Fixed assets and depreciation policy

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Owner: Aaron Tushabe · **Approved by:** Aaron Tushabe and Hillary Arinda · **Last reviewed:** 29 Oct 2026 · **Next review:** Jul 2027 · **Controlled policy**

Adapted from GitLab's Capital Assets Policy (CC BY-SA 4.0).

Purpose

To make sure equipment NFE buys for its microgrids is recorded as an asset and depreciated, so the books show what NFE owns and match what URA allows for tax.

Scope

Equipment and works bought by Watt Works Foundation Limited for its sites (Sezibwa Homes, Kyanja Town Homes, Pearl Marina and future customer sites) and for NFE Operations.

Policy

What is capitalised

- **Capitalisation threshold:** UGX 1,000,000 and a useful life over 12 months. Items below the threshold are expensed.
- **Bulk rule:** everything bought for one site build is capitalised together, even if individual items are below the threshold.

- **Costs included:** the purchase price plus everything needed to get the equipment working: installation labour, inspection and connection fees, wiring certificates, and civil works such as equipment shelters.
- **Not capitalised:** testing and prototyping hardware (for example Raspberry Pis and metering samples). These go to 5228 Research and Prototyping.
- **Deposits for goods not yet delivered** aren't assets. They go to **1652 Supplier Deposits Recoverable** until the goods arrive or the money is refunded.

Categories and depreciation rates

NFE follows **URA capital allowance classes**, so the books match the tax return.

ERPNext asset category	What's in it	Method	Rate	URA basis
Microgrid Equipment (URA Class 3)	Inverters, batteries, distribution, wiring, meters	Written Down Value (reducing balance), posted yearly on 30 Jun	20%	Class 3 catch-all. Electricity generation isn't farming, manufacturing or mining, so Class 2 doesn't apply.
Buildings and Shelters (5% straight-line)	Equipment shelters and other civil works	Straight line, 20 years	5%	Industrial building allowance

To confirm with the accountant:

☐ The Class 3 / 20% placement for microgrid equipment. Networked smart meters could arguably be Class 1 (40%).

☐ Whether the shelter qualifies as an industrial building. If it doesn't, it gets no tax allowance, but it's still depreciated in the books.

- First year: ERPNext pro-rates by months in use, while URA gives a full year on assets held at year end. The accountant adjusts the first year on the return.

Sites that aren't live yet

Costs for a site under construction go to **1790 Capital Work in Progress**, under the site's cost centre. On the commissioning date, the balance becomes an asset record and depreciation starts.

Asset records in ERPNext

Every asset record needs: the item (**Microgrid System** or **Equipment Shelter**), the site's cost centre and location, the purchase date, the in-use date, and the supplier. Where there are serial numbers (inverters, batteries) and warranty end dates, add them to the asset's description. Example:

ACC-ASS-2026-00001, Sezibwa Phase 1.

Depreciation posting

ERPNext posts depreciation automatically each 30 Jun from the asset's schedule. Checking that it posted is part of the year-end close.

Disposal and loss

A failed battery, theft or a warranty swap is recorded in ERPNext as a scrap or sale of the asset, with evidence (photo, police report, warranty or insurance claim) attached. Keep asset invoices for as long as the accountant confirms URA requires.

Exceptions

Date	Exception	Approved by
29 Oct 2026	Capitalised the Sezibwa build-out after it was first expensed during the Open Collective migration (see migration record)	Aaron Tushabe

Change log

Date	Change	Who
29 Oct 2026	Capitalisation threshold of UGX 1,000,000 approved (no longer PROPOSED)	Aaron Tushabe and Hillary Arinda
29 Oct 2026	Policy created: URA-based rates, asset categories, CWIP for unbuilt sites, deposits recoverable	Aaron Tushabe

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