

MARATHON NEXTGEN REALTY LIMITED

Regd. Off.: Marathon Futurex, N. M. Joshi Marg, Lower parel, Mumbai 400 013

Tel.: 022 6158 8484 Fax: 022 6158 8410 CIN: L65990MH1978PLC020080

INTERNAL FINANCIAL CONTROLS (IFCs)

Origin & Object:

In June 2003, the Securities and Exchange Commission of USA adopted Rules for the implementation of Sarbanes-Oxley Act (SOX) that required certification of the Internal Controls over Financial Reporting(ICFR) by the management and by the Auditors.

The Public Company Accounting Oversight Board (PCAOB) has issued its Auditing Standard (AS) - 5 on “An Audit of Internal Control Over Financial Reporting that is integrated with an Audit of Financial Statements”. This standard establishes requirements and provides direction that applies when an auditor is engaged to also perform an audit of internal controls over financial reporting in addition to an audit of the financial statements

As per sub clause D-11 (Role of Audit Committee) of Clause - 49 - III (Audit Committee) of the Listing agreement, includes evaluation of internal financial controls and risk management systems. Further, sub-clause IX of Clause- 49 requires the CEO or the Managing Director or Manager in their absence, a WTD appointed in terms of Companies Act, 2013 and the CFO shall certify to the Board that they accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to the financial reporting.

The Companies Act 2013 (CA) has stated specific responsibilities on the Board of Listed Companies towards the company’s internal financial controls and interalia, requires the board to state that they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

These changes are effective from the financial years starting from April 1, 2014.

What constitutes internal financial controls?

The explanation of the term “internal financial control’ has been provided only in the context of section 134(5)(e).

- It includes policies and procedures adopted by the company for ensuring the orderly and efficient conduct of business, thereby covering not only the controls pertaining to financial statements (more commonly known Internal Controls over Financial Reporting (ICFR), but also include strategic and operational controls pervasive across the entire business.

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Responsibility on the Board and its reporting requirements:

- Sec 134(5)(e) of the CA 2013 requires the Board of Listed Companies to assume responsibility of laying down “internal financial controls” and ensuing such controls are not only adequate but are also operating effectively.
- The code of Independent Directors (IDs) provided in Schedule IV to the CA 2013 also emphasizes that the IDs have to satisfy themselves on the strength of financial controls.
- Sec 177 of the CA 2013 states the Audit committee is required to evaluate the internal financial controls and risk management systems in the company.
- Rule 8 (5) (viii) of the Companies (Accounts) Rules, 2014 requires the board report of all companies state the details in respect of adequacy of internal financial controls with reference to the financial statements .

Relevance to Marathon Group:

Marathon Group (the Group), believes in Value enhancement to the stakeholders and the Society at large. Striving beyond adaptation to transformation by anticipating the Customer needs and empower them with the best in terms of “Quality”, service and delivery. These values are carved-out from the Dharma principles propounded by its founder, and is being operated at Group level which is now being aligned and enumerated below in terms of the new definition provided under the Companies Act, 2013.

DHARMA Principles:

Nos.	Dharma
1	Stand tall in terms of Integrity and Transparency
2	Continuously improve and scale heights
3	Always focus on customer delight
4	Respect resources and create exponential values
5	Constantly endeavor to create happiness for all
6	Be committed and respectful and at the same time be FIRM and FAIR

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Internal Financial Controls include the following:

1. Policies and Procedures for ensuring the orderly and efficient conduct of its business including adherence to Company's policies, viz.,
 - Risk Management Policy
 - Nomination & remuneration Policy
 - Code on Insider Trading
 - CSR Policy
 - Code of conduct for Directors & Senior Management
 - Policy on RPT & Corporate Opportunities.
2. Safeguarding of its assets.
3. Prevention and detection of frauds and errors.
4. Accuracy and completeness of the accounting records and,
5. Timely preparation of reliable financial information.
1. Policies and Procedures for ensuring the orderly and efficient conduct of its business including adherence to policies of business is essential to keep pace with the competitive world and to ensure that the Company is working at peak efficiency.

Following are some of the Policy components in brief for efficient conduct of business:

Customer Satisfaction

Marathon Group has a robust process on Customer delight for the existing customer's requirement and exploring new customer in the market. The Company realizes that effective resolution of customer complaints and proper feedback is crucial for good customer relations.

Procedure

The Group has laid down measures for timely delivery satisfactory after sales service/complaint resolution.

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Employee Satisfaction

The Group considers employees as valuable resources to the organization and realizes that employee satisfaction is important for it to ensure their optimum productivity. The Group has various policies for benefit of employees. Such policies boost employee morale and play a vital role in their overall performance.

Procedure

The Group has various internal HR policies i.e. leave policy, travel policy and medi-claim policy etc. The Company conducts various training programs to enhance the skills of the employees.

Technology

The Group has a policy for continuous technology up-gradation & innovation .

Procedure

The Group uses secure and reliable technology. The Company also have its own R&D Department, IT Department which co-ordinates with all other departments and ensures IT connectivity for the betterment of all business activities.

Communication

The Group 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.

Procedure

The Group has a streamlined customer communications system in place, which includes Corporate presentation, catalogues, email correspondence etc.

Adherence to Policies.

The Group has been disseminating all its policies to the concerned/affected persons and whenever possible, acknowledgements are taken to the effect that they have understood the policies and will abide by the same in letter and spirit. The Group also periodically reviews the policies and updates them.

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Safeguarding of Its Assets

The Group has to safeguard its moveable and immovable assets against accidental losses, corruption, misuse or theft.

The Group assets include:

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

Tangible & Intangible Assets

All Buildings, Plant & Machinery, Furniture, Office Equipments, Inventories etc are adequately protected under Insurance Policy with Insurance Company approved by IRDA.

Property Entrusted to Third Parties

Only the person properly Authorized may keep the assets of the Company in his safe custody and entrust the same for safekeeping to third parties.

Use of Company's Property off Premises

Equipment, files or other information, property or assets of the Company are, if required may be removed/shifted from the Company's premises with proper authorization. Where permission is given for Company property or assets to be used off-site, as part of an approved arrangement, the employees are expected to keep those assets safe and confidential by following proper safety procedures.

The Group follows a guided procedure for shifting its asset(s) to other site(s) after ensuring due compliance mechanism, so that unnecessary tax levies are reduced ,thus become tax and treasury efficient .

Company's Registered office.

Since the Company has its registered office at Lower Parel, Mumbai -13 care is taken to protect it apart from taking insurance policy for its premises. The Group "Facility management Team", through constant vigilance on electrical, plumbing, heating, air conditioning etc., keeps the premises and its applications free from trouble whatsoever.

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Computer Systems and Electronic Technology.

Computer systems, programme and information required to be protected from theft or misuse. It is the employee's responsibility to safeguard any information which they have under in their custody and control. This is the case even when the employees are disposing any unwanted material; they must comply at all times with the Company's security processes and protection requirements, including any specific requirements applicable to a system or programme, which they use. The company has a cyber-security expert to protect the company's electronic data, including customer information, passwords, financial accounts and work product. Employees are advised to regularly change their passwords to sensitive areas of business passwords to sensitive areas of business.

Employee Retention

The Group attaches high importance to retain talented employees and continuously upgrade their skill and knowledge by organizing various training programs/workshops. They are allowed to take vacations, get annual medical tests and go through annual reviews to gauge their satisfaction and interest in working for the Group.

Cash Handling

The Group has adequate system in place to protect its cash movement, balance which is managed at optimum level, under the supervision of a senior official of the Group.

Credit Monitoring

Efforts are made to make collections on time with constant follow up.

Audits and Internal Checks

The Group apart from statutory audit has an **internal audit mechanism**, which monitors Project wise /activity wise schedules. These schedules are constantly modified/ upgraded as per the requirements.

2. PREVENTION AND DETECTION OF FRAUDS AND ERRORS

The Group has put in place various policies, systems and procedures to guide employees for undertaking various transaction(s) within and outside organization and to conduct the same in a transparent & uniform manner by

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way of delegation and adherence to Company's HR Policies, Code of Business Ethics, and covenants mentioned in their engagement letter.

Fraud

Following are some of the examples of fraud:

- I. Forgery or un authorized alteration of any document or account belonging to the Group
- II. Forgery or un authorized alteration of cheque, bank draft, E-banking transaction(s) or any other financial instrument etc.
- III. Falsifying records such as pay-rolls, removing the documents from files and /or replacing it by a fraudulent note etc.
- IV. Willful suppression of facts/ deception in Matter of appointment, placements, submission of reports, etc. as a result of which a wrongful gain(s) is/are made to one and wrongful loss(s) to the others.
- V. Utilizing the funds for personal or other than official purposes.
- VI. Authorizing or releasing payments for goods not supplied or services not rendered.
- VII. Destruction, disposition, removal of records or any other assets of the Company with intention to manipulate and misrepresent the facts so as to create suspicion /suppression /cheating as a result of which objective assessment/ decision would not be arrived at.
- VII. Any other act that falls under the fraudulent activity

Fraud prevention and detection

The Group has designed fraud prevention and detection measures considering the fraud risk as such they may need to be flexible, adaptable and continuously changing to meet the various changes in fraud risk.

The Company has in place various essential elements of fraud detection process which

Inter- alia include:

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- Internal Control
- Internal Audit by an Independent Agency.
- Statutory Audit carried on quarterly and annual basis
- Bill watch system
- File management system
- Mechanism of authorization
- Routing of fund through Corporate office at Mumbai.
- Reconciliation of all banks accounts regularly.

There is frequent supervision of all employees and review of their work especially those who have access to financial records. The company has adequate internal controls to prevent fraud from occurring and detective controls to reveal any inconsistency. In case of violation of Code of Business Ethics, the gradual system of punishments has been laid down, depending on the gravity of the misdeed which presumably acts as a deterrent for violating the said Code.

3. 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 within 48 hrs of its approval by the Board of Directors.

The Company has inbuilt mechanism for timely preparation of reliable financial

Information within given time and the company has a track record of doing the same without undue delay.

Role of Audit Committee:

Section 177 of the Companies Act, 2013 requires the Audit Committee to evaluate the internal financial control systems while performing its duties. While doing so the Committee may:

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- actively participate in risk assessment process
- understand the major risks faced by the company and lay controls
- define the role of internal audit and actively participate in the audit planning etc.
- understand how management addresses the risks highlighted by test of internal controls.

Auditors reporting on internal financial controls:

The Act requires the statutory auditors to state in their reports whether the company has adequate internal financial controls system in place and the are operating effectively .The reporting by the auditors is voluntary for the year ending March 31,2015a and mandatory for the financial years beginning on or after April 1,2015.

Review of the policy by Audit Committee

The above policy has been reviewed by the Audit Committee in terms Section 177 of the Companies Act, 2013.

Conclusion:

The Group believes that effective Internal Financial Controls through various Compliance mechanism delivers quality outputs thus enhance the value to the stake holders.