

# *DEI Asia Pacific Corporate Overhead Allocation Policy*

**December 2001**

## **1.0 Purpose**

The purpose of this policy is to provide guidelines for the allocation of group corporate overhead expenses to operating business units, development projects, and capital projects.

It is necessary to be able to demonstrate that the allocations are reasonable and that flexibility is maintained to align with the changing nature of the DEIAP Group. The methodology must be able to satisfy internal and external audit analysis, taxation transfer pricing requirements and regulatory scrutiny.

## **2.0 Allocation Policy**

Overhead expenses are allocated in a way that fairly represents the proportion of time and effort applied to each business unit, development project, or capital project.

The costs allocated to the Business Units will be marked up in line with taxation transfer pricing methodologies. The size of the mark up will be based on what is considered to be arm's length in the circumstances.

Finally, no corporate allocation will be made to another corporate department. One corporate service department allocating costs to another serves no purpose in terms of the reasons noted above.

### **2.1 Allocation to Capital Projects**

With respect to each major construction project (defined as an approved construction project), there will be an amount, determined by the Financial Controller and Construction Manager, of capitalised corporate allocation.

The amount will be determined based on a reasonable valuation of actual time and effort. This determination will be made at the time the project construction budget is compiled and will only change if the nature or scope of the project significantly changes.

### **2.2 Allocations to Operating Business Units and Development Projects**

A three stage key using US\$ EBIT, staff numbers, and an effort/complexity factor is the basis for the allocation mechanism to operating business units. The key base's chosen are seen as the best indicators of the pattern of consumption of the benefits provided and, therefore, the appropriate share of costs incurred in providing the services will be allocated.

There is no allocation to joint venture business units eg. PJP, GGT as they are joint venture operations of which DEI Asia Pacific is a non-operating partner. This is on the basis that DEI does not have an active management role in the day to day operations.

## APPENDIX A – Chargeable and Non-chargeable Services

Chargeable Services	Non-chargeable Services
<p><b>Specific benefit activities</b></p> <ul style="list-style-type: none"> <li>? guaranteeing financing facility/loan for an associate</li> <li>? assisting with a borrowing proposal of an associate</li> <li>? assisting with planning and funding an acquisition by an associate</li> <li>? investment analysis for an associate</li> <li>? performing finance group functions, eg. tax advice</li> <li>? training of an associate's employees</li> <li>? arranging a loan or credit facility for an associate</li> </ul>	<p><b>Incidental benefits</b></p> <ul style="list-style-type: none"> <li>? obtaining a higher credit rating because of group membership</li> <li>? economic benefits obtained from the reorganising of other parts of the group</li> </ul>
<p><b>Centralised services</b></p> <ul style="list-style-type: none"> <li>? administrative services: eg planning, accounting, auditing, legal, and IT services</li> <li>? financial services: eg management of cash flows and solvency, working capital, deposits and liabilities, foreign exchange and interest rate exposures, intercompany swapping and hedging</li> <li>? administering and protecting of intangible property for all or part of group</li> <li>? assistance with production, buying, distribution and marketing</li> <li>? personnel services: e.g. recruitment, training</li> <li>? administration of employee share scheme where employees of group members participate</li> <li>? "on-call" services: eg legal/technical advice</li> <li>? development, installation and use of IT services</li> <li>? conducting a worldwide advertising campaign</li> <li>? developing a training program for group use</li> <li>? conducting R&amp;D (whether or not successful)</li> <li>? developing a marketing strategy</li> <li>? Board of Directors activities (where benefit identifiable)</li> </ul>	<p><b>Shareholder activities</b></p> <ul style="list-style-type: none"> <li>? meetings of parent company's shareholders</li> <li>? issuing of shares or options in parent company</li> <li>? maintaining parent company's share register</li> <li>? activities of the company secretary of parent</li> <li>? activities to satisfy parent company's statutory reporting requirements</li> <li>? preparing consolidated statutory accounts</li> <li>? preparing the group annual report</li> <li>? auditing of the parent company</li> <li>? attending the annual general meeting of a subsidiary</li> <li>? raising funds for acquisition of new group members by parent</li> <li>? approving capital expenditure proposals of group members</li> <li>? monitoring performance of subsidiaries by parent/RHQ</li> <li>? Board of Directors activities</li> </ul>