

Total Asset Management

How can we help?

Purpose Statement

This document has been written by Total Asset Management Ltd to provide our prospective clients with an introduction to the concepts of Total Asset Management and The Environment of Certainty, and an overview of:

- ◆ our company
- ◆ our services, and
- ◆ the likely costs

so you can see how we might help you better manage your company's assets.

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1. What is Total Asset Management?

Total Asset Management is all about taking care of your organisation's physical assets in every respect, in order to:

- ⇩ Minimise total cost of ownership
- ⇧ Maximise asset availability, and
- ⇧ Maximise asset utilisation

To achieve this, you need accurate, up-to-date information about your assets, their movements, and costs, to provide you with an **environment of certainty** about your assets. Accomplishing this will then enable **Total Asset Management** including:

<i>Planning</i>	<i>Control</i>
<ul style="list-style-type: none"> ✓ <i>Budgeting</i> ✓ <i>Replacement Planning</i> ✓ <i>Purchasing</i> ✓ <i>Project Evaluation</i> ✓ <i>Total Cost of Ownership</i> 	<ul style="list-style-type: none"> ✓ <i>Asset establishment</i> ✓ <i>Asset Auditing</i> ✓ <i>Attractive items register</i> ✓ <i>Asset Security</i> ✓ <i>Asset movement & disposal</i>
<i>Asset Servicing</i>	<i>Financial Management</i>
<ul style="list-style-type: none"> ✓ <i>Help Desk and Knowledge Base</i> ✓ <i>Building and Safety Management</i> ✓ <i>Condition Monitoring</i> ✓ <i>Warranty Management</i> ✓ <i>Service Contract Management</i> 	<ul style="list-style-type: none"> ✓ <i>Depreciation</i> ✓ <i>Insurance Management</i> ✓ <i>Revaluations Management</i> ✓ <i>Performance Measurement</i>

This in turn will allow your organisation to make high quality management decisions that enable you to maintain the competitive supply of quality goods and services to your stakeholders - your clients, staff, suppliers and shareholders.

1.1 Key Factors for Successful Total Asset Management

There are four key factors in implementing a successful Total Asset Management Strategy:

<i>Commitment</i>	<i>There must be a clear business commitment to asset management, including delegation of responsibility for identified assets in job descriptions.</i>
<i>Identification</i>	<i>To manage assets, you must be able to identify every asset the organisation holds.</i>
<i>Business Practices</i>	<i>Clear policies and business practices must be developed and documented. These must encompass asset definitions and data capture procedures.</i>
<i>Software</i>	<i>An appropriate software solution for recording, managing and reporting asset information is required.</i>

2. What are the benefits of Total Asset Management

The benefits available through Total Asset Management are numerable and compelling. Here is a brief summary of many benefits that may accrue:

Planning	Control
<ul style="list-style-type: none"> ✓ <i>Effective asset replacement decisions can be made</i> ✓ <i>Identification and redeployment of surplus assets</i> ✓ <i>Better repair or replacement decisions are possible</i> ✓ <i>Lease, rent or buy decisions can be made with a better knowledge foundation</i> ✓ <i>More effective replacement planning becomes possible, which in turn enables more effective bulk purchasing.</i> ✓ <i>Purchase only cost-effective brands</i> ✓ <i>Effectively measure supplier performance</i> 	<ul style="list-style-type: none"> ✓ <i>Improved ability to trace physical assets to register.</i> ✓ <i>Increased chances of movements and disposals being accurately recorded</i> ✓ <i>Barcode technology cuts audit times and costs, and increases frequency of audits.</i> ✓ <i>Increased register accuracy.</i> ✓ <i>Demonstrates commitment to control, and minimises chances of loss through misappropriation</i> ✓ <i>Barcode labels act as a visual deterrent.</i> ✓ <i>Improved delegation of responsibility for assets</i>
Asset Servicing	Financial Management
<ul style="list-style-type: none"> ✓ <i>Avoid repair costs for assets under warranty</i> ✓ <i>Review asset condition prior to expiry of warranty</i> ✓ <i>Reduced service contract costs through accurate list of assets to be covered</i> ✓ <i>More accurate assessment of replacement versus service is possible.</i> ✓ <i>Total cost of ownership can be calculated accurately.</i> ✓ <i>Accurate service history provides solid foundation for Quality Assurance programmes</i> ✓ <i>Reduced cost of equipment downtime.</i> ✓ <i>Minimised hazards in the workplace through maintaining assets in good repair.</i> 	<ul style="list-style-type: none"> ✓ <i>Maximised uptake of tax depreciation.</i> ✓ <i>Avoid profit fluctuations by matching depreciation rates to useful life.</i> ✓ <i>Insure only the assets that exist</i> ✓ <i>Improved insurance by location and reduces costs.</i> ✓ <i>Cost of insurance valuations is reduced</i> ✓ <i>Complete insurance cover is possible</i> ✓ <i>Accuracy of register reduces valuers costs of preparing valuations.</i> ✓ <i>Time usually required to update and reconcile the register is minimised</i> ✓ <i>Time to quantify the effect of revaluations on depreciation is minimised.</i> ✓ <i>Improved standard performance measures by overall reduction of capital employed.</i>

3. Achieving an Environment of Certainty

Achieving an environment of certainty about your assets is the result of strong asset management practices. The key element of an ongoing asset management system is the change management and control system that captures the ongoing asset transactions and associated costs.

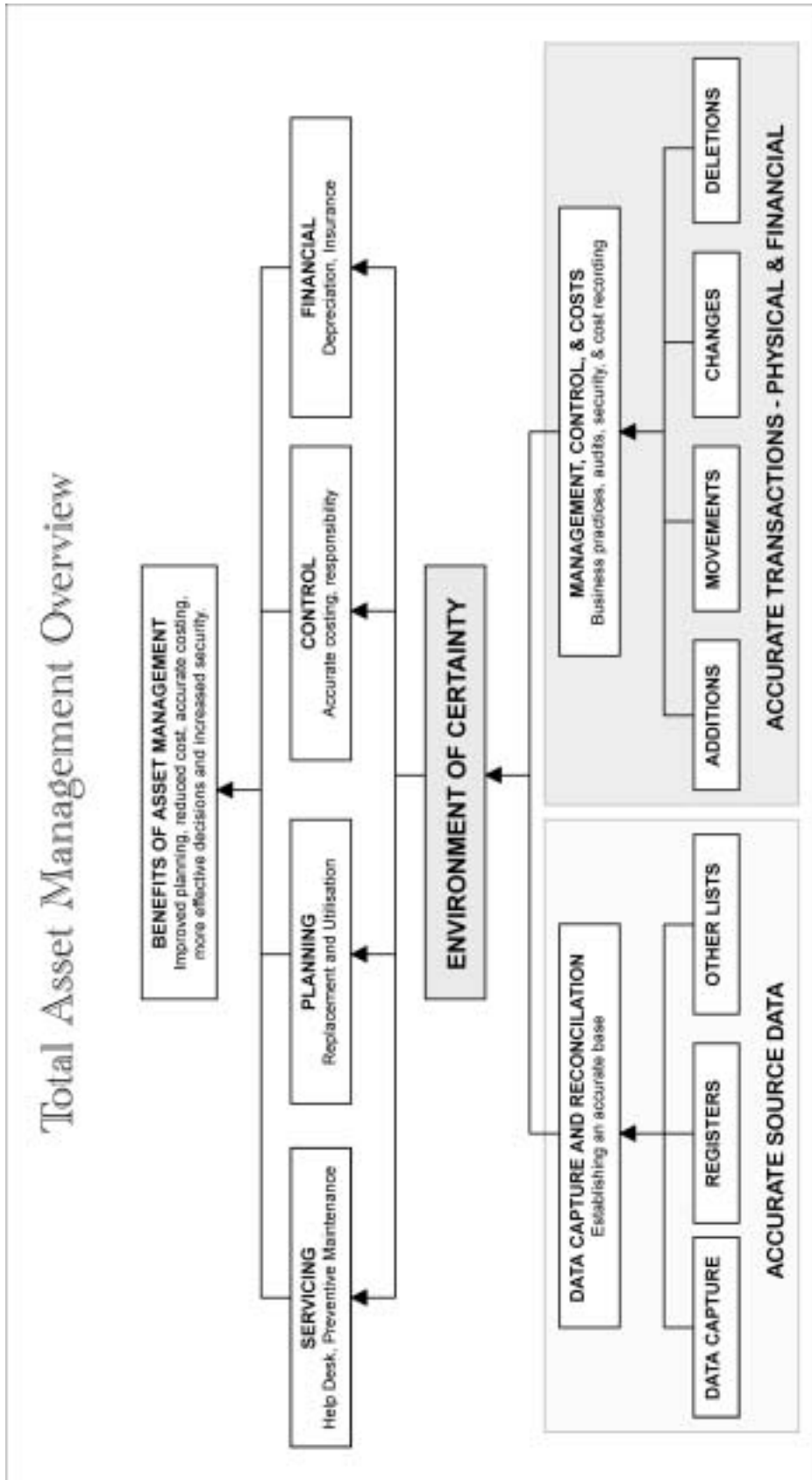


Figure 1: Overview of how to achieve Total Asset Management by first creating an Environment of Certainty about every aspect of their existence.

4. About Total Asset Management Ltd

Total Asset Management Ltd was formed in 1995 to specialise in the implementation of asset management systems, processes, and financial asset management strategies in New Zealand's large corporate and government organisations. As our expertise has developed, and our systems have been refined, we have become cost-effective at providing asset management solutions to any organisation seeking advice and services.

4.1 Our Objectives

- To focus on the benefits of asset management and to ensure the client receives these benefits which include:
 1. *Establishment of control over the assets of the organisation*
 2. *Improvement of asset management*
 3. *Reduction of costs*
- To implement effective asset management solutions.
- To establish sound asset management business practices for each client that enhance the effectiveness of the asset management solution.
- To ensure all users are fully conversant with any software and hardware solutions provided.

4.2 Our Business Philosophy - Realising the Benefits

In the current environment of rapid change, organisations face increased needs for information to support the decision-making process. This need is often constrained by decreased staff resources, increased transaction volumes and constant change.

The solution to this problem often lies in the implementation of computer-based management information systems supported by sound policies and procedures.

The purpose of any information system is to support the decision making process. However, information systems often deliver less than their full potential with the client receiving considerably less benefit than expected.

Total Asset Management Ltd's philosophy is to implement asset management solutions that deliver agreed benefits. We make this happen by:

- ◆ *establishing clearly defined objectives for the project, and*
- ◆ *achieving them*

using our vision, management skills and understanding of our specialist subject.

5. Services we provide

Total Asset Management Ltd offers a whole range of asset related services including:

- ◆ Data Capture
- ◆ Asset Audit
- ◆ Book to physical reconciliations
- ◆ Asset Purchasing advice
- ◆ Capital Budgeting advice
- ◆ Depreciation Calculations
- ◆ Asset Security advice
- ◆ Tax Depreciation advice

These are detailed in the following sections. If you can't find any mention of an asset-related service you would like, talk to us. **We'd be happy to help!**

Call 0-9-298 0884

Or 021 993 925

6. Data Capture

The TAM Data Capture is your first step towards an **Environment of Certainty**, and is required where your asset register is currently unreconciled, or you lack confidence in its integrity. The process involves barcode labels and scanners to set up and create an accurate register of assets. It is achieved by visiting agreed locations, attaching labels to assets, and capturing the details of each asset at that location. This ensures a high degree of accuracy in your resulting asset register. In addition to the Data Capture, TAM can provide a register to physical asset reconciliation.

6.1 Data Capture Services

TAM Ltd provide the following data capture services:

6.1.1 Standard Data Capture

Standard Data Capture utilises barcode labels, and portable data terminals to capture basic asset information and is used where the amount of information required is minimal. The data collected consists of Barcode, Description, Location, Cost Centre, and Serial Number.

6.1.2 Advanced Data Capture

Advanced Data Capture gathers additional information about your physical assets beyond our standard offering or gathers software licence information for audit purposes. In these cases the requirement may be to develop a special program for a PDT, or PC interrogation tools to establish additional information about the asset item.

6.1.3 Data Capture with Reconciliation

Following on from either the Standard or Advanced Data Capture, the Reconciliation Process matches the existing register to the labelled assets. The *Primary Match* is by serial number, with *Secondary Matching* being by a combination of Make, Model, Location, and Cost Centre. Subsequent lower grade levels of matching are agreed with the client prior to proceeding.

N.B. A quote for reconciliation can only be confirmed after completion of the Data Capture, as this is when the size and shape of the task can be properly assessed.

6.2 Data Capture Deliverables

The products arising from our data capture services are:

- ◆ A confirmed and classified list of assets held by the organisation, at the agreed level of detail.
- ◆ All assets tagged with barcodes, within agreed type and location parameters
- ◆ In addition to the above, Advanced Data Capture gathers any other detail we agree, and is intended to provide data such as physical characteristics, configuration, or condition.
- ◆ Provision of three lists from the reconciliation process available in an agreed data format including:
 1. Assets reconciled to existing register
 2. Assets in the register, not reconciled to the physical list.
 3. Assets in the physical list, not reconciled to the register
- ◆ Management of the update of the changed and new data into your asset management system if required.
- ◆ As an optional service, we can investigate unreconciled items in the asset register.
- ◆ Data files in an agreed format of the results of any software and hardware audit.

6.3 Data Capture Schedule of Charges

<i>Description</i>	<i>Cost</i>	<i>Variables</i>
Standard Data Capture	\$3 - \$7 per asset	<ul style="list-style-type: none"> ◆ Number of assets ◆ Availability of assets ◆ Number of locations ◆ Geographic spread
Advanced Data Capture	P.O.A.	<ul style="list-style-type: none"> ◆ As above, plus ◆ Complexity of further data req'd
Reconciliation	Time and materials; usually \$1 - \$3 per asset	<ul style="list-style-type: none"> ◆ %age of assets with serial no. ◆ accuracy of existing register
Unreconciled investigation	Time and materials \$50 - \$120 per hour.	<ul style="list-style-type: none"> ◆ As above
Update of Asset Management System	Time and materials \$50 - \$120 per hour.	<ul style="list-style-type: none"> ◆ As above

7. Asset Audit

The Asset Audit is utilised where you have reasonable confidence in the integrity of your asset register, and your assets are already tagged with barcode labels. It is part of the normal ongoing verification process that is necessary to maintain confidence in your asset register, and to eliminate errors that creep in, even with the best of change management and control systems. It involves gathering limited information about tagged assets for verification purposes, and capturing untagged assets.

7.1 Asset Audit Services

The following services are available:

7.1.1 Standard Audit

Standard Audit involves the reading of asset labels by location, cost centre and person to confirm the existence of assets within the organisation and to record any uncontrolled asset moves that may have occurred. There are three pre-requisites. Firstly, there is no requirement for additional information secondly, the existing asset register is pre-labelled and thirdly the register is relatively accurate with over 90% of the assets having been labelled. Any unlabelled assets are recorded as part of the process.

7.1.2 Visual Audit

The Visual Audit program is performed on Palm based scanners and provides the ability to confirm the asset description, serial number and up to four other fields of information as required by the client.

Visual Audit also checks the location, cost centre and person details of the asset and also provides the functionality to record additional asset information.

Where a barcode label is damaged a new label may be affixed and the new number recorded.

7.1.3 Advanced Audit

Advanced audit provides the services as detailed in 7.1.1 and 7.1.2 above with the addition of a software and hardware scan on personal computers.

7.1.4 Audit Reconciliation

The audit processes defined above involve the collection of data and a match of the audit data to the asset register producing list of asset audited, asset not audited and assets audited not in the register. The Audit Reconciliation provides for the follow up of assets not audited, reconciliation of newly labelled assets to the register, and the provision of write off schedules for accounting and taxation purposes.

N.B. A quote for reconciliation can only be confirmed after completion of the Audit, as this is when the size and shape of the task can be properly assessed.

7.2 Audit Deliverables

The products arising from our Asset Audit Service are:

- ◆ A list of asset movements between locations, cost centres and people.
- ◆ A list of non-audited assets.
- ◆ A list of previously unlabelled assets tagged during the audit.
- ◆ A data file of changes to barcode, description, serial number and the up to four additional data fields provided in Visual Audit. This file is provided in an agreed format.
- ◆ Data files in an agreed format of the results of the software and hardware audit.
- ◆ Where an Audit Reconciliation service is provided, we report the result of the investigation and a recommendation for each item investigated.

7.3 Asset Audit Schedule of Charges

<i>Description</i>	<i>Cost</i>	<i>Variables</i>
Standard Audit	\$1 - \$3 per asset	<ul style="list-style-type: none"> ◆ Number of assets ◆ Number of locations ◆ Availability of assets ◆ Geographic spread
Visual Audit	\$2 - \$5 per asset	<ul style="list-style-type: none"> ◆ As above, plus ◆ Complexity of further data required
Advanced Audit	P.O.A	<ul style="list-style-type: none"> ◆ As above, plus ◆ Number of PC's
Audit Reconciliation	Time and materials \$50 - \$120 per hour.	<ul style="list-style-type: none"> ◆ As above

8. Other Asset Management Services

Based on our experience, and the experience of asset management professionals worldwide, Total Asset Management offers the following services to enhance asset management within client organisations.

8.1 Other services offered

1. Review the ability of the existing register as an asset management tool.
2. Asset related policies and procedures including purchasing and disposal policies, asset tracking, and capitalisation.
3. Total cost of ownership review, assisting the client to establish which assets should have TCO applied and the implementation of TCO processes.
4. Advice and review regarding accounting rates of depreciation, impacting on product costing, and balance sheet accuracy.
5. Project costing and capitalisation processes associated with large capital projects.
6. Lease versus purchase, versus rental analysis.
7. Replacement planning and budgeting, including ten-year maintenance and replacement forecasting.
8. Maintenance versus repair planning.
9. Warranty and maintenance contract management.
10. Due diligence analysis as it relates to physical assets.
11. Review of tax rates to ensure compliance and optimal tax depreciation.
12. Lease management review, advice, and outsourcing.
13. Capital requisitioning and authorisation processes
14. Asset purchasing management and advice.
15. Management of your asset register.
16. Insurance and revaluation management, including retention and control of revaluation data.
17. Digital imaging and object linking of asset images into Hardcat database.
18. Health and Safety management including workplace assessment, and whole-of-life service and maintenance history recording for assets.
19. Advice and systems for digital recording, storage, and analysis of scheduled plant test results, and meter readings. This includes electrical safety testing, fire safety testing, and building safety I QP processes.

8.2 Other Services schedule of charges

<i>Description</i>	<i>Cost</i>	<i>Variables</i>
All services	\$120 - \$180 per hour	◆ Depends on service required

9. Other Products

Total Asset Management Ltd provides the following hardware and software:

9.1 Software Products

9.1.1 HARDCAT Asset Management System

HARDCAT is a modular, Windows-based asset management system that manages all aspects of an asset's life from planning for its purchase, through to its purchase and deployment, planning for optimal utilisation and replacement, and finally ensuring its proper and timely disposal. HARDCAT caters for all aspects of an asset's existence including:

- ◆ Requisitioning
- ◆ Purchasing
- ◆ Depreciation
- ◆ Maintenance
- ◆ Breakdowns
- ◆ Testing
- ◆ Auditing, and
- ◆ Replacement Planning

9.1.2 PACES Project and Capital Evaluation System

9.2 Hardware Agencies

Datalogic

Telxon

Symbol

9.3 Further Information

If you haven't seen the HARDCAT demonstration CD and would like a copy, or you require further information about the products we supply:

Call 0-9-298 0884

Or 021 993 925

10. Clients

Our clients include:

- ◆ ASB Bank
- ◆ ANZ Bank
- ◆ Capital Coast Health
- ◆ PricewaterhouseCoopers
- ◆ Criterion Furniture
- ◆ GCSB
- ◆ Lakeland Health
- ◆ Manukau City Council
- ◆ Manukau Institute of Technology
- ◆ MidCentral Health
- ◆ National Library of New Zealand
- ◆ NZ Police - Whangarei
- ◆ New Zealand Post
- ◆ Otago Polytechnic
- ◆ Parliamentary Services
- ◆ Tairāwhiti Health
- ◆ Taranaki Polytech
- ◆ The Warehouse
- ◆ Universal College of Learning
- ◆ Wairarapa Health
- ◆ Warehouse Stationery