

# Statement of Accounting Policy

Precinct Outgoings

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# Policy Intent



To establish and maintain an effective and efficient system and set of procedures that supports the reasonable determination of Precinct Outgoings costs in a timely, equitable and cost effective manner for tenants at Perth Airport, in accordance with the provisions of respective leases.



# Part 1 – Cost Pool

## SOURCE DATA

To ensure that recovery of Precinct Outgoings costs do not overlap with recovery of costs for aeronautical pricing, or other direct recharges, and in recognition that a number of Perth Airport costs are joint and common across various activities, an Activity Based Costing (ABC) model is used as the source of Precinct Data Costs.

The ABC model is reconciled to the audited annual financial statements to ensure consistency.

The ABC model is audited annually.

All Perth Airport operating costs are allocated to one or more ABC codes (resources) at the time of data entry. ABC codings are periodically checked to ensure integrity and consistency of coding.

Each ABC resource corresponds to a general ledger account.

## RECOVERABLE RESOURCES

Precinct Outgoings costs exclude capital, depreciation & amortisation, financing costs and income tax (Category Exclusions).

Individual resources are excluded from Precinct Outgoings (Resource Exclusions) to the extent they are deemed to be not reasonably recoverable from precinct outgoings. These are typically costs associated with Perth Airport Pty Ltd owned facilities, such as terminals and car-parks, other costs associated with Perth Airport Pty Ltd's retail and ground transport business activities, and elements of corporate overhead.

After Category and Resource Exclusions, remaining costs represent Adjusted Operating Expenses.

## APPLICABLE SERVICE CODES

Service categories represented in the ABC system incorporate the range of activities for which Perth Airport Pty Ltd derives revenue. These service categories are delineated according to whether they are aeronautical in nature or non-aeronautical. Aeronautical services are defined according to Airport Regulations and costs associated with these services are completely excluded from Precinct Outgoings.

Non-aeronautical service categories include:

- Public & staff carparking
- Car rental
- Advertising
- Leased buildings



- Leased offices within terminals
- Concessionaire sites
- Leased ground sites
- Leased buildings
- Property development

Precinct outgoings costs are sourced from the following service categories:

- Leased ground sites
- Property development

The amount of Adjusted Operating Expenses allocated to the Service Categories Leased Ground Sites and Property Development form the basis for Precinct Outgoings.

Service category Leased Buildings is reviewed to determine whether there are costs allocated to this service which are reasonably allocable to Precinct Outgoings, such as maintenance grounds landside.

## **SPECIFICALLY RECOVERABLE RESOURCES**

Leases generally define Precinct Outgoings as including the following costs.:

- Insurance
- Cleaning, pest control & rubbish removal
- Gardening & landscaping
- Security & traffic management
- Management, operation and administration
- Repairs & maintenance
- Other costs reasonably incurred

# Part 2 – Allocation of Cost Pool to Precincts



## PRECINCT IDENTIFICATION

Precinct boundaries and descriptions shall be as far as is practicable, consistent with those in tenancy leases.

Areas of precincts shall be determined from time to time by reference to the Geographic Information System (GIS).

## ALLOCATION METHODOLOGY TO PRECINCTS

Allocation of costs to precincts should be done so as to ensure as far as is practicable, an equitable allocation of costs, commensurate with expenditure in each precinct.

To the extent that costs cannot be directly allocated to particular precincts, an apportionment is carried out.

As different precincts have different levels of density, type and distribution of development, a suitable proxy has been developed and utilised to distribute joint and common costs.

This proxy is the area of paved road within each precinct. On this measure, costs are allocated across precincts based on the ratio of the paved road within each precinct to the total area of paved roads across all precincts subject to precinct outgoings.

The areas of paved road within each precinct, and across all precincts subject to precinct outgoings is determined from time to time by reference to the Geographic Information System (GIS),

## ALLOCATION TO TENANTS

A schedule of individual tenants who are charged precinct outgoings (Tenants Precinct Outgoings Schedule) is maintained. Tenants are allocated to individual precincts.

Precinct outgoings costs are allocated to individual tenants in accordance with the terms of the tenancy lease.

# Part 3 – Tenant Reconciliations and Adjustments



## RECONCILIATION TO TENANT BILLINGS

As soon as practicable, following the end of the financial year, the allocation of precinct outgoings of individual tenants is reconciled to the amount charged to individual tenants as set out in the Tenants Precinct Outgoings Schedule.

Perth Airport Pty Ltd Commercial Services prepares the statement of precinct outgoings, in accordance of the requirements of the respective tenant leases.

## AUDIT

External auditors are engaged annually to audit the Statement of Precinct Outgoings. Except where specifically provided under individual leases, the statement of precinct outgoings is audited at the precinct level.