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NON-BINDING ENGLISH TRANSLATION

On grounds of Decision no.113/2002 of the Prime Minister on the designation of the President of the National Regulatory Authority for Communications,

On grounds of the provisions under art.38(1), (3) and (5), art.34(3) and art.46(1), p11 of Government Emergency Ordinance no.79/2002 on the general regulatory framework for communications, approved, with amendments and completions, by Law no.591/2002, as well as under art.8(1) and under art.11 of Government Ordinance no.34/2002 on the access to, interconnection of, the electronic communications networks and to the associated facility, approved with amendments and completions by Law no.527/2002,

Considering the provisions of the *ANRC* President's Decision no.801/2003 by which "Romtelecom" – S.A. was designated as having significant power in the market for the full or shared access to the twisted metallic pair local loop for the purpose of providing broadband electronic communications services and publicly available telephony services at fixed locations,

Considering the provisions under art.1 (6) of the *ANRC* President's Decision no.147/EI/2002 on the principles and prerequisites of the reference offer for interconnection with the public fixed telephone network and of art.4(1) of the *ANRC* President's Decision no.1379/2003 on the interconnection of leased lines-terminal segments with the public fixed telephone network,

THE PRESIDENT OF THE NATIONAL REGULATORY AUTHORITY FOR COMMUNICATIONS

issues the present:

DECISION
FOR APPROVING THE REGULATION FOR THE REALIZATION, BY "ROMTELECOM" S.A., OF ACCOUNTING SEPARATION WITHIN THE INTERNAL COST ACCOUNTING SYSTEM

Art.1. – „Romtelecom" S.A. has the obligation to realize accounting separation, within the internal cost accounting system, for those activities related to the provision of full or shared unbundled access to the twisted metallic pair local loop which is part of the public fixed telephone network it operates, for the purpose of providing broadband electronic communications services and publicly available telephony services at fixed locations.

Art.2. – The Regulation concerning the realization, by "Romtelecom" S.A., of accounting separation within the internal cost accounting system, as stipulated in the Annex hereto which is part of this decision, is approved.

Art.3. – The present decision will be communicated to „Romtelecom" S.A..

PRESIDENT,

ION SMEEIANU

Bucharest, December 18th, 2003
No. 1380/EI

NON-BINDING ENGLISH TRANSLATION

ANNEX

REGULATION
CONCERNING THE REALIZATION, BY "ROMTELECOM" S.A., OF ACCOUNTING SEPARATION WITHIN THE INTERNAL COST ACCOUNTING SYSTEM

1. General provisions

1.1. The Object of the Regulation

1.1.1. The present regulation establishes the way in which "Romtelecom" S.A., hereinafter referred to as the *Operator*, will implement accounting separation within its internal cost accounting system, for the activities related to the interconnection of, and access to, the *Operator*'s network or its associated facilities. The financial statements prepared based on accounting separation will be hereinafter referred to as Separated Financial Statements.

1.1.2. Accounting separation ensures the provision of accounting information in a form which presents a clear and truthful image of the performances of the *Operator*'s activities, as if they were realized by different entities.

1.1.3. If not otherwise provided, the terms used in the Separated Financial Statements will have the meaning given to them by the legislation in force in the fields of electronic communication and accounting.

1.2. Definitions

1.2.1. Businesses:

1.2.1.1. Core Network Business – all the activities through which a range of interconnection services is being provided internally and externally, for the users of an operator to be able to communicate with the users of the same or another operator, or to access the services provided by a third party operator. These services include the switching and transport of calls, leased lines and data transmission services. The Core Network Business may provide other services to operators, such as consulting for the designing, execution and maintenance of private electronic communications networks. The accounts of the Core Network Business will include the costs, the revenues and the capital employed associated with the provision of these services. The revenues of the Core Network Business will mainly derive from the sale of interconnection services to the Retail Business as well as to other operators, on the wholesale market. The costs and the capital employed for the provision of leased lines at the level of the core network will be included in the financial statements of the Core Network Business. The costs of the provision, on the retail market, of the leased lines at the level of the core network will be charged afterwards to the Retail Business. The revenues earned from the provision of leased lines at the level of the core network will be allocated directly to Core Network Business, for the leased lines provided on the wholesale market, respectively to Retail Business, for the leased lines provided on the retail market. The Core Network Business is hereinafter referred to as Core Network.

1.2.1.2. Access Network Business – all the activities through which connections of the end users to the core network are provided on the wholesale market, internally as well as to the other operators. The accounts of the Access Network–Business will include the costs, the revenues and the capital employed associated to the provision and maintenance of these connections with the core network. The Access Network Business will include all the network elements dedicated to end users, for example the line cards located at concentrators and/or exchanges. The costs and the capital employed associated with the provision of the local loop segments of the leased lines will be included in the accounts of Access Network Business. The costs associated with the provision of the local loop segments of the leased lines on the retail market, will be afterwards charged to the Retail Business. The revenues earned from the provision of the local loop segments of the leased lines will be allocated directly to Access Network Business, for the leased lines provided on the wholesale market, respectively to the Retail Business, for the leased lines provided on the retail market. The Access Network Business is hereinafter referred to as Access Network.

1.2.1.3. Retail Business – all the activities involving the provision of services to end users. Services that may be included in the accounts of Retail Business are line rental and connection of telephone lines, provision of leased lines on the retail market, calls, public payphones, directory inquiry as well as special internet access and value-added services. The accounts of the Retail Business will include the costs, the revenues and the capital employed associated with the provision of these services to end users. The costs allocated to the Retail Business will include the transfer charges related to the use of network resources as well as the marketing and billing costs associated with the provision of services to end users. Since the provision of telephony lines to end users (connection and line rental) is a service provided by the Retail Business, the revenues resulted from connections and subscriptions of the end users will be recorded in the accounts of the Retail Business. In order to associate the costs with the corresponding revenues, the costs associated with the provision of telephony lines to the end users will be allocated to the Access Network and then charged to the Retail Business. The Retail Business is hereinafter referred to as Retail.

1.2.1.4. Other Businesses – all the activities not included in.1.2.1.-1.2.3. The accounts of Other Businesses will include the costs, the revenues and the capital employed associated with the provision of these activities. This Business will include activities relating to equipment’s production, selling, rental or maintenance, third party billing and other activities not related to the provision of electronic communications networks or services. This Business is hereinafter referred to as Other Business.

1.2.2. Sub-businesses of the Core Network:

1.2.2.1. **Interconnection Sub-business** – all the activities associated with the interconnection for origination, termination and transit of calls in the *Operator*’s network. The costs of interconnection with the electronic communications networks of other operators, for the termination of calls originated in the *Operator*’s network, will be recorded in the Interconnection Sub-business. The accounts of this Sub-business will include the costs, the revenues, and the capital employed associated with the activities included in this Sub-business. The Interconnection Sub-business is hereinafter referred to as Interconnection.

1.2.2.2. **Leased Lines-core Sub-business** – all the activities associated with the provision of leased lines corresponding to the core network (including the part of the terminal segments of the leased lines situated at the level of the core network). The accounts of this Sub-business will include the costs, the revenues and the capital employed associated with the activities included in this Sub-business. The revenues of this Sub-business will be represented mainly by transfer charges from Retail, in case of leased lines at the level of the core network provided on the retail market and, respectively, by revenues earned from the provision of leased lines, at core network level, on the wholesale market, directly to other operators. The Leased Lines-core Sub-business is hereinafter referred to as Leased Lines-core.

1.2.2.3. **Other Activities of Core Network Sub-business** – all the other activities corresponding to Core Network. The accounts of this Sub-business will include the costs, the revenues and the capital employed, associated with the activities included in this Sub-business. Other Activities of Core Network Sub-business is hereinafter referred to as Other Business of Core Network.

2. Accounting principles applicable to the Separated Financial Statements - regulatory accounting principles

2.1. When preparing the Separated Financial Statements, the following principles will apply:

a) *cost causation*, according to which revenues and costs, assets and liabilities will be allocated to cost components, network elements, Businesses and Sub-businesses, in accordance with the activities which cause the revenues to be earned, the costs to be incurred, the assets to be acquired or the liabilities to be incurred. The revenues and the costs include the transfer charges between the Businesses, between the Sub-businesses and between the Businesses and the Sub-businesses, hereinafter referred to as transfer charges;

b) *objectivity*, according to which the allocation of costs to Businesses will be objective and will not be intended for the benefit of the *Operator* or of-a third party, for a product, service, network element, Business or Sub-business;

c) *consistency of treatment*, according to which, where there are changes in the regulatory accounting principles, in the methodology of cost allocation or in the accounting policies, that have a material effect on the information included in the current Separated Financial Statements, the financial statements of the previous period will be restated, according to these changes. The effect of the above-mentioned changes upon the information included in the Separated Financial Statements is considered to be material if by non-presentation or faulty presentation of these changes the economic decisions of the users, based on the Separated Financial Statements, might be influenced.

d) *Transparency*, according to which the principles, the accounting policies and the methodology for cost allocation, will be transparent. Publication of the Separated Financial Statements and of the description of the costing system must ensure the observance of this principle.

2.2. Should a conflict appear between the principles stipulated at par.2.1. these will be applied in the order of their enumeration.

3. Level of detail for Accounting Separation

3.1. The Businesses of the Separated Financial Statements

The *Operator* will prepare and publish Separated Financial Statements for the following Businesses:

a) Core Network;
b) Access Network;
c) Retail;
d) Other Business.

3.2. Sub-businesses of the Core Network

Core Network will be disaggregated in the following Sub-business:

a) Interconnection;
b) Leased Lines - core;
c) Other Business of Core Network.

4. Format of the Separated Financial Statements

4.1. Preparation of Separated Financial Statements

4.1.1. The Separated Financial Statements will include the profit and loss account, the statement of mean capital employed and the statement of the return on mean capital employed, for each Business and Sub-business, as well as the notes to the Separated Financial Statements and the accounting policies used. A syntheses of the information to be included by the *Operator* in the Separated Financial Statements is stipulated in Appendix 1, part I, which is a part of this regulation.

4.1.2. When preparing the Separated Financial Statements, the following conditions will be observed:

a) the Separated Financial Statements will be based on a transparent cost apportionment methodology;

b) the Separated Financial Statements will include the transfer charges between Businesses and Sub-businesses, for services provided internally by the *Operator*. The Separated Financial Statements will separately disclose the equivalent transactions with other operators.

c) the Separated Financial Statements will be prepared in accordance with the international accounting standards, insofar as they are relevant;

d) the Separated Financial Statements will be prepared in accordance with the Regulatory Accounting Principles;

e) details of changes having significant impact on the Separated Financial Statements, as well as the effect of restating opening balances, will be disclosed;

f) the Separated Financial Statements will be published on an annual basis and will contain comparative information from one year to the other. In case of significant changes in the regulatory accounting principles, in the cost allocation methodologies or in the accounting policies have a material effect on the current balances in the Separated Financial Statements, the closing balances of the previous year's Separated Accounts will be restated, according to the respective changes, in order to ensure the comparability of the Separate Accounts from one year to the other;

g) the Separated Financial Statements will be prepared on current costs basis, including the reconciliations of these statements, in accordance with the provisions of p.4.4. (e).

h) the Separated Financial Statements will include all the costs incurred by Operator during the accounting year. Extraordinary as well as restructuring costs (for example, compensatory payments) will be distinctively disclosed within the profit and loss accounts of the Separated Financial Statements.

i) the Separated Financial Statements will be pre-tax.

4.1.3. The format of the Separated Financial Statements is presented in Appendix 2, which is a part of this regulation.

4.1.4. The Profit and Loss Statement format will disclose information regarding the turnover (split between internal and external provision of services), the operational costs and the transfer charges, as well as the effects of the restatements at current costs. The Universal Service contributions will also be disclosed, as the case may be.

4.1.5. The return (profit/loss) will be calculated on the same basis as the cost of capital (pre-tax).

4.1.6. The Mean Capital Employed Statement format will include a breakdown on fixed and current assets as well as totals for trade creditors and provisions for liabilities and charges. The Mean Capital Employed Statement figures will be weighted average values for the period to which the balance-sheet relates or, if this is not possible and based on sound explanation, a simple average of opening and closing balances.

4.2. The Statement of Average Costs of Network Elements

4.2.1. The *Operator* will elaborate, within the Separated Financial Statements, a statement of the costs of core network elements. This statement will indicate the average per minute cost of each network element (including the cost of capital), split between length dependent and non-length dependent costs. An element of the core network is a unit of network equipment or network activity, whose cost can be distinctively disclosed but which cannot be provided separately.

4.2.2. The statement under par 4.2.1. will be elaborated on current costs basis and will present fully allocated costs.

4.2.3. Following implementation of the costing model stipulated at par. 1(7) of the *ANRC* President's Decision no.147/2002 on the principles and prerequisites of the reference offer for interconnection with the public fixed telephone network, the average costs of network elements will be additionally drawn, upon the request of *ANRC*, in the following versions:

a) incremental costs (purely incremental, without any mark-up for common costs);

b) stand-alone costs (incremental costs plus common costs fully allocated to the increment to which the network element belongs to).

4.2.4. The format of the statement mentioned at par. 4.2.1. is shown in Appendix 3, which forms an integral part of this regulation.

4.2.5. The statement mentioned at par. 4.2.1 will be presented to *ANRC,* its' publication being unnecessary.

4.3. Statement of costs of services

4.3.1. Within the Separated Financial Statements, the *Operator* will elaborate the statement of the costs of services, which will distinctively disclose at least the following services:

I. Services provided by the Core Network on the wholesale market included in the reference interconnection offer of the *Operator*:

a) interconnection for call origination and call termination at fixed locations (at local, regional and national level);

b) interconnection for switched transit;

c) collocation;

d) leased lines at level of the core network, split upon capacities and distances (the specific way for disaggregating leased lines on capacities and distances will be set out by the *Operator*);

e) operator services;

f) directory enquiry.

II. Services provided by the Access Network on the wholesale market:

a) provision of telephony lines to Retail (distinctively by types of telephony lines, as the case may be);

b) line connections (distinctively by types of telephony lines, as the case may be);

c) full access to the local loop;

d) shared access to the local loop;

e) leased lines at the level of the access network (leased lines segments corresponding to the local loop) split upon capacities (the specific way for disaggregating leased lines on capacities will be set out by the *Operator*);

III. Services provided by Retail: services provided on the specific relevant retail markets where the *Operator* has been designated by *ANRC*, during the accounting year for which Separated Financial Statements were drawn, as having significant market power and for which the obligation for accounting separation was imposed. The per unit costs of the services provided on the retail market will be determined using the tariffs of transfer charges between Retail and Core Network, respectively Access, and adding the specific costs of Retail.

The statement of the costs of services provided by the Core Network and by the Access Network will include all the services bought by the Retail for the purposes of providing the services stipulated under par. III on the retail market.

4.3.2. The costs of services provided by the Core(Access) Network will be derived by adding the costs of core(access) network elements used for the provision of each service, previously weighted by the routing factor of that service. Routing factors will be grouped in routing tables, which indicate the degree with which each service uses the network elements.

4.3.3. The statement stipulated under par. 4.3.1. will be elaborated on current costs basis and will present fully allocated costs.

4.3.4. Following implementation of the costing model stipulated at par. 1(7) of the *ANRC* President's Decision no.147/2002, the average costs of services will be additionally drawn, upon the request of *ANRC*, in the following versions:

a) incremental costs (purely incremental, without any mark-up for common costs);

b) stand-alone costs (incremental costs plus common costs fully allocated to the increment to which the service belongs to).

4.3.5. The format of the statement mentioned at par. 4.3.1. is shown in Appendix 4, which forms an integral part of this regulation.

4.3.6. As part of the Separated Financial Statements published in accordance with par 4.6., the *Operator* will include only the statements of the costs of services provided on those specific relevant wholesale markets on which it has been designated as having significant market power, being imposed obligations for accounting separation. The complete statement of the costs of services will be presented to *ANRC,* its' publication being unnecessary.

4.4. Explanatory information

The explanatory information to be published within the Separated Financial Situations is the following:

a) statement of accounting principles used when preparing the Separated Financial Statements

b) complete definitions of the Businesses and the Sub-businesses;

c) statement of the transfer charges;

d) details of changes in accounting policies with material impact upon the Separated Financial Statements and upon comparative figures;

e) reconciliations of the statements of Mean Capital Employed and Profit and Loss, as follows:

1. reconciliation of the statutory Profit and Loss and the balance sheet with the separated Profit and Loss and the Mean Capital Employed statements, from the Separated Financial Statements, both consolidated.

2. reconciliation of the consolidated Profit and Loss and Mean Capital Employed statements from the Separated Financial Statements with the Profit and Loss and Mean Capital Employed statements of the Businesses (including the presentation of transfer charges).

3. reconciliation of Profit and Loss and Mean Capital Employed Statement of the Core Network, with the Profit Loss and Mean Capital Employed Statements of the corresponding Sub-businesses (including the presentation of transfer charges).

4.5. Treatment of confidential financial information

4.5.1. The Separated Financial Statements are considered not to be confidential and will be published according to the provisions of par.4.6. of the present regulation, except cases stated at par. 4.2.5., 4.3.6. and 4.5.2.

4.5.2. Financial information that ANRC, based upon justification provided by the *Operator*, as being confidential will not be published.

4.6. Publication of Separated Financial Statements

4.6.1. The Separated Financial Statements are prepared for an accounting year and are published on an annual basis. The accounting year begins on January the 1st and ends on December the 31st.

4.6.2. The Separated Financial Statements will be published within 60 days starting from the publication date of the *Operator*'s annual statutory financial statements, but in any event, not later than six months after the end of the accounting year to which they relate.

5. Audit of the Separated Financial Statements

5.1. Audit report

5.1.1. The Separated Financial Statements will be subject to audit, in compliance with the legislation in force and with the national and international audit standards.

5.1.2. The audit report will indicate whether the Separated Financial Statements have been correctly prepared, in compliance with the provisions of the present regulation and with the methodology for the calculation and accounting separation of the costs, revenues and capital employed which accompanies the Separated Financial Statements, with regard to all material aspects.

In order to issue this opinion, the auditor will verify:

a) whether the Separated Financial Statements reflect, in all material aspects, the information contained in the accounting documents and the relevant financial statements of the *Operator*;

b) whether the Separated Financial Statements have been prepared in compliance with the provisions of this regulation;

c) whether the procedures for collection and processing of accounting information as well as the evaluation and allocation methodologies used for the preparation of the Separated Financial Statements are consistent with the methodology for the calculation and accounting separation of the costs, revenues and capital employed which accompanies the Separated Financial Statements, detailed technical analyses being therefore conducted.

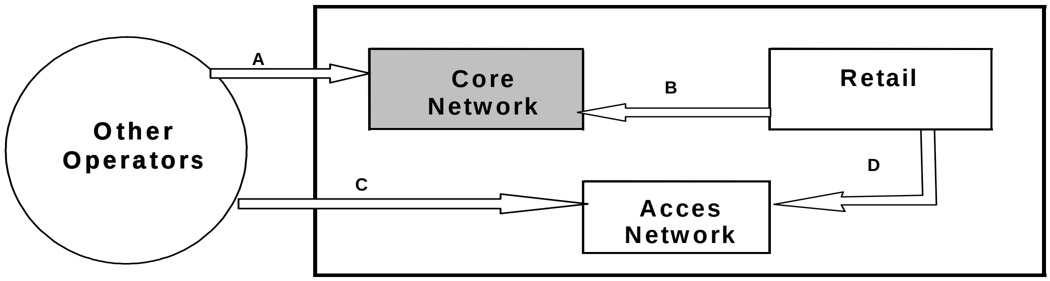
5.1.3. The auditor will be chosen based upon his resources and experience in such a way as to ensure a high level quality of the audit of the Separated Financial Statements.

5.1.4. The audit report will be addressed both to the shareholders of the *Operator* and to ANRC.

5.1.5. the audit report will accompany the Separated Financial Statements and will be published together with them.

6. Transfer Charging Principles

6.1. A system of transfer charges will apply to services and products provided between the Businesses and Sub-businesses. The following diagram shows the interaction of the Core Network, Access Network, Retail Business and other operators.



6.2. The Core Network provides services to other operators and for the own Retail Business. The price of each service will be based on the fully allocated cost of all network elements used for the provision of the service, including a reasonable return on capital.

6.3. The payments identified on route A are based on the interconnection charges from the *Operator*'s RIO. The payments on route B are transfer charges. Similarly, Access Network interacts with Retail Business and with other operators. The payments identified on route C are based on charges paid by other operators to the *Operator* for the services provided through Access Network (mainly, the access to the local loop), while D represents transfer charges between Retail Business and Access Network, corresponding to the access services (mainly the provision and connection of telephony line) offered by the later.

6.4. The structure of information related to transfer charges which must be disclosed in the Separated Financial Statements is presented in Appendixes 5 and 6, which are part of this regulation.

6.5. The transfer charging principles to be observed during the preparation of the Separated Financial Statements are set out below:

a) the transfer charges (revenues and costs) will be allocated to cost components, services and Businesses or Sub-businesses, in accordance with the activities which caused the revenues to be earned, or costs to be incurred;

b) the allocation will be objective and not intended to benefit any Business or Sub-business, service or cost component;

c) there will be consistency of treatment of transfer charges from year to year;

d) the transfer charging methods used will be transparent;

e) there should be a clear and objective rationale for the transfer charges used;

f) the transfer charges for network usage should be determined as the actual usage multiplied by the unitary charges for the network elements;

g) the tariffs for the internal use of the network will be equivalent with the tariffs charged for the equivalent services provided to other operators. According to the non-discrimination principle, the Retail Business will pay to Core Network, in similar conditions, the same interconnection charge as the ones applicable to other operators, as they are set out in RIO;

h) the Separated Financial Statements will disclose the transfer charges, as the case may be.

7. Methodology for the allocation of costs, revenues and capital employed within the separate accounting

7.1. Description of the *Operator*'s costing system

7.1.1. The *Operator* will prepare and publish, along with the Separated Financial Statements, a methodology for the calculation and accounting separation of the costs, revenues and capital employed, hereinafter referred to as Methodology, which details the accounting separation system and the accounting principles and policies which form the basis of the Separated Financial Statements.

7.1.2. Within the Methodology, the description of the *Operator*'s accounting separation system will include the following:

a) methodology (fully allocated costs, incremental costs, etc.) and the cost base being used (current costs);

b) a detailed description of the accounting principles and policies used within the accounting separation, including the regulated accounting principles;

c) the allocation methods used to identify the costs, revenues and capital employed of each service or network element;

d) the description of the treatment applied to each category of cost, revenue or capital employed, including the presentation of the costs drivers used for this allocation;

e) a detailed analysis of the cost hierarchy used;

f) the degree to which sample data has been used for allocation purposes;

g) a detailed description of the transfer charging system which operates within the accounting separation;

h) a description of the methodology and principles used for asset valuation on current costs basis and for preparing the Separated Financial Statements based on current costs.

7.1.3. The syntheses of information to be included by the *Operator* in the Methodology is presented in Appendix 1, part II, which is part of this regulation.

7.1.4. The accounting principles and policies and the methodologies used for accounting separation and detailed in the Methodology will observe the provisions herein.

7.1.5. The *Operator* has the obligation to publish the Methodology at least 3 months before publishing the Separated Financial Statements.

7.1.6. Following evaluation, *ANRC* may impose changes in the Methodology, indicating the Separated Financial Statements to be modified in order to reflect these changes.

7.2. Principles of allocation of costs, revenues and capital employed

The principles for the allocation of costs, revenues and capital employed are:

a) *cost causation***,** according to which revenues and costs (including transfer charges), assets and liabilities will be allocated to cost components, services and Businesses or Sub-businesses, in accordance with the activities which cause the revenues to be earned, costs to be incurred, the assets to be acquired or liabilities to be incurred;

b) *materiality* will be considered when using specific allocation bases. In case the results of the allocation do not have a material impact on the total cost of the unit to which the allocation was made (cost component, services, Businesses and Sub-businesses), the use of allocation on these specific bases can be renounced of;

c) *objectivity*, according to which the allocation bases will be objective and not intended to benefit the *Operator* or any other third party, for a product, service, network element, Business or Sub-business;

d) *consistency of treatment*, according to which the *Operator* will use the same allocation bases from year to year. When principles and bases of allocation are submitted to changes that have a material impact on current Separated Financial Statements, the *Operator* should restate the previous year's Separated Financial Statements on the new bases;

e) *transparency*, according to which the *Operator* will publish, within the Methodology, detailed information regarding the methodologies for the allocation of costs, revenues and capital employed.

7.3. Costs categories

7.3.1. According to the principle of cost causation, each cost component will be allocated to the products and services provided by the *Operator*. A standard cost allocation process is illustrated in Appendix 7, which is part of this regulation. The allocation procedure used by the *Operator* will comply with its already implemented costing system, provided that the above-mentioned principles are observed.

7.3.2. Each cost component can be considered to fall in one of the following categories:

a) direct costs – the costs that can be directly and unambiguously allocated to a certain product or service provided by the *Operator*;

b) indirectly attributable costs - the costs that can be related to the provision of a service or product on a non-arbitrary basis, considering the relationship of these costs with direct costs. These costs will be allocated to the relevant service or product using the appropriate cost driver;

c) unattributable costs – the costs for which no direct or indirect method of allocation can be identified. It is therefore not possible to allocate these costs to a certain product or service on a non-arbitrary basis. These costs are likely to fall under the category of corporate overheads, being allocated to products or services by using the Equal Proportionate Mark-Up method (EPMU) or another method.

7.3.3. The Methodology will include a statement that will disclose the unattributable costs and present in detail their allocation methodology.

7.3.4. In order to decrease the proportion of unattributable costs, the *Operator* will rigorously apply the cost causation principle so that at least 90% of the costs are allocated based on this principle.

7.3.5. In order to allocate indirectly attributable costs to services provided by the *Operator* and further to the Businesses defined in the accounting separation, the *Operator* may use sampling techniques, as long as they are based on adequate statistic methodologies that do not induce significant errors.

7.3.6. The *Operator* will observe the following principles governing the use of sample data for allocation purposes:

a) the sample will be selected objectively;

c) the size of the sample will be assessed in a statistical manner and will be statistically significant;

c) the sample will be representative for of the entire selected population;

d) the sample will not be distorted by seasonal or other temporary factors;

e) the sample will be based on either generally accepted statistical techniques or other methods, approved by *ANRC*, which should result in the accurate allocation of revenues (including transfer charges), costs (including transfer charges), assets and liabilities;

f) in case significant changes occur in one year compared to the other, the sample will be updated on an annual basis.

7.3.7. The *Operator* will present, within the Methodology, a detailed statement of the used statistic sampling techniques used, indicating the degree to which sampling data has been used in the allocation process.

7.4. Operating Costs Allocation

7.4.1. The *Operator* has the obligation to develop an allocation methodology for operating costs, which will be included in the Methodology, in accordance with the legal requirements and the provisions herein.

7.4.2. A syntheses of possible allocation and attribution methods for operating costs is provided in Appendix 8, which is part of this regulation. The allocation methods for operational cost stated in the appendix bear a general character.

7.4.3. For allocation purposes, operating costs are grouped into homogenous categories (having common cost drivers), being subsequently allocated to network elements, services and Businesses on the basis of cost causation. The *Operator* will indicate the list and treatment of homogenous cost categories within the Methodology.

7.4.4. The *Operator* will develop and update cost allocation procedures depending on the cost accounting procedures and by observing the consistency principle.

7.5. Revenues allocation

7.5.1. The *Operator* has the obligation to develop, in compliance with the legal provisions and the provisions herein, an allocation methodology for revenues which will be included in the Methodology.

7.5.2. A syntheses of the possible revenues allocation methods is presented in Appendix 9, which is part of this regulation.

7.5.3. The methodology for the allocation of revenues and their associated costs will comply with the consistency principle and will result in the establishment of correspondence between revenues and their related costs.

7.5.4. The revenues resulted from the provision of products and services may be directly allocated to the products and services to which they relate, based on accounting records and on information in the billing system of the *Operator*. In case direct allocation based on the above is not possible, revenues will be allocated based upon causation.

7.6. Allocation of the capital employed and determination of cost of capital

7.6.1. In accordance with the legal framework and the provisions herein, the *Operator* has the obligation to develop a methodology for allocation of capital employed which will be included in the Methodology.

7.6.2. In order to determine the cost of the capital corresponding to the Businesses, the *Operator* must allocate the value of the capital employed to every network element, Business or Sub-businesses. The cost of capital will be applied to the value of capital employed in network elements, as well as in other similar assets, in order to determine a reasonable return to be included in the services and products charges.

7.6.3 The pre-tax cost of capital will be calculated based on weighted average cost of capital (WACC). The detailed description of WACC calculation will be included in the Methodology. WACC's value, determined by the *Operator*, together with its calculation formula will be sent annually to ANRC, for approval, within at most 2 months from the end of the accounting year.

7.6.4. A syntheses of possible allocation methods for capital employed, together with a presentation of the principal Businesses that might contain each category of components of capital employed is presented in Appendix 10, which is part of this regulation.

7.6.5. The determination of the capital employed by Businesses may be accomplished by using the following balance sheet identity:

Equity + Long Term Debt = Total Assets – Current Liabilities - Provisions

This balance sheet identity allows the determination of the capital employed by different Businesses, by apportioning net assets, in compliance with the cost causation principle.

7.6.6. In order to determine the capital employed by each Business and Sub-business, there will be allocated the average values of net assets during the period, according to the provisions under point 4.1.6., and not their closing balances.

7.7. Consistency of Treatment of Working Capital

7.7.1. Working capital represents the difference between the current assets and current liabilities.

7.7.2. The treatment of individual elements of the working capital will observe the principle of consistency between the treatment of assets and the treatment of the associated costs and revenues, as well as the principles for the allocation of costs, revenues and capital employed, stated at point 7.2.

7.7.3. The exclusion of certain components of net assets from the process of allocation to services, Businesses or Sub-businesses, in order to estimate the capital employed in each service, Business or Sub-business, will determine the recalculation of WACC according to this exclusion.

7.8. Asset Lives and Depreciation Method

7.8.1. Asset lives will be set on the basis of a network element and will be reviewed on an annual basis. The lives of fixed assets will usually be the same as the ones used in the statutory annual financial statements.

7.8.2. The *Operator* may change the asset lives, if they are not justified by the technical and economic conditions. Any deviation from the asset lives used in the statutory annual financial statements will be separately identified within the Methodology.

7.8.3. If the *Operator* owns similar assets which are based on different technologies, their useful lives will be evaluated separately.

7.8.4. The accounting treatment of fixed assets additions and disposals, as well as the treatment of changes in assets lives, will observe the statutory legislation.

7.8.5. The *Operator* will analyze those changes in asset lives with significant impact on costs. The analysis will consider the technical and economical reasons that determined the changes, as well as the examination of the effect of these changes on the total costs of products and services provided, and will be presented as a separate note, annexed to the Separated Financial Statements.

7.8.6. The *Operator* will present, within the Methodology, a breakdown of useful lives used for each category of fixed assets. If different useful lives are used within the same category of fixed assets, these asset lives will be distinctively underlined.

7.8.7. Fully depreciated fixed assets will have a zero current net value and their costs will not be accounted for within the current costs of services.

7.8.8. The *Operator* will present, within the Methodology, the description of the depreciation method used within the separated accounts.

7.9. Current cost accounting

7.9.1. The Separated Financial Statements based on current costs will be prepared using the concept of financial capital maintenance. The concept of the *Operator*'s financial capital maintenance considers the shareholders' funds at the end of the period are maintained in real terms at the same level as at the beginning of the period. Within this concept, the profit is recognized only after the gains or losses derived from the valuation of assets at current costs are considered (changes in asset values can be generated either as the effect of inflation, or by technological progress and obsolescence) and by the effect of inflation on shareholders' funds.

7.9.2. The use of current costs implies the valuation of assets (and hence, of the depreciation) on a current costs basis. This evaluation will be realized using the Replacement Cost method. The use of this method implies the valuation of assets either at their current market value, or at the value of a Modern Equivalent Asset, in case of assets which can no longer be found on the market.

7.9.3. In case the use of method stated at. p. 7.9.2 would be very difficult, the approximation of the gross replacement cost can be realized by indexation of the historical gross values, only if differences in values derived in this method and those derived using the method stated at. p. 7.9.2. would be immaterial. The use of this method will be justified by the *Operator,* within the Methodology, distinctively for each asset category.

7.9.4. The *Operator* will include in the Methodology a detailed description of methods used for restating assets values on a current costs basis, for purposes of preparing the Separated Financial Statements.

8. Final provisions

8.1. The *Operator* will prepare the first Separated Financial Statements for the accounting year 2004.

8.2. The Separated Financial Statements prepared for the accounting year 2004 will be published within at most 4 months after the date when the statutory annual financial statements are published.

8.3. The Separated Financial Statements prepared for the accounting year 2004 will not include comparative information with the financial statements for the year 2003. The *Operator* will present comparative financial statements starting with the accounting year 2005.

8.4. The Methodology which will accompany the Separated Financial Statements of the accounting year 2004 will be transmitted to *ANRC*, for approval, until the 30th of June, 2004. For the next accounting years, the methodology will be transmitted to *ANRC* at least 6 months before its publishing.

Appendix 1

The synthesis of the information to be presented by the *Operator* within the Separated Financial Statements and the Costing Methodology

	No.	Title	Reference Chapter
I. Separated Financial Statements	1	Profit and Loss Account – Businesses;	4
	2	The statement of Mean Capital Employed – Businesses;	4
	3	The return of Mean Capital Employed – Businesses;	4
	4	Profit and Loss Account – Sub-businesses;	4
	5	The statement of Mean Capital Employed – Sub-businesses;	4
	6	The return of Mean Capital Employed – Sub-businesses;	4
	7	The statement of average costs of network elements;	4.2.
	8	The statement of cost of services;	4.3.
	9	The description of the accounting principles used;	4.4.
	10	The definitions of Businesses and the Sub-businesses;	4.4.
	11	The statement of transfer charges;	4.4.
	12	The statement of changes in accounting policies with significant impact on the current financial statements and on the comparative values;	4.4.
	13	Reconciliation of the statutory Profit and Loss and Mean Capital Employed Statements respectively, with the separated Profit and Loss and the Mean Capital Employed Statements, both consolidated.	4.4.
	14	Reconciliation of the consolidated Profit and Loss and Mean Capital Employed Statements, from the Separated Financial Statements with the Businesses' Profit and Loss and Mean Capital Employed Statements (including the presentation of transfer charges).	4.4.
	15	Reconciliation of Profit and Loss and Mean Capital Employed Statement of the Core Network, with the Profit and Loss and Mean Capital Employed Statements (including transfer charges) of the corresponding Sub-businesses.	4.4.

II. Methodology	1	Methodology used for realizing accounting separation (e.g. fully allocated costs, incremental costs, etc.), and the cost base being used (current costs);	7.1.
	2	Detailed description of the accounting principles and policies used for the accounting separation, including the regulated accounting principles;	7.1.
	3	Description of allocation rules and methods used for identifying the revenues, costs and the capital employed for each service or network elements;	7.1.
	4	The description of the treatment of each cost category, revenue or capital employed, including the presentation of cost drivers used for this allocation;	7.1.
	5	The detailed analysis of the hierarchy of costs being used	7.1.
	6	The degree to which sampling has been used for allocation purposes;	7.1.
	7	The detailed description of the transfer charges system operating used in accounting separation;	7.1.
	8	The description of the methodology and principles applied for the evaluation of assets on current costs basis and preparation of the financial statements based on current costs;	7.1.
	9	The statement of unattributable costs and their detailed apportionment methodology;	7.3.3.
	10	The detailed description of used sampling techniques;	7.3.7.
	11	The detailed description of the WACC calculation procedure;	7.6.3.
	12	The statement of the useful lives used for each category of fixed assets;	7.8.
	13	Detailed description of the depreciation method of the fixed assets;	7.8.

Appendix 2

Reporting formats of the Separated Financial Statements (presented in million ROL and thousand Euro)

I. Reporting format for the Core Network[1]

PROFIT AND LOSS ACCOUNT

	Current period	Prior period
Turnover:		
Transfer charges to Retail Business	X	X
Other operators	X	X
Transfer charges to Other Businesses	X	X
Total turnover	**X**	**X**
Operating costs		
Operating costs specific to the Core Network	X	X
Transfer charges related to interconnection to other operators	X	X
Current cost adjustments[2]		
Holding (gains)/losses and other adjustments	X	X
Supplementary depreciation	X	X
Total operating costs	**X**	**X**
Return[3]	**X**	**X**

RETURN ON AVERAGE CAPITAL EMPLOYED

Return	X	X
Average capital employed	X	X
Return on average capital employed	**X%**	**X%**

[1] The same format will apply to *separate financial accounts* of the Sub-business within *Core Network*

[2] These current cost adjustments include the change of historical costs arising from the reevaluation of assets on a current costs basis. In this respect, *the Separated Financial Statements* for each business or Sub-businesses will reflect the adjustments related to unrealised holding gains or losses arising from changes in assets values, together with the effect of restating at current cost on the asset value and the depreciation of the appropriate allocation of current cost values of assets between Businesses/Sub-businesses.

[3] Pre-tax

THE STATEMENT OF MEAN CAPITAL EMPLOYED[4]

	Current period	Prior period
Fixed assets		
Tangible fixed assets	X	X
Intangible fixed assets	X	X
Investments	X	X
Total fixed assets	**X**	**X**
Current assets		
Stocks	X	X
Debtors	X	X
Short term financial investments	X	X
Cash at bank & in hand	X	X
Total current assets	**X**	**X**
Current liabilities	**(X)**	**(X)**
Net current assets / (current net liabilities)	**X**	**X**
Total assets less current liabilities	**X**	**X**
Provisions for liabilities and charges	(X)	(X)
Mean capital employed	**X**	**X**

[4] Will be presented weighted average values, in accordance with the provisions under points 4.1.6. herein.

II. Reporting format for the Access Network

PROFIT AND LOSS ACCOUNT

	Current period	Prior period
Turnover:		
Transfer charges to Retail Business	X	X
Other operators		
Transfer charges to Other Businesses	X	X
Total turnover	**X**	**X**
Operating costs:		
Operating costs specific to Access Network	X	X
Transfer charges	X	X
Current cost adjustments		
Holding (gains)/losses and other adjustments	X	X
Supplementary depreciation	X	X
Total operating costs	**X**	**X**
Return	**X**	**X**

THE RETURN ON MEAN CAPITAL EMPLOYED
(The format will be similar to the one presented at point I of this Appendix)

THE STATEMENT OF MEAN CAPITAL EMPLOYED
(The format will be similar to the one presented at point I of this Appendix.)

III. Reporting format for the Retail Business

PROFIT AND LOSS ACCOUNT

	Current period	Prior period
Turnover		
From Retail Business	X	X
Other operators (billing services)	X	X
Transfer charges	X	X
Total turnover	**X**	**X**
Operating costs:		
Operating costs specific to Retail Business	X	X
Transfer charges from Core Network	X	X
Transfer charges from Access Network	X	X
Transfer charges from Other Businesses	X	X
Current cost adjustments		
Holding (gains)/losses and other adjustments	X	X
Supplementary depreciation	X	X
Total operating costs	**X**	**X**
Return (excluding Universal Service contributions)	**X**	**X**
Universal Service contributions from other operators[5]	X	X
Return (including the Universal Service contributions)	**X**	**X**

THE RETURN OF MEAN CAPITAL EMPLOYED
(The format will be similar to the one presented at point I of this Appendix)

THE STATEMENT OF MEAN CAPITAL EMPLOYED
(The format will be similar to the one presented at point I of this Appendix)

[5] The Operators's contributions to Universal Service apply internally and would net off to zero, therefore will not be shown.

IV. The reporting format for other activities

PROFIT AND LOSS ACCOUNT

	Current year	Prior year
Turnover	**X**	**X**
Operating costs:		
Operating costs specific to Other Businesses	X	X
Transfer charges from Retail Business	X	X
Other transfer charges	X	X
Current cost adjustments		
Holding (gains)/losses and other adjustments	X	X
Supplementary depreciation	X	X
Total operating costs	**X**	**X**
Return	**X**	**X**

THE RETURN OF MEAN CAPITAL EMPLOYED
(The format will be similar to the one presented at point I of this Appendix)

THE STATEMENT OF MEAN CAPITAL EMPLOYED
(The format will be similar to the one presented at point I of this Appendix)

Appendix 3

The Format of the Statement of Average Costs of Core Network Elements (presented in million ROL and thousand Euros)

Network elements	Operating costs, excluding depreciation	Depreciation of fixed assets	Capital employed	Return of mean capital employed (%)	Cost of capital	Total operating costs and capital costs	Volume (min/sec/km/etc.)	Average cost

<u>Note:</u>

The total of operating costs (including depreciation) for the core network elements will be reconciled with the total operating costs within the profit and loss account of the Core Network.

Appendix 4

Statement of Costs of Services Format (presented in million ROL and thousand Euro)

Network Elements / Services	Concentrator	Local switch processor	Local switch ports	Transmission link between concentrator and local switch (traffic sensitive portion)	Transmission link between concentrator and local switch (distance sensitive portion)	Legătură de transmisie între comutatorul local şi comutatorul de tranzit (dependent de trafic)	Transmission link between local switch and transit switch (distance sensitive portion)	....	**Costs of servicesr (fully allocated costs)**	**Average annual tariff**
Average costs of network elements (fully allocated costs)										
	EURc/min	EURc/min	EURc/min	EURc/min	EURc/min	EURc/min	EURc/min	EURc/min		
					for 10 Km		for 10 Km			
Services provided by Core Network	**Routing Factors**								EURc/min	EURc/min
Call termination at local switch										
Call orifination at local switch										
Single transit										
………………………………………..										

NB:

1. The format is indicative; the final format of this statement is to be realised by the *Operator*.
2. Measurement units are indicative. The final format will include the appropriate measurement units for each service.
3. The *Operator* will also present a statement of the costs per unit of the services provided internally and externally by the access network. This statement will be prepared in a format similar to the one presented in Appendix 3.

Services

provided by the:

Appendix 5

Structure of transfer charges between Core Network and Retail Business (presented in million ROL and thousand Euro)

Services provided by Retail Business	Activity	Average transfer tariff (EURc/min)		Traffic (million minutes)		Total traffic (million minutes)	Transfer charges for activities independent to traffic	Routing Factors[6] (%)	Total transfer charges
		Peak	Off peak	Peak	Off peak				
Local calls	**Call origination**	x	x	x	x	x			x
	Call termination	x	x	x	x	x			x
	L_x-T_x Transmission link	x	x	x	x	x			x
	T_x-T_x Transit	x	x	x	x	x			x
	Network planning	-	-	-	-	-	x	x	x
	....								
	Total transfer charges for local calls								x
Long-distance calls	....								
	Total transfer charges for long-distance calls								x
....									
TOTAL transfer charges between Core Network and Retail Business									x

NB:

a) The format is indicative; the final format is to be presented by the *Operator*.
b) In the first column will be included at least the services mentioned at point 4.3.1.(III) herein.
c) The total transfer charges between Core Network and Retail Business will be also included in the Syntheses of transfer charges, presented in Appendix 6.
d) Within the Separated Financial Statements, the *Operator* will present an equivalent statement related to transfer charges between Access Network and Retail Business.

[6] Percentage from transfer charges related to activities independent to traffic, assigned to that particular activity.

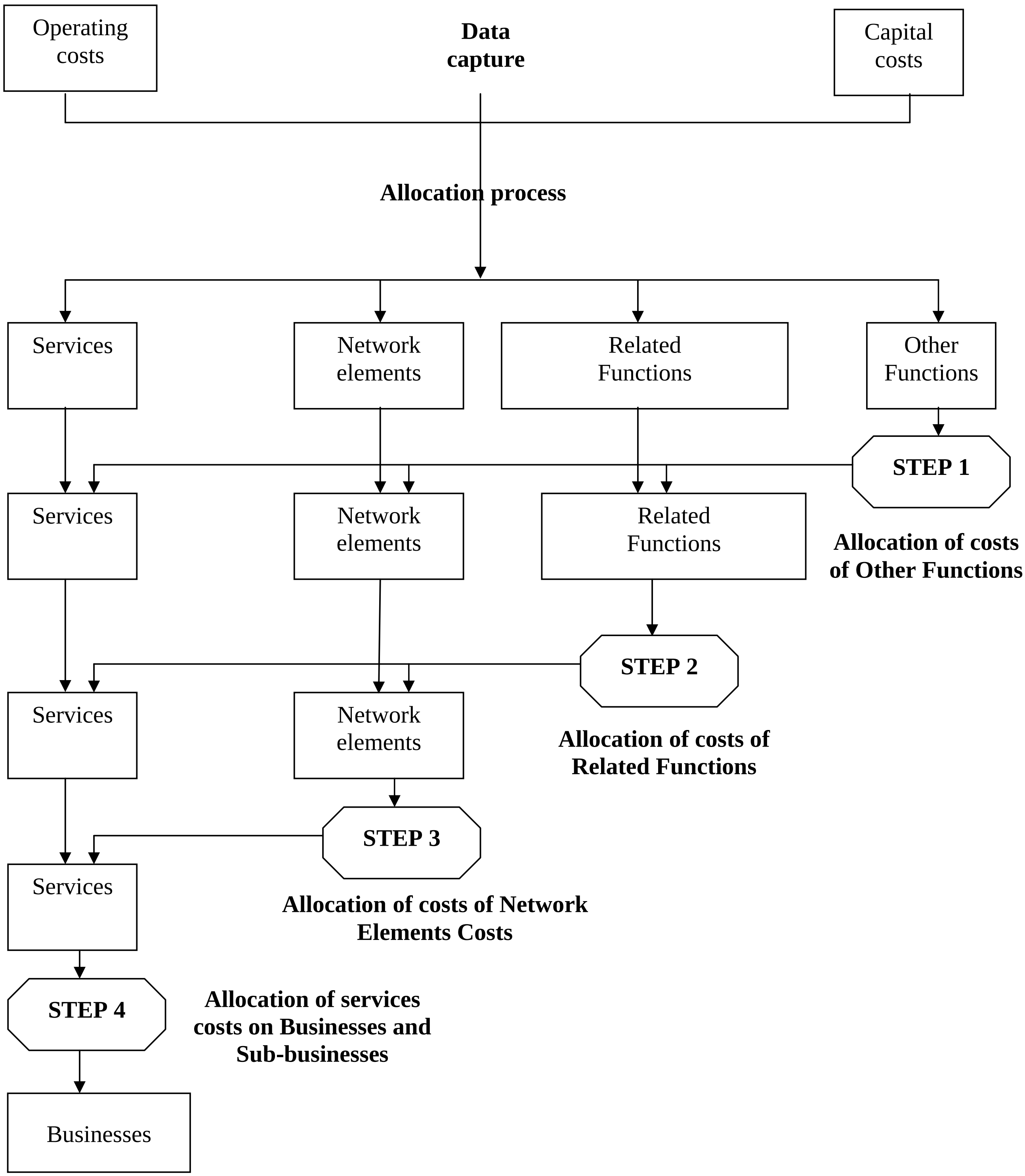
Appendix 6

The syntheses of the transfer charges (presented in million ROL and thousand Euro)

From /to	***access network***	***core network***	***retail***	***other activities***	**Total**
access network			X	X	**X**
core network			X	X	**X**
retail	X	X		X	**X**
other activities			X		**X**
Total	**X**	**X**	**X**	**X**	**X**

Appendix 7

Cost allocation process



The costs taken over from the primary accounting documents are first attributed, either directly to the provided services or to the network elements, to the functions related to the provided services or to other functions, as follows:

Services	This pool contains the costs which can be directly identified with the provision of a certain service. For these purposes, the term “services” refers both to end users services (e.g. the provision of public payphones), and intermediate services (e.g. network services).
Network elements	This pool contains the costs related to the various elements of transmission, switching, and other network plant and systems. This category includes the network element costs that cannot be directly allocated to the provision of a single service, as they are used for the provision of several services.
Functions related to provided services	This pool contains the costs of the provision of services to the users, such as billing, maintenance, or customer services.
Other functions	This pool contains costs which, although are not related to the provision of a particular service, represent a significant part in the operations of the company as a whole (e.g. planning, general and administrative costs etc.).

The allocation will be put into practice progressively, as follows:

STEP 1	The allocation of other functions costs across the other 3 categories: 1. services; 2. network elements; 3. related functions.
STEP 2	The allocation of the related functions costs to services and network elements
STEP 3	The allocation of costs of network elements to services
STEP 4	The allocation of costs of services to Businesses

Each allocation step may involve a number of intermediate steps, especially if primary information is collected and registered at an aggregated level.

Appendix 8

Methods for the allocation of operating costs

Categories of Operating Costs	Description	Method of allocation	Business units
Depreciation of fixed assets	Depreciation	The allocation of depreciation must comply with the allocation of the fixed assets to which it relates.	All
Acquisition and installation of equipments	Payroll costs	Directly to network elements/other plant, where possible; otherwise allocated based on the time spent carrying out installation work.	Core network, Access network
	Installation, contract and maintenance costs	Directly to network elements/ other plant installed, maintained, etc.	Core network, Access network
Maintenance and repair costs	Payroll costs	Directly to network elements /other plant, where possible; otherwise allocated based on the time spent carrying out maintenance/repair work.	Core network, Access network
	Other costs	Directly to network elements/other plant, where possible.	Core network, Access network
Network planning and development costs	Payroll costs and external costs	Directly to network elements/other plant, where possible.	Core network, Access network
Network management costs	Payroll costs	Allocated to network elements/other plant based upon the time spent by the staff to manage, coordinate and control each type of plant.	Core network, Access network
	Other costs	Allocated to network elements/other plant based upon the plant managed, where possible.	Core network, Access network

Categories of operating costs	Description	Method of allocation	Business units
Marketing and sales costs	Payroll costs	Directly to products and services where possible. Otherwise allocated between products based on labour time.	Retail
	Costs of sales of equipment	Directly, within other activities.	Other activities
	Publicity, promotions, market research, distributors fees, other costs	Directly to products and services where possible. Otherwise, for those costs related to marketing or promoting multiple services, cost should be allocated to the related services on a reasonable basis.	Retail
Billing and collection costs	Payroll costs	Directly to products and services where possible; otherwise allocated based on labour time.	Retail (some costs to Core Network)
	Other billing costs (including bill, bad debts)	Directly to products and services where possible. Otherwise allocated based on usage (e.g. number of bills produced).	Retail (some costs to Core Network)
Operator services costs	Payroll costs	Directly to services where possible. The costs of staff that carry out tasks related to several client relations services should be allocated to the related services, based on labour time for each task.	Core network
Directory services costs	Payroll costs and other costs	Directly to products and services.	Core network
Payments to other operators	Out-payments for outgoing international traffic	Directly to products and services.	Core network
	Payments for interconnection agreements	Directly to products and services.	Core network

Categories of operating costs	Description	Method of allocation	Business units
Support costs	Human resources function costs	Costs will be allocated to the staff overseen by the HR and further allocated using the same basis as for the payroll costs of HR staff.	all
	Accounting-Finance and other head office support functions	If related specifically to a product, service or Business, allocate accordingly.	all
	Building costs and rent	Costs will be allocated in the same way as land and buildings.	all
	IT costs	Allocated to the IT applications based upon the use of computers to support each application. Costs allocated to applications can then be attributed to those products and services they support.	all
System support	Costs of the support functions for the functions of provision, installation and maintenance of the equipment	Directly to network elements/other equipment or services where possible.	all
Operator services costs	Order-taking, fault-reporting, bill queries services etc.	Directly to network elements/other equipment or services where possible.	all
Logistic costs	Covers the purchasing, distribution, warehousing and logistics activities	Directly to network elements/other equipment or services where possible.	all
General and administrative costs	Can be divided into: administrative staff and general management costs and Corporate General Management costs	Directly to network elements/other equipment or services, based on objective allocation.	all

Appendix 9

Methods of revenue allocation

Connection charges	Charges for installing telephony lines will be assigned to Retail.
Subscriptions	Subscriptions will be assigned to Retail.
Revenues form the provision of leased lines services on the retail market	These revenues will be assigned to Retail.
Revenues from the provision of leased lines services on the wholesale market	The revenues related to the local loop segments will be assigned to access network, and those respective to the core network capacity should be assigned to Core Network.
Revenues from the provision of access to local loop	If earned from other operators, revenue from access to local loop will be assigned to Access Network.
Universal service contributions	In case there is a scheme to finance universal service, the contributions from other operators will be allocated to Retail.
Interconnection charges	Interconnection charges, including the cost of establishing the interconnection point and the volume-related charges will be allocated to Core Network.
Call charges	Revenue from call charges will be allocated to the appropriate services within Retail.
Equipment rental and sales	Revenue from the rental and sale of equipment will be allocated to the appropriate services within Other Businesses.
Engineering services/consultancy	Revenues from engineering services/consultancy other than for interconnection will be assigned to Other Businesses.

Appendix 10

Methods for the allocation of capital employed

Category of assets and liabilities	Description	Method of Allocation	Businesses
A. Tangible assets			
I. Primary Plant-			
Switching equipment	Local switching equipment	Directly to access or core network elements where possible; otherwise allocated to access network, or core network respectively, on the basis of the relevant cost of the equipment dedicated to provide telephone lines and of the parts dedicated to switch traffic, respectively. Local switch network elements can be allocated to products and services within the core network according to its use (seconds of use).	Core Network (some costs are related to Access Network)
	Transit switching equipment	Directly to core network elements where possible; otherwise allocated according to its use (seconds of use).	Core Network
	National switching equipment (National Gateway for international traffic)	Directly to network elements where possible, otherwise allocated according to its use (seconds of use).	Core Network
	Switching equipment for special services networks (intelligent platform)	Directly to core network elements or, as the case may be, to the specific services provided by other operators.	Core network, other Businesses

	Other switching equipment	Directly to network services where possible, otherwise allocated to other switching network elements according to the use of the equipment.	Core network
Transmission equipment	Traffic-sensitive transmission Equipment	Directly to core network elements where possible, otherwise allocated according to usage of circuits.	Core network
	Cable and wire	Directly to access or core network elements where possible, otherwise allocated to components based on the length of cable used to provide different services.	Access network, core network
	Local loop equipment	Directly to products where possible (e.g. separately identified ISDN access equipment). Otherwise allocated to access services according to on line usage.	Access network
	Radio and satellite equipment	Directly to core network elements where possible; otherwise allocated based on the usage of transmission channels.	Core network
	Transmission equipment for special services networks	Directly to the specific non-PSTN/non-ISDN services provided by the network (e.g. data transmission equipment directly allocated to data transmission services).	Core network
	International cable	Directly to core network elements where possible; otherwise allocated according to the usage.	Core network

Other equipments	Special network equipment	Plant and equipment that is used solely to provide one specific service will be allocated directly to the relevant service (e.g. equipment using *Operator*'s intelligent networks equipment, data transmission equipment and multimedia equipment).	Core network Other activities
	Customer premises equipment	Directly to products and services.	Other activities
	Public payphones and related equipment	Directly to service.	Retail
II. Support Plant			
Network tangible fixed assets	Ducting	Assets and liabilities related to the duct will be accordingly allocated to the cable and wire that it supports and then allocated to products and services.	Access network, Core network
	Power equipment	Allocated to primary plant groups based upon the use of power equipment to support each plant. Assets and debts should then be allocated to products, together with relevant primary plant groups.	Access network, Core network
	Network management systems	Allocated to primary plant of the different networks based upon the use of the systems (e.g. time spent to control local exchanges, transit exchanges and national/international exchanges). Assets and debts will be allocated to products and services in the same way as the related primary plant group.	Core network

Non-network fixed tangible assets	Land and buildings	Allocated to products, services or network elements depending on the space occupied relating to each product or to the provision of each service or network element.	All
	Computers	Allocated to the software applications run by the *Operator* based upon the use of the computers to support each application. Costs allocated to applications can then be allocated to those products and services that they support.	All
	Motor vehicles	Allocated to the products and network elements based on usage.	All
	Furniture and office equipment	Allocated to the products and network elements based on usage.	All
B. Intangible fixed assets	Intangible fixed assets	Directly to products where possible. Any residual or unattributable assets will need to be allocated on an arbitrary basis, to be approved by ANRC.	All
C. Long term investments	Long term financial investments	Directly to other activities.	Other activities
D. Working capital	Stocks	Stocks will be directly allocated to products or services	All
	Trade debtors/receivables	Allocated to products and services based on billing system information where possible. Unattributable balances will need to be allocated on an arbitrary basis, to be approved by ANRC.	All
	Other debtors/receivables	Allocated to products and services, where possible. Unattributable balances will need to	All

		be allocated on an arbitrary basis, to be approved by ANRC.	
	Cash at bank and in hand	Directly to Businesses where possible; otherwise allocated based on the operational requirements of each Business.	All
	Short-term investments	Directly to Businesses where possible, otherwise allocated based on the operational requirements of each Business.	All
E. Provisions for liabilities and charges		Directly to Businesses that give rise to provisions.	All