

INTERNAL FINANCIAL POLICY OF LYKA LABS LIMITED



INTRODUCTION

Section 134(5)(e) of the Companies Act, 2013, requires a Company to have Internal Financial Controls (IFC) Policy. In case of Listed Companies, the Directors' Responsibilities states that the Directors have laid down IFC to be followed by the Company and that such controls are adequate and operating effectively. The Act does not prescribe the contents of the Policy, Procedures and Practices.

As per Section 177 of the Companies Act, 2013, the Audit Committee shall review the IFC before their submission to the Board and shall also discuss any related issues with the Internal and Statutory Auditors and Management of the Company. It shall also act in accordance with the terms of reference specified in writing by the Board.

As per Section 143(3)(f) of the Companies Act, 2013, the Statutory Auditors report shall state whether the Company has adequate Internal Financial Controls system in place and the operating effectiveness of such controls.

As per Schedule IV of the Companies Act, 2013, the independent directors shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.

DEFINITIONS

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing agreement.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors 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, whether kept in written form or as print-outs of data stored in floppy, disc, tape or any other form of electromagnetic data storage device."

"Financial Statement" as per Section 2(40) of Companies Act, 2013 in relation to a Company means a Statement which includes –

- (i) a balance sheet as at the end of the financial year;
- (ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure 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



"Internal Financial Control" as per Section 134(5) (e) of Companies Act, 2013 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 safeguard of its assets, the prevention and detection of its frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information."

"Policy" means "Internal Financial Control Policy."

COMPANY'S GOVERNANCE FRAMEWORK

Internal financial controls and risk management are the key elements of this frame work.

POLICY

The Company shall have defined organisation structure, policies, procedures, records and methods of reporting that are necessary to collectively ensure that the financial and non-financial operations of the Company is conducted in an orderly and efficient manner to achieve the Company's objectives by:

- 1) Assessing and containing the risks faced by the Company to acceptable level.
- 2) Preventing and correcting irregularities.
- 3) Safeguarding assets against the loss / misuse.
- 4) Ensuring financial and other records are complete and accurately and reliably reflect the conduct of the Company.
- 5) Preventing the misuse or appropriation of resources.
- 6) Resources are acquired economically and employed efficiently, qualify business processes and continuous improvement are emphasised.
- 7) The actions of all Company officers including Directors, Key Managerial Personnel, Senior Management and Staff are in compliance with the Company's policies standard compliance and procedures and also relevant laws and regulations.

POLICY SCOPE

Internal Financial Control is basically a process which encompasses systems, policies and procedures that protect the assets of the Company, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations.

These systems are not only related to accounting and reporting but also relate to the organisation's culture, communication process both internal and external, which include, handling of funds received and expenditure incurred by the Company, preparing appropriate and timely financial report to the Board and Officers, conducting the annual audit of the Company, company's financial statements, evaluating staff and progress, maintaining inventory records and properties and their whereabouts and maintaining personal and conflict of interest policies.



KEYNOTES ON INTERNAL CONTROL POLICY

Internal Controls include reviews of the following areas:

1. Senior management, to be responsible for establishment of overall policies and active oversight of parameters and controls.

2. Internal audit, to ensure that independent assessments are made encompassing 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 of raw materials, finished goods, stores and work- in-progress, fixed assets and other assets, proper books of accounts, vouchers, 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.

3. Operational risks, including segregation of duties, checks and balances, protection of customer funds and securities, operating systems, management information systems, management reporting, front and back office operations, contingency planning and disaster recovery.

4. And finally, to ensure that new products and activities are assimilated into the risk management system in a timely and appropriate manner.

COMMUNICATION

The Company places top priority on effective communication. It has an open door policy for its employees as well as customers so that they can communicate with ease.

SAFEGUARDING OF ITS ASSETS

Safeguarding of Its Assets the Company has to safeguard its moveable and immovable assets against accidental losses, corruption, misuse or theft.

Company's assets include:

- Tangible & Intangible Assets
- Property with third parties.
- Funds, securities and negotiable instruments
- Employees

Accuracy and completeness of the accounting records

The Company needs to prepare its accounts as per the provisions of Companies Act. The Company has proper system which is capable of recording all accounting entries in a proper manner. Further Company has to maintain complete accounting records in order to finalize the same so that final accounts can be drawn as per the prevailing provisions of Companies Act and Accounting Standards.

MJ



Timely preparation of reliable financial information

Under the existing listing agreement with the stock exchange, the Company is required to publish unaudited quarterly/yearly financial results and also audited financial results at the end of the year within the time frame prescribed under the listing agreement.

The said information is also uploaded on the Company's website. In case of quarterly results, the same are published in leading newspapers.

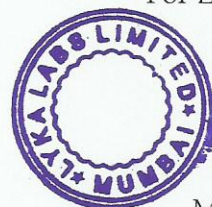
REVIEW OF POLICY

The Company also periodically reviews the policies and update them.

Date: 11th March, 2016.

Place: Mumbai

For Lyka Labs Limited



A handwritten signature in blue ink, appearing to read "N.I. Gandhi".

N.I. Gandhi
Managing Director