Fixed Asset Controls

30th July 2021

APPROVED

Table of Contents

Purpose

The purpose of this document is to set out the Company's policy & procedure in relation to the appropriate management, recording and monitoring of all of the Company's fixed assets in order to meet custodial, internal control, audit and insurance obligations.

Policy Objectives

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

Definitions & Terms

Fixed Assets are classed under the following categories.

i. Vessels
ii. Containers
iii. Car racks and equipment for auto logistics
iv. Leasehold land
v. Motor Vehicles
vi. Furniture and fittings
vii. Office equipment
viii. Computer hardware & software
ix. Renovations
x. Small value assets
xi. Capital work in progress

Policy

a. All purchases of fixed assets must go through the standard process using the asset requisition form (Appendix 2), and approved for purchase within approved Financial Authority Limits (FAL)

b. A Fixed Asset Register (FAR) will be maintained by Finance Department(FD) of all assets of value greater than RM1,000 stating clearly acquisition price, acquisition date, relevant depreciation rate and amount, asset location and user.

c. All disposals or write off of fixed assets must similarly comply with FAL as set.

d. The policy for depreciation of Fixed Assets, other than Vessels and Heavy Equipment, is given in Appendix 5. The policies for depreciation of Vessels and Heavy Equipment are given in Appendix 5A and Appendix 5B respectively.

e. Insurance of office assets are covered by HR & Admin. Insurance of vessels and containers are covered by specialised vessel insurance policies and terms and managed by the technical team.

Recording and Control

An Asset Tag Number is assigned to each asset listed in the FAR. The following information will be disclosed, once the Asset Tag Number has been generated:

i. Item Identification Code
ii. Description
iii. Location (Building, floor and room number)
iv. Purchase Date
v. Purchase Cost

The following assets, that have its own identification number or that are difficult to tag, need not be tagged

i. Vessels
ii. Motor Vehicles
iii. Containers
iv. Car Racks & other equipment for Auto Logistics
v. Land and buildings
vi. Computer Software
vii. Renovations

Tagging of small value assets (costing less than RM1,000) is optional.

What Are Asset Tags and How Will They Be Generated?

Tagging is the process of numbering fixed assets and allows the tracking of the movement of fixed assets from location to location.

Tagging allows the positive identification of assets. It can:

i. Provide an accurate method of identifying individual assets,
ii. Aid in the taking of physical inventory,
iii. Control the location of all physical assets,
iv. Act as theft deterrence,
v. Aid in preventive maintenance of fixed assets, and
vi. Provide a common ground of communication for the Finance Office and the assets' users.

The tag number is entered in the asset master record on the FAR at the point of tagging by the FD. The asset tag itself will be issued by the FD to the Asset Custodian/Branch Manager (with responsibility for the asset) for attachment to the asset.

Pre-printed labels with QR Codes shall be used.

Asset tags should be consistently placed in the same location on each similar asset type. The tags should be placed, if possible, where they can be

i. Easily accessible for viewing
ii. Easily identifiable without disturbing the operation of the asset (see Appendix 5 for further details)

This will assist in the audit inventory process.

Responsibility

All tagged assets, other than IT equipment, are under the responsibility of the Head of HR & Admin. All tagged IT equipment are under the responsibility of the Head of MIS. Both Heads are also known as asset custodians.

Due to the diverse location of our branches, each branch manager will be responsible for their tagged assets and in turn answerable to either Head of HR and Admin (for all office assets) or Head of MIS (for all computer hardware) should there be any discrepancies in fixed assets noted.

Scanning Of Asset Tags and Audit Process

The asset custodians will, together with FD, periodically under-take an audit of assets, based by a physical location, which will involve the auditor to go to that location and physically scan all assets there with a QR-code reader. The scanned details are then reconciled to the FAR and any variances investigated and corrective action taken. This will involve communication with the Asset Custodian and the FAL approver where required.

Reconciliations and Count

A listing of capitalised fixed assets items over RM1,000 as contained in the Fixed Asset Register will be circulated by email to all branch managers/asset custodians on a periodic basis. This listing should be reviewed and checked to ensure that the information has been captured accurately. Any issues or amendments required should be forwarded to FD. FD will check that the overall balance per the Fixed Asset Register and the overall capitalised fixed asset balance in the balance sheet are the same.

FD and Asset Custodians will conduct a first round of asset count and reconciliation. Thereafter, any movement in assets are strictly answerable by the Asset Custodians. Asset Custodians will need to ensure that all assets are counted at least once a year.

Overview of Fixed Asset Process

Assets Acquired

Indentify need to acquire asset	Obtain 3 quotes and approval per FAL	On receipt of asset ensure asset is recorded in FAR	Affix the asset tag

Maintain Asset Register

FD will update and maintain the FAR

Verify Physical Assets

Audit at least once a year	FD will email list to Asset Custodian	Asset Custodian to check and revert on any discrepencies

Asset Disposal

Identify asset for disposal	Retire assets through appropriate means	Remove asset from register

Transfer or Disposal of Fixed Assets

Assets can be transferred/disposed of as follows:

i. **Transferred** - Assets may be transferred from one department to another in which case there is a separate form to be completed called the Transfer of Assets form (see Appendix 3 Transfer of Assets Form).
ii. **Donated** – Assets may be donated to charity on a case by case basis and provided all necessary approvals are obtained. (see Appendix 3 - Disposal of Assets Form).
iii. **Purchased by employee** – In situation where employee may wish to purchase IT equipment or other office assets, the employee is required to submit the Disposal of Assets Form (see Appendix 4)
iv. **Transferred to Related Company** : Assets (especially portable assets) might be transferred from one related company to another. Assets should not be shared – ie 1 asset being used by 2 separate legal entities. (Form – use Appendix 3)
v. **Disposal to third party** – per proper approval (Form use Appendix 4)
vi. **Asset write off** – only in the case where the assets cannot be located and the Asset Custodian confirms that all efforts have been made to locate the asset can the asset be written off

Supporting Documentation and Approvals

If sold for cash, the price disposed of has to be supported by 2-3 independent quotations (depending on quantum of disposed price). All disposals/write off have to be approved not only by Asset Custodian and FD, but also by Director.

The FAR must be adjusted to reflect the disposals.
The Asset Custodians must maintain a record of all asset disposals and the relevant quotations where applicable.

Insurance of Office Assets

HR department will arrange for 2 types of insurance for office assets

a. Motor vehical insurance
b. All Risk Insurance – for computers (laptops, desktops) and projectors.

There is no specific insurance purchased to cover other office assets (like furniture & fittings etc) but this is covered by standard fire insurance.

Appendix I: Examples

1. 1 invoice encompassing different items (eg renovations) where no details are provided of the total number and cost of the assets involved.

   Please get the appropriate breakdown and recognise by the particular asset category. These items will be treated as follows :

   i. Recorded on the FAR (Registered, Asset Id generated)
   ii. Capitalised (Financial postings on General Ledger)
   iii. Reportable – included on FAR Summary report which is issued to Branch Manager/Asset Custodians where assigned to particular asset

2. Buy numerous items that cost more than RM1,000 but each item costs less than RM1,000. The items will be recorded separately (if over RM1,000) but not capitalised

   i. Recorded on the FAR (Registered, Asset Id generated)
   ii. Reportable – – included on FAR Summary report which is issued to Branch Manager/Asset Custodians where assigned to particular asset

3. Several years after purchase of a desktop computer the screen was spoilt and had to replaced. The screen was not under warranty. Total cost of new screen was RM400/-. Item will be recorded separately but not recognised

   i. Recorded on the FAR (Registered, Asset Id generated)
   ii. Reportable – – included on FAR Summary report which is issued to Branch Manager/Asset Custodians where assigned to particular asset

4. Purchase of replacement part for pc (eg RAM). Total cost was RM100/-. This kind of part is too small to be tagged. Item will be expensed to P/L as repairs /maintenance.

   i. Not recorded on the FAR
   ii. Not reportable/counted.

Appendix 2: Assets Requisition Form

Branch/Dept & User name : Description of Asset :	
Acquisition Details Acquisition Price : Supplier selected & reason :	 (for purchase more than RM2,000 per unit please get 3 quotes)
Funding required?	☐Yes ☐No If yes please state type of funding required. Choose an item. Please state who funding from
Replacement asset Is this a replacement asset?	 ☐Yes ☐No If yes please state how old asset will be disposed of.
Prepared by	 Name
APPROVALS	
ASSET CUSTODIAN : Head of HR and Admin	 Name :
CFO :	 Name :
Director :	 Name :
To be completed by Finance Dept	
Transaction Recorded on : FAR No : Signed :	
Attachments :	No of quotations attached ☐

APPROVED

Appendix 3: Transfer of Assets Form

Existing Branch Name	:
Description of Asset	:
Fixed Asset Tag No	:
Transfer Details Transferred to Branch	:
Contact Person	:
Date of Transfer	:
Sales Proceeds	:
Original Purchase Price	:
APPROVALS	
RECEIVING HOD	:
	Name :
SELLING HOD	:
	Name :
ASSET CUSTODIAN Choose an item.	:
	Name :
CFO	:
	Name :
To be completed by Finance Dept	
Transaction Recorded on:	
Signed	:

APPROVED

Appendix 4: Disposal of Assets Form

Branch/Dept Name :	
Description of Asset :	
Age & NBV of Asset	
Type of disposal	Choose an item.
Fixed Asset Tag No :	
Computer reformatted :	☐ Yes ☐ No ☐Na Name & Initial of MIS personnel :
<u>Disposal Details</u>	
Receiving party :	
Contact Person :	
Date of Disposal :	
Sales Proceeds :	
Rationale for disposal :	
Prepared by	
	Name
APPROVALS	
ASSET CUSTODIAN : Choose an item.	
	Name :
CFO :	
	Name :
Director :	
	Name :
To be completed by Finance Dept	
Transaction Recorded on:	
Signed :	
Attachments :	No of quotations attached ☐ *(for disposals to 3rd parties)*

APPROVED

Appendix 5: Fixed Asset and Depreciation Policy

1 Asset Categories

1.1 Vessels (under separate paper)
1.2 Containers
1.3 Car racks and equipment for auto logistics
1.4 Leasehold land
1.5 Motor Vehicles
1.6 Furniture and fittings
1.7 Office equipment
1.8 Computer hardware & software
1.9 Renovations
1.10 Small value assets
1.11 Capital work in progress
1.12 Heavy equipment (under separate paper)

The following is some clarification on the asset categories and some examples – non exhaustive of items for each of these categories

1.2 Containers – comprise all types of containers including 20ft, 40', high cube, and refridgerated containers. Containers capitalised would cover both those under outright purchase and those under lease. Due to the large number of containers typically purchased, transportation cost/cost of shipping of containers purchased from overseas are expensed - out as it would be difficult to capitalise and maintain in the books per container. For containers purchased under lease only the cost of the containers (ie principal) is capitalised. The interest is expensed out.

1.3 Car racks& other equipment for auto logisitics – this includes car racks, bus racks and any other racks used for packing/stuffing of motor vehicles into containers. Transportation costs and installation costs for car racks are capitalised as part of the cost of equipment – ie as cost to bring the asset to use.

1.4 Leasehold land – all land purchased under leasehold. Capitalised cost can include legal fees, and stamp duty on transfer of title deed. Also includes improvements on land – eg piling work, interlocking plates for depot yard.

1.5 Motor vehicles – all motor vehicles for personal use (ie excludes commercial vehicles, prime movers etc). Capitalised cost include vehicles purchased both for cash and under hire purchase. Capitalised cost can include – issuance of car license plate, registration fees and other initial purchase costs but should not include road tax and insurance.

1.6 Furniture and fittings – movable assets. Non electrical in nature eg – tables, chairs, pedestals, dividers, reception table (movable), signboard, free standing cabinets and shelves, carpet. Basically items charged under F&F must be eligible for capital allowances for income tax purposes.

1.7 Office equipment – equipment like shredder, photocopier, air conditioner, kitchen equipment, projectors, speakers, sound system, phone, switchboard, security system

1.8 Computer hardware and software –

1.8.1 Hardware includes desktops, laptops, servers (but not subscription services to shared data centres), printers, routers.

1.8.2 Software includes OS software for computers, microsoft office software, accounting software, software for front end systems

1.9 Renovations – immovable items like ceiling, flooring, piping, electrical works, outlets, sockets, built in furniture like shelves, lighting, tables. Renovation costs mainly are non qualifying furnishing for capital allowance purposes.

1.10 Small value assets – all assets below the cost of RM1,000 are expensed immediately into the P/L. This includes small assets like calculators, stationery, waste bin.

1.11 Capital-work-in-progress – for high value assets which take time to assemble or construct – e.g vessel, office block, certain heavy machinery like reach stacker, or crane.

1.12 Heavy equipment – please refer separate policy on this.

Depreciation Method

Depreciation is on a straight-line basis over the expected economic useful life of the asset.

Economic useful life – is the estimated period of usage of the asset. Where the asset is purchased on a second hand basis, the depreciable period will be the total economic useful life less the age of asset when purchased.

Table on economic useful life:

		Economic Useful life (years)
1.2	Containers	10
1.3	Car Racks	5
1.4	Leasehold land	Leasehold period
1.5	Motor Vehicles	5
1.6	Furniture and fittings	5
1.7	Office equipment	5
1.8	Computer hardware & software	5
1.9	Renovations	5
1.10	Small value asset	0 (expensed)
1.11	Capital work in progress	Not depreciated

Depreciation Period

For new assets = economic useful life

For second-hand assets = economic useful life – age when purchased

Depreciation period is calculated to the nearest month, and counted in full for month of acquisition, not counted for month of disposal.

Amortisation of leasehold land

For leasehold land, the amortisation period is based on remaining period of lease from date of acquistion.

Amortisation period = total lease period – age of lease when acquired

Capital work in progress – this is not depreciated until the construction of the asset is completed.

Disposal of Fixed Assets

An asset can be disposed, written off, scrapped, or transferred to a related company.

Disposal, writing off or otherwise scrapping of assets have to be properly authorised.

Sale Proceeds

Sale proceeds on asset disposal include – price at which the asset was disposed, cost of transportation of the asset to the place of disposal, legal fees, rectification costs etc if applicable.

Gain/Loss on Disposal

Gain/loss on disposal = sale proceeds – net book value of asset

Transfer of Asset

Where asset is transferred between related companies at no gain no loss (net book value), the total cost and accumulated depreciation should be transferred from transferor company to transferee.

Appendix 5A: Fixed Asset and Depreciation Policy – Vessels

Introduction

Depreciation is the allocation of the depreciable amount of a depreciable asset on a systematic basis to each accounting period over the economic useful life of the asset.

In other words

$$\text{Annual depreciation} = \frac{\text{(total capitalised amount – residual value)}}{\text{Estimated useful life}}$$

Total Capitalised Amount

This would be total expenditure on the vessel which are long term in nature and /or enhance the value of the vessel.

For 2nd hand ships

i. Purchase price of vessel (per S&P)
ii. Change of flag expenses
iii. Any other modifications which enhance the value of the vessel

For newbuildings

i. Purchase price of vessel (per S&P)
ii. Change of flag expenses
iii. Supervision fees
iv. Vessel design fees
v. Equipment
vi. Any other modifications which enhance the value of the vessel

Currency - to reflect the true US$ value of the ships, we will keep historical records of vessel purchase price and exchange rates applicable at time of purchase. For newbuildings this might be an average over the duration of the construction period. This is to allow us to better analyse the gain/loss on disposal of any vessel in our fleet in the future years.

Residual value

Scrap value of the vessel or the steel value of the vessel should it be sold to a scrapyard. Scrap value = scrap price (in US$ per long ton (PLT) x vessel's lightweight in Long Tons. Scrap value will be different for different type of ships (eg container vessel vs tug/barge) and therefore will apply by vessel type.

Scrap price of steel – to take a 3 year weighted average of steel (weighting most recent year as 3 and least recent year as 1). This will be reviewed once a year for material movements/changes. To build in an allowance of 10% down to be conservative.

Adjustment to Scrap Price - will only be adjusted if the average scrap price computed varies from the earlier scrap price adopted by > 15% or as advised by management.

Effect on Computation - Scrap price adjustment will only be prospective from the beginning of the year. Changes to depreciation will be affected for a full year.

$$\frac{\text{(Net book value b/f – revised scrap value of vessel)}}{\text{Remaining useful life}}$$

APPROVED

Residual value of vessel purchases – depreciation for incoming vessels to the fleet will also be based on the latest agreed scrap price.

Adjustment to scrap price is not a change in accounting policy, it is only a change in accounting estimates.

Estimated Useful Life

i. Currently the company only has container ships.
ii. The estimated useful life of the container ships are 25 years.
iii. For example, useful life for newbuildings will be 25 years starting from date of delivery of vessel.
iv. For second hand vessels useful life will be the life remaining of the vessel from date of purchase to the vessel's 25th year anniversary. For example if a vessel is bought/delivered when it is exactly 5 years old, its useful life remaining would be 20 years.

Depreciation will be calculated to the nearest month of acquisition/disposal.