



Policy on Control and Management of Company Assets and Shareholder Investments

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1. Introduction

Policy on Control and Management of Company Assets and Shareholder Investments is prepared in compliance with the Section no. 9 - Corporate Governance - Listing Rules issued by Colombo Stock Exchange in August 2023. This provide as a strategic guide in managing and controlling on Company assets that provide the optimal returns at acceptable levels of risk which ultimately enhance and safeguard the wealth/investment of the shareholders.

2. Asset classes

The Policy intends to provide an appropriate range of assets that may span the risk/return spectrum. The asset classes to be considered may include, but are not limited to;

- I. Equity investments
- II. Investments in Subsidiary/Associate companies
- III. Investments in Land and Building
- IV. Fixed/Money Market (MM) income investments and Cash in Hand
- V. Investments in Gold
- VI. Investment in Motor Vehicles
- VII. Loans and receivables
- VIII. Other Fixed Assets

3. Management of the assets

Board of Directors (BoD), Credit Committee (CC) and the Asset Liability Management Committee (ALCO) are entrusted with the responsibility of ensuring that the assets are managed to achieve objectives of LBF.

Segregation of responsibility for each asset class is as follows;

- | | | |
|--------------------------------------|---|-----|
| I. Equity investments | - | BoD |
| II. Subsidiary/associate investments | - | BoD |

III.	Investments in land and building	-	BoD
IV.	Fixed/MM income investments and cash in hand	-	ALCO
V.	Investments in gold	-	BoD
VI.	Investment in motor vehicles	-	BoD
VII.	Loans and receivables	-	CC
VIII.	Other fixed assets	-	BoD

I. Equity investments

Equity investments include quoted investments, investments in unquoted equities and other equity linked investments. The BoD determines the purpose of the investments, the intended use of such investments and whether such investments are to be classified as fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVTOCI). Such classifications should conform to the relevant accounting standards applicable at any given time. Applicable limits on equity investments are defined in the Company's Investment Policy. The BoD may revise these limits as it deems fit at all times, while complying with the regulations and directions stipulated by the CBSL.

II. Investments in subsidiary/associate companies

Investment in subsidiaries/ associates would be considered in alignment with the Company's medium to long term business goals and corporate strategy.

Company may decide to invest in a subsidiary/associate for the following reasons;

- offers an opportunity to expedite growth in core business of the parent company
- offers an opportunity to consolidate parent company's market position/leadership
- offers an opportunity to gain exposure to a new product, market segment or distribution network that would otherwise take more time or resources to build/acquire through normal business expansion
- offers an opportunity to expand in to an overseas market either as a greenfield or brownfield investment
- provides higher tax adjusted return opportunity for the parent company

- offers portfolio diversification benefits and improve risk adjusted returns to the parent company

Company's Investment Policy fully describes all aspects of such investments, as well as guidelines for making an investment in subsidiaries/ associates together with applicable limits.

III. Investments in land and building

There are three types of classifications for the investment in Land and buildings

- Investment in land and building for the purpose of own use, that is for the normal business operations (classify under property plant and equipment - PPE)
- Investment in land and buildings for the purpose of rental generation or the capital appreciation (classify under investment property)
- Investment in land and buildings for the purpose of re sale – (classify as an inventory – real estate stock)

Investments in land and building purchased into PPE are solely for the purpose of using for the business operations. It must be in line with Company's expansion strategy in terms of distribution channels. Company invests in land and building to open up new or to relocate branches/vehicle yards/call centers. The main goal here is to ensure that our branches/outlets are strategically located to meet the needs of our customers with ease of access. The Company has a comprehensive Capital Assets Manual which describes the management procedure for the investment in Land and buildings.

IV. Fixed/MM income investments and cash in hand

The objective of the Fixed / Money Market income investments is to maximize the return of the available funds for an agreed level of risk while maintaining the statutory reserves requirement as per the Finance Companies (Liquid Assets) Direction No. 04 of 2013 and managing the Company's excess funds to minimize the holding cost. These investments are made at Licensed Commercial Banks, Licensed specialized Banks or Financial Institutions authorized by the Central

Bank of Sri Lanka. However, the Company could identify and invest in any other Institution subject to the approval of the ALCO and BoD. Permissible instruments, investment period and applicable limits are completely outlined with a thorough detail in the Company’s Investment Policy.

Cash on hand is maintained to support working capital needs and effective cash management helps to maintain a smooth operation and supports financial stability. Cash Operations Manual indicates a detailed and thorough guide for managing its cash operations, covering all relevant procedures and practices.

V. Investments in gold

Company does not invest in and trade in gold as a policy. However, the Company does auction the unredeemed mortgaged articles of gold. During the auction there would be unsold gold articles and the Company has a right to purchase and obtain custody of the same.

VI. Investments in vehicle stock

Company purchase motor vehicles for the following purposes;

Business operations	for day-to-day business operations and for business usage for identified senior management personnel.
Trading stock	as trading stock where it is given back to customers as a loan or lease facility. This should follow the Company’s credit process.

VII. Loans and receivables

Loans and receivables is the main component of Company’s assets. That is the lending portfolio which includes vehicle financing, gold loans and other lending products. The management of these assets are fully described in Credit and Operations Manual, Gold Loan Procedure Manual and Recovery Policy.

viii. Other fixed assets

This includes the fixed assets which are not discussed in section III of Investments in land and building. The management of these assets are fully described in Capital Assets Manual.

4. Governance

Review

This policy will be reviewed on an annual basis and, if appropriate, may be amended to reflect changes in the markets in which LBF operates. Any modification to this Policy shall be effective when the recommendation made by the ALCO and BIRMC, is approved by the Board.

Compliance

Provisions of this Policy are subject to regulations issued by the CSE, CBSL or any other regulatory body.