

INTERNAL FINANCIAL CONTROL POLICY OF
INDIA LEASE DEVELOPMENT LIMITED (REVISED)

The Board of Directors of **INDIA LEASE DEVELOPMENT LIMITED** in its Board Meeting held on November 13, 2019 has adopted the revised policy on Internal Financial Control Policy.

Internal Financial Control Policy besides meeting the requirements of Section 134 (5) (e) of the Companies Act, 2013 has been helpful in 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 timely preparation of reliable financial information.

DEFINITIONS

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. [Section 2(10) of the Companies Act, 2013]

"Books or Books of account" as per sub-section (12A) of Section 2 of Income Tax Act, 1961 means "Books or Books of account includes ledgers, day-books, cash books, account-books and other books, at presently kept in non computerized manner.

Committee of Directors 'Committee in relation to a company means collective body of Independent & Non Independent Directors.

"Financial Statement" including Standalone Financial Statement as per Companies Act, 2013 in relation to a Company means a Statement which includes -

- i) a Statement of Assets & Liabilities as at the end of the financial year;
- ii) a profit and loss account, for the financial year;
- iii) cash flow statement for the financial year;
- iv) a statement of changes in equity, if applicable; and
- v) any explanatory note annexed to, or forming part of, any document referred to in sub clause (i) to sub-clause (iv) along with Limited Review Report where applicable.

"Policy" means "Internal Financial Control Policy."

OBJECTIVES

The objectives of this policy is to identify opportunities for improvement and to draw up recommendations & good practices that can be used as a benchmark to develop or strengthen the internal control systems and enhance the reliability of the financial statements and also

- To mitigate risks and provide reasonable assurance so that there is an efficiency & effectiveness in operations,



- To ensure that financial reporting gives accuracy and completeness of accounting records,
- To ensure company's resources are used prudently and in an efficient, effective and economical manner,
- Resources of the company are adequately managed through effective internal controls,
- A framework for an effective internal control system which conveys to senior staff that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the company and to all employees that they are responsible for adhering to those internal controls,
- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of company's objectives through operational efficiency.

ELEMENTS OF INTERNAL CONTROL FRAMEWORK

The essential elements of an effective internal financial control framework are:

- Type of business;
- Delegations of Authority;
- Policies and its implementation;
- Qualified & semi qualified staff;
- Information Technology controls;
- Review the internal audit report & steps taken to rectify the discrepancies
- Liaison with auditors;

KEY NOTES ON INTERNAL CONTROL POLICY:

Internal Controls include reviews of the following areas:-

- Responsibility cast on senior management for establishment of overall policies and active oversight of parameters and controls:-
- In assessing functioning of various compliances, the Internal Auditor has to ensure that independent assessments are made fully covering functioning of various compliances under various statues and Rules & Regulations framed there under, adequate systems and procedures are at place for physical verification of stocks, fixed assets and other assets, proper books of accounts, vouchers along with supports and other documents are maintained, confirmation of balances from debtors, creditors and other parties are obtained periodically /at year end and proper systems and procedures are at place for internal control at various departments.
- Duties of the staff to be segregated.

For Effective Financial Control, The Board Of Directors And Senior Management Shall ensure there is:-

- Physical verification of all Fixed Assets & investment at reasonable intervals.
- Adequate Internal Control procedure for revenue & capital expenditure.



- All undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Income Tax, Service Tax/GST, Rates and Taxes and other statutory dues are paid within the prescribed time.
- Funds availed on short term basis are not used for long term investment.
- The funds raised are utilized for the purpose as requested.
- The Company shall comply with all applicable Statutory Laws, Rules and Regulations.

ACCOUNTING POLICIES

The Financial Statement will be prepared in accordance with IND-AS notified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standard) Rules, 2015.

The Company's Accounting policies will be accordingly changed which is suited in compliance of IND-AS:-

- Valuation of investments
- Treatment of retirement benefits
- Valuation of fixed assets
- Treatment of contingent liabilities

All the above will be suitably explained by the Auditors indicating therein the compliance of IND-AS.

STATEMENT OF ASSETS & LIABILITIES

The Statement of Assets & Liabilities and Statement of Profit and Loss of the Company shall be in accordance with Schedule III of Companies Act, 2013 read with IND-AS.

REGULATORY FRAMEWORK/REQUIREMENTS

Internal Control Policy is framed as per the SEBI (LODR) Regulations, 2015 & the following regulatory requirements includes:

- Material Disclosure and Transparency
- To ensure timely and accurate disclosure on all material matters.
- Information to be prepared and disclosed in accordance with the prescribed standard of accounting, financial and non- financial disclosure.

Responsibilities of Board

Key Functions of Board:

- Reviewing and guiding corporate strategy, annual budgets, monitoring implementation and corporate performance; and overseeing major capital expenditure.
- Ensuring the integrity of the Company's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, financial and operational control, and compliance with Law and relevant standards.



Role of Audit Committee

Broad Terms of Reference of the Audit Committee

1. To oversee the company's financial reporting process and to ensure that the disclosure of its financial statements are sufficient and credible & oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
2. Recommending the appointment of statutory auditors, fixation of audit fee and approval for payment. Discussions with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post audit discussions to ascertain any area of concern.
3. Reviewing with the management, the quarterly, half yearly and annual financial statements before submission to the Board for approval, with particular reference to:-
 - A. (a) Matter required to be included in the Director's Responsibility Statement & to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 1913.
 - (b) Changes, if any, in accounting policies and practices and reasons for the same.
 - (c) Major accounting entries involving estimates based on the exercise of judgment by the management, significant adjustments made in the financial statements arising out of audit findings.
 - (d) Compliance with listing and other legal requirements relating to financial Statements.
 - (e) Disclosure of any related party transactions.
- B. Whether the audit tests are appropriate and scientifically carried out.
- C. Modified opinion(s) in the draft Audit Report
4. Compliance with listing and other legal requirements relating to financial statements.
5. Qualifications in the draft audit report,
6. Scrutiny of inter-corporate loans and investments.
7. Ensuring compliance with regulatory guidelines.
8. Reviewing with the management the adequacy of Internal Control Systems and ensuring suitable follow up action, where required.
9. To fix record date/book closure of share transfer books of the company from time to time.
10. To evaluate the internal financial control and risk management policies/system of the company.



11. To review whistle blower mechanism of the company as per Whistle Blower Policy.
12. To review and scrutinize the loans, investments and guarantees.
13. To recommend to the Board the appointment, remuneration and terms of appointment of Internal Auditor and also review the Internal Audit Report.
14. To approve the appointment of Chief Financial Officer after assessing the qualifications, experience and background.
15. Any other matter referred to by the Board of Directors.

The Audit Committee also mandatorily reviews the following information:

- i. Management discussion and analysis of financial condition and results of operations;
- ii. Statement of significant related party transaction submitted by management.
- iii. Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
- iv. Internal audit reports relating to internal control weaknesses; and
- v. The appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the audit committee.
- vi. Statement of deviations:

The Audit Committee may call for the comments of the auditors about internal control, scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.

RISK MANAGEMENT

Broad Terms of reference of the Risk Management Committee

- i. The Company through its Board of Directors constitutes a Risk Management Committee. The Board shall define the role and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the Risk Management Plan to the Committee and such other functions as it may deem fit.
- ii. The Company shall lay down procedures to inform the Board Members about the Risk Management and minimization procedures.
- iii. To oversee the responsibility with regard to the identification,
- iv. Evaluation and mitigation of operational strategic and external environment risk.
- v. The Committee shall be responsible for reviewing and approving the risk disclosure statement in any public documents/disclosure.
- vi. It will coordinate its activities with the Audit Committee in instances where there is any overlap with the audit activities.



RELATED PARTY TRANSACTIONS

All Related Party Transactions shall require prior approval of Audit Committee. However Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to following conditions:-

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy of Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in interest in the company.
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/ current contracted price and (iii) such other conditions as the Audit Committee may deem fit:

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPT entered into by the Company pursuant to each of the omnibus approval given.
- e. Such omnibus shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

DISCLOSURES

A. Related Party Transactions

Details of all Material transactions with related parties shall be disclosed quarterly along with the Compliance Report on Corporate Governance.

- B. The Company shall disclose the policy on dealing with Related Party Transaction on its Website

C. 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 in the Corporate Governance Report.

Provision of the Section 128, 129 & 134 of Companies Act, 2013 which, inter alia, states that the company shall prepare and keep at its Registered Office books of account and other relevant books and papers and financial statement for every financial year and such books shall be kept on accrual basis and according to the double entry system of accounting provided that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place :



Provided further that the company may keep such books of account or other relevant papers in electronic mode in such manner as may be prescribed.

The financial statements of the Company shall give a true and fair view of the state of affairs of the Company and shall comply with the accounting standards as notified under section 133 and shall be in the form as may be provided in Schedule III]

- (1) Without Prejudice to sub-section (1) where the financial statements of the Company do not comply with the accounting standards referred to in sub-section (7), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation. The standalone financial statement, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorised by the Board or by two directors out of which one shall be Managing Director and the Chief Executive Officer, if he is a Director in the company, the Chief Financial Officer and the Company Secretary of the company, wherever they are appointed, for submission to the auditor for his report thereon.
- (2) The auditors' report shall be attached to every financial statement.
- (3) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include:-
 - (a) the extract of the annual return as provided under sub-section (3) of Section 92;
 - (b) number of meetings of the Board;
 - (c) Directors' Responsibility Statement;
 - (d) a statement on declaration given by independent directors under sub-section (6) of section 149;
 - (e) in case of a company covered Section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under shall be as per sub-section (3) of section 178;
 - (f) Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made
 - i. by the auditor in his report; and
 - ii. by the company secretary in practice in his secretarial audit report;
 - (g) particulars of loans, guarantees or investments under section 186;
 - (h) particulars of contracts or arrangements with related parties referred to in sub section (1) of section 188 in the prescribed form;
 - (i) the state of the company's affairs;
 - (j) the amounts, if any, which it proposes to carry to any reserves;
 - (k) the amount, if any, which it recommends should be paid by way of dividend;
 - (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;



- (m) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;
 - (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;
 - (o) the details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;
 - (p) A statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors;
 - (q) such other matters as may be prescribed
4. The report of Board of Directors shall be attached to the financial statements.
5. The Directors' Responsibility Statement referred to in clause (c) of sub-section (5) shall state that:-
- a. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
 - b. 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;
 - c. 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;
 - d. The directors had prepared the annual accounts on a going concern basis; and
 - e. 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.
6. A signed copy of every financial statement, shall be issued, circulated or published along with a copy each of:-
- a. any notes annexed to or forming part of such financial statement;
 - b. the auditor's report; and
 - c. the Board's report referred to in sub-section (3).

The Board's Report shall be prepared based on the standalone financial statements of the company

