SURGITECH
MEDICAL SUPPLIES LLC

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Provision and Bad Debt Write-off Policy

Introduction:

The purpose of this policy is to outline the methodology of calculating the provision and writing-off bad debts. Provision and Bad Debt Write-off Policy enables the organization to maintain optimal debt management through a controlled and methodical management of debt items to be written off, as well as preparing the corresponding accounting entries adjustments in accordance with the international financial reporting standards.

Definitions:

Doubtful debts: The outstanding sum of money owed to the company that expected to be turned into bad debt.

Bad debt: The outstanding sum of money owed to the company and determined to be uncollectable.

Bad debt provision: A provision which is made in the company's accounts against outstanding receivables which may not be collectable. It ensures that future periods' results will not be adversely impacted if debts need to be written off.

Write-off: A procedure used in accounting when a debtor (or other asset) is determined to be uncollectable and is therefore considered to be a loss.

Calculation for provision allowances:

A provision will be calculated at the year-end (Dec 31st) to be posted to the financial statements based on the following calculation:

1. **Accounts Receivable:**
- Provision for doubtful debts is classified as follows:
  - 100% from Receivables balance that has more than 2.5 years from issuance date.
  - 50% from Receivables balance that has more than 2 years from issuance date.
  - 25% from Receivables balance that has more than 1.5 years from issuance date.

2. **Inventory:**
- Provision for near expiry and obsolete items should not exceed 3% from sales figure including but not limited to the following:
  - Provision for items that have expiration date less than 1 year (to be adjusted annually).
  - Provision for phased out items as per BUM/BUM/Principal advice.
  - Provision for aged Items with more than **5** Years (to be adjusted annually).

3. **Cash Guarantees:**
- The provision for cash guarantees is classified as follows:
  - 100 % from cash guarantees that has more than **3** years from issuance date.
  - 50 % from cash guarantees that has more than **2** years from issuance date.
  - 25 % from cash guarantees that has more than **1** year from issuance date.

4. **Advances from customers:**
   • Provision for advances from customers arises from amounts received from more than 2 years ago, but no adjustments are made against them.

5. **Personal Loans:**
   • Personal loan provision arises from loans issued from more than 2 years ago, but no payments are made against them.