

Debtors Provisioning & Write off Policy Packages Limited

1. Application and Scope

This policy is applicable to all customer segments of all the business units of Packages Limited except as provided in clause 9.

2. Objectives of the Policy

- To ensure that debtors disclosed in the financial statements are stated at amounts that are deemed to be collectible.
- To ensure that doubtful debt is adequately provided within guidelines of existing policies and applicable legislation.
- To ensure that uncollectible debt is written off within guidelines of existing policies and applicable legislation.

3. Introduction

This policy provides guidelines on the provision for doubtful debtors and write-off of uncollectible debtors.

4. Provision for Doubtful Debtors

Debts owed to the company will be provisioned based on the age of debt and recoverability probability when either:

- The Marketing Department/ Business Unit is to refer an account, determines the debt is doubtful.
- Recovery is subject to prolonged legal proceedings.

General Provisioning

General provision shall be created for over 1 year recoverable balances as recommended by the Area Marketing Manager / Business Unit Manager and approved by Business Head/ Finance Manager.

Specific Provisioning

Provisioning required for less than 1 Year old recoverable balance should be initiated by Area Marketing Manager/ Business Unit Manager along with reasons in the particular circumstances.

Where debts are identified as being doubtful, the provision (general/ specific) shall be processed as follows:

- The request for provision explaining the reasons shall be raised by respective Area Marketing Manager/ Business Unit Manager and approved by Business Head/ Finance Manager and then incorporated in financial statements.

- No business with a customer shall be carried, whose balance is provisioned till clearance of outstanding receivable balance unless otherwise approved by Business Head.
- Provisioned balance shall be considered for future course of action including write-off, legal recovery etc by Business Head/ Finance Manager in consultation with Area Marketing Manager.
- Reconciliation of the provision for doubtful debtors account shall be prepared at each quarter closing by the Area Marketing Managers/ Business Unit Manager of the respective business area and Accounts Department.
- Provisioning review shall be carried out by Marketing/ Business Unit and Accounts department on 6 monthly bases.
- Provision figures should be presented with receivables figures for all management reporting purposes.

Amount recovered against debts already provided shall be treated as reversal of provision already made.

5. Write-off of Uncollectible Debtors

Debts owed to the company will be considered uncollectible and therefore written off when either:

- The Marketing Department is to refer an account determines the debt is uncollectible.
- The Company receives an unfavorable or unenforceable judgment rendered in a claims court cases.
- When the Company determines that it has documentation insufficient for pursuing legal remedies.
- Provision against the subject debt is older than 3 years unless management decides for the longer period in respect of particularly provisioned balance.

Where debts are identified as being irrecoverable, the process of write-off will be treated as follows:

- Area Marketing Managers/ Business Unit Managers of respective areas identifying irrecoverable debtors prepare a report detailing the nature of the underlying debt, conditions that led to the debt being identified as being irrecoverable, details on credit and debt collection processes followed to recover the debt and confirmation that all available avenues to recover the debt have been exhausted and that further actions would be fruitless and not cost effective.
- The final report containing the recommendations of the Area Marketing Managers/ Business Unit Managers must be presented to the Business Head/Finance Manager for approval.
- Write-offs approved by Business Head/Finance Manager will be processed against the relevant debtors account and reflected as debit against Bad Debt Provision. Further business with a customer whose balance is written-off shall be blocked with immediate effect if not blocked earlier at the time of creating a provision.

- Reconciliation of the Provision for Doubtful Debtors Account and debtors written off must be prepared at each quarter closing by the Area Marketing Managers/ Business Unit Managers of the respective area and Accounts department.

Amount recovered against debt already written off shall be treated as other income.

Any debtor balance below the threshold of Rs. 1,000, static for more than six months, would be written-off.

6. Credit Control and Future Business Prospects

Deterrence to avoid provision and write-off situations shall be developed by implementing and monitoring strict credit award and follow-up procedures as per Sales Policy which should be adequately reviewed on periodic basis to cater for any shift in the customer behavior over the recent past and company market experience which may include;

- Credit quality of the customer as prevailed in the market
- Average balance and trade volumes
- Length of business relations with the customer

Marketing teams may decide to arrange for bank guarantees, post dated cheques as the case may be from particular customer depending upon customer risk profile.

The company shall consider any customer, whose unpaid balance results in a write-off, an unacceptable credit risk. Therefore, such customer will only be provided with goods or services on a prepayment basis atleast for a period of one year, after which they may request to reestablish a credit relationship with the company. Such a credit request shall be specifically approved by Business Head/ Finance Manager after adequate risk profiling.

7. Timing & Ratification

Receivables balances shall be reviewed at each month closing. All provisions and write offs shall be presented to Board of Directors for ratification.

8. Disclosure

Adequate disclosure in financial statements shall be ensured for provisions and write offs as per the requirements of the applicable financial reporting framework.

9. Caveat

The policy shall not be applicable to balances due from related parties.

Date Of Approval:

by BOD: BOD Meeting held on October 20, 2012

by Audit Committee: 42nd Audit Committee Meeting held on October 20, 2012

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by BOD: BOD Meeting held on April 19, 2017

by Audit Committee: 60th Audit Committee Meeting held on April 18, 2017