Asset Management Policy

Victory Offices Limited

ACN 616 150 022

1 Policy Statement

All items purchases, bequeathed, or donated that meet the Company's definition of an asset for accounting purposes (guided by Australian Accounting standards), will be recorded and maintained on the Fixed Asset Register (using the Company's financial system).

Assets need to be prudently managed and properly documented to prevent their abuse or misuse, enable sound management decision-making and to meet regulatory reporting and accounting compliance requirements.

In order to manage the fixed assets of the organisation accurately and efficiently, the Company's staff will take responsibility for the safekeeping of the fixed assets.

Purchase and disposal of the Company's assets, (including sale, transfer, donation, or write off) must be approved as per the Company's financial delegations' matrix. Computer hardware must have software and information removed prior to disposal.

2 Scope

This Policy covers the Company's assets, activities and operations and applies to all of the Company's employees, contractors, board members and volunteers.

3 Purpose

The purpose of the Asset Management Policy is to ensure that the Company's assets (Tangible and Non-Tangible), are accounted for and managed appropriately, and in accordance with statutes, regulations, government policies and Accounting standards and to articulate the operational management of assets to achieve the following:

- Maintain control over physical assets purchases, owned, and donated to the Company;
- Provide accurate asset information for reporting purposes; and
- Ensure the Company's asset register is up to date and accurate.

4 Definitions

1. **Asset:** The Australian Accounting Standards defines an asset as a resource that is:

   (a) Controlled by an entity as a result of past events; and

   (b) From which future economic benefits are expected to flow to the entity.

   - Note that ownership is not important in the definition of an asset (that is, we can hold an asset in the Company's balance sheet that is not held on the Company's land, proving we have control over that asset).
   - In order to have control without ownership, there must be some form of access agreement or lease in place over the land or property to guarantee our access and on-going benefit of the asset.
   - 'Future Economic Benefits' refers to the Company's income earning activities. For something to be considered an asset, it must directly or indirectly be linked to the Company's ability to earn income.

   (c) The Company defines an asset as follows: A transaction/group of transactions that comply with the above accounting definition; and

   - That do not meet the definition of an expense; and
   - That as an individual unit is valued over $100 (GST inclusive) or more.
   - For property, plant and equipment that as an individual unit may cost less than $1000 (GST inclusive) but may combine to form an operating unit or network or have the same or similar nature with a combined cost of more than $1,000 (GST inclusive).

- For software that as an individual unit has a cost greater than $5,000 (GST inclusive) or as part of a combined unit cost totalling $5,000 (GST inclusive).
- Common items, such as cutlery, stationary, equipment hire and so forth, will not be capitalised.

2. **Tangible Assets:** Tangible assets are those assets that can be seen and touched for example, Property, Plan and Equipment.

3. **Intangible Assets:** An intangible asset is an asset that lacks physical substance. Intangible assets include patents, copyrights, franchises, goodwill, trademarks, trade names and computer software.
   "Computer software for a computer-controlled machine that cannot operate without that specific software is treated as property, plant and equipment. When the software is not an integral part of the related hardware it's treated as an intangible asset."

4. **Disposal/Write off:** Write-off usually arises when an asset is no longer available for use. This can happen when an asset has reached the end of its natural useful life, lost, donated, stolen or destroyed.

5 Policy

Furniture and Fittings: Furniture, Fittings and Office Equipment assets have an individual cost greater than $100 or a 'total unit' or 'network' cost greater than $1,000; and include items of furniture and fittings used in the daily running of administrative requirements, furniture and fittings in shared spaces or within residential homes (that Company A Pty Ltd purchases and owns), and electronic equipment (other than that which meets the definition of ICT equipment or plant and equipment. The cost of Furniture, Fixtures and Office Equipment includes the purchase cost plus any cost incidental to the purchase, delivery and installation. A list of items normally included in Furniture, Fixtures and Office Equipment are below (note this list is not exhaustive and should be considered a guide)

Asset Class	Useful Life	Depreciation Rate
Land	N/A	N/A
Building	40 Years	2.5 %
Leasehold improvements	Term of the lease	Dependent on lease term
Motor vehicles	10 Years	10 %
Plant and Equipment	10 Years	10 %
Furniture, Fittings, office equipment	10 Years	10 %
ICT equipment	4 Years	25 %
Software > $5000	5 to 10 Years	20% - 10%
Low value Assets < $100 (exc Gst)	Low value asset pool (p/l)	100%

Any tangible item that is below $100 including gst will not be registered in the Fixed Asset Register, however there will be some exemptions to this rule:

- For <u>each location,</u> purchases of two or more items that are below $100 including gst each, where <u>total amount will be more than $100 including gst</u> will be capitalised:

Eg 1: Purchase one stool for $99 including gst, we will NOT register in the fixed asset register However, if we purchase two stools for $99 each including gst, we WILL capitalise all stools.

Eg 2: Purchase one stool for $39 including gst, we will NOT register in the fixed asset register However, if we purchase three stools for $39 each including gst, we WILL capitalise all stools.

Eg 3: Purchase one stool for $29 including gst or three stools for $87, we will NOT register in the fixed asset register. However, if we purchase four stools for $29 each including gst, we WILL capitalise all stools because total purchase is $116 including gst.

- For each location, small purchases that make up to $100 including gst and above will NOT be capitalised;

  Eg: purchase 40 spoons for $2 including gst each will not be capitalised:

  Eg 2: purchase 100 cups for $5 including gst each will not be capitalised even though the total is above $100 including gst – reason: We expect the item to be consumed, damaged or lost within a short period of time while purchases of a capital nature (stools) generally result in the item or asset being used over a longer period.

- *Some examples of common purchases will not be capitalised:*
  1. *Cutleries;*
  2. *Stationaries;*
  3. *Any hire of equipment – please do not include in the fixed asset register as these equipment do not belong to us (coffee machines, printers, air aroma, plants);*
  4. *Tea towels;*
  5. *Shredder below $100;*
  6. *Small Decorative items excluding paintings;*
  7. *Acrylic frames;*
  8. *Whiteboard.*

6 Policy Review

The Policy will be reviewed every three years, as required by the Board or the Committee, or after a significant change in general approach, legislation or regulation to ensure its currency, relevance and accuracy.

7 Approved and adopted

This Policy was approved and adopted by the Board on 25 June 2021.

Asset Management Procedure

PROCEDURE

SCOPE
Refer to the Financial Management Framework and Asset Management Policy.

PURPOSE
This Procedure is applied in accounting for both tangible (e.g. Property Plant and Equipment) and Intangible assets (e.g. Software) including the following asset classes:

- Land
- Buildings
- Leasehold improvements
- Information, communication and technology equipment
- Motor vehicles
- Plant and equipment
- Furniture, fittings and office equipment
- Software

RECOGNITION CRITERIA
Tangible Assets
The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:
- it is probable that future economic benefits associated with the item will flow to the organisation. (This is normally achieved when the risks and rewards of the asset have passed to Company A Pty Ltd); and
- the cost of the item can be measured reliably.

Intangible Assets
An item is recognised as an intangible if it meets the definition of an intangible asset, it is probable that future economic benefits will flow to the organisation and the cost of the asset can be reliably measured.

INITIAL RECOGNITION
Tangible Assets
An asset of property plant and equipment that qualifies for recognition as an asset shall be measured at its cost. Where an asset is acquired for no cost, or for a nominal cost, the cost recorded shall reflect the fair value as at the date of acquisition.

- ***Elements of Cost:***
  The cost of an item of property, plant and equipment comprises the following:
  - Its purchase price, including import duties and no-refundable purchase taxes, after deducting trade discounts and rebates.
  - Any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating.
  - The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Intangible Assets
Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software.

- ***Elements of Cost:***

  The cost of an item of software comprises the following:
  - External direct costs of materials and services.
  - Direct payroll and payroll related costs of employees' time spent on the project.

DEPRECIATION / AMORTISATION

Depreciation / Amortisation is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful life.

- Land and buildings are accounted for separately, even when they are acquired together. Land has unlimited useful life and therefore is not depreciated.
- Leasehold Improvements will be depreciated over the shorter of the useful life or the life of the lease/agreement, whichever is shorter.
- Software should be amortised over the useful life most closely aligned with the expected length of economic benefit (for example a core system would be 10 years)

Asset Class	Useful Life	Depreciation Rate
Land	N/A	N/A
Building	40 Years	2.5 %
Leasehold improvements	Term of the lease	Dependent on lease term
Motor vehicles	10 Years	10 %
Plant and Equipment	10 Years	10 %
Furniture, Fittings, office equipment	10 Years	10 %
ICT equipment	4 Years	25 %
Software > $5000	5 to 10 Years	20% - 10%
Low value Assets < $1,500 (exc Gst)	Low value asset pool (p/l)	100%

ASSET DEFINITION AND CLASS

The treatment of each asset class is explained below:

Land*:* Land is held as a fixed asset and does not require depreciation. Land improvements will be coded to the land asset most closely related and will form part of the land asset value. Land improvements would be considered an addition to the asset if they satisfy the following:

- the works are required in order to use the land for its intended purpose; and
- the works would be required by any other owner of the land should it be sold.
- and the works increase the recoverable value of the land.

Buildings: A building asset would normally either be a result of the purchase of a new property or at the completion of an 'Asset Under Construction'. The components of a new property purchased (land, building, plant and equipment, infrastructure) must be valued and recorded separately.

The value of a building includes all structural works (internal and external) including lift shafts, trenches, tunnels, demolition and all consultant fees required in the building (including but not limited to, any fees associated with site surveys, permits, specialist advice, project management, quantity surveyors and architecture).

A list of components that would normally be included in a building asset are below (note this list is not exhaustive and should be considered a guide):
- authorities / permits
- demolition
- consultant and legal fees
- structural works
- excavation
- slab/pilings/footings
- frame
- roof/ceilings/floors/walls
- windows
- exterior fabric

Leasehold Improvements: Where the following conditions are met, an asset should be purchased under the ‘Leasehold Improvement’ asset class:
- The item being built/purchased meets the definition of an asset
- The asset is not easily transportable/is fixed
- The land or building the asset will be installed/positioned on is not owned by Company A Pty Ltd
- Company A Pty Ltd has a lease, or a written access agreement to the land and/or building the asset will be installed/positioned

Motor Vehicles: Motor Vehicles include automobile, bus, truck, wagon, motorcycle, or any other self-propelled vehicle designed for running on land. The cost of Motor Vehicles includes the purchase cost plus any cost’s incidental to the purchase, delivery and getting the vehicle ready for its intended use. This includes modifications made to vehicle such as hoists and electrical steps. Registration and Insurance costs are operating expenses and do not form part of the cost of purchasing the vehicle.

Plant and Equipment: Plant and Equipment is defined as any item of a mechanical, electrical or technical nature, that has an individual cost greater than $1,500 or a ‘total unit’ or ‘network’ cost greater than $5,000; and does not meet the definition of Furniture, Fittings and Equipment or Motor Vehicles. The cost of Plant and Equipment includes the purchase cost plus any cost’s incidental to the purchase, delivery and installation. Examples of plant and equipment (note this list is not exhaustive and should be considered a guide).
- air conditioning systems
- security systems
- UPS system
- Fire protection systems
- Generators
- Ceiling hoists

Furniture and Fittings: Furniture, Fittings and Office Equipment assets have an individual cost greater than $1500 or a ‘total unit’ or ‘network’ cost greater than $5,000; and include items of furniture and fittings used in the daily running of administrative requirements, furniture and fittings in shared spaces or within residential homes (that Company A Pty Ltd purchases and owns), and electronic equipment (other than that which meets the definition of ICT equipment or plant and equipment. The cost of Furniture, Fixtures and Office Equipment includes the purchase cost plus any cost incidental to the purchase, delivery and installation. A list of items normally included in Furniture, Fixtures and Office Equipment are below (note this list is not exhaustive and should be considered a guide)
- desks and chairs

- partitioning
- shelving / bookcases
- photocopier
- scanners
- printers
- floor and window coverings
- washing machines and dryers

ICT equipment: ICT equipment refers to computer and technical equipment that is greater than $1,500 individually or has a 'total unit' or 'network' cost greater than $5,000. The cost of ICT equipment includes the purchase cost plus any cost's incidental to the purchase, delivery and installation. A list of items normally included in ICT equipment are below (note this list is not exhaustive and should be considered a guide).

- servers
- operating systems (software integral to the hardware)
- desktop computers
- network appliances
- laptop computers
- phones, phone networks and systems
- transportable technical devices (iPad / laptops)
- monitors / screens
- audio visual equipment
- video conferencing equipment
- interactive whiteboards

Computer software: Software is any program used to enhance business processes that is greater than $5,000 individually or has a 'total unit' or 'network' cost greater than $10,000. Computer software for a computer -controlled machine that cannot operate without that specific software is treated as property, plant and equipment. When the software is not an integral part of the related hardware it is treated as an intangible asset in accordance with Australian Accounting Standard AASB138. Under AASB138, an intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the organisation and the cost of the asset can be measured reliably. When software is purchased externally, this recognition criteria is generally met. However, if software is internally generated AASB 138 outlines additional requirements that must be fulfilled in order for internally generated software to be recognised.

Costs associated with the research phase cannot be treated as an asset and must be expensed in the period they are incurred. Examples of activities classified in the research phase are:

- feasibility studies, and investigation of alternatives; and
- the formulation, design, evaluation and final selection of possible alternatives for new or improved materials, devices, products, processes, systems or services, including proof of concept.

Costs associated with the development phase such as the design, construction and testing of software; and the design, construction and testing of a chosen alternative for new or improved materials, devices, products, processes, systems or services can be capitalised.
The cost of Software includes the purchase cost plus any directly attributable costs (excluding costs related to the research phase). Directly attributable costs include delivery, installation, professional fees and employee costs of bringing software into working order and also costs of testing the software.

There are some costs that cannot be treated as an asset in the purchase or generation of software under any circumstances. These include staff training costs (for use or technical support) and administrative and other overhead costs. These costs must always be expensed in the period they were incurred.

DEFINITIONS - None

ACTIONS

Asset Purchase

All assets purchased must be approved in accordance with the financial delegations of authority. Approved assets must be recorded on the Company A Pty Ltd Asset Register and be correctly classified and recognised in the Balance Sheet. Assets must be classified as either current or non-current for financial reporting purposes.

Asset Repairs & Maintenance:

The accounting for maintenance and repair expenditures depends on the nature of the repairs: whether such repairs are ordinary, major, or extraordinary. Ordinary repairs are performed to maintain fixed assets in operating condition. Ordinary repairs usually benefit only the period when such repairs are done. As the result, ordinary repairs are expensed (in Profit & Loss account) in the period incurred. Examples of ordinary maintenance and repair activities include painting, repairing plumbing, adjusting and cleaning equipment, lubricating machines, replacing minor parts, putting in fu, and so on. Major and extraordinary repairs are the repairs that benefit more than one year or operating cycle, whichever is longer. Extraordinary repairs occur rarely, require large amounts of money, and increase the economic life of the asset. Because major and extraordinary repairs benefit multiple future periods, they are accounted for as additions, improvements or replacements. Major and extraordinary repairs represent capital expenditures. Hence, such repairs may be capitalised in the Balance Sheet.

Asset Transfers

The asset register must always reflect the location of assets. If an asset moves between sites this must be reflected in the asset register.
All asset transfers must be approved by General Managers of respective areas.

Asset Disposal/written off

All asset disposals must be approved in accordance with the financial delegations of authority.
Assets must be removed promptly from the asset register to ensure the system is up to date and accurately reflects the assets of Company A Pty Ltd.

Asset Reporting

The Finance department is responsible for the maintenance of the assets.

REFERENCES

	Related Policies	Asset Management Policy, Financial Management Framework Financial Delegation of Authority
	Related Procedures	
	Related Supporting Documents or Tools	Asset Acquisition Form, Asset Loss or Theft Form Asset Transfer Request Form, Proposed Asset Disposal Form.
✓	**Relevant Standard/s**	AASB 116 Property, Plant and Equipment, ASSB138 Intangible Asset