

**Compliance Check list for Directors Report under section 226- 227 of the Companies Act 2017**

Section. No.	Directors' Report	Yes Complied Para No	Remarks
	<b>Duty to prepare directors' report and statement of compliance</b>		
226	<p>(1) The board shall prepare a directors' report for each financial year of the company: Provided that nothing in this sub-section shall apply to a private company, not being a subsidiary of public company, having the paid up capital not exceeding three million rupees.</p> <p>(2) The Commission may by general or special order, direct such class or classes of companies to prepare a statement of compliance.</p> <p>(3) The board of a holding company, required to prepare consolidated financial statements under section 228, shall in its report to the members as provided in section 227, include information on matters specified in sub-section (2) of section 227 with respect to the consolidated financial statements.</p> <p>(4) The directors in their report shall give greater emphasis to the matters that are significant to the undertakings included in the consolidation.</p> <p>(5) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard sc</p>		
227	<b>Contents of directors' report and statement of</b>		
1	The directors shall make out and attach to the financial statements, a report with respect to the state of the company's affairs and a fair review of its business, the amount (if any), that the directors recommend should be paid by way of dividend and the amount (if any), they propose to carry to the Reserve Fund, General Reserve or Reserve Account.		

2	<p>In the case of a <b>public company or a private company</b> which is a subsidiary of a public company, the directors report, in addition to the matters specified in sub-section (1) must state-</p> <p>(a) the names of the persons who, at any time during the financial year, were directors of the company;</p> <p>(b) the principal activities and the development and performance of the company's business during the financial year;</p> <p>(c) a description of the principal risks and uncertainties facing the company;</p> <p>(d) any changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries, or any other company in which the company has interest,;</p> <p>(e) the information and explanation in regard to any contents of modification in the auditor's report;</p> <p>(f) information about the pattern of holding of the shares in the form specified;</p> <p>(g) the name and country of origin of the holding company, if such company is a foreign company;</p> <p>(h) the earning per share;</p> <p>(i) the reasons for loss if incurred during the year and future prospects of profit, if any;</p> <p>(j) information about defaults in payment of any debts and reasons thereof;</p> <p>(k) comments in respect of adequacy internal financial controls;</p> <p>(l) any material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statement relates and the date of the report; and</p> <p>(m) any other information as may be specified.</p>		
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3	<p>In the case of a <b>listed company</b>, the business review must, to the extent necessary for understanding the development, performance or position of the company's business, include:</p> <p>(a) the main trends and factors likely to affect the future development, performance and position of the company's business;</p> <p>(b) the impact of the company's business on the environment;</p> <p>(c) the activities undertaken by the company with regard to corporate social responsibility during the year; and</p> <p>(d) directors' responsibility in respect of adequacy of internal financial controls as may be specified.</p>		
4	The board shall make out and attach to the financial statement such statement of compliance as may be specified.		
5	The directors' report and statement of compliance must be approved by the board and signed by the chief executive and a director of the company.		
6	<p>Whoever contravenes any of the provisions of this section shall-</p> <p>(a) in respect of a listed company, be punishable with imprisonment for a term which may extend to two years and with fine may extend to five hundred thousand rupees and with a further fine which may extend to ten thousand rupees for every day after the first during which the default continues; and</p> <p>(b) in respect of any other company, be punishable with imprisonment for a term which may extend to one year and with fine which may extend to one hundred thousand rupees.</p>		