

AUDITOR'S LETTERHEAD

INDEPENDENT AUDITOR'S REPORT ON MONTHLY GROSS REVENUE

Director (Internal Audit)
Internal Audit Division
Changi Airport Group (Singapore) Pte. Ltd.
Singapore Changi Airport
PO Box 168
Singapore 918146

**STATEMENT OF MONTHLY GROSS REVENUE FOR
XXX CONCESSION
AT SINGAPORE CHANGI AIRPORT, PASSENGER TERMINAL X
FOR THE PERIOD FROM XXX TO XXX**

We have audited the amounts shown as monthly gross revenue on the attached schedule. This schedule is the responsibility of _____(tenant). Our responsibility is to express an opinion on the amounts shown as monthly gross revenue on the attached schedule based on our audit.

We conducted our audit of the schedule in accordance with Singapore Standards on Auditing applicable to special purpose audit engagements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule, and also checking and agreeing the amounts in the attached schedule to the tenant's accounting records. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion, taking into consideration the notes on the preparation of the auditor's report (Notes to the Tenant's Auditors), provided by Changi Airport Group (Singapore) Pte Ltd (CAG).

In our opinion, the monthly gross sales, exchange gains and other income in respect of each of the months covering the period ended _____(date), as shown in the attached Statement of Monthly Gross Revenue (marked for identification), are in accordance with the books and records of _____(tenant); and have been computed on the bases specified in the attached Basis of Preparation, as provided for in the tenancy agreement dated _____ between _____ (tenant) and CAG.

Our report is solely to assist _____(tenant) in its reporting of its monthly gross revenue under the terms of its tenancy agreement with CAG and is not to be used for any purpose or to be distributed to any other parties other than CAG. This report relates only to the items specified in the schedule and does not extend to any financial statements of _____(tenant), taken as a whole.

_____(Firm)

Public Accountants and
Certified Public Accountants
Singapore

_____(Date)

TENANT'S LETTERHEAD

**STATEMENT OF MONTHLY GROSS REVENUE
XXX CONCESSION
[LOCATION, e.g. DEPARTURE TRANSIT NORTH]
SINGAPORE CHANGI AIRPORT
PASSENGER TERMINAL X
FOR THE PERIOD FROM XXX TO XXX**

Year	Declared to CAG		
Month	Gross Sales \$	Exchange Gains * (excluding Exchange Losses) \$	Other Income * \$
JANUARY			
FEBRUARY			
MARCH			
APRIL			
MAY			
JUNE			
JULY			
AUGUST			
SEPTEMBER			
OCTOBER			
NOVEMBER			
DECEMBER			

* where not applicable, please insert "Nil"

Signature of Tenant

Designation

Auditor's Signature
and identification

Date

TENANT'S LETTERHEAD

**BASIS OF PREPARATION
(PROVIDED IN TENANCY AGREEMENT DATED XXXXXX)
OF THE STATEMENT OF MONTHLY GROSS REVENUE**

**[CONCESSION TITLE, e.g. DUTY FREE CONCESSION]
SINGAPORE CHANGI AIRPORT
PASSENGER TERMINAL X
FOR THE PERIOD FROM 1 JANUARY ___ (Year) TO 31 DECEMBER ___ (Year)**

The calculations and amounts have been prepared on the following bases:

1. Monthly gross revenue includes gross sales, exchange gains (excluding exchange losses) and other income (such as voucher payment and service charge).

Monthly Gross Sales

2. Monthly gross sales reflect actual transactions carried out during the month.
3. Monthly gross sales are net of discount, returns and GST.
4. There is no deduction of expenses from the monthly gross sales.
5. Monthly gross sales are declared on a calendar month basis, i.e. 1st to end of calendar month.
6. Gross sales includes (a) sales delivered from the airport outlet but billed from another outlet; (b) sales delivered at the airport outlet but billed from another outlet; and (c) sales initiated at the airport outlet but delivered at a location away from the airport.

Exchange Gains

7. Gross revenue includes exchange gains arising from dispose of foreign currencies obtained from sales transactions. Exchange losses are not offset against exchange gains.
8. Foreign currencies obtained from sales transactions which were not converted into local currency at the end of the month are translated into local currency for reporting, using the foreign currency buying rates published in the Straits Times or Business Times as at the last working day of the month.

Other Income

9. Monthly gross revenue includes those for which payment is made through the use of vouchers under any arrangements or contracts with airlines or travel agents or any other party.
 10. Gross revenue includes any part of service charge, which was retained and not distributed to the staff by the following month. Service charge refers to the charge normally collected for personal services provided by the staff.
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Signature of Tenant¹

¹ To be signed by the signatory making the declaration on the schedule

Appendix 3

NOTES TO TENANT'S AUDITORS

(I) PREPARATION OF STATEMENT OF MONTHLY GROSS REVENUE AND AUDITOR'S REPORT

- (a) Tenants pay additional rent based on actual gross revenue that was earned during the month, i.e. actual transactions carried out during the month. (The auditor should read the lease agreement for the definition of gross revenue).
- (b) Gross revenue varies each month. Depending on the gross revenue for the month, the tenant pays either a percentage of revenue or a minimum guaranteed sum, whichever is higher for each month.
- (c) The audited statement of **monthly** gross revenue is required by CAG as an independent check on the accounts, books and records of the tenant to ensure that the gross revenue declared to CAG is true and correct. The requirement to submit the audited statement of monthly gross revenue is stated in the tenancy agreement signed between CAG and the tenant.
- (d) The auditor should audit the **monthly** gross revenue declared to CAG. The gross revenue is net of discount, returns and GST. There should be strictly no deduction of the expenses from the gross revenue.
- (e) Monthly gross revenue should be declared on a **calendar month basis** i.e. 1st to end of calendar month. (If the tenancy starts during the month, the gross revenue must be declared from the commencement date to the end of calendar month). It should **not** be the tenant's own internal cut-off period e.g. 27th of one month to 26th of the following month. This is very important as the additional rent paid for each month is the **higher of the monthly** minimum guaranteed sum **or** a percentage of the gross revenue earned during the month. Incorrect declaration of gross revenue for the month may result in loss of rental revenue to CAG.
- (f) The auditor should **stamp, sign and date the Statement of Gross Monthly Revenue** for identification purposes and **send it to the CAG directly with the auditor's report**. This is very important for proper identification and also to avoid unauthorised alterations being made to an audited statement after it has been audited by the auditor.
- (g) The auditor should also submit to CAG, a copy of the management representations, (if any) made to him by the tenant.
- (h) If the auditor discovers differences between the monthly amounts declared to CAG and the tenant's accounting records, he should inform CAG of the nature and reason of such differences, regardless of materiality.

Risk/Exposure

- (i) In the course of your audit, please pay **special** attention to the clause in the TA relating to gross sales/revenue in which orders or contracts of sales arise from locations other than the demised premises but whose deliveries are effected or whose services are rendered by the Tenant at the demised premises.

Example 1

A restaurant may provide food to airport lounges or other airport organisations on either ad-hoc or contract basis. The bill may be sent from the restaurant's town outlet. These sales must be declared to CAG.

Example 2

A restaurant might provide services such as function rooms at its Changi Airport outlet but bill its customer from the town outlet. Such sales must also be declared to CAG.

Example 3

A restaurant may deliver food prepared at its airport outlet to organisations outside the airport. Such sales must also be reported to CAG.

Auditors should carry out appropriate audit tests and not rely solely on written confirmations from the management in such cases.

- (j) Exchange Gains

If the tenant accepts foreign currencies as part of his operations at Changi Airport, regardless of materiality, the auditor must check the monthly foreign currency statement submitted to CAG.

The auditor should check the procedures relating to the disposal of foreign currencies received at the airport. Any exchange gains arising out of the transaction must be declared to CAG. Exchange losses must **not** be offset against exchange gains.

For foreign currencies not converted into local currencies at the end of the month, the foreign currencies must be translated into local currencies for reporting to CAG using the foreign currency buying rates published in the Strait's Times or Business Times as at the last working day of the month.

Auditors should carry out appropriate audit tests and not rely solely on written confirmations from the management in such cases.

(k) Vouchers for meals / services

If the tenant has any arrangements or contracts with airlines or travel agents or any other party to provide meals / services to passengers upon producing vouchers endorsed by the airlines or travel agents or the party concerned, regardless of materiality, the auditor should review the adequacy of the procedures relating to the complete accounting of such vouchers to CAG.

Auditors should carry out appropriate audit tests and not rely solely on written confirmations from the management in such cases.

(l) Service Charge

For F&B outlets, service charge is normally collected by the operator for personal services provided by their staff. If the service charge is more than ten percent (10%) of gross revenue, it must be declared to CAG and would be subject to additional rental. Regardless of materiality, the auditor should check the procedures relating to the accounting of service charge to CAG.

Auditors should carry out appropriate audit tests and not rely solely on written confirmations from the management in such cases.

(m) Manual standby receipts

Auditors should carry out appropriate audit tests to ensure that all manual standby receipts used by tenants to record sales transactions are entered promptly into the POS System. If manual standby receipts sales are accounted for separately, they must be reported to CAG.

[Guidance: With regard to the system for manual standby receipts, it is provided for in the tenancy agreement (under “Accounts, Books and Records”) that the tenants have to print standby receipts. The format of the receipt and the receipts are approved and endorsed by CAG. The auditor can request the tenants to produce all the standby receipts for inspection. The standby receipts are usually used when the Point-of-Sales (POS) is not available (e.g. power disruption, performing end-of-day transaction, etc). The tenants would have to enter the sales from these receipts into the POS system when the system is available.]

(n) Money Changing Concession

For money changing concession, auditors should look out for those transactions which are conducted at the money changing counters in Changi Airport, but the sales are reported elsewhere except the accounts of the money changing concession. All transactions that take place in the money changing counters in Changi Airport must be accounted for completely and accurately to CAG.

(II) The following auditor's report and/or audited statement of monthly gross revenue will be rejected:

- (a) The location of the concession is not stated or is incorrect;
- (b) The auditor's report and the statement of monthly gross revenue are addressed to the auditor's client instead of CAG;
- (c) The auditor's report is not prepared in auditor's letterhead and is not signed and dated;
- (d) The audited statement of monthly gross revenue is not marked for identification (stamped, signed and dated) by the auditor and referenced to the auditor's report;
- (e) The auditor's report and statement of monthly gross revenue are not sent directly to CAG;
- (f) A qualified audit opinion, stating inability to confirm compliance with the relevant financial provisions of the TA, which have an impact on the gross sales and the computation of additional rental/minimum guaranteed sum (eg absolving responsibility by stating that only the management's representation was obtained and that no further audit tests were available).

The auditor must fully satisfy himself that the audited statements submitted to CAG are properly drawn up in accordance with the relevant financial provisions of the TA, which have an impact on the gross sales and the computation of additional rental/minimum guaranteed sum;

- (g) The audited statement of monthly gross revenue is not signed by an authorised officer of the tenant and is not dated.