

786 INVESTMENTS LIMITED

POLICY ON WRITE-OFF OF BAD/DOUBTFUL DEBTS, ADVANCES AND RECEIVABLES

1. PURPOSE

The purpose of this Policy is to establish a prudent and transparent framework for the **identification, assessment, provisioning, recovery, approval, and write-off of bad or doubtful debts, advances, and receivables** of 786 Investments Limited ("the Company").

The Policy aims to:

- Ensure timely identification of potentially irrecoverable amounts;
 - Recognize appropriate impairment/provisions in accordance with applicable accounting standards;
 - Maximize recovery before write-off;
 - Establish clear approval and accountability;
 - Prevent unauthorized waivers or concealment of losses; and
 - Ensure compliance with applicable laws, SECP requirements, and internal controls.
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2. SCOPE

This Policy applies to all debts, advances, and receivables recorded in the Company's books, including:

- Trade and service receivables;
- Management fee and distributor-related receivables;
- Employee advances;
- Supplier/vendor advances;
- Security deposits; and
- Other amounts due to the Company.

Fund assets and receivables: Amounts belonging to Collective Investment Schemes or other client assets shall not be written off as Company receivables under this Policy. Any impairment, waiver, settlement, or write-off relating to such amounts shall be dealt with separately in accordance with applicable SECP requirements, Trust Deed, Offering Document, and relevant accounting requirements.

3. REGULATORY AND ACCOUNTING FRAMEWORK

The Policy shall be implemented in accordance with:

- Companies Act, 2017;
- Applicable SECP laws, rules, regulations, circulars and directives;
- Applicable IFRS/IAS and accounting policies of the Company;
- Applicable tax laws;
- Contractual and legal obligations; and
- The Company's approved Delegation of Authority.

Where this Policy conflicts with applicable law or regulation, the latter shall prevail.

4. KEY PRINCIPLES

The Company shall apply the following principles:

1. **Evidence-based assessment:** Write-offs must be supported by documented evidence of non-recoverability.
 2. **Recovery first:** Reasonable recovery efforts shall be completed before write-off.
 3. **No automatic write-off:** Overdue status alone shall not justify a write-off.
 4. **Provisioning:** Impairment/provision shall be recognized in accordance with applicable accounting standards.
 5. **Segregation of duties:** Collection, recommendation, approval, and accounting shall be appropriately segregated.
 6. **No unauthorized waiver:** A write-off shall not be used to bypass an approved settlement or waiver process.
 7. **No fund contamination:** Company losses shall not be transferred to managed funds or investors without a lawful and properly approved basis.
 8. **Audit trail:** Every write-off shall have complete supporting documentation.
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5. IDENTIFICATION AND ASSESSMENT

Finance shall periodically review receivables and advances and identify amounts showing indicators of impairment, including:

- Significant overdue balances;
- Repeated payment defaults;
- Financial difficulty or insolvency of the debtor;

- Bankruptcy/liquidation;
- Unsuccessful recovery efforts;
- Legal disputes or proceedings;
- Expiry or loss of enforceability;
- Fraud, irregularity, or unsupported balances; or
- Any other evidence indicating that recovery is doubtful.

An ageing analysis shall be maintained, with particular attention to balances outstanding for **more than 90, 180, and 365 days**.

Ageing shall be an important indicator but shall not, by itself, determine whether an amount is written off.

6. IMPAIRMENT/PROVISION

Finance shall assess recoverability in accordance with applicable accounting standards.

The assessment shall consider:

- Ageing and payment history;
- Financial position and creditworthiness of the debtor;
- Expected future cash flows;
- Security, guarantees, or collateral;
- Legal enforceability;
- Probability and cost of recovery; and
- Other relevant forward-looking information.

Appropriate impairment allowances/provisions shall be recognized in the Company's financial statements as required.

7. RECOVERY REQUIREMENT

Before recommending a write-off, reasonable and proportionate recovery efforts shall be undertaken, including where appropriate:

- Written reminders and follow-ups;
- Reconciliation of disputed balances;
- Payment arrangements;
- Formal demand notices;
- Adjustment against amounts payable, where legally permissible;
- Invocation of security/guarantees;

- Legal action; and
- Other appropriate recovery measures.

The extent of recovery action shall be proportionate to the amount involved and the likelihood and cost of recovery.

8. CRITERIA FOR WRITE-OFF

A debt, advance, or receivable may be recommended for write-off where:

- The debtor is insolvent, liquidated, bankrupt, or otherwise unable to pay;
- Reasonable recovery efforts have been exhausted;
- Legal counsel confirms that recovery is impracticable or uneconomical;
- Further recovery costs are expected to exceed recoverable value;
- The debtor cannot reasonably be located despite documented efforts;
- The claim has become legally unenforceable;
- An immaterial balance remains after reasonable recovery/reconciliation; or
- Other documented circumstances establish that recovery is remote.

A write-off is an accounting treatment and does not, by itself, waive the Company's legal right of recovery.

9. EMPLOYEE AND SUPPLIER ADVANCES

Employee Advances

Before writing off an employee advance, Finance shall consider recovery through salary, final settlement, or other lawful means. Where fraud, misconduct, negligence, or unauthorized expenditure is involved, the matter shall be separately investigated and escalated.

Supplier/Vendor Advances

Outstanding supplier advances shall be reviewed where goods/services have not been received, the supplier has ceased operations, or the advance appears unlikely to be recovered. Appropriate contractual and legal recovery measures shall be considered.

10. APPROVAL AUTHORITY

Unless otherwise approved by the Board, the following proposed thresholds shall apply:

Write-off Amount	Minimum Approval
Up to PKR 100,000	CFO
Above PKR 100,000 to PKR 500,000	CFO + CEO
Above PKR 500,000 to PKR 2,000,000	CEO + CFO + Board/Audit Committee, as applicable
Above PKR 2,000,000	Board of Directors
Material, unusual, or sensitive matters	Board of Directors

The Board may revise these limits through the approved Delegation of Authority.

Transaction splitting to avoid approval limits is strictly prohibited.

Related-party or connected-person write-offs shall require Board approval and comply with applicable legal and regulatory requirements.

11. WRITE-OFF DOCUMENTATION

Every write-off proposal shall contain, at minimum:

- Debtor/customer name;
- Nature and amount of debt;
- Date due and ageing;
- Amount provided/impaired;
- Recovery efforts undertaken;
- Legal status, where applicable;
- Security/collateral available;
- Estimated recoverable amount;
- Reason for write-off;
- Financial/accounting impact;
- Related-party status; and
- CFO's recommendation.

No write-off shall be processed without documented approval from the competent authority.

12. WRITE-OFF PROCESS

The standard process shall be:

Identification → Verification → Recovery Efforts → Impairment Assessment → CFO Recommendation → Approval → Accounting Entry → Record Retention → Post-write-off Monitoring

Finance shall ensure that the accounting entry is supported by the approved write-off documentation.

13. SUBSEQUENT RECOVERIES

Amounts recovered after write-off shall be promptly recorded in the Company's books in accordance with applicable accounting standards.

Finance shall maintain a **Recovery of Written-off Debts Register** and report material recoveries to management and, where appropriate, the Board/Audit Committee.

14. SETTLEMENTS AND WAIVERS

A negotiated settlement for an amount less than the outstanding balance shall be treated separately from an accounting write-off.

Any settlement, compromise, rebate, or waiver shall:

- Have a documented commercial/recovery rationale;
- Clearly identify the amount waived;
- Be approved under the applicable authority limits; and
- Be properly recorded.

No employee may independently waive the Company's contractual or legal rights.

15. FRAUD AND IRREGULARITIES

Where a receivable or advance arises from suspected fraud, misappropriation, unauthorized expenditure, misconduct, conflict of interest, or other irregularity, the matter shall be referred to the appropriate management, Internal Audit, or Board Committee.

A write-off shall never be used to conceal fraud, misconduct, or financial irregularities.

16. MONITORING AND REPORTING

Finance shall maintain:

- Receivables ageing reports;
- Impairment/provision records;
- Write-off Register;
- Recovery Register; and
- Supporting approval and recovery documentation.

The CFO shall periodically report material matters to the CEO and, where appropriate, the Board/Audit Committee, including:

- Major overdue receivables;
 - Provisions/impairments;
 - Write-offs;
 - Subsequent recoveries;
 - Related-party exposures; and
 - Significant recovery/legal matters.
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17. INTERNAL AUDIT

Internal Audit shall periodically review compliance with this Policy, including:

- Adequacy of recovery efforts;
- Appropriateness of approvals;
- Supporting documentation;
- Accounting treatment;
- Related-party transactions;
- Subsequent recoveries; and
- Effectiveness of controls.

Material exceptions shall be reported to the Audit Committee/Board.

18. TAX AND ACCOUNTING TREATMENT

Accounting write-off and tax deductibility are separate matters.

Finance shall ensure that write-offs are accounted for in accordance with applicable accounting standards and that any tax deduction claimed complies with applicable tax laws.

Professional advice shall be obtained where necessary.

19. RECORD RETENTION AND CONFIDENTIALITY

All records relating to debts, advances, recovery actions, impairment assessments, settlements, write-offs, approvals, and subsequent recoveries shall be retained in accordance with applicable law and the Company's record-retention requirements.

Customer and debtor information shall be treated as confidential and accessed only by authorized personnel.

20. POLICY REVIEW

This Policy shall be reviewed **at least annually** or earlier where required due to changes in:

- SECP regulations;
- Accounting standards;
- Tax laws;
- Company's business or risk profile; or
- Recommendations of Internal/External Audit.

Material amendments shall be approved by the Board of Directors.

Approval Date: April 09, 2026