

	<b>Pacific National Policy Manual</b>	Policy Number
	Section <b>Finance &amp; Accounting</b>	Policy Title <b>Corporate Expenses</b>

### Definition.

Corporate expenses are the costs of running centralized functions within Pacific National, such as the CEO's office, or costs incurred by Pacific National as a group on behalf of its business units, where the consolidated position of Pacific National allows increased buying power or more effective management of the task, eg Insurance.

Corporate expenses are segregated into 3 categories:

- **Direct recharges to business units .**  
For specific expenses that a division would normally incur should a corporate office not exist. Eg Payroll, Insurance, Accounts Payable.
- **Indirect recharges.**  
For expenses incurred by the corporate office that cannot directly be attributable back to specific tasks performed in an operating division. These are typically overhead costs associated with Head Office personnel.
- **Non recovered expenses.**  
Expenses that are not recovered against business units, such as one time costs for specific projects / consulting / litigation, or items such as shareholder management fees.

A table of corporate charges and allocation methodology is attached in Appendix 1.

### Allocation methodology.

#### 1. Direct recharges.

The specific nature of these costs generally enables a direct correlation to the recharge methodology adopted. Therefore these costs are allocated on a specific basis, using the primary driver of the expense to determine the allocation method to each division.

Eg Accounts payable costs.

Expense make up = headcount / personnel costs.

Primary driver of function = invoice processing for payment and control.

Corporate recharge method for 100% of Accounts Payable expenses to divisions = Division's number of invoices processed per annum.

Refer Appendix 1 for full list of Corporate Expenses directly recharged to Operating Divisions.

#### 2. Indirect Recharges.

The nature of these expenses is more general, and cannot be specifically allocated to operating divisions based on activity performed directly for them. As such these expenses are recharged to operating divisions based on each divisions percentage of the total Pacific National revenue. For the purposes of calculation, Operations Services inter divisional recharges are considered as Operations Services revenue, to ensure that the Operations Services business unit is allocated its fair share of Corporate Expenses.

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