Policies and Procedures

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TREASURY POLICY	**01/08/2021**	**N/A**

POLICY/ PURPOSE:

It is J&E Hall (the "Company's") and its subsidiary Coulstock & Place policy to establish standards and procedures to ensure that treasury related items and transactions are secure, pre-approved and are accounted for in accordance with US and IFRS Generally Accepted Accounting Principles ("GAAP").
The purpose of this policy is to summarize accounting procedures, reporting requirements and to highlight the LOA's and internal controls relating to treasury matters. Areas covered include the following:

- **Cash,** Bank accounts, Petty cash.
- **Monetary Investments,** Interest-bearing time deposits, marketable securities.
- **Credit Facilities,** Loans, any other Indebtedness, including related party loans
- **Financial Instruments & Derivatives,** Forward currency contracts, Interest rate swaps, any other such instrument by description.

Any non-compliance to this policy requires authority from the Managing Director and Director of Finance along with approval from DIL.

SCOPE:

This policy applies to all of the Company's subsidiaries and business units.

POLICY AND PROCEDURES:

1.0 ACCOUNTING FOR CASH TRANSACTIONS & BANK ACCOUNT CONTROL:

1.1 **Control of Bank Accounts**: Establishing any new bank account requires the approval of the Managing Director and Director of Finance, with final approval being given by DIL. This includes assignment or replacement of authorized signatories on the account, which can only be done by authority of the Managing Director and the Director of Finance.

1.2 **Petty Cash:** The company has no petty cash kept on any of its premises and those of its subsidiaries.

1.3 **Receipts:** No cash receipts will be taken by the company or its subsidiaries. Customers should be encouraged to make all payments directly to the Company's Bank account. Any cheques received, should be paid into the company's bank account as soon as possible. Any cheques that have been paid into the company Bank account but have not cleared at the accounting period end may be included and accounted for as cash and should be part of deposits-in-transit per the bank account reconciliation.

1.4 **Disbursements:** All supplier payments and expense payments will be paid weekly from approved payment reports generated from the companies ERP system. All intergroup payments will be made either via the Group netting procedure or through the companies on-line banking system. The on-line controls of authority will be followed. All payments to creditors at month end which have not cleared the bank account will be added back to creditors for group reporting and policy.

2.0 <u>MONETARY INVESTMENTS:</u>

2.1 **Control of Investments:** It is for the Company and Finance to ensure the safety of all cash, including any funds invested in monetary, cash equivalent investments.
Specific types of investments such as short term bank account funds on deposit will be managed by the UK treasurer

2.2 Make necessary allowance provisions and adjustments when deemed necessary.

2.3 Scheduling and conducting periodic (at least quarterly) reviews of receivables for evaluation of doubtful accounts, identification of doubtful accounts and recommendation of their proper disposition.

2.4 Approval of necessary write-offs for accounts determined to be uncollectible.

2.5 Preparation and distribution of quarterly and annual reports.

3.0 CREDIT FACILITIES, LOANS, COLLATERAL & GUARANTEES:

3.1 **Control of credit facilities**: *All Credit Facilities*[2] require the full review and written consent of the Director of Finance and Managing Director of JEH. This is followed by pre-approval of the UK group treasurer and if required by the (Refer to Limits of Authority) Finance division of the parent company (Daikin Industries Ltd). This includes not only new Credit Facilities but also the renewal of any credit borrowing arrangements.

3.2 **Accounting for Credit Facilities**: Cash borrowings under short term credit facilities where maturity of the facility is one year or less should be classified as "short term debt" on the balance sheet. Where maturity extends beyond one year it should be classified as long term debt.

3.3 **Disclosure reporting**: Details of all Credit Facilities are to be reported within the quarterly DIVA (on-line) reporting package. This includes a listing of all Credit Facilities, amount borrowed at the period-end, applicable interest rate, listing of all guarantees which includes the amount and expiry dates.

[2] words in *Italic* are defined as follows:
Includes any arrangement for borrowing money, including overdraft, bank credit agreements, loans, bonds, capital leases, sale-leasebacks, discounting, factoring etc. Also included are facilities to provide bank guarantees, letters of credit, foreign exchange transactions, interest rate swaps, commodity futures or other similar financial instruments.
Note: All related party loans are included within this definition and pre-approval requirements also apply.

4.0 FINANCIAL INSTRUMENTS AND DERIVATIVES:

4.1 **Control of Derivative Financial Instruments**: Generally, once a Credit Facility is established which provides for entering into certain contracts, such as forward currency contracts, transactions with tenors of one year or less may be entered into. Contracts over one year require separate approval by the Director of Finance at JEH and the UK group treasurer. There may-be a requirement to get approval from DHAI treasurer or even DIL finance depending on the value and period.

All Derivative transactions are to be used as specific risk management tools and never for market speculation.

4.0 FINANCIAL INSTRUMENTS AND DERIVATIVES:

4.2 **Accounting for Derivatives & Financial Instruments**: For monthly reporting and quarterly reporting for DIVA pack, J&E Hall may account for Derivative Financial Instruments on a cash basis. However at year end and where possible the Derivative Financial Instrument should be accounted for applying a fair value accounting. A mark-to-market value should be obtained based on the year end price verification.

Gary Burnett
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