Business and Profession" and "Income from Other Sources". This notification shall apply from 1st April 2015 and will be applicable to Assessment Year 2016 – 17 and onwards.

It is clarified that the above Standard is applicable only for the purpose of Computation of Income chargeable to tax under the above heads and not for maintenance of books of accounts.

It is further clarified that in case of conflict between the Income Tax Act and Income Computation and Disclosure Standards, the provisions of the Income Tax Act will prevail.

Accordingly, following 10 ICDS are notified:

Standard	Description
1	Accounting Policy
2	Valuation of Inventories
3	Construction Contracts
4	Revenue Recognition
5	Tangible Fixed Assets
6	Effects of changes in foreign exchange rates
7	Government Grants
8	Securities
9	Borrowing Costs
10	Provisions, Contingent Liabilities and Contingent Assets

Accordingly, while preparing Computation of Total Income and deriving at total tax payable for the Assessment Year 2016 – 17 and onwards, effect will have to be given in the Computation in accordance with all the above notified standards.

Circular No. 6 dated 09.04.2015: Capital Gains in respect of Units of Mutual Funds under the Fixed Maturity Plan (FMP) on extension of their term:

As per the provisions of the Income Tax Act, assets in the nature of Shares, listed securities, units of mutual funds and zero coupon bonds are qualified as Long Term Capital Assets if held for a period of more than 12 months as against holding period of 36 months for other assets. Accordingly, units of mutual fund under Fixed Maturity Plans (FMP) held for a period exceeding 12 months were considered Long Term Capital Assets.

Finance Act 2014 changed the period of holding in case of unlisted shares and units of mutual fund (other than equity oriented fund) to 36 months to qualify as Long Term Capital Asset. As a result, gain arising out of investment in units under FMPs made earlier but sold/redeemed after 10.07.2014 would be taxed as Short Term Capital Asset if held for a period less than 36 months.

FMPs are close ended funds having fixed maturity date wherein the duration of investment is decided upfront. The funds collected by FMPs are invested by Asset Management Companies (AMCs) in securities having similar maturity period. To enable FMPs to qualify as Long Term Capital Asset, some AMCs have started offering extension of duration of FMPs to a date beyond 36 months by providing to the investors an option to roll over of FMPs in accordance with the SEBI regulations. SEBI has clarified that in case of roll-over in accordance with the regulation, the scheme remains the same and it does not constitute a different scheme.

The Circular granting relief to the investors opting for such roll-over clarified that the roll over in accordance with the SEBI regulation will not amount to transfer as the scheme remains the same. No capital gains will arise at the time of exercise of the option by the investor to continue in the same scheme. The Capital Gain will, however, arise at the time of redemption of units or opting out of the scheme, as the case may be.

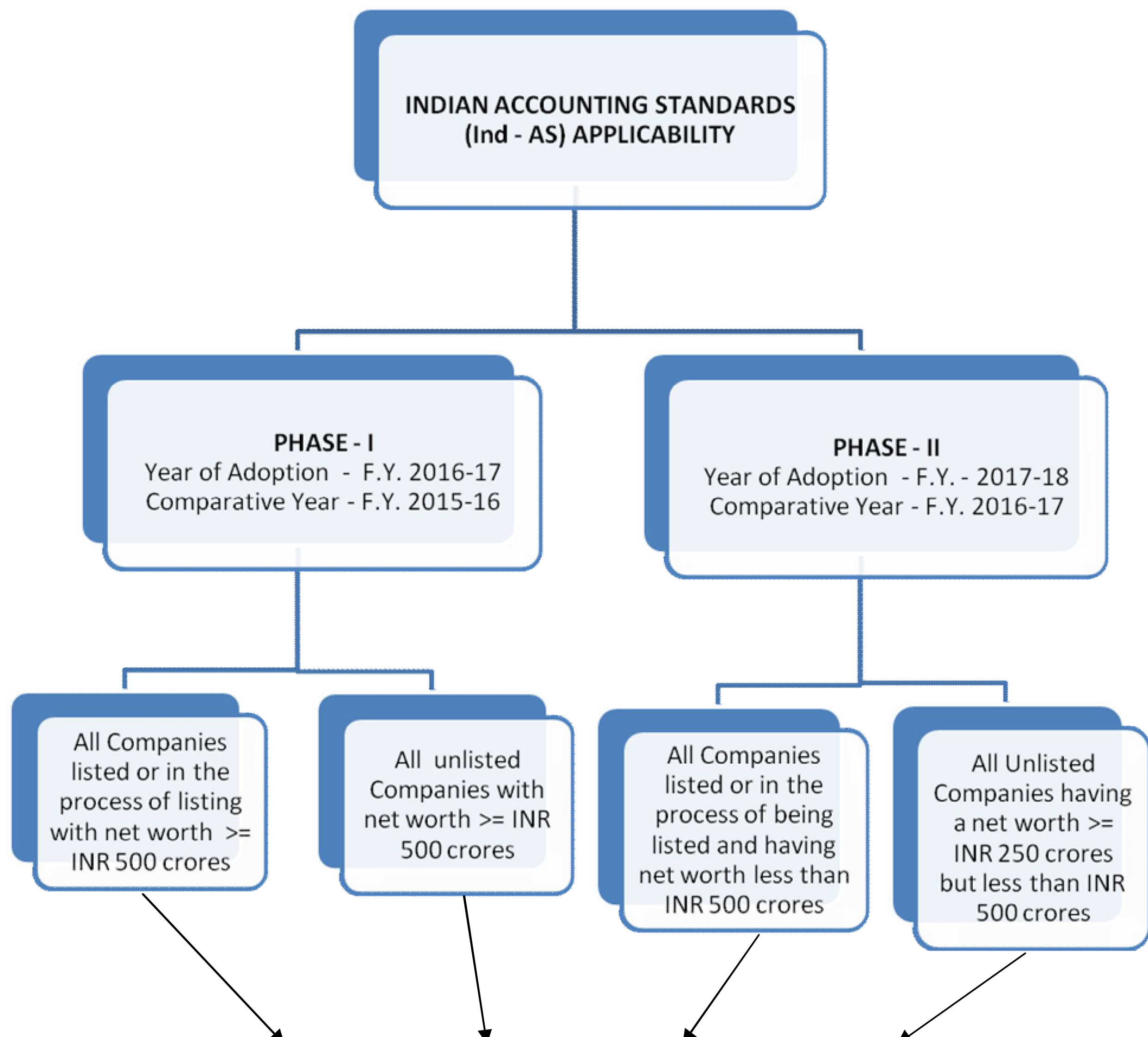
It is a very welcome relief to the investors who have invested in FMPs for a period less than 36 months and were subject to capital gain tax due to the amendment in the Finance Act 2014. They will now have the option to roll-over to the similar scheme and continue the advantage of Long Term Capital Gain.

Compiled by: CA Malay Damania, Partner

Roadmap to Convergence process to Indian Accounting Standard (Ind AS)

APPLICABILITY

The Ministry of Corporate Affairs (MCA) has issued a notification dated 16 February 2015 announcing the Companies (Indian Accounting Standards) Rules, 2015 which lay down a roadmap for implementation of Ind AS converged with IFRS.



Applicable to holding, subsidiaries, joint ventures, or associates of companies covered in above phases. The rules do not mention the net worth criteria for holding, subsidiary, joint venture or associate companies of above Companies. So, it appears that even smaller companies in this category will be covered under this phase.

Voluntary Adoption (For accounting periods beginning on or after 1 April 2015)

The rules explicitly state that any company may voluntarily adopt Ind AS.

However, once a company opts to follow Ind AS, it shall be required to follow it for all subsequent financial statements even if any of the criteria specified in this rule does not apply subsequently.

Such Companies shall not be required to prepare another set of financial statements in accordance with Accounting Standards specified under Companies (Accounting Standards) Rules, 2006

Companies not covered in above rules

1) Companies whose securities are listed or in the process of listing on the Small and Medium Enterprises (SME) exchange.
2) The insurance company, banking company and Non Banking Financial Company.

Other Significant Points:

a. Net worth for implementation of Ind AS should be calculated based on the stand-alone financial statements of the company as on 31 March 2014 or the first audited financial statements for accounting period which end after 31st March 2014;

b. "Net worth" shall have the meaning assigned to it in clause (57) of section 2 of the Act and does not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

c. The IND AS would apply to both Standalone financial Statement and Consolidated financial Statement.

d. Indian Company -

i) Which is a subsidiary, associates, Joint Ventures and Other similar entities of a foreign company: or

ii) Which is a subsidiary, associates, Joint Ventures and Other Similar Entities of a

foreign company

Shall be required to prepare its financial statement including Consolidated financial statement in accordance with Ind AS either voluntarily or mandatorily if it meets the criteria.

e. Companies not covered by the rules shall continue to apply the existing accounting standards prescribed in the Annexure to the Companies (Accounting Standards) Rules, 2006.

f. Words and expressions used in the Rules but not defined in the Rules would have the same meaning as assigned in the Companies Act, 2013.

Compiled by: CA Vikram Kumar

Consolidated Financial Statements under Companies Act, 2013

Overview of Significant Changes:

Erstwhile only clause 32 of the listing agreement mandated listed companies to publish Consolidated Financial Statements. Neither the Companies Act, 1956 nor AS 21 required other companies to prepare Consolidated Financial Statements.

With insertion of Section 129(3) in the Companies Act 2013 ("Act"), all companies including unlisted and private companies with one or more subsidiaries will in addition to separate financial statements now have to prepare Consolidated Financial Statements ("CFS"):

The Act also provides that;

- Such CFS shall be prepared in the same form and manner as that of the parent company.
- Such CFS shall be laid before the annual general meeting of the Company along with the laying of its financial statement.
- Company should also attach along with its financial statement, a separate statement containing the salient features of the financial statement of its subsidiary or subsidiaries in Form AOC-1.
- The requirements of the Act relating to the preparation, adoption and audit of the financial statements of a parent company will, mutatis mutandis apply to CFS.

*As per an explanation to section 129(3) of the 2013 Act, the word **"subsidiary"** shall **include associate company and joint venture.***

Principles & Manner of preparing CFS:

Rule 6 of Companies (Accounts) Rule, 2014 ("Accounts Rule") deals with the manner of consolidation and provides that the CFS of the company shall be made in accordance with the provisions of **Schedule III of the Act** and **the applicable accounting standards.**

Proviso to Rule 6 reads as under;
Provided that in case of a company covered under sub-section (3) of section 129 which is not required to prepare consolidated financial statements under the Accounting Standards, it shall be sufficient if the company complies with provisions on consolidated financial statements provided in Schedule III of the Act.

Schedule III requirements:

Schedule III of the Act, which lays down the format for preparation of financial statements, contains the following general instructions for preparation of CFS:

✓ Where a company is required to prepare CFS, it shall mutatis mutandis follow the requirements of this Schedule as applicable to a company in the preparation of balance sheet and statement of profit and loss.

✓ In addition, the CFS shall disclose the following as additional information.

✦ In respect of each subsidiary, associate or joint venture,

- % of net assets as % of consolidated net assets
- % share in profit & loss as % of consolidated profit or loss.

The above disclosure shall be given separately for Indian and Foreign subsidiary, associates and joint venture.

- For minority interest in all subsidiaries, % of net assets and % share in profit or loss as % consolidated net assets and consolidated profit or loss

✓ All subsidiaries, associates and joint ventures (whether Indian or foreign) will be covered under CFS provisions.

✓ Company shall disclose the list of subsidiaries or associates or joint ventures which have not been consolidated in the CFS along with the reasons of not consolidating.

Relevant Accounting Standards dealing with CFS:

The relevant Accounting Standard that deals with the guidance on preparation of CFS is Accounting Standard (AS) 21, 'Consolidated Financial Statements'. In addition, AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS 27, 'Financial Reporting of Interests in Joint Ventures' deal with accounting for investments in associates and joint ventures, respectively, in the CFS.

Identification of subsidiary for consolidation:

The definition of subsidiary and associate as per the Act is different and much wider than the definition under the AS 21. The combined reading of AS 21 with AS 23 clearly suggests that potential equity shares of the investee are not considered for determining voting

power. Further control as per AS 21 is based on voting power as against total share capital ownership under the Act. Hence there is anomaly in law as to which definition one should consider for identification of subsidiary.

One school of thought argues that Accounts Rule requires that CFS shall be made in accordance with applicable accounting standard. Hence for identification of Subsidiary for the purpose of CFS, definition given in As 21 is relevant.

Some others argue that it is well settled proposition that where there is conflict between the requirements of the statute and accounting standard, law will prevail. Further Accounts Rule requires the use of AS 21 for preparation of CFS and not for identification of subsidiary for inclusion in CFS. Hence for identification of subsidiary, definition of Act shall prevail.

To address this issue, MCA/ ICAI shall come out with guidance/ clarification. Unless such guidance is issued, in our view, identification of subsidiary for consolidation purpose shall be made based on economic substance rather than mere legal form. Accordingly for identification of subsidiary for consolidation purpose, definition as per AS 21 shall be used and for other regulatory matters, definition as per Act shall be used.

Applicability:

Preparation of CFS by Company having subsidiary but not requiring to prepare CFS as per AS 21

There can be two possible arguments for this.

One may argue that AS 21 does not mandate the company to present CFS rather it deals with manner of preparation and presentation of CFS. Further neither AS 21 nor schedule III mandates preparation of CFS. Proviso to Rule 6 provides for an exception from preparation of CFS to companies having subsidiaries but not required to prepare CFS under applicable accounting standard and requires such companies to present statement containing information such as share in profit/ loss and net asset of each of subsidiary, associate and joint venture as the case may be as additional information in Annual report. As per this view Accounts Rule would have the effect of overriding the provisions of the Act.

Others may argue that the Act, in terms of Section 129(3), establishes the requirement for preparation of CFS and Accounts Rule or Accounting standard cannot have the overriding effect. It is argued that Accounts Rule refer to AS 21 for requirement concerning preparation of CFS which in turn refer to governing law which happens to be the Act. According to this view proviso to Rule 6 deals with specific exemption in AS 21 from consolidating certain subsidiaries which operate under severe long term restriction or are acquired or held exclusively for subsequent disposal in near future.

To address this issue, to mitigate the counter arguments and put an end to pro long litigation, MCA/ ICAI should come up with proper guidance or clarification.

Till the time any such guidance/ clarification is announced and keeping in mind the general rule of interpretation and widely accepted legal proposition that rules are made for proper administration of law and are of clarificatory nature, we may conclude that Rule cannot over ride the Act and hence all companies having one or more subsidiary shall prepare CFS.

Preparation of CFS by Intermediate subsidiary

MCA has vide recent amendment to Companies (Accounts) Rules, 2014, provided that preparation of CFS shall not be required by an intermediate wholly-owned subsidiary, other than a wholly-owned subsidiary whose immediate parent is a company incorporated outside India.

Hence inter mediate wholly owned subsidiaries whose immediate parent is Indian company need not prepare CFS. However all intermediate wholly owned subsidiary with immediate foreign holding company is required to prepare CFS.

Preparation of CFS by company having foreign subsidiary.

MCA vide recent amendment to Companies (Accounts) Rules, 2014, provided that the requirements in respect of CFS shall not apply to *a company having subsidiary or subsidiaries incorporated outside India. However such relaxation is available only for the financial year commencing on or after 1 April 2014.*

This means from financial year 2015-16 onwards, all companies with foreign subsidiary needs to prepare CFS.

Preparation of CFS by Company having associate or joint venture and no subsidiary.

As per explanation to section 129(3), term subsidiary includes Associates and Joint Venture. Does this mean that a company will be required to prepare CFS even if doesn't have any subsidiary but has an associate or joint venture? The plain reading of explanation to section 129(3) requires associates or joint ventures to be treated at par with subsidiaries for determining whether CFS needs to be prepared or not. Further the requirement of CFS is mandated by the Act and Accounts Rules are relevant only for the manner of consolidating companies identified as subsidiaries, associates and joint ventures.

MCA has vide recent amendment to Companies (Accounts) Rules, 2014, provided that preparation of CFS shall not be required by company which does not have a subsidiary or subsidiaries but has one or more associate companies or joint ventures or both for the financial year 2014-15.

Hence from financial year 2015-16 onwards, every company having associate or joint venture shall prepare CFS even though they don't have subsidiary.

The above amendment to Accounts Rule is expected to put an end to many controversies including relating to preparation of CFS by company which is not required to prepare CFS as per AS 21.

Preparation of Abridge CFS.

The Act allows listed companies to circulate Abridge Financial Statement (AFS). The Accounts Rule provides for format (Form AOC-3) for presentation of AFS. However the Accounts Rules also provides that where a company is required to prepare CFS, it shall mutatis mutandis follow the requirements of Schedule III as applicable to a company in the preparation of balance sheet and statement of profit and loss. Further the CFS shall disclose the information as required by accounting standard including those specified in general instructions for the preparation of CFS.

From above we can conclude that AFS is allowed only in case of separate financial statements and preparation and issue of abridge CFS is not permitted under the Act.

Mandatory preparation of CFS under Indian GAPP:

Presently as per listing agreement, companies preparing CFS in compliance with IFRS as issued by International Accounting Standard Board ("IASB") are not required to prepare CFS as per Indian GAPP. The Accounts Rule which deals with manner of consolidation clearly suggest that preparation of CFS shall be in accordance with provisions of schedule III of the Act & applicable accounting standards.

Looking at above legal provisions, all companies are now mandatorily required for preparing CFS as per Indian GAPP. However they may prepare CFS as per IFRS also as additional information.

Compiled by: CA Prashant Mehta

Explanatory notes on Section 185 and 186 of the Companies Act, 2013

A. Section 185: Loan to Directors etc and corresponding rules in Chapter XII : Companies (Meetings of Board and Its powers) Rules, 2014:

In accordance with section 185 of the 2013 Act, a company cannot, directly or indirectly, give any loan, including loan represented by a book debt, to any of its directors or to any other person in whom the director is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person.

The 2013 Act explains the expression 'any other person in whom director is interested' to include "a body corporate, the board of directors, managing director or manager, whereof is accustomed to act in accordance with the directions or instructions of the board, or of any director or directors, of the lending company."

Apparently, this explanation may cover subsidiary companies. Hence, one interpretation was that a holding company cannot give any loan to/guarantee/ security on behalf of its subsidiary. This view, along with the fact that section 185 is applicable from 12 September 2013, has created significant hardship for many companies. This was particularly for the reason that in many cases, a subsidiary may not be able to raise finance without support of its holding company.

To address this issue, the Rules provide the following exemptions. These exemptions are subject to a condition that loans should be utilized by the subsidiary company for its principle business activities.

- Any loan made by a holding company to its wholly owned subsidiary company or any guarantee given or security provided by a holding company in respect of any loan made to its wholly owned subsidiary company is exempted from the requirements under 185.
- Any guarantee given or security provided by a holding company in respect of loan made by any bank or financial institution to its subsidiary company (includes subsidiaries that are not wholly owned) is exempted from the requirements under this section.

In other words, there seems to be prohibition only with respect to giving of loans to a subsidiary that is not a wholly owned subsidiary. It is understandable that most companies

will take the position stated in the Rules, though the concern whether the rules can override the 2013 Act remains.

B. Loan and Investment by the Company:

Section 186 of the 2013 Act requires that a company will not

(i) give loan to any person/other body corporate,
(ii) give guarantee or provide security in connection with a loan to any person/other body corporate, and
(iii) acquire securities of any other body corporate, exceeding the higher of:

- 60% of its paid-up share capital, free reserves and securities premium, or
- 100% of its free reserves and securities premium.

The 2013 Act states that for providing loan/giving guarantee/ security or acquiring security exceeding the above limit, a company will need to take prior approval by means of a special resolution passed at the general meeting.

Unlike the 1956 Act, the 2013 Act does not contain any exemption for loan made/guarantee given/security provided by a holding company to its wholly owned subsidiary companies. Consequently, it was required that a company will include the amount of loan/guarantee/security to its wholly owned subsidiary as well in the 60%/100% limit. This was likely to create hardship for many subsidiary companies, which are significantly dependent on their parent for financing. Also, in many cases, loans given, guarantee and security provided by the parent may have immediately breached the 60% or 100% limit.

To address the above challenge, the Rules provide that where a loan or guarantee is given or where a security has been provided by a company to its wholly owned subsidiary company or a joint venture company, or acquisition is made by a holding company of the securities of its wholly owned subsidiary company, the requirement concerning special resolution at the general meeting will not apply. However, the company will disclose the details of such loans or guarantee or security or acquisition in the financial statements.

From a reading of the Rules concerning section 185 and186, the following position emerges:

- A parent company can give loan to/ provide security or guarantee on behalf of its wholly owned subsidiary company or acquire securities of wholly owned subsidiaries. These loans/guarantees/security will not be included to determine whether the company has breached the 60%/100% limit. This effectively brings the position at par with what was prevalent under the 1956 Act.

- A parent company can provide security or guarantee in respect of loan made by any bank or financial institution to its subsidiary company which is not wholly owned subsidiary company. However, it cannot give any loan to such subsidiary company. These guarantees/security will be included in determining whether the company has breached the 60% or 100% limit.

- Loan given to, security/guarantee provided on behalf of the joint venture company will not be included in determining whether the company has breached the 60% or 100% limit.
- In the Rules, there is no relaxation/exemption on the requirement concerning charging of interest on loans. Hence, it appears that a company may need to charge interest at the specified rate on all its loans, including loans given to wholly owned subsidiaries and joint ventures. In accordance with the 2013 Act, rate of interest cannot be less than prevailing yield on one year, three year, five year or ten year Government Security closest to the tenor of the loan.

These changes in the rules help resolving many practical challenges that were likely to arise. However, an unresolved issue is that a company can no longer give interest free loan to its wholly owned subsidiary. This is likely to create significant hardship for many groups. Also, the concern regarding rules overriding the law remains.

Omnibus resolution

One of the paragraphs in the Rules states that special resolution passed at a general meeting to give any loan or guarantee or investment or provide any security will specify the total amount up to which the board of directors is authorized to give such loan or guarantee, to provide security or acquire investments. This suggests that omnibus resolution will be permitted.

Investment in mutual funds

Section 186 of the 2013 Act deals with all loans and investments made by a company, including loans etc. to a person. Hence, there is a concern whether investments in mutual funds will also be included in the 60%/100% limit. Under the 1956 Act, section 372A dealt only with inter-corporate loans and investments. Hence, such investments were not included in the 60%/100% limit.

It may be noted that in section 186, sub-paragraph dealing with loans, guarantee and security refer to person as well as body corporate. However, the sub-paragraph dealing with investment covers only acquisition of securities of a body corporate. This seems to suggest that section 186 does not apply to investments in mutual funds and they will not be included in the 60%/100% limit.

Foreign currency loans

Under the 2013 Act, the rate of interest cannot be less than prevailing yield on one year, three year, five year or ten year Government Security closest to the tenor of the loan. This is likely to result in an apparent issue in case of foreign currency loans

Loan between fellow subsidiaries

As mentioned earlier, there appears to be a prohibition on the parent company giving loans to its subsidiary that is not a wholly owned subsidiary. This raises an interesting issue whether a company can give loan to its fellow subsidiary (FS). In this case, we need to examine the following situation:

- Whether FS (1) has given loan to FS (2) on any business and commercial reasons as an independent decision or
- Said loan was extended by virtue of relationship with parent entity.

Firstly we should not generalise to apply all the restrictions applicable to parent entity to subsidiary entities. But at the same time, section 185 of the 2013 Act prohibits provision of both direct and indirect loans.

Hence if both the FS can substantiate that the loan transaction happened between both the entities are their independent decision and not driven by the parent company and in addition to that board minutes taking note of said advancement of loan support the fact then in our opinion there would be no contravention of section 185 of the Act. But the authority may take adverse view also and say that in substance, the said loan transaction between FS contravenes the 2013 Act.

C. Transitional requirements

One paragraph in the Rules state that where the aggregate of the loans and investment so far made, guarantee and security so far provided, along-with the investment,loan, guarantee or security proposed to be made, exceed the limits prescribed, then no investment or loan will be madeor guarantee will be given or security will be provided unless previously authorized by special resolution passed at the general meeting.

An explanation to the above paragraph of the Rules clarifies that it would be sufficient compliance if such special resolution is passed within one year from the date of notification of this section.

The main paragraph in the Rules and explanation thereto are drafted in a confusing manner. A collective reading of the two indicates that for loans existing at the enactment date, i.e.1 April 2014, and new loans granted during the first year, a company can pass special

resolution by 31 March 2015 if the60%/100% limit is breached. In other words, a company is not required to take prior-approval by special resolution for making loans or investment or providing security/guarantee during the first year in excess of the limit. In such cases, resolution may be passed by 31 March 2015.

It is understandable that many companies may prefer taking this view. However, like many other instances, there is a concern that the Rules may be overriding the 2013 Act since the 2013 Act requires prior approval by special resolution.

Compiled by: CA Bharat Jain, Partner

DIRECTOR'S REPORT UNDER THE COMPANIES ACT, 2013

The Board of Director's report (or the Director's report) is a part of the annual report of a company. The Directors' report may include any matter which the board feels it important to be included in the report as such. However there are certain minimum disclosures required by the Companies Act, 2013 (hereinafter referred to as Companies Act) which are the bare minimum requirements that needs to be compulsorily reported/disclosed by the Board in the Director's report.

In the old Companies Act, 1956, Section 217 contained the contents/information which was required to be mandatorily disclosed by the Board in its report. However with the Companies Act, 2013 apart from Section 134(3), 134(5) and the Rule 8 of the Companies (Accounts) Rules, 2014 which deals exclusively with Board's report, there are many other Sections which require disclosure of certain matters to be disclosed mandatorily in the Board's report.

In this Article, we shall first examine the disclosures required by the Board under Section 134(3), 134(5) and Rule 8 of the Companies (Accounts) Rules, 2014 and then subsequently deal with other provisions of the Act which matters to be disclosed in the Director's Report.

I. Matters required to be disclosed in the Board's Report under Section 134(3), 134(5) and Rule 8 of the Companies (Accounts) Rules, 2014:

1. The extract of annual return in Form No. MGT – 9.
2. Number of meetings of the Board.
3. Directors responsibility statement which shall include the following:
   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.*
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.

4. A statement on declaration given by independent directors that he meets the criteria of independence as provided in section 149(6).
5. Company's policy on directors' appointment and criteria for determining qualifications, positive attributes, independence of a director and policy relating to remuneration for the directors, key managerial personnel and other employees. This is applicable only in case of a listed company and certain public companies having a prescribed net worth/paid up capital criteria.
6. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report and by the company secretary in his secretarial audit report.
7. Particulars of loans, guarantees or investments made u/s 186.
8. Particulars of contracts or arrangements with related parties referred to in Section 188 (1) in Form No. AOC-2.
9. The state of affairs of the company.
10. Any amounts which the company proposes to carry to any reserves.
11. Any amounts which the board recommends to be paid as dividend.

12. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the F.Y. of the company and the date of the report.
13. The conservations of energy, technology absorption, foreign exchange earnings and outgo, during the year in terms of actual outflows.
14. A statement indicating development and implementation of a risk management policy for the company including identification of elements of risk, if any which in the opinion of the Board may threaten the existence of the company.
15. The details about the policy developed and implemented by the company on corporate social responsibility (CSR) initiatives taken during the year.
16. In case of a listed company and unlisted public companies having paid up share capital Rs 25 crores or more at the end of the preceding F.Y. shall include a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and the performance of its committees and individual directors.
17. The report of the Board shall also contain the following:
    - ✓ Financial summary or highlights.
    - ✓ Change in the nature of business, if any.
    - ✓ Details of directors or Key Managerial Personnel (KMP) who were appointed or have resigned during the year.
    - ✓ Names of companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year.
    - ✓ Following information relating to deposits:
        - Accepted during the year.
        - Remained unpaid or unclaimed as at the end of the year.
        - 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.

- ✓ Details of deposits which are not in compliance with the requirements of Chapter V of the Act.
- ✓ 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.
- ✓ Details in respect of adequacy of internal financial controls with reference to the Financial Statements (FS).

18. In case where a company presents consolidated financial statements (CFS), the Board's Report shall be prepared on the standalone financial statements of the company and the report shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the CFS is presented.

II. Matters required to be disclosed in the Board's Report under other provisions of the Companies (Accounts) Rules, 2014:

Following are the matters required to be disclosed under other provisions of the Act and are in addition to the disclosures enlisted in Point No. I above:

1. The disclosers in the Board Report shall be required in case of the voting rights not exercised directly by the employees in respect of shares to which the scheme relates as mentioned in Section 67 of the Act.

   If the company or its officer do not disclose the matter in the Board Report, then the company and every officer in default shall be penalized a sum not less than Rs. 1 lacs but which may be extended up to Rs 25 lacs. The officer in default may also be imprisoned for a term which may extend to three years in addition to penal consequences.
2. In case of revision of FS or the Board's report by the Board of Directors u/s 131 of the Act, the detailed reasons for revision of such FS or report shall be disclosed in the relevant F.Y. in which such revision is being made.
3. The composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed along with reasons therefore.

4. The details of establishment of vigil mechanism specified in Section 177(9) of the Act shall be disclosed.
5. A secretarial audit report, given by a company secretary (CS) in practice shall be annexed with the Board's report.
6. Composition of the CSR committee.
7. Policy formulated by the Nomination and Remuneration Committee shall be disclosed.
8. Every listed company shall disclose the following:
   - ✓ ratio of the remuneration of each director to the median employee's remuneration for the F.Y.
   - ✓ the percentage increase in remuneration of each director, CFO, CEO, CS or manager, if any, in the F.Y.
   - ✓ the percentage increase in the median remuneration of employees in the F.Y.
   - ✓ the number of permanent employees on the payroll of the company.
   - ✓ The explanation on the relationship between average increase in remuneration and company performance.
   - ✓ Comparison of the remuneration of the KMP against the performance of the company.
   - ✓ Variations in the market capitalization of the company, PE ratio as at the closing date of the current F.Y. and previous F.Y. and percentage increase over decrease in the market quotations of the shares of the company etc...
   - ✓ Average percentile increase in the salaries of the employees other that the managerial personnel in the last F.Y. and its comparison with the percentile increase in the managerial remuneration and justification thereof etc..
   - ✓ Comparison of remuneration of each of the KMP against the performance of the company.
   - ✓ The key parameters of any variable component of remuneration availed by the directors.
   - ✓ The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year and
   - ✓ Affirmation that the remuneration is as per the remuneration policy of the company.

9. The Board's report shall include a statement showing the name of every employee of the company who was in receipt of remuneration exceeding Rs 60 lacs p.a. or Rs 5 lacs p.m.

III. Signature:

The Board's report shall be signed by the chairperson the company if he is authorized by the Board and where he is not so authorized, shall be signed by at least 2 directors, one of whom shall be a managing director or by the director where there is one director.

IV. Penalty:

In case of company makes default, it shall be penalized not less than Rs. 50,000 but which may be extended up to Rs. 25 lacs. In case of default made by the officer, he shall be penalized by way of imprisonment for a term of three years or with fine not less than Rs. 50,000 but which may be extended up to Rs.5 lacs or both.

Compiled by: CA Chandra Shekhar Sah

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