



FIXED ASSETS POLICY

National Power Parks Management Company

**FIXED ASSETS
POLICY
October 2016**

Issuing Officer
Company Secretary

Target Audience
Employees, Management, Directors.

Approving Authority
Board of Directors

Issuing Date
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National Power Parks Management Company (Pvt.) Ltd.

1. SCOPE

The purpose of this document is to ensure that properly documented and controlled procedures exist within the Company so that Assets are safeguarded through proper recording of the purchases, controls, transfers, and disposals of all Fixed Assets.

2. OBJECTIVES

2.1 To provide an organized and accountable method of monitoring and controlling the acquisition, custody, transfer and disposal of the Company's fixed assets.

2.2 To ensure value for money in acquiring fixed assets and to maximise value in the disposal of same, where applicable.

3. GUIDING PRINCIPLES

The general policies regarding fixed assets to be followed by the Company are stated hereunder:

- Fixed assets shall be purchased according to the board approved budget plan following PPRA rules and regulations.
- Fixed assets shall be coded properly in accordance with a comprehensive coding scheme.
- Fixed Assets Register (FAR) shall be maintained in accordance with TR-6 issued by Institute of Chartered Accountants of Pakistan (ICAP).
- Fixed assets shall be measured in accordance with IAS-16 'Property, Plant and Equipment'.
- Depreciation shall be charged on straight line basis method. In exceptional cases, if any, other depreciation methods can be considered with the approval of CEO.
- Fixed assets shall be subject to impairment review annually, where circumstances exist at the close of financial year indicating impairment.

4. CAPITALIZATION POLICY

4.1 An item will be recognized in the NPPMCL's Asset's register & accounting records as an asset only if:

- 4.1.1 It is probable that future economic benefits associated with the item will flow to the entity;
- 4.1.2 The cost of the item can be measured reliably; and
- 4.1.3 The cost of the item exceeds the threshold level of Rs. 20,000.
- 4.1.4 Bulk purchases of similar class capital items that have an aggregate value of Rs. 20,000 or more are capitalized as a fixed asset regardless of individual price of item. I-e Items of furniture & fixtures, office equipment.
- 4.1.5 Cost of mobile phones will be expensed out irrespective of purchase amount.

4.2 All assets meeting the above criterion shall also be reviewed for the following before capitalization:

- 4.2.1 Economic benefits expected to flow to the entity exceeds one year.

- 4.2.2 All assets, except acquired under operating lease arrangement, shall be capitalized.
- 4.2.3 Major renewals and improvements resulting in increase in useful life or utility of fixed assets will be capitalized whereas minor renewals, replacements, repair and maintenance will be charged to Profit and Loss account.
- 4.2.4 Assets capitalized shall be classified broadly as Property, Plant and Equipment (PPE).

5. DEPRECIATION POLICY

Assets capitalized in the books of the company shall be depreciated at the rates summarized in the table below:

Class of asset	Estimated useful life (Years)	Deprecation Rate
Freehold land	NA	0%
Leasehold land	NA	0%
Buildings on freehold land	20	5%
Building on Leasehold land	20	5%
Plant and machinery	10-30	3% - 10%
Computers and IT Equipment	3-10	10%-33%
Electrical equipment	10	10%
Office equipment	10	10%
Auxiliary plant and machinery	10-30	3% - 10%
Furniture and Fixtures	10	10%
Motor Vehicles	5	20%

The assets' residual values and useful lives of the assets shall be reviewed at each year end and adjusted, with the approval of CEO, if the existing depreciation charged do not reflect the usage of assets.

- 5.1 Depreciation will commence when the asset is capable of being used for its intended purpose, in the year of purchase.
- 5.2 Depreciation will be charged on time proportionate basis. In the year of addition and disposal, depreciation will be charged for the number of months for which the asset has been put to use or available for the intended use.
- 5.3 Depreciation on assets shall be charged according to their class, using the rates applicable thereupon.

6. POLICY FOR DISPOSAL OF FIXED ASSETS

- 6.1 The disposal of the Company's assets shall take place on an equitable basis and all shall be given equal opportunity to purchase the asset, and the best possible return for the Company shall be achieved in this regard.
- 6.2 The Company shall document a clear stipulation of the basis on the decision taken to dispose of an asset.
- 6.3 Following methods of disposal shall be used:

6.3.1 Open Auction Method: The benefits of this process is that the Process of disposal of asset shall be straightforward and open to public scrutiny.

6.3.2 Tender: This method of disposal shall be preferred where more control over the actual disposal of the asset is required or where the credentials of the purchaser need to be assessed in detail.

6.3.3 Trade in:

6.4 NPPMCL shall adopt and apply IAS-16 'Property, Plant & Equipment ' & IFRS 5, 'Non-Current Assets Held for Sale and Discontinued Operations' with regards to disposal of non-current assets.

7. Transfer/Relocation of fixed assets:

If a fixed asset is transferred from one location to another location without any consideration, then the asset and related accumulated depreciation should be transferred from the sending location to receiving location.

"Location means head office, project sites, or Islamabad office".

Movement of assets will be controlled through proper approval by Manager Administration.

8. Physical verification:

Physical verification of fixed assets should be done annually on sample bases:

8.1 Obtain a list of fixed assets additions/deletions from admin department, and compare a sample of fixed asset additions/deletions to the Fixed Asset Register to make sure of proper recording;

8.2 Select a sample of assets from Fixed Asset Register and perform physical inspection of the assets;

8.3 Select a sample of physical assets from a location and reconcile with the Fixed Asset Register;

8.4 Any differences should be enquired and followed up for appropriate action;

8.5 Results of the physical verification will be used to update the Fixed Asset Register.

9. Coding and tagging:

9.1 Fixed Assets should be identified by a unique code. This code could be numbering or alphanumeric. A sub-code should be used for major components of an asset.

9.2 Fixed assets are tagged as a means of identification and form of asset location. Tags should be selected and placed on the assets so that they are not easily removed or destroyed by asset use.

10. Idle assets

10.1 The company will ensure its offices and storage areas are free of broken, idle and surplus equipment.

10.2 The company is responsible for annually reviewing the utilization level of fixed assets in its custody and to identify obsolete, broken, inoperable, excess, idle, and under-utilized items.

10.3 The company will make full utilization of assets in its possession and control; and are to make available idle, excess and under-utilized equipment to other departments, projects etc. Assets not in use or likely not to be put in use is to be sent for retirement.

Equipment temporarily not in use but required by the company for future activities is to be held in secure storage. Equipment shall be protected against loss, theft, or damage and maintained in good operating condition.

11. CHANGES IN POLICY

The policy will be reviewed periodically and changed, or modified as necessary to reflect the Company's requirements at any time by the Board of Directors of the Company.