



**SOUTH AFRICAN TELECOMMUNICATIONS
REGULATORY AUTHORITY (SATRA)**

VOLUME 3

**CHART OF ACCOUNTS AND COST ALLOCATION
MANUAL (COA/CAM)**

**DETAILED REQUIREMENTS
FOR
FIXED-LINE TELEPHONE OPERATORS**

FINAL DRAFT

September 19, 1999



Southern African Development Community
SATCC: Southern Africa Transport and Communications Commission



United States Agency for International Development

VOLUME 3, PART 1 INTRODUCTION.....	3
1.1 INTRODUCTION.....	4
1.1.1 Background.....	4
1.1.2 Authority for COA/CAM.....	4
1.2 OBJECTIVES OF THE DETAILED REQUIREMENTS.....	4
1.3 STRUCTURE.....	5
1.4 CONTEXT.....	5
VOLUME 2, PART 2: ENTITY ACCOUNTING.....	7
2.1 INTRODUCTION.....	8
2.2 OVERVIEW OF CHART OF ACCOUNTS.....	9
2.3 CHART OF ACCOUNTS.....	9
2.3.1 Structure.....	9
2.3.2 Translation to Operators' records.....	9
2.3.3 Special items.....	10
2.3.3.1 Plant and equipment categories.....	14
2.4 ACCOUNT DESCRIPTIONS.....	18
VOLUME 3, PART 3: SEPARATIONS ACCOUNTING.....	43
3.1 INTRODUCTION.....	44
3.2 WHOLESALE SERVICES.....	44
3.2.1 Wholesale network conveyance services.....	44
3.2.2 Wholesale ancillary services.....	45
3.3 SEGMENTS.....	45
3.3.1 Overview.....	45
3.3.2 Non-commercial segments.....	46
3.3.3 Commercial segments.....	46
3.4 COST ALLOCATION METHODOLOGY.....	50
3.4.1 Methodology.....	50
3.4.2 Wholesale costing.....	50
VOLUME 2, PART 4: ADMINISTRATIVE FRAMEWORK.....	79
4.1 INTRODUCTION.....	80
4.2 REPORTING REQUIREMENTS.....	81
4.3 REPORT FORMATS.....	83

VOLUME 3, PART 1 INTRODUCTION

VOLUME 3, PART 1 INTRODUCTION

1.1 INTRODUCTION

1.1.1 Background

Volume 3 of the Chart of Accounts and Cost Allocation Manual sets out the detailed accounting practices and financial reporting requirements for all fixed-line telecommunications network operators (Operators) who are currently, and/or will be in the future, subject to regulatory supervision by the South African Telecommunications Regulatory Authority (SATRA) and required to provide financial information in accordance with the COA/CAM.

Although the account structure and cost allocation principles in this volume is intended to apply to all Fixed Line Operators, SATRA may forebear from imposing all requirements equally to all Operators. SATRA may take into account the degree to which an Operator has market control over essential facilities and may grant such flexibility as it deems necessary to encourage competitive entry by new Operators. After SATRA determines the Fixed Line telecommunications market is not dominated by the incumbent Operator, it may reduce the amount of accounting detail required for regulatory purposes.

1.1.2 Authority for COA/CAM

Under Sections 46, 96 and 97 of the Telecommunications Act of 1996, SATRA was given general authority to establish regulations prescribing the accounts and records that should be kept by operating licensees and to require them to produce “such accounts, records and other documents ... as may be prescribed.” (Section 46). SATRA is to “make regulations in relation to any manner in which terms of this Act shall or may be prescribed by regulation” and declares that “Different regulations may be made in respect of different categories of telecommunications services, equipment and facilities and periods.” (Section 96) This paragraph also authorises SATRA to impose penalties for non-compliance with its regulations. SATRA “may by notice in writing direct a licensee to produce or furnish to (SATRA), at the time and place specified in the notice, such accounts, records and other documents or information specified in such notice and relating to any matter in respect of which a duty or obligation is imposed on the licensee in terms of this Act, his or her license or any agreement for the interconnection of telecommunications systems ... as (SATRA) may reasonably require.” (Section 97)

Specific accounting requirements are also contained in each Operator’s telecommunications license. For example, Telekom South Africa’s license requires it to maintain “in respect to each of its financial years, accounts on an historic and a current cost basis...” (Paragraph 8.1). “The Licensee shall establish the Regulatory Accounts in accordance with the Chart of Accounts and the Cost Allocation Manual.” (Paragraph 8.2). Telekom South Africa’s license also obligates the Operator to fulfil certain auditing requirements and to provide SATRA with regulatory account data.

1.2 OBJECTIVES OF THE DETAILED REQUIREMENTS

(1) These *Detailed Requirements for Fixed-line Operators* (“*Detailed Requirements*”) expand on the accounting practices and financial reporting requirements that apply to all Operators falling under the regulatory authority of SATRA.

(2) These *Detailed Requirements*, with respect to separations accounting, are based on:

- SATRA’s desire to use only the “lightest” regulatory approach consistent with its responsibilities to protect the interests of the telephone consumer and to promote a competitive environment for Fixed Line telecommunications;

- SATRA’s need for information necessary to determine if rates for regulated services are fair and reasonable; and
 - SATRA’s need for information to monitor compliance with its public policy objectives.
- (3) These *Detailed Requirements* specify:
- the structure of the Chart of Accounts (COA);
 - the contents of each account;
 - the segments for which revenue and cost information is required;
 - the wholesale services for which fixed landlines Operators are to provide cost visibility;
 - the methodologies used for cost allocation; and
 - the requirement for reporting financial details and results.
- (4) These requirements have been developed to reflect the unique network architectures and operating practices of fixed-line Operators. While every effort has been made to accommodate the latest developments in telephony, they may be updated by SATRA as needed to remain current with advances in technology.
- (5) These *Detailed Requirements* are expected to evolve over time depending on whether there are changes in SATRA’s ongoing information needs, or whether there are changes in its regulatory responsibilities.

1.3 STRUCTURE

- (1) This volume comprises three parts in addition to this introduction:
- *Part 2: Entity Accounting* sets out the Detailed Chart of Accounts (COA) for fixed-line telecommunications Operators. It defines the individual accounts under which assets, liabilities, shareholder equity revenues and expenses are to be classified;
 - *Part 3: Separations Accounting* sets out the individual segments for which revenue, expense and asset reporting is required for fixed-line Operators, the wholesale services for which transparency of costs is required, and the detailed revenue and cost allocation methodologies to be followed for each accept in the COA;
 - *Part 4: Administrative Framework* prescribes the frequency, timing, content and format of all reports to be submitted to SATRA on an ongoing basis. SATRA may, as becomes necessary to fulfil its role as telecommunications regulator, require additional reports on a case by case basis.

1.4 CONTEXT

- (1) These *Detailed Requirements* have been prepared within the overall context of the accounting and reporting practices described in *Volume 1: Manual and Appendices*.
- (2) Each fixed-line Operator is to document, in its *Procedures Manual*, the detailed steps, which it has adopted to implement these Detailed Requirements and must submit its *Procedures Manuals* to SATRA for approval.
- (3) The *Procedures Manual* is to amplify the broad guidelines for entity accounting, separations accounting and administrative framework prescribed in the COA/CAM.

- (4) In instances where the guidelines in the COA/CAM cannot be applied because of an initial lack of information, the Operator must identify in its *Procedures Manual*, the steps being taken and the time required to implement the provision of the COA/CAM.
- (5) Where the Operator, because of the nature of its operations, cannot apply the guidelines in the COA/CAM, detailed justification for the alternative treatment adopted is to be included in the *Procedures Manual*.
- (6) The Operator must notify SATRA in writing of any instances where it feels it cannot comply with these *Detailed Requirements* and may request a waiver of specific requirements. The waiver request must be fully supported. If the condition causing non-compliance is temporary, the Operator must include a timeline for correction of the condition.
- (7) A waiver of a requirement to submit a report, if granted by SATRA, will include a waiver of the sections of the Operator's *Procedures Manual* which relate to that report.

VOLUME 2, PART 2: ENTITY ACCOUNTING

VOLUME 2, PART 2: ENTITY ACCOUNTING

2.1 INTRODUCTION

- (1) Entity accounting sets out the reporting requirements, accounting principles, accounting policies and guidelines for the Chart of Accounts (COA). Section 2.2.1 of Volume 1 of the COA/CAM identifies three types of entity:
 - Corporate Entity –the registered company or other legal entity that is subject to regulation;
 - Regulated Entity – the segment within, or subsidiary of, the corporate entity, that provides regulated telecommunications service; and
 - Unregulated Entity – the segment within, or subsidiary of, the corporate entity, that conducts business activities relating to the sale and provision of products and services outside license terms and conditions.
- (2) The intent of the COA is to provide the level of detail needed to adequately and accurately represent and record the actual or projected financial results and condition of the regulated entity. It is a framework within which financial transactions can be grouped to permit meaningful interpretation of financial information.
- (3) For the unregulated entity, the level of detail required is intended as the minimum needed to determine that revenues from regulated activities are not used to subsidise unregulated activities. Recognising that some unregulated products and services are provisioned at least partially over the same facilities or using the same personnel resources as regulated products and services, the COA is structured to minimise the allocation of costs between the regulated and unregulated entities.
- (4) This part of the Detailed Requirements prescribes the structure of the COA and comprises an overview and a detailed chart of accounts. Accounts represent groups of transactions that are similar in nature and occurrence.
 - The Overview of the COA describes the framework in which balance sheet and income statement accounts have been defined in the COA; and
 - The Detailed Chart of Accounts describes the numbering structure for accounts, the content of each account, and the requirements for Operators to maintain records in accordance with the COA

2.2 OVERVIEW OF CHART OF ACCOUNTS

- (1) The COA provides a structure for categorising and reporting financial transactions.
- (2) The account numbering permits SATRA to reference specific categories of transactions and allows for the incorporation of new accounts should the need arise.
- (3) The term “Account” represents a combination of categories and may span more than one organisational department or entity, responsibility centre or cost centre. For example, Operator Services expense includes salaries, supplies, etc. that may have been recorded in more than one responsibility or cost centre.
- (4) Exhibit 2.1 provides an overview of the COA applicable to fixed-line Operators.

2.3 CHART OF ACCOUNTS

- (1) This section sets out the detailed COA for fixed-line Operators.

2.3.1 Structure

- (1) Each account number has six digits: “u.v.wxyz.” The first two digits, “u.v.”, represent the account summary (digit “u” – major category summary, digit “v” – minor category summary) and the next four digits, “wxyz”, represent the account code, relating to plant equipment, market segment or business process.
- (2) The revenue and expenditure items in the Net Income section of the COA are intended to create visibility around net operating income (NOI) components and to facilitate the reconciliation process between the NOI and other reports submitted to SATRA.
- (3) SATRA does not require ongoing entity reporting below the account codes prescribed. However, Operators are cautioned that sufficient detail must be retained in their sub-ledger systems or subsidiary records to support the separations accounting requirements in Part 3 of this volume of the COA/CAM.
- (4) Accounts ending in zero (“z” digit = 0) are summary accounts. The balances in these accounts are the sum of the lower level accounts of the same series. For example, Account 1.1.2000 is the sum of Accounts 1.1.2100 and 1.1.2200. Account 2.1.0000 is the sum of all accounts with “u” and “v” digits 2.1.wxyz. The purpose of the summary accounts is to bring forward sufficient detail to permit high level analysis across all segments of the telecommunications industry.

2.3.2 Translation to Operators’ records

- (1) Operators are expected to provide, in their *Procedures Manuals*, a translation between the accounts set out in the COA and their own General Ledger accounts. This will prevent the possibility of duplication, overlapping or exclusion of accounts. The *Procedures Manuals* should also set forth the level of detail available in the sub-ledger systems or subsidiary records for separations accounting purposes.

2.3.3 Special items

- (1) Designated accounts are established for transactions relating to plant equipment, market segment and business process.
- (2) Clearing accounts for transferring wholesale charges have not been prescribed within the COA since Operators may use different mechanisms for implementing wholesale costing. Where Operators wish to incorporate clearing accounts, they should document their procedures in their *Procedures Manuals*.

Exhibit 2.1: Overview of Chart of Accounts

Account Summary				
Class of Account	Major (u)	Minor (v)	Account (wxyz)	
Capital Employed	1	Shareholders' funds, long term liabilities and deferred tax	<ol style="list-style-type: none"> 1. Shareholders' funds 	<ol style="list-style-type: none"> 1. Capital 2. Reserves 3. Retained earnings
			<ol style="list-style-type: none"> 2. Long term liabilities 	<ol style="list-style-type: none"> 1. Banks and other external sources 2. Affiliates 3. Government license fee payable
			<ol style="list-style-type: none"> 3. Deferred tax 	
Employment of capital	2	Non-current assets	<ol style="list-style-type: none"> 1. Fixed assets 2. Construction in progress 3. Capital Leases 4. Leasehold improvements 5. Accumulated depreciation 6. Accumulated amortisation- capital leases and leasehold improvements 	Categorized by type of plant and equipment <ol style="list-style-type: none"> 1. Network equipment <ul style="list-style-type: none"> • Customer equipment • Switching equipment • Circuit equipment • Cable & wire equipment • Value added network equipment • Network operations equipment 2. Billing and administration systems 3. Land and buildings <ul style="list-style-type: none"> • Land • Buildings 4. Support equipment <ul style="list-style-type: none"> • Furniture • Office equipment • General purpose computers • Vehicles
			<ol style="list-style-type: none"> 7. Other non-current assets 	<ol style="list-style-type: none"> 1. Property held for future use – Long term 2. Intangible assets <ul style="list-style-type: none"> • Licenses • Permits and rights-of-way • Patents, copyrights, trademarks • Capitalised start-up costs • Capitalised research and development costs 3. Investments in external securities 4. Long term loans and notes receivable 5. Long term loans to affiliates 6. Other non-current assets
	3	Working capital	<ol style="list-style-type: none"> 1. Current assets 2. Current liabilities 	

Account Summary				
Class of Account	Major (u)	Minor (v)	Account (wxyz)	
Income Statement	4	Revenues	1. Retail regulated 2. Retail nonregulated 3. Interconnection with network operators 4. Resale by other service providers 5. Miscellaneous 6. Uncollectable Categorised by customer segment <ul style="list-style-type: none"> • Retail telecommunications-residential • Retail telecommunications-business • Network operator or service provider Subcategorised by product category <ul style="list-style-type: none"> • Switched services • Leased line • Value added • Other nonregulated services 	
	5	Cost of Sales	1. Discounts and Incentives	Categorised by type <ul style="list-style-type: none"> • Volume discounts • Other incentives
			2. Network operator Interconnection Costs	Categorised by product category <ul style="list-style-type: none"> • Switched services • Leased line • Value added • Other nonregulated services
			3. Other Costs of Sales	<ul style="list-style-type: none"> • Nonregulated telecommunications services • Regional service council (RSC) levies and Value Added Taxes (VAT) • Other
	6	Operating Expenses	1. Plant expenses	Categorised by type of fixed asset <ul style="list-style-type: none"> • Depreciation • Operating leases • Lease amortisation
			2. Business operation expenses	Categorised by business process or function performed by individuals <ul style="list-style-type: none"> • Repair and maintenance by category of plant asset • Network operations • Engineering • Operator services • Product and market planning • Customer services
			3. Corporate activities	Categorised by business process or function performed by individuals <ul style="list-style-type: none"> • Executive • Finance • Legal • Information systems • Human resources • Regulatory • Procurement • Research & Development • Other general and administrative expenses

Account Summary			
Class of Account	Major (u)	Minor (v)	Account (wxyz)
Income Statement	7 Taxes, Non- operating items, Dividends	1. Non-operating items	1. Interest income 2. Foreign exchange gain/(loss) 3. Gain / (loss) on disposal of assets 9. Other non-operating income
		2. Non-operating expenses	1. Cost of Capital • Interest • Cost of equity capital 9. Other non-operating expenses
		3. Taxes, extraordinary items & dividends	1. Taxes 2. Extraordinary items 3. Dividends

2.3.3.1 Plant and equipment categories

(1) The “w” digit of the plant and equipment categories, and related repair and maintenance expenses, classifies equipment as network assets (1), billing and administrative systems (2), land and buildings (3) or support assets (4). For plant expenses, the “w” digit designates (1) depreciation expenses, (3) lease expenses and (4) amortisation of leasehold improvements. The last three digits of the account code have been pre-assigned for fixed-line plant and equipment categories, as illustrated in Exhibit 2.2.

(2) The last three digits of the account code (xyz) allow plant-related accounts to be associated easily with the categories of plant. For example:

<u>Account</u>	<u>Description</u>
2.1.wxyz	Fixed assets
2.2.wxyz	Construction in progress
2.3.wxyz	Leases
2.4.wxyz	Leasehold improvements
2.6.wxyz	Accumulated depreciation
6.1.1xyz	Depreciation expense
6.1.3xyz	Lease expenses
6.1.4xyz	Amortisation of leasehold improvements
6.2.wxyz	Repair and maintenance

(3) For example, repair and maintenance of digital switching equipment in Account 2.1.1121 would be booked to Account 6.2.1121. Depreciation expense of aerial fibre-optic cable would be booked to Account 6.1.1141 and related accumulated depreciation would be booked to Account 2.6.1141. Construction of a building would be booked to 2.2.3312 while buildings in service are booked to Account 2.1.3312.

(4) Fixed asset and expense account codes ending with zero are summary accounts representing the total of the category of plant or expense. For example, Account 2.1.1110, Customer equipment, is the sum of Accounts 2.1.1111 through 2.1.1116. Where there are no detailed accounts (ending in a number other than zero), the account code includes all of that type of account. For example, Account 2.1.1160 contains all network operations equipment, including monitoring devices, terminals, traffic measuring equipment and the like.

(5) For those plant and equipment categories having a “v” digit other than “1”, the COA usually does not require a detailed breakdown by technology or category of plant equipment. For example, construction in progress does not differentiate digital switching equipment from packet switching equipment. Both are included in Account 2.2.1120. Similarly, repair and maintenance expenses for cable and wire facilities do not distinguish between fibre-optic and metallic cable or between aerial, buried, underground, and other categories. All are included in Account 6.2.1140 due to the impracticality of tracking technician charges in an environment of mixed technologies and installation techniques. (It is common for a single circuit to utilise aerial and underground metallic and fibre-optic facilities along its route; a single cable sheath may contain conductors assigned to a mix of interoffice and subscriber loop circuits). In other cases, repair and maintenance expenses by equipment category are easily obtained and must be reported. It is the intent of the COA to balance the needs of SATRA for detailed regulatory accounting information against the cost of providing that level of detail.

(6) While SATRA expects that the plant and equipment account codes listed in Exhibit 2.2 will suffice for all known requirements, it may require additional accounts if experience shows there are categories which have not been covered.

(7) The fixed asset accounts (Account 2.1.wxyz) generally exclude items of small value. These items, which typically include small tools and test sets, shall be held in Account 3.1.1000, Inventories, until placed in service. After they are placed in service, they shall be charged to the repair and maintenance expense account appropriate for the type plant equipment being supported. Initially, a threshold of R25,000 per item will define “small value.” SATRA may, from time to

time, adjust this value for inflation or any other reason, after giving reasonable notice to the Operators.

Exhibit 2.2: Plant and Equipment Account Codes

Account Code	Description
u.v.w100	Network Equipment Total
u.v.w110	Customer Equipment Summary
u.v.w111	Telephone sets
u.v.w112	Private Branch Exchange (PBX) equipment
u.v.w113	Teletype equipment
u.v.w114	Dedicated transmission equipment installed on customer premises
u.v.w115	Inside wire installed on customer premises
u.v.w116	Public telephone equipment
u.v.w120	Switching Equipment
u.v.w121	Digital electronic switching equipment
u.v.w122	Analogue electronic switching equipment
u.v.w123	Electro-mechanical switching equipment
u.v.w124	Packet switching equipment
u.v.w125	Dedicated switch power equipment
u.v.w130	Circuit equipment
u.v.w131	Wireline interoffice circuit equipment
u.v.w132	Wireline subscriber loop circuit equipment
u.v.w133	Wireless subscriber loop equipment
u.v.w134	Other radio circuit equipment
u.v.w135	Dedicated circuit equipment power
u.v.w140	Cable and wire equipment
u.v.w141	Aerial Fibre-optic cable
u.v.w142	Buried Fibre-optic cable
u.v.w143	Underground Fibre-optic cable
u.v.w144	Submarine cable, metallic or fibre-optic
u.v.w145	Aerial metallic cable
u.v.w146	Buried metallic cable
u.v.w147	Underground metallic cable
u.v.w148	Poles
u.v.w149	Conduit
u.v.w150	Value added network equipment
u.v.w151	VANS processors and terminals
u.v.w152	VANS ancillary equipment
u.v.w153	Operator information services equipment
u.v.w154	Operator services call completion equipment
u.v.w155	Emergency response equipment
u.v.w160	Network operations equipment
u.v.w200	Billing and administrative systems
u.v.w201	Billing systems
u.v.w202	Administrative systems
u.v.w300	Land and buildings
u.v.w311	Land
u.v.w312	Buildings
u.v.w313	Building common power equipment
u.v.w400	Support equipment
u.v.w411	Furniture and office equipment
u.v.w412	General purpose computers
u.v.w413	General purpose vehicles
u.v.w414	Special purpose vehicles
u.v.w415	Garage and other work equipment

2.3.3.2 Revenue categories

(1) Revenue detail is required in order to determine net income by broad classification, customer segment and network category. Exhibit 2.3 summarises the revenue account assignments.

Exhibit 2.3: Revenue Accounts

Type Revenue (v)	Customer Segment (w)	Network Category (xyz)
1. Regulated retail	1. Residential	1. Basic local service 2. Switched long distance 3. Leased line 4. Value added
	2. Business	1. Basic local service 2. Switched long distance 3. Leased line 4. Value added
	4. Public Telephone	1. Basic local service 2. Switched long distance 4. Value added
2. Non-regulated retail	All	All
3. Interconnection	Network Operator	1. Switched 2. Leased line 3. Other
4. Resale	Service Provider	1. Basic local service 2. Switched long distance 3. Leased line 4. Value added
5. Miscellaneous	All	1. Directory revenues 2. Rent revenues 3. Corporate operations revenue 4. Special billing arrangements revenue 5. Customer operations revenue 6. Network operator billing and collection revenues 7. Other and incidental regulated revenues
6. Uncollectable revenues	All	1. Telecommunications 2. Other

All revenue accounts start with the number 4 (the “u” digit). The next digit (“v”) identifies the revenue as regulated retail (1), non-regulated retail (2), interconnection with other network operators (wholesale) (3) or resale to another service provider (4). The third digit (“w”) identifies the customer segment as residential , business, public telephone, service provider or network operator. The fourth digit (“x”) identifies the service by network category as switched (using the PTSN or PPSN), leased line (dedicated to a single customer), value added, or other non-regulated. Unless otherwise specified, the “y” and “z” digits are available to the Operator to identify specific services or families of services. If a network operator chooses not to identify services using these digits, “y” and “z” would be zero filled.

For example, basic local service for residential customers would be booked to Account 4.1.1100 while a non-regulated value added service would be booked to Account 4.2.0000.

2.4 ACCOUNT DESCRIPTIONS

(1) Exhibit 2.4 contains a complete listing of all required accounts for fixed-line Operators. The Operator may maintain its own General Ledger and sub-ledger systems at a greater level of disaggregation for internal management purposes. Moreover, additional details will be needed to support the separations accounting in Part 3 of this volume and any special information requests that SATRA may issue. It is not the intent of this Part to foreclose analysis of telecommunications activities at the detailed level.

Exhibit 2.4: Chart of Accounts for Fixed-line Operators

Note: Bolded accounts are summary accounts

Account	Account Title	Account Description
CAPITAL EMPLOYED		
1.1.1000	Share capital	Amounts received for capital stock, whether common or preferred, at par value or the stated amount
1.1.2000	Reserves	Sum of reserve accounts
1.1.2100	Asset revaluation reserve	Surplus arising from the revaluation of fixed assets
1.1.2200	Other reserves	Reserves other than asset revaluation reserve
1.1.3000	Retained earnings	Undistributed balance of retained earnings
1.2.1000	Long term loans from external sources	Principal amounts not due and payable within 12 months, including bank loans, debentures, mortgages, financial leases and promissory notes
1.2.2000	Long term debt owed to affiliates	Principal amounts not due and payable within 12 months
1.2.3000	Long term license fees payable	Portion of license fees not due and payable within 12 months
1.3.1000	Deferred tax	Deferred tax liability
EMPLOYMENT OF CAPITAL		
2.0.0000	Non-current assets	Sum of non-current asset accounts
2.1.0000	Fixed assets	Sum of fixed asset accounts
2.1.1100	Network equipment	Sum of network equipment accounts
2.1.1110	Customer equipment	Sum of customer equipment accounts
2.1.1111	Telephone sets	All telephone sets except pay telephones and telephone sets used for mobile services. Includes radio equipment except mobile equipment installed for customer use
2.1.1112	Private Branch Exchange (PBX) equipment	Private branch exchanges and private dial systems which do not constitute telephone sets. This account includes the cost of spare parts needed to support PBX equipment.
2.1.1113	Teletype equipment	All teletype equipment including terminals
2.1.1114	Dedicated transmission equipment installed on customer premises	Multiplexers, carrier equipment, concentrators, repeaters and similar transmission equipment used to provide for simultaneous transmission of multiple channels on a single transmission path or used to amplify, modulate, regenerate, patch, balance or control transmission of a telephone signal
2.1.1115	Inside wire installed on customer premises	Wiring installed on the customer's premises
2.1.1116	Pay Telephones	Telephone sets used to provide public and semi-public payphone services
2.1.1120	Switching Equipment	Sum of switching equipment accounts
2.1.1121	Digital electronic switching equipment	Stored program control digital switches and associated equipment, including initial operating software. Also includes remote switching modules capable of switching independently of their host switches. Special purpose furniture and on-site monitoring and control devices are included.

Account	Account Title	Account Description
2.1.1122	Analogue electronic switching equipment	Stored program control analogue electronic switches and associated equipment, including initial operating software. Also includes remote switching modules capable of switching independently of their host switches. Special purpose furniture and on-site monitoring and control devices are included.
2.1.1123	Electro-mechanical switching equipment	All non-electronic switches and associated equipment. Special purpose furniture and on-site monitoring and control devices are included.
2.1.1124	Packet switching equipment	Switching equipment using packet switching technology including cell relay, frame relay, asynchronous transfer mode (ATM), internet protocol and similar standards. Special purpose furniture and on-site monitoring and control devices are included.
2.1.1125	Dedicated switch power equipment	Battery and other power sources used exclusively to provide power to switching equipment
2.1.1130	Circuit equipment	Sum of circuit equipment accounts
2.1.1131	Wireline interoffice circuit equipment	Interoffice equipment that provides for the simultaneous use of a number of channels derived from a single physical path. Also includes equipment used for the amplification, modulation, regeneration, circuit patching, balancing or control of telephone signals.
2.1.1132	Wireline subscriber loop circuit equipment	Equipment used in the feeder and distribution portions of the outside plant to reduce the number of physical pairs of conductors required to handle a given number of subscribers by utilisation of carrier systems, concentrators and similar equipment.
2.1.1133	Wireless subscriber loop equipment	Equipment used to provide a wireless connection from the customers' premises to the feeder or distribution portions of the local subscriber loop.
2.1.1134	Other radio circuit equipment	Radio transmitters and receivers, including satellite and earth station facilities, microwave facilities and other radio equipment. This account excludes equipment used for cellular or other wireless subscriber access to wireless networks.
2.1.1135	Dedicated circuit equipment power	Power sources used exclusively to provide power to circuit equipment
2.1.1140	Cable and wire equipment	Sum of cable and wire equipment accounts
2.1.1141	Aerial Fibre-optic cable	Aerial fibre-optic cable including block and drop wires. This account excludes the cost of poles or pole attachment costs.
2.1.1142	Buried Fibre-optic cable	Fibre-optic cable directly buried underground. This account includes the cost of trenching.
2.1.1143	Underground Fibre-optic cable	Fibre-optic cable installed in underground conduit. This account excludes the cost of trenching. Trenching costs are included in the conduit account 2.1.1149
2.1.1144	Submarine cable	All submarine cable whether metallic or fibre-optic.
2.1.1145	Aerial metallic cable	Aerial metallic cable including block and drop wires. This account excludes the cost of poles or pole attachment costs.
2.1.1146	Buried metallic cable	Metallic cable directly buried underground. This account includes the cost of trenching.
2.1.1147	Underground metallic cable	Metallic cable installed in underground conduit. This account excludes the cost of trenching. Trenching costs are included in the conduit account 2.1.1149
2.1.1148	Poles	Poles, cross arms, guys and other materials used in the construction of pole lines. This account includes the cost of free-standing towers not associated with buildings.

Account	Account Title	Account Description
2.1.1149	Conduit	Conduit and manholes which are reusable in place. Protective coverings that are not reusable in place are booked to the cable and wire account of the conductors installed.
2.1.1150	Value added network equipment	Sum of value added network equipment
2.1.1151	VANS processors and terminals	Processors and terminals used to provide value added network services other than operator information services
2.1.1152	VANS ancillary equipment	Power supplies, air-conditioning and ancillary equipment required for the operation of VANS equipment.
2.1.1153	Operator information systems equipment	Operator positions, control and monitoring equipment, and customer telephone number directory databases used to provide information services. Operator's special purpose furniture is included.
2.1.1154	Operator services call completion equipment	Operator positions, control and monitoring equipment, and line information databases used to assist customers in utilising the network or used to provide intercept or other operator assisted call completion services. Operator's special purpose furniture is included. Does not include operator information services equipment or switches used to route operator handled calls.
2.1.1155	Emergency response system equipment	Operator positions, control and monitoring equipment, and databases used to provide emergency response (police, fire, etc.) services.
2.1.1160	Network operations equipment	Processors, terminals, dedicated transmission links and related devices designed to alarm, monitor, measure, maintain and configure the switching, outside plant and circuit equipment elements of the telephone network. Portable terminals used for local maintenance, power supplies air-conditioning and ancillary equipment are also included.
2.1.2200	Billing and administrative systems	Sum of billing and administrative systems.
2.1.2201	Billing systems	Processors, terminals, transmission plant and peripheral equipment required to provide billing, and fraud prevention and detection.
2.1.2202	Administrative systems	Processors, terminals, transmission plant and peripheral equipment required to provide network administration, and management information.
2.1.3300	Land and buildings	Sum of land and buildings accounts
2.1.3311	Land	Land in actual use in providing telecommunications service. Includes easements, land improvements but excludes buildings and other structures. This account also excludes land held for future use and land in excess of that required for telecommunications use.
2.1.3312	Buildings	Buildings, including construction or purchasing costs. Includes fixtures, machinery and appliances (lifts, fire detection equipment, air-conditioners and generators) that are permanently installed and affixed to a building. Excludes telephone equipment, wiring and power equipment.
2.1.3313	Building common power equipment	Equipment such as generators and control panels used to provide back-up power to buildings normally served by commercial power sources. Includes equipment used to provide power to buildings where no commercial power is available. Excludes generation equipment for portable or temporary use.
2.1.4400	Support equipment	Sum of support equipment

Account	Account Title	Account Description
2.1.4411	Furniture and office equipment	Furniture and office equipment, except special purpose furniture and office equipment that can be directly assigned to a network equipment account. Includes office machinery and equipment such as cheque signing machines, facsimile machines, photocopiers, etc.
2.1.4412	General purpose computers	Computers and peripheral devices which are designed to perform general administrative information processing activities. Includes mainframe and mini-computers, personal computers, word processors, Local Area Network (LAN) equipment and terminals, initial software and associated equipment. Excludes computers and associated peripheral devices and initial software associated with switching, network signalling, network operations or other specific telephone network plant.
2.1.4413	General purpose vehicles	Motorised and non-motorised vehicles of the type designed and routinely licensed to operate on public streets and highways
2.1.4414	Special purpose vehicles	Vehicles specially designed for telecommunications or construction purposes, including pole setting vehicles, trenchers, platform trucks and similar vehicles.
2.1.4415	Garage and other work equipment	Tools and equipment used to maintain vehicles; other powered tools and equipment, general purpose tools and other items of work equipment not accounted elsewhere
2.2.0000	Construction in progress	Sum of construction in progress Includes all direct costs including labour, plus any engineering, materials and supplies, transportation, contract work, insurance, security, permits, privileges, rights of way, services, taxes and other costs that are necessary to construction of the facilities. Also includes capitalised finance charges.
2.2.1120	Switching equipment under construction	Construction of equipment described in the related plant categories.
2.2.1130	Circuit equipment under construction	Construction of equipment described in the related plant categories.
2.2.1140	Cable and wire equipment under construction	Construction of facilities described in the related plant categories.
2.2.1150	Value added network equipment under construction	Construction of equipment or facilities described in the related plant categories.
2.2.1160	Network operations equipment under construction	Construction of equipment described in the related plant categories.
2.2.2200	Billing and administrative systems under construction	Sum of billing and administrative systems under construction.
2.2.2201	Billing systems under construction	Construction of equipment described in the related plant categories.
2.2.2202	Administrative systems under construction	Construction of equipment described in the related plant categories.
2.2.3300	Buildings under construction	Construction of facilities described in the related plant categories.
2.3.0000	Leases	Sum of capitalised leases
2.3.1100	Network equipment leases	Sum of capitalised network equipment leases

Account	Account Title	Account Description
2.3.1120	Leases of switching equipment	Leases of related plant
2.3.1130	Leases of circuit equipment	Leases of related plant
2.3.1140	Leases of cable and wire equipment	Leases of related plant
2.3.2200	Leases of billing and administrative systems	Sum of billing and administrative system leases
2.3.2201	Leases of billing systems	Leases of related systems
2.3.2202	Leases of administrative systems	Leases of related systems
2.3.3300	Leases of land and buildings	Sum of capitalised land and buildings leases
2.3.3311	Leases of land	Leases of related facilities
2.3.3312	Leases of buildings	Leases of related facilities
2.3.4400	Leases of support equipment	Sum of capitalised support equipment leases
2.3.4411	Leases of furniture and office equipment	Leases of related equipment
2.3.4412	Leases of general purpose computers	Leases of related equipment
2.3.4413	Leases of general purpose vehicles	Leases of related equipment
2.3.4414	Leases of special purpose vehicles	Leases of related equipment
2.3.4415	Leases of garage and other work equipment	Leases of related equipment
2.4.3312	Leasehold improvements- Buildings	Leasehold improvements of related facilities
2.5.0000	Accumulated depreciation	Sum of accumulated depreciation
2.5.1100	Accumulated depreciation – Network Equipment	Sum of accumulated depreciation – Network Equipment
2.5.1110	Accumulated depreciation – Customer Equipment	Sum of accumulated depreciation – Customer Equipment
2.5.1111	Accumulated depreciation – Telephone sets	Accumulated depreciation for related account
2.5.1112	Accumulated depreciation – Private Branch Exchange (PBX) equipment	Accumulated depreciation for related account
2.5.1113	Accumulated depreciation – Teletype equipment	Accumulated depreciation for related account

Account	Account Title	Account Description
2.5.1114	Accumulated depreciation – Dedicated transmission equipment installed on customer premises	Accumulated depreciation for related account
2.5.1115	Accumulated depreciation – Inside wire installed on customer premises	Accumulated depreciation for related account
2.5.1116	Accumulated depreciation – Pay Telephones	Accumulated depreciation for related account
2.5.1120	Accumulated depreciation – Switching Equipment	Sum of accumulated depreciation – Switching equipment
2.5.1121	Accumulated depreciation – Digital electronic switching equipment	Accumulated depreciation for related account.
2.5.1122	Accumulated depreciation – Analogue electronic switching equipment	Accumulated depreciation for related account
2.5.1123	Accumulated depreciation – Electro-mechanical switching equipment	Accumulated depreciation for related account.
2.5.1124	Accumulated depreciation – Packet switching equipment	Accumulated depreciation for related account
2.5.1125	Accumulated depreciation – Dedicated switch power equipment	Accumulated depreciation for related account
2.5.1130	Accumulated depreciation – Circuit equipment	Sum of accumulated depreciation – Circuit equipment
2.5.1131	Accumulated depreciation – Wireline interoffice circuit equipment	Accumulated depreciation for related account
2.5.1132	Accumulated depreciation – Wireline subscriber loop circuit equipment	Accumulated depreciation for related account
2.5.1133	Accumulated depreciation – Wireless subscriber loop equipment	Accumulated depreciation for related account
2.5.1134	Accumulated depreciation – Other radio circuit equipment	Accumulated depreciation for related account

Account	Account Title	Account Description
2.5.1135	Accumulated depreciation – Dedicated circuit equipment power	Accumulated depreciation for related account
2.5.1140	Accumulated depreciation – Cable and wire equipment	Sum of accumulated depreciation – Cable and wire equipment
2.5.1141	Accumulated depreciation – Aerial Fibre-optic cable	Accumulated depreciation for related account
2.5.1142	Accumulated depreciation – Buried Fibre-optic cable	Accumulated depreciation for related account
2.5.1143	Accumulated depreciation – Underground Fibre-optic cable	Accumulated depreciation for related account
2.5.1144	Accumulated depreciation – Submarine cable	Accumulated depreciation for related account
2.5.1145	Accumulated depreciation – Aerial metallic cable	Accumulated depreciation for related account.
2.5.1146	Accumulated depreciation – Buried metallic cable	Accumulated depreciation for related account
2.5.1147	Accumulated depreciation – Underground metallic cable	Accumulated depreciation for related account
2.5.1148	Accumulated depreciation – Poles	Accumulated depreciation for related account
2.5.1149	Accumulated depreciation – Conduit	Accumulated depreciation for related account
2.5.1150	Accumulated depreciation – Value added network equipment	Sum of accumulated depreciation – Value added network equipment
2.5.1151	Accumulated depreciation – VANS processors and terminals	Accumulated depreciation for related account
2.5.1152	Accumulated depreciation – VANS ancillary equipment	Accumulated depreciation for related account
2.5.1153	Accumulated depreciation – VANS operator information systems equipment	Accumulated depreciation for related account
2.5.1154	Accumulated depreciation – Operator services call completion equipment	Accumulated depreciation for related account

Account	Account Title	Account Description
2.5.1155	Accumulated depreciation – Emergency response system equipment	Accumulated depreciation for related account
2.5.1160	Accumulated depreciation - Network operations equipment	Accumulated depreciation for related account
2.5.2200	Accumulated depreciation - Billing and administrative systems	Sum of accumulated depreciation for billing and administrative systems
2.5.2201	Accumulated depreciation - Billing systems	Accumulated depreciation for related account
2.5.2202	Accumulated depreciation - Administrative systems	Accumulated depreciation for related account
2.5.3312	Accumulated depreciation - Buildings	Accumulated depreciation for related account
2.5.3313	Accumulated depreciation - Building common power equipment	Accumulated depreciation for related account
2.5.4400	Accumulated depreciation - Support equipment	Sum of accumulated depreciation – Support equipment
2.5.4411	Accumulated depreciation – Furniture and office equipment	Accumulated depreciation for related account
2.5.4412	Accumulated depreciation - General purpose computers	Accumulated depreciation for related account
2.5.4413	Accumulated depreciation - General purpose vehicles	Accumulated depreciation for related account
2.5.4414	Accumulated depreciation - Special purpose vehicles	Accumulated depreciation for related account
2.5.4415	Accumulated depreciation - Garage and other work equipment	Accumulated depreciation for related account
2.6.0000	Accumulated amortisation – Capitalised leases and leasehold improvements	Sum of accumulated amortisation of capitalised leases and leasehold improvements
2.6.1100	Accumulated amortisation – Network equipment capitalised leases	Accumulated amortisation for related accounts

Account	Account Title	Account Description
2.6.2200	Accumulated amortisation – Billing and administrative systems capitalised leases	Sum of accumulated amortisation for billing and administrative systems leases
2.6.2201	Accumulated amortisation – Billing systems capitalised leases	Accumulated amortisation for related accounts
2.6.2202	Accumulated amortisation – Administrative systems capitalised leases	Accumulated amortisation for related accounts
2.6.3300	Accumulated amortisation – Land and buildings capitalised leases	Accumulated amortisation for related accounts
2.6.4400	Accumulated amortisation – Support equipment capitalised leases	Accumulated amortisation for related accounts
2.7.0000	Other non-current assets	Sum of other non-current asset accounts
2.7.1000	Property held for future use – Long term	Plant held by the Operator and of the type used in providing fixed landline telecommunications services but which does not have a definite plan for use. Generally, such plant will not be used for at least two years into the future.
2.7.2000	Intangible assets	Sum of intangible asset accounts
2.7.2100	Licenses	Capitalised value of national license net of portion amortised
2.7.2200	Permits and rights-of-way	Permits and rights-of-way
2.7.2300	Patents, copyrights, trademarks and miscellaneous	Patents, copyrights and trademarks, trade names, secret formulas, and capitalised subscriber acquisition costs incurred during the start-up period.
2.7.2400	Capitalised start-up costs	Costs incurred in the development stage of company start-up. Pre-operating costs not expected to contribute to revenue in future periods are written off in the period in which the loss of revenue potential becomes apparent.
2.7.2500	Capitalised research and development costs	Research and development costs that have been capitalised because they are expected to yield future benefits.
2.7.3000	Investments in external securities	Long term investments in securities that are not likely to be liquidated within the current financial year
2.7.4000	Long term loans and notes receivable	Amounts due from non-affiliates not collectable within the next twelve months.
2.7.5000	Long term loans and notes receivable from affiliates	Amounts due from affiliates not collectable within the next twelve months.
2.7.6000	Other non-current assets	Other non-current assets not described above.

Account	Account Title	Account Description
3.1.0000	Current Assets	Sum of current assets
3.1.1000	Inventories	Materials and supplies held for use or sale within the next twelve months, including raw materials, store supplies, spare parts and small value tools and test sets that have not been issued and placed in service. Inventories shall be reported net of provisions for obsolescence.
3.1.2000	Accounts receivable	Sum of accounts receivable
3.1.2110	Customer accounts receivable	Amounts due from other Operators or service providers or from direct end-user customers for telecommunications services and that are collectable within the next twelve months.
3.1.2120	Amounts due from affiliates for telecommunications services	Amounts due from affiliates for telecommunications services and that are collectable within the next twelve months.
3.1.2200	Short term loans - Non-affiliates	Loans made to non-affiliates repayable within the next twelve months.
3.1.2300	Short term loans – Affiliates	Loans made to affiliates repayable within the next twelve months.
3.1.2401	Provision for doubtful accounts – Telecommunications	Provision for uncollectable telecommunications related accounts receivable. This account shall be credited for amounts collected which had previously been written off through charges to this account and credits to Accounts 3.1.2110 and 3.1.2120. See also Account
3.1.2402	Provision for doubtful accounts – Other	Provision for uncollectable non-telecommunications related accounts receivable. This account shall be credited for amounts collected which had previously been written off through charges to this account and credits to Accounts 3.1.2200, 3.1.2300 and 3.1.2500
3.1.2500	Other receivables	Other non-telecommunications related amounts due and collectable within twelve months net of any doubtful amount.
3.1.3000	Prepayments	Amounts paid in advance of the period in which they are chargeable against income, except amounts chargeable to plant under construction. Includes prepaid rents, taxes, insurance and other expenses that are expected to be incurred within the next twelve months.
3.1.4000	Cash and cash equivalents	Bank and cash balances, special cash and term deposits, cash in transit, and negotiable instruments which are readily convertible to cash. Cash on special deposit to be held for more than one year from the date of deposit shall be included in Account 2.7.6000, Other Non-current Assets.
3.1.5000	Other current assets	All other assets held for conversion within the next twelve months and not classified elsewhere.
3.2.0000	Current liabilities	Sum of current liabilities
3.2.1000	Accounts payable	Amounts owing to suppliers and other persons, except financial institutions and affiliated companies, due and payable within twelve months, and known liabilities that remain unpaid at the end of a period. Includes the portion of the license fees payable within the next twelve months.
3.2.2000	Customer deposits	Cash deposited with the Operator as security for the payment of telecommunications services.
3.2.3000	Provision for taxation	Accrued estimated and deferred taxes payable within the next twelve months.

Account	Account Title	Account Description
3.2.4000	Short term borrowings	Short term notes, bank overdrafts, loans, promissory notes and any other similar instruments due and payable within the next twelve months.
3.2.5000	Amounts due to affiliates	Amounts owing to affiliates due and payable within the next twelve months.
3.2.6000	Provision for dividends	Dividends declared and payable within the next twelve months
3.2.7000	Other current liabilities	All other liabilities payable within the next twelve months not included in the accounts above.

INCOME STATEMENT		
4.0.0000	Total Revenues	Sum of all revenue accounts
4.1.0000	Retail regulated revenues	Sum of all retail regulated revenue accounts
4.1.1100	Basic local service revenues – Residential	Sum of residential basic local revenue accounts
4.1.1101	Basic residential local service connection and usage	Revenues from the provision of the local residential subscriber loop and from residential customer local usage. Includes initial charges for connection to the network.
4.1.1102	Optional residential extended area service revenues	Revenues from the provision of local residential optional extended area service.
4.1.1104	Customer premises equipment revenues – Residential	Revenues from rental to residential customers of telephone sets or other terminal equipment used to access the public switched telephone network.
4.1.1105	Network based vertical and optional features	Revenues from the provision of features that are integrated with the telecommunications network. For example, call forwarding, call waiting, touch-tone, public announcements and other recorded message services, directory information services. This account also includes any residential local services revenues not included in another account.
4.1.1200	Switched long distance revenues – Residential	Sum of residence long distance revenues
4.1.1210	Switched national long distance revenues – Residential	Revenues from provision of switched national long distance services to residential end user customers. Includes revenues from any type of national originating switched services that terminate beyond the local calling area as well as inward services from beyond the local calling area of the subscriber.
4.1.1220	Switched international long distance revenues – Residential	Revenues from provision of switched long distance services to residential end user customers. Includes revenues from any type of international originating switched services as well as inward services from international points
4.1.1300	Leased line services – Residential	Revenues from residential dedicated circuits, private switching arrangements and/or predefined switching paths, whether physical or virtual, between specific locations.
4.1.1400	Regulated value added services revenues – Residential	Revenues from regulated residential value added services

Account	Account Title	Account Description
4.1.2100	Basic local service revenues – Business	Sum of business basic local revenue accounts
4.1.2101	Basic business local service connection and usage	Revenues from the provision of the local business subscriber loop and from business customer local usage. Includes initial charges for connection to the network.
4.1.2102	Optional business extended area service revenues	Revenues from the provision of local business optional extended area service.
4.1.2104	Customer premises equipment revenues – Business	Revenues from rental to business customers of telephone sets or other terminal equipment used to access the public switched telephone network.
4.1.2105	Network based vertical and optional features	Revenues from the provision of features that are integrated with the telecommunications network. For example, call forwarding, call waiting, touch-tone, public announcements and other recorded message services, directory information services. This account also includes any business local services revenues not included in another account.
4.1.2200	Switched long distance revenues – Business	Sum of business long distance revenues
4.1.2210	Switched national long distance revenues – Business	Revenues from provision of switched national long distance services to business end user customers. Includes revenues from any type of national originating switched services that terminate beyond the local calling area as well as inward services from beyond the local calling area of the subscriber.
4.1.2220	Switched international long distance revenues – Business	Revenues from provision of switched long distance services to business end user customers. Includes revenues from any type of international originating switched services as well as inward services from international points
4.1.2300	Leased line services – Business	Sum of leased line business services revenues
4.1.2310	National leased line services – Business	Revenues from business dedicated circuits, private switching arrangements and/or predefined switching paths, whether physical or virtual, between specific locations within the nation.
4.1.2320	International leased line services – Business	Revenues from business dedicated circuits, private switching arrangements and/or predefined switching paths, whether physical or virtual, between domestic and international locations.
4.1.2400	Regulated value added services revenues – Business	Revenues from regulated business value added services
4.1.4000	Public Telephone revenue	Sum of public telephone revenues
4.1.4100	Basic local revenues – Public telephone	Initial and additional usage charge revenues for calls made from public telephones to telephones within the local calling area.
4.1.4200	Long distance revenues – Public telephone	Initial and additional usage charge revenues for calls made from public telephones to telephones outside the local calling area.
4.2.0000	Non-regulated revenues	All non-regulated revenue amounts
4.3.0000	Interconnection revenues	Sum of all interconnection revenue accounts
4.3.0200	Switched services interconnection	Charges to network operators for interconnection to the Operator’s local network for the purpose of providing access to the Operator’s end user customers on a switched basis.

Account	Account Title	Account Description
4.3.0300	Leased line services interconnection	Charges to network operators for interconnection to the Operator's local network for the purpose of providing access to the Operator's end user customers on a dedicated or leased line basis.
4.3.0400	Other interconnection revenues	Interconnection revenues not classified elsewhere.
4.4.0000	Resale revenues	Sum of all resale revenue accounts
4.4.0100	Basic local services resale	Charges to service providers for resale of the Operator's basic local services.
4.4.0200	Switched services resale	Charges to service providers for resale of the Operator's switched long distance services.
4.4.0300	Leased line services resale	Charges to service providers for resale of the Operator's dedicated or leased line services.
4.4.0400	Other resale revenues	Resale revenues not classified elsewhere.
4.5.0000	Miscellaneous revenues	Sum of miscellaneous revenues
4.5.0100	Directory revenue	Revenues derived from alphabetical and classified sections of telephone directories. Includes fees received from other entities for the right to publish the Operator's directories, amounts charged for additional or boldfaced listings, marginal displays, inserts and other advertisements and charges for unlisted and non-published telephone numbers.
4.5.0200	Rent revenue	Revenues from the rental to others of telecommunications plant furnished apart from telecommunications services. Includes revenue from the rental of conduit and pole space, and rental of shared facilities to other network operators. Excludes incidental rental of land and buildings for non-telecommunications purposes.
4.5.0300	Corporate operations revenue	Revenue derived from services provided to another company under a license agreement, services contract or other arrangement. These services include general accounting, financial, legal, patent, and other general business services associated with the provision of regulated telecommunications services.
4.5.0400	Special billing arrangement revenues	Revenues derived from the provision of special billing information to customers in the form of tapes, cards, statements or electronic media. The information provided should be at a greater level of detail than rendered in standard billing operations.
4.5.0500	Customer operations revenue	Revenue not provided for elsewhere from the provision to other companies of customer services incidental to the provision of regulated telecommunications services. The types of services include operator assistance, business office, billing, and revenue accounting services.
4.5.0600	Service provider billing and collection revenue	Revenues derived from the provision of message recording, billing, collection, bill analysis, billing information and similar services to other telecommunications companies.
4.5.0700	Other and incidental regulated revenues	Regulated revenues not accounted for elsewhere. Includes incidental rental of land and buildings for non-telecommunications purposes. Also includes collection overages, unclaimed refunds, charges for returned checks, late payment charges and similar administrative charges to customers.

Account	Account Title	Account Description
4.6.0100	Uncollectable revenue - Telecommunications	This account shall be charged with amounts concurrently credited to Account 3.1.2401, Provision for doubtful accounts – Telecommunications
4.6.0200	Uncollectable revenue - Other	This account shall be charged with amounts concurrently credited to Account 3.1.2402, Provision for doubtful accounts – Other
5.0.0000	Cost of sales	Sum of cost of sales accounts
5.1.0000	Discounts and incentives	Sum of discount and incentive accounts
5.1.1000	Volume discounts	Discounts based on volumes of usage or services purchased
5.1.2000	Other incentives	Other incentives. Should be sub-accounted by segment where possible.
5.2.0000	Network operator interconnection costs	Sum of network operator interconnection accounts
5.2.1000	Switched interconnection	Amounts paid to other network operators for switched interconnection
5.2.2000	Leased lines interconnection	Amounts paid to other network operators for non-switched or leased line interconnection
5.2.3000	Value added services	Amounts paid to other network operators for value added services related to interconnection
5.2.5000	Non-regulated services	Amounts paid to other network operators for non-regulated services related to interconnection
5.2.9000	Other interconnection costs	Other interconnection costs
5.3.0000	Other costs of sales	Sum of other cost of sales accounts
5.3.1000	Non-regulated telecommunications services	Cost of sales of a telecommunications nature but outside the ambit of regulated activities
5.3.2000	Regional Service Council (RSC) levies and Value Added Tax (VAT)	RSC levies and VAT. Sub-account by segment if possible.
5.3.9000	Other costs of sales	Other costs of sales not included elsewhere
6.0.0000	Total Expenses	Sum of all expense accounts
6.1.0000	Plant expenses	Sum of all plant expense accounts
6.1.1100	Depreciation expense – Network Equipment	Sum of depreciation expense – Network Equipment
6.1.1110	Depreciation expense – Customer Equipment	Sum of depreciation expense – Customer Equipment
6.1.1111	Depreciation expense – Telephone sets	Depreciation expense for related account
6.1.1112	Depreciation expense – Private Branch Exchange (PBX) equipment	Depreciation expense for related account
6.1.1113	Depreciation expense – Teletype equipment	Depreciation expense for related account

Account	Account Title	Account Description
6.1.1114	Depreciation expense – Dedicated transmission equipment installed on customer premises	Depreciation expense for related account
6.1.1115	Depreciation expense – Inside wire installed on customer premises	Depreciation expense for related account
6.1.1116	Depreciation expense – Pay telephones	Depreciation expense for related account
6.1.1120	Depreciation expense – Switching Equipment	Sum of depreciation expense – Switching equipment
6.1.1121	Depreciation expense – Digital electronic switching equipment	Depreciation expense for related account.
6.1.1122	Depreciation expense – Analogue electronic switching equipment	Depreciation expense for related account
6.1.1123	Depreciation expense – Electro-mechanical switching equipment	Depreciation expense for related account.
6.1.1124	Depreciation expense – Packet switching equipment	Depreciation expense for related account
6.1.1125	Depreciation expense – Dedicated switch power equipment	Depreciation expense for related account
6.1.1130	Depreciation expense – Circuit equipment	Sum of depreciation expense – Circuit equipment
6.1.1131	Depreciation expense – Wireline interoffice circuit equipment	Depreciation expense for related account
6.1.1132	Depreciation expense – Wireline subscriber loop circuit equipment	Depreciation expense for related account
6.1.1133	Depreciation expense – Wireless subscriber loop equipment	Depreciation expense for related account
6.1.1134	Depreciation expense – Other radio circuit equipment	Depreciation expense for related account
6.1.1135	Depreciation expense – Dedicated circuit equipment power	Depreciation expense for related account
6.1.1140	Depreciation expense – Cable and wire equipment	Sum of depreciation expense – Cable and wire equipment
6.1.1141	Depreciation expense – Aerial Fibre-optic cable	Depreciation expense for related account

Account	Account Title	Account Description
6.1.1142	Depreciation expense – Buried Fibre-optic cable	Depreciation expense for related account
6.1.1143	Depreciation expense – Underground Fibre- optic cable	Depreciation expense for related account
6.1.1144	Depreciation expense – Submarine cable	Depreciation expense for related account
6.1.1145	Depreciation expense – Aerial metallic cable	Depreciation expense for related account.
6.1.1146	Depreciation expense – Buried metallic cable	Depreciation expense for related account
6.1.1147	Depreciation expense – Underground metallic cable	Depreciation expense for related account
6.1.1148	Depreciation expense – Poles	Depreciation expense for related account
6.1.1149	Depreciation expense – Conduit	Depreciation expense for related account
6.1.1150	Depreciation expense – Value added network equipment	Sum of depreciation expense – Value added network equipment
6.1.1151	Depreciation expense – VANS processors and terminals	Depreciation expense for related account
6.1.1152	Depreciation expense – VANS ancillary equipment	Depreciation expense for related account
6.1.1153	Depreciation expense – Operator information services equipment	Depreciation expense for related account
6.1.1154	Depreciation expense – Operator services call completion equipment	Depreciation expense for related account
6.1.1155	Depreciation expense – Emergency response system equipment	Depreciation expense for related account
6.1.1160	Depreciation expense – Network operations equipment	Depreciation expense for related account
6.1.1200	Depreciation expense – Billing and administrative systems	Sum of depreciation expense for billing and administrative systems
6.1.1201	Depreciation expense – Billing systems	Depreciation expense for related account

Account	Account Title	Account Description
6.1.1202	Depreciation expense – Administrative systems	Depreciation expense for related account
6.1.1312	Depreciation expense – Buildings	Depreciation expense for related account
6.1.1313	Depreciation expense – Building common power equipment	Depreciation expense for related account
6.1.1400	Depreciation expense – Support equipment	Sum of depreciation expense – Support equipment
6.1.1411	Depreciation expense – Furniture and office equipment	Depreciation expense for related account
6.1.1412	Depreciation expense – General purpose computers	Depreciation expense for related account
6.1.1413	Depreciation expense – General purpose vehicles	Depreciation expense for related account
6.1.1414	Depreciation expense – Special purpose vehicles	Depreciation expense for related account
6.1.1415	Depreciation expense – Garage and other work equipment	Depreciation expense for related account
6.1.3000	Lease expenses	Sum of lease expenses
6.1.3100	Network equipment Lease expenses	Sum of network equipment lease expenses
6.1.3120	Lease expenses of switching equipment	Lease expenses of related plant
6.1.3130	Lease expenses of circuit equipment	Lease expenses of related plant
6.1.3140	Lease expenses of cable and wire equipment	Lease expenses of related plant
6.1.3200	Lease expenses of billing and administrative systems	Sum of lease expenses of related systems
6.1.3201	Lease expenses of billing systems	Lease expenses of related systems
6.1.3202	Lease expenses of administrative systems	Lease expenses of related systems
6.1.3300	Lease expenses of land and buildings	Lease expenses of related plant
6.1.3400	Lease expenses of support equipment	Sum of support equipment lease expenses
6.1.3411	Lease expenses of furniture and office equipment	Lease expenses of related equipment
6.1.3412	Lease expenses of general purpose computers	Lease expenses of related equipment

Account	Account Title	Account Description
6.1.3413	Lease expenses of general purpose vehicles	Lease expenses of related equipment
6.1.3414	Lease expenses of special purpose vehicles	Lease expenses of related equipment
6.1.3415	Lease expenses of garage and other work equipment	Lease expenses of related equipment
6.1.4312	Amortisation of leasehold improvements- Buildings	Amortisation of leasehold improvements
6.2.0000	Business operation expenses	Sum of business operation expense accounts
6.2.1000	Maintenance and repair total	Sum of maintenance and repair accounts
6.2.1100	Maintenance and repair expense – Network Equipment	Sum of maintenance and repair expense – Network Equipment
6.2.1110	Maintenance and repair expense – Customer Equipment	Sum of maintenance and repair expense – Customer Equipment
6.2.1111	Maintenance and repair expense - Telephone sets	Maintenance and repair expense of related equipment
6.2.1112	Maintenance and repair expense - Private Branch Exchange (PBX) equipment	Maintenance and repair expense of related equipment
6.2.1113	Maintenance and repair expense - Teletype equipment	Maintenance and repair expense of related equipment
6.2.1114	Maintenance and repair expense - Dedicated transmission equipment installed on customer premises	Maintenance and repair expense of related equipment
6.2.1115	Maintenance and repair expense - Inside wire installed on customer premises	Maintenance and repair expense of related equipment
6.2.1116	Maintenance and repair expense – Pay Telephone	Maintenance and repair expense of related equipment
6.2.1120	Maintenance and repair expense - Switching Equipment	Sum of Maintenance and repair expense - Switching equipment
6.2.1121	Maintenance and repair expense - Digital electronic switching equipment	Maintenance and repair expense of related equipment.

Account	Account Title	Account Description
6.2.1122	Maintenance and repair expense - Analogue electronic switching equipment	Maintenance and repair expense of related equipment
6.2.1123	Maintenance and repair expense - Electro-mechanical switching equipment	Maintenance and repair expense of related equipment.
6.2.1124	Maintenance and repair expense - Packet switching equipment	Maintenance and repair expense of related equipment
6.2.1125	Maintenance and repair expense - Dedicated switch power equipment	Maintenance and repair expense of related equipment
6.2.1130	Maintenance and repair expense - Circuit equipment	Sum of Maintenance and repair expense - Circuit equipment
6.2.1131	Maintenance and repair expense - Wireline interoffice circuit equipment	Maintenance and repair expense of related equipment
6.2.1132	Maintenance and repair expense - Wireline subscriber loop circuit equipment	Maintenance and repair expense of related equipment
6.2.1133	Maintenance and repair expense - Wireless subscriber loop equipment	Maintenance and repair expense of related equipment
6.2.1134	Maintenance and repair expense - Other radio circuit equipment	Maintenance and repair expense of related equipment
6.2.1135	Maintenance and repair expense - Dedicated circuit equipment power	Maintenance and repair expense of related equipment
6.2.1140	Maintenance and repair expense - Cable and wire equipment	All maintenance and repair expense - Cable and wire equipment
6.2.1150	Maintenance and repair expense - Value added network equipment	Sum of Maintenance and repair expense - Value added network equipment
6.2.1151	Maintenance and repair expense - VANS processors and terminals	Maintenance and repair expense of related equipment
6.2.1152	Maintenance and repair expense - VANS ancillary equipment	Maintenance and repair expense of related equipment

Account	Account Title	Account Description
6.2.1153	Maintenance and repair expense – Operator information services equipment	Maintenance and repair expense of related equipment
6.2.1154	Maintenance and repair expense - Operator services call completion equipment	Maintenance and repair expense of related equipment
6.2.1155	Maintenance and repair expense – Emergency response system equipment	Maintenance and repair expense of related equipment
6.2.1160	Maintenance and repair expense - Network operations equipment	Maintenance and repair expense of related equipment
6.2.1200	Maintenance and repair expense - Billing and administrative systems	Sum of maintenance and repair expense of billing and administrative systems
6.2.1201	Maintenance and repair expense - Billing systems	Maintenance and repair expense of related equipment
6.2.1202	Maintenance and repair expense - Administrative systems	Maintenance and repair expense of related equipment
6.2.1312	Maintenance and repair expense - Buildings	Maintenance and repair expense of related equipment
6.2.1313	Maintenance and repair expense - Building common power equipment	Maintenance and repair expense of related equipment
6.2.1400	Maintenance and repair expense - Support equipment	Sum of Maintenance and repair expense - Support equipment
6.2.1411	Maintenance and repair expense - Furniture and office equipment	Maintenance and repair expense of related equipment
6.2.1412	Maintenance and repair expense - General purpose computers	Maintenance and repair expense of related equipment
6.2.1413	Maintenance and repair expense - General purpose vehicles	Maintenance and repair expense of related equipment
6.2.1414	Maintenance and repair expense - Special purpose vehicles	Maintenance and repair expense of related equipment

Account	Account Title	Account Description
6.2.1415	Maintenance and repair expense - Garage and other work equipment	Maintenance and repair expense of related equipment
6.2.1417	Expense in connection with property held for future use	Expense in connection with property held for future use
6.2.1418	Warehouse and material handling expense	Expenses in the provisioning of materials and supplies, including office supplies. Includes receiving, stocking, filling requisitions, monitoring and replenishing stock levels, delivery, storage, and administration costs.
6.2.2000	Network operations expense total	Sum of network operations accounts
6.2.2100	Power expense	Expense of commercial electrical power used to operate the telecommunications network
6.2.2200	Network administration expense	Expense incurred in administration of the network including such activities as traffic control, administering traffic measurements, monitoring network performance, assigning equipment, load balancing, collecting and analysing traffic data, administering trunking and assigning facilities and circuits.
6.2.2300	Testing expense	Expense incurred in testing facilities from a test desk or test system to determine the condition of plant. Includes receiving, recording and analysing trouble reports, determining the nature and location of the trouble condition, dispatching repair technicians or otherwise initiating corrective action.
6.2.2400	Plant operations administration expense	Expenses incurred in the general administration of plant operations. Includes general plant supervision; planning, coordinating and monitoring plant operations; and related staff work such as developing methods and procedures, training and safety programs.
6.2.2500	Access expense	Amounts paid to other network operators for access interconnection
6.2.3000	Engineering expense	General engineering expenses not directly chargeable to a construction project. Includes developing inputs to engineering plans, analysis of potential projects and performing of special studies of an engineering nature. Amounts in connection with specific construction projects shall be transferred to the appropriate fixed asset construction account (Account 2.2.XXXX)
6.2.4000	Operator services expense	Sum of operator services expense accounts
6.2.4100	Operator call completion services expense	Costs of assisting customers place and complete calls, except calls for directory information. Includes expenses of systems and costs of operators and their supervisors. Work functions include call handling and recording, intercept, quoting rates, time and charges and any other activity involving manual handling of calls.
6.2.4200	Directory information services expenses	Costs incurred in providing customer number and classified directory listings, including preparing or purchasing, compiling and disseminating those listings.
6.2.5000	Product and market planning expense total	Sum of product and market planning expense accounts

Account	Account Title	Account Description
6.2.5100	Product management expense	Costs of administrative activities related to marketing products and services, including competitive analysis, product and service identification and specification, test marketing, market planning, demand forecasting, product life cycle analysis, pricing and establishment of distribution channels.
6.2.5200	Sales expense	Costs of selling products and services, including determination of customer needs, development of proposals, preparation of sales orders and sales records.
6.2.5300	Product advertising expense	Expenses of product and service advertising, including preparation of copy and purchase of advertising media. Excludes corporate and non-product/service advertising.
6.2.6000	Customer services expense	Sum of customer service expense accounts
6.2.6100	Customer service order expense	Costs of initiating and maintaining customer service orders and records, including obtaining customer information, checking customer credit, obtaining and assigning telephone numbers and facilities and establishing service. Includes instructing customers in the use of products and services.
6.2.6200	Customer billing and collection	Costs of maintaining and billing customer accounts and collecting revenues from customers. Excludes bill processing expenses.
6.2.6300	Bill processing expense	Expenses in connection with processing detailed message records and other information in order to calculate and prepare customer bills.
6.2.6400	Service provider billing expense	Amounts paid to another service provider for bill processing and handling.
6.2.6500	Other customer service expenses	Customer service expenses not accounted for elsewhere.
6.3.0000	Corporate operations expense total	Sum of corporate operations expense accounts
6.3.1000	Executive and planning expense	Expenses in connection with policy setting and overall management of the company, including expenses of Board of Directors and all officers of the company and their staffs. Also includes costs of long term planning, organisation studies, management studies, strategic planning, contingency planning and economic analysis.
6.3.2000	Accounting and finance expense	Costs of accounting and financing services including payroll, disbursements, property accounting, capital recovery, tax accounting, auditing, budget preparation and analysis, general accounting, and financial services.
6.3.3000	Regulatory, government, and external relations expense	Costs incurred in maintaining relations with regulators, government agencies and the general public. Includes preparing information requested by regulatory bodies, tariff preparation, public relations and investor relations.
6.3.4000	Legal expense	Costs of legal services including internal and external counsel, court costs, filing fees, witness costs, transcription fees and similar costs of conducting litigation or preparing contracts and other legal documents.

Account	Account Title	Account Description
6.3.5000	Information systems expense	Costs of planning, developing, testing, implementing and maintaining databases and application systems on general purpose computers.
6.3.6000	Human resources expense	Expenses incurred in performing personnel administration activities.
6.3.7000	Procurement expense	Expenses in connection with procuring materials, supplies and service contracts, including evaluating products, selecting vendors, negotiating contracts, placing purchase orders, and administration of the materials and supplies procurement process.
6.3.8000	Research and development expense	Pure and applied research into new or potential telecommunications products and processes. Excludes routine alterations to existing products and processes.
6.3.9000	Other general and administrative expenses	General administrative expenses not provided for elsewhere. Includes insurance premiums and settlement of damage claims, and the cost of lunchrooms, libraries, security services, internal communications systems, internal mail services. Also includes benefits to retired employees, death payments and other miscellaneous expenses of a corporate nature.
7.0.0000	Non-operating items, Taxes, and Dividends	Summary Account
7.1.0000	Non-operating income	Sum of non-operating income accounts
7.1.1000	Interest income	Interest earned on securities, including notes and other evidence of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust except in sinking funds or otherwise controlled. Account includes interest on bank balances, certificates of deposit, open accounts and other analogous items.
7.1.2000	Foreign exchange gains/losses	Net amount of exchange gains and losses on foreign currency transactions
7.1.3000	Gains/(loss) on disposal of assets	Gains or losses from the disposition of certain property such as land, plant and equipment.
7.1.9000	Other non-operating income	Income from non-operating sources such as dividend and interest income and income from sinking funds.
7.2.1100	Interest expense	Interest expense during the period less interest capitalised to construction in progress.
7.2.1200	Cost of equity capital	The required return to Operators' shareholders to induce them to continue to invest in the entity given the risks involved.
7.2.9000	Non-operating expenses	Expenses of a non-operating nature. Includes lobbying expenses; charitable contributions; membership dues in social, service, recreational or athletic clubs and organisations; and penalties, settlements and fines paid on account of violations of law.
7.3.0000	Taxes, extraordinary items and dividends	Summary account
7.3.1100	Operating taxes	Taxes for the current period excluding the amount applicable to non-operating income and extraordinary items.
7.3.1200	Non-operating taxes	Non-operating taxes including property, gross receipts, franchise and capital stock taxes.

Account	Account Title	Account Description
7.3.2000	Extraordinary items	Non-typical, non-customary and infrequently recurring gains and losses that could materially distort the current year's income computed before the extraordinary items.
7.3.3000	Dividends	Dividends declared to shareholders during the current period.

VOLUME 3, PART 3: SEPARATIONS ACCOUNTING

VOLUME 3, PART 3: SEPARATIONS ACCOUNTING

3.1 INTRODUCTION

(1) The segments for which SATRA requires ongoing revenue and cost information were defined in broad terms in part 3 of *Volume 1: Manual and Appendices*.

(2) This part of *Volume 3: Detailed Requirements for Fixed Line Operators* describes the approach and methodologies to be used by Fixed Line Operators to prepare segmented financial information required by SATRA.

(3) Specific guidelines for Fixed Line Operators are set out in paragraphs:

3.2: *Wholesale services*, which describes the wholesale services for which Fixed Line Operators are to provide cost and activity information;

3.3: *Segments*, which describes the specific segments for which Fixed Line Operators are to report revenue and cost information; and

3.4: *Cost allocation methodology*, which sets out guidelines for allocating revenues and costs to segments.

(4) Fixed Operators are to provide detailed descriptions relating to segments, wholesale services and cost allocation methodologies in their respective *Procedures Manuals*.

3.2 WHOLESALE SERVICES

(1) Wholesale services may be used by the Fixed Line Operator for its own customers or sold to a service provider or another network operator. The costs of wholesale services are determined for network-related services and non-network-related services.

(2) SATRA requires visibility of these services to ensure that Fixed Line Operators implicitly charge themselves the same unit costs for wholesale services as they charge service providers and other network operators. Visibility is also required to determine on a consistent basis the relative profitability of services. Wholesale services are to be reported as distinct cost items in segment profitability statements.

(4) These wholesale services are illustrated in Exhibit 3.1 and fall under two categories:

- wholesale network conveyance services; and
- wholesale ancillary services.

3.2.1 Wholesale network conveyance services

(1) *Wholesale network conveyance services* are provided on an ongoing basis and are used by some or all of the segments. These services include:

- *call origination and termination*, which includes usage of customer premises equipment and the access network;
- *local network conveyance*, which includes elements used to switch and/or transport traffic within the local area of the origination of the call;

- *national network conveyance*, which includes elements used to switch and/or transport traffic between the access network and points within the country;
- *international network conveyance*, which includes elements dedicated to handling traffic between the domestic network and international points; and
- *value added network usage*, which includes elements of the Value Added Network.

(2) *Wholesale network conveyance services* and their associated network components should be identified in the Fixed Line Operators' *Procedures Manuals*.

3.2.2 Wholesale ancillary services

(1) *Wholesale ancillary services* provided by Fixed Line Operators to service providers and other network operators include the following services for which visibility is required:

- terminal equipment;
- printed directories;
- on-line access to databases;
- operator call completion assistance;
- operator information services; and
- billing and collection services.

(2) *Wholesale ancillary services* should be defined in Fixed Line Operators' *Procedures Manuals* in terms of the functional activities undertaken in the provision of these services.

3.3 SEGMENTS

3.3.1 Overview

(1) Segmentation involves breaking down costs between the regulated and non-regulated segments and into groups of products and services, groups of customers, or combinations thereof. This section prescribes the specific segments for which Fixed Line Operators are to develop revenue and cost information.

(2) In the first volume of the COA/CAM, criteria for identifying the segments for which SATRA requires revenue and cost information were set out in section 3.2.1: *Segmentation considerations*.

(3) These criteria were considered in the context of an environment where Fixed Line telecommunications services are, or will soon be, provided on a competitive basis. The level of detail required is no greater than needed to allow SATRA to fulfil its regulatory responsibilities.

(4) The segments prescribed identify those activities within the regulated entity where SATRA requires both revenue and cost information to:

- assess the sustainability and viability of services that have been authorised by SATRA under a Fixed Line license;
- understand the cost of non-commercial services which Fixed Line Operators are obliged to provide under their license terms and conditions;

- monitor and review tariffs lodged for:
 - existing products and services in terms of affordability and penetration
 - new products and services in terms of their anticipated operating and capital costs; and
 - guard against anti-competitive behaviour by determining the extent to which there may be cross-subsidisation between segments, predatory pricing of products or services, undue preferences of or undue discrimination against a segment, etc..
- (5) Fixed Line Operators are to develop segment results for segments that have net revenues exceeding 5% of total net revenues for the regulated entity.
- (6) An overview of the segments applicable to Fixed Line Operators is provided in Exhibit 3.2

3.3.2 Non-commercial segments

- (1) Fixed Line Operators may, as a condition of their licenses, be required to undertake telecommunications service obligations that they might not otherwise have undertaken. These obligations are assessed on the Operator to further universal service or other public policy goals. They consume network services and usually share network infrastructure with commercial operations.
- (2) SATRA requires that revenues and costs for these non-commercial services be separated from commercial operations to:
- assess the extent to which these services may be cross-subsidised by commercial operations; and
 - understand the costs of providing non-commercial services in the context of the tariffs lodged for these services and returns earned by the Operators.

3.3.3 Commercial segments

- (1) To fulfil its regulatory responsibilities, SATRA must satisfy itself the Fixed Line Operators are not engaging in anti-competitive practices nor exercising undue preference or undue discrimination against an individual segment.
- (2) Specifically, SATRA must:
- measure the extent to which a Fixed Line Operator treats each class of customers differently in terms of the tariff rates it charges for its services;
 - understand the financial implications of different contractual arrangements that an Operator may enter into with its service providers; and
 - ensure that a Fixed Line Operator charges other network operators the same prices it would charge itself for similar services.
- (3) Based on these considerations, SATRA requires disaggregation of commercial operations into the following customer segments:
- network operators;
 - service providers; and

- retail customers.

3.3.3.1 Network operator segments

(1) Network operators purchase services from the Fixed Line Operator, incorporate them into their own provisioning platform and sell the combined services to an end user.

(2) SATRA wishes to ensure that the Fixed Line Operator charges other network operators the same prices for these services as it would charge itself. Revenue and cost information by the network operator segment would provide this visibility. Accordingly, the network operator segment is to report this information disaggregated between switched interconnection and leased line interconnection. Charges for interconnection are set forth in agreements negotiated between network operators.

Exhibit 3.1: Overview of Wholesale Costing

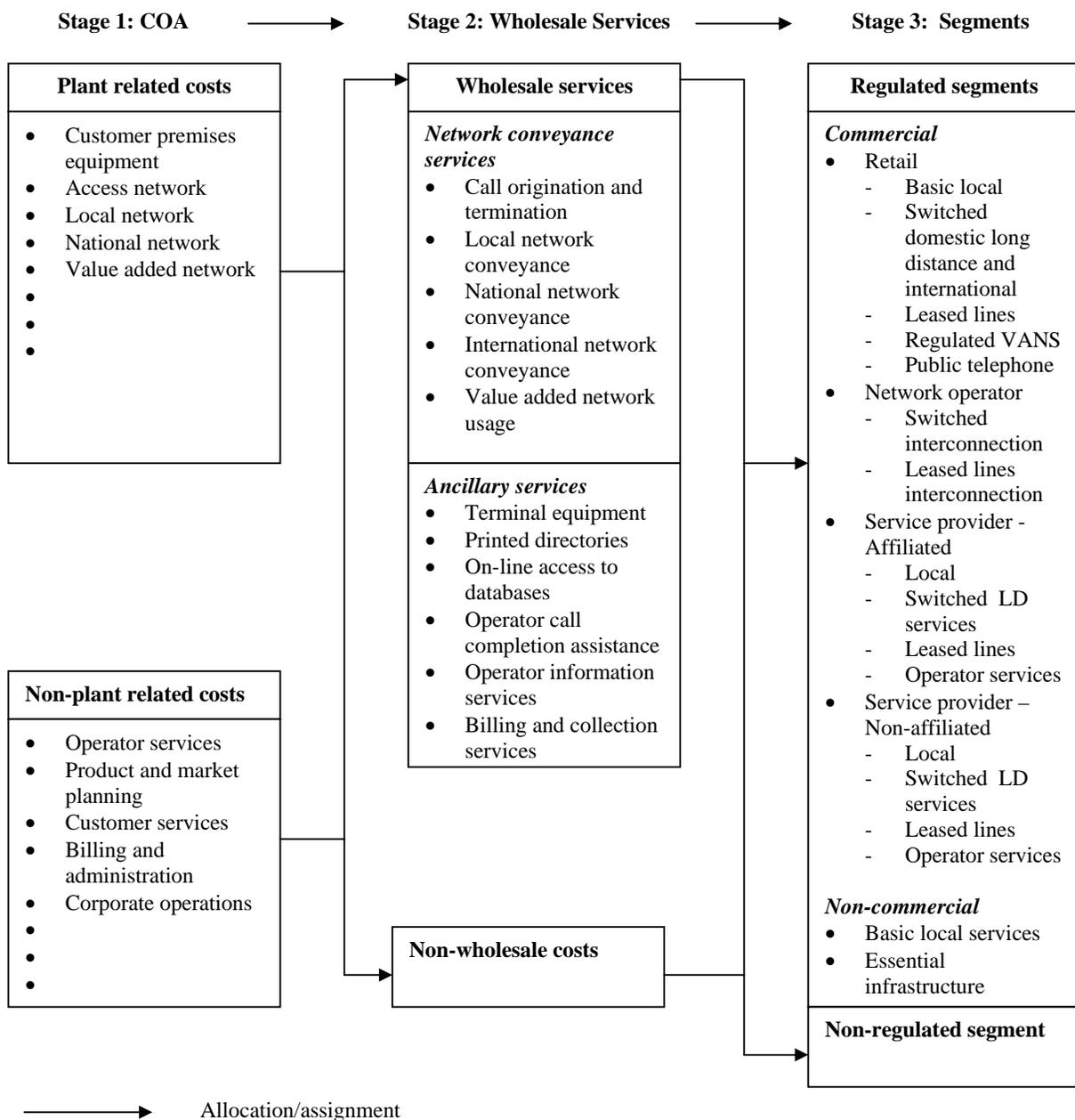
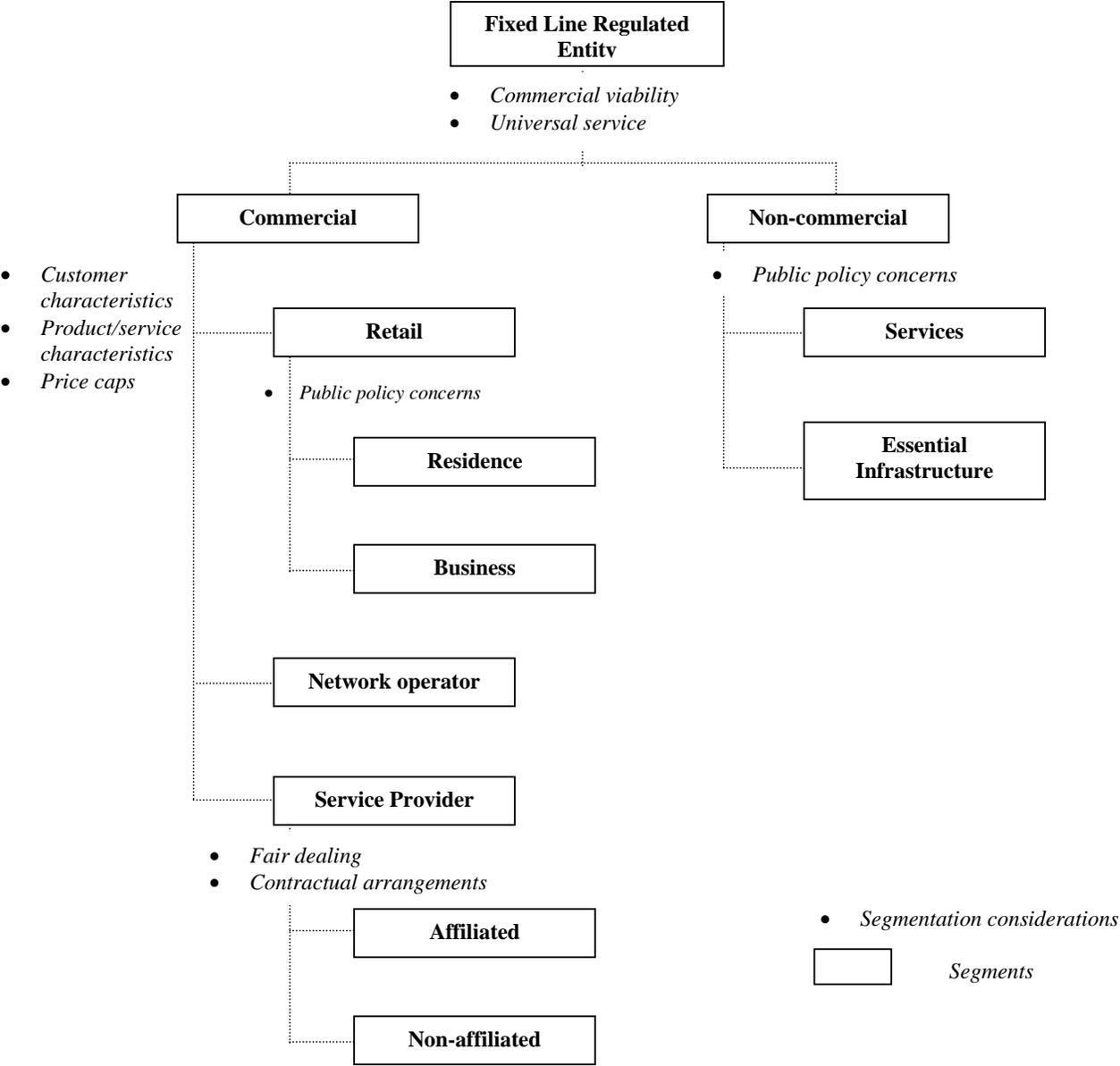


Exhibit 3.2: Regulated Segments



3.3.3.2 *Service provider segments*

(1) *Service providers* are agents who undertake to sell services directly to customers and administer customer accounts on behalf of the telecommunications network operator.

(2) A variety of contractual arrangements with service providers are possible:

- an Operator may undertake some of its marketing and sales activities through an affiliate; or
- an Operator may establish special, arms length, arrangements with a service provider to be an exclusive or loyal service provider in return for financial incentives; or
- an Operator may enter into non-exclusive arms length contracts with service providers.

(3) SATRA requires information for service provider segments where an Operator can potentially exercise undue preference toward or undue discrimination against a specific service provider. SATRA wishes to understand the extent to which an affiliated service provider may be cross-subsidised by its parent.

(4) Accordingly, the service provider segment is further disaggregated into:

- affiliated service providers; and
- non-affiliated service providers.

3.3.3.3 *Retail segments*

(1) *Retail segments* are those segments to which the Operator sells services directly. To ensure that prices of retail services are fair and reasonable, SATRA requires revenue and cost information for retail services disaggregated between:

- basic local residence and business services;
- switched national and international long distance;
- leased lines;
- regulated VANS; and
- public telephone.

3.4 COST ALLOCATION METHODOLOGY

(1) Exhibits 3.3 and 3.4 provide guidelines for allocating assets, revenues and expenses to segments. The methodology is intended to form the basis for detailed allocation procedures to be developed by each Fixed Line Operator.

3.4.1 Methodology

(1) As described in *Volume 1: Manual and Appendices, section 3.4: Separations accounting approach*, Fixed Line Operators are expected to use the following separations processes:

- classify costs along three dimensions: direct vs. indirect, fixed vs. variable and short run vs. long run;
- assign direct costs, where appropriate, to segments;
- identify costs of wholesale services and determine their unit costs using the cost drivers identified in Exhibit 3.4;
- allocate these wholesale services costs to segments that consume wholesale costs; as illustrated in Exhibit 3.3 and using the guidelines in Exhibit 3.4;
- allocate “non-wholesale” costs to segments using the cost allocation guidelines in Exhibit 3.4; and
- reconcile costs to Entity reports.

(2) Exhibit 3.3 shows the steps needed to allocate costs to wholesale services and to segments. It is intended for illustrative purposes only. The allocation methodologies shown in this exhibit for each cost item are a simplification of the allocation methodology specified for each account. Actual allocation methodologies are shown in Exhibit 3.4.

(3) The methodology specified for summary accounts in Exhibit 3.4 applies to all lower level accounts unless otherwise specified. For example, the methodology for network equipment depreciation expenses in Account 6.1.1100 applies to all expenses in Accounts 6.1.1111 through 6.1.1160. However, the methodology for switching equipment in Account 2.1.1120 applies to all equipment in Accounts 2.1.1121 through 2.1.1124 but not to Accounts 2.1.1125 or 2.1.1126.

(4) Fixed Line Operators are to provide detailed descriptions of the allocation procedures for costs within an account that exceed 1% of the total costs of the regulated entity.

3.4.2 Wholesale costing

(1) To provide transparency on the costs of wholesale services, Fixed Line Operators will need to determine the average unit cost of each service and then allocate the cost of each service to segments.

(2) Where more aggregate allocation measures materially distort segment results, the Operator may define and allocate wholesale network costs using unique allocation methodologies at a more disaggregated level than that prescribed in the guidelines. For example, costs at a particular site, territory or geography may be allocated using the usage for that specific site, territory or geography.

(3) Material distortion in segment results occurs when:

- there is significant variability in the cost per unit of wholesale network services among sites or among transmission routes (e.g., the unit cost of call conveyance in rural areas may be significantly higher than urban areas; and
- there is significant variability in segment activity among sites (e.g., the proportion of non-commercial service usage may be higher in some regions than others).

Exhibit 3.3: Wholesale Transfer Charges

Illustrative Only

Step 1: Classify costs along three dimensions: direct vs. indirect, fixed vs. variable, short run vs. long run

(a) Assume the following:

Account	Cost (Rand)	Direct/ Indirect	Fixed/ Variable	Short/Long Run
Maint. & Repair – Cable and wire	160,000	Direct	Variable	Short
Local switch expense	20,000	Direct	Variable	Short
Network operations	100,000	Direct	Variable	Short
Computer expense	60,000	Direct	Variable	Short
Customer bill processing	140,000	Indirect	Variable	Short
Corporate operations	120,000	Indirect	Variable	Short
Total Costs	600,000			

Step 2: Assign direct costs, where appropriate, to segments; allocate indirect non-wholesale costs to segments

(a) Assume that all network related expenses (maintenance and repair of cable and wire, local switch expense, network operations) are wholesale expenses. Assume that R 10,000 of computer expense and all customer bill processing expense is in connection with segments. The remaining computer expenses are in connection with wholesale services.

(b) Per the CAM, bill processing should be allocated to segments on the basis of the number of invoices prepared. Analysis of company records showed that 200,000 invoices related to an affiliated services provider and 80,000 invoices were for retail customers. There were no other invoices. Since R140,000 was spent for bill processing, the unit cost is .50. R100,000 should be allocated to the affiliated service provider segment and R40,000 should be allocated to the retail segment.

Account	Cost	Wholesale Costs	Segments			
			Network operator	Affil. S.P.	Retail	Total
Maint. & Repair – Cable and wire	160,000	160,000				
Local switch expense	20,000	20,000				
Network operations	100,000	100,000				
Computer expense	60,000	50,000			10,000	10,000
Customer bill processing	140,000			100,000	40,000	140,000

(c) The remaining indirect costs, representing corporate operations will be allocated to segments after wholesale costs have been allocated in the next two steps.

Step 3: Identify and allocate wholesale costs to wholesale services

(a) Maintenance and repair costs are allocated in proportion to the allocation of the related plant account. Cable and wire is allocated to wholesale services in proportion to the route kilometers of working conductors. Switch investment is allocated on busy hour minutes of use. Network operations expenses are allocated to wholesale services in proportion to total

network investment. Wholesale computer expenses are allocated on the basis of processing minutes.

- (b) Analysis of company records showed that there are 1,600 km of cable. Since total cable and wire expense is R160,000, the unit cost is R10. 1,000 km of cable was for loop plant used in call origination and termination.. 500 km were used in local call conveyance and 100 km were used in national call conveyance. R100,000 should be allocated to call origination/termination, R50,000 to local call conveyance and R10,000 to national call conveyance.
- (c) A study of busy hour minutes of use showed 150,000 minutes of local usage and 50,000 minutes of national long distance usage. As a result, R15,000 of local switch expense should be allocated to local call conveyance and R5,000 should be allocated to national call conveyance.
- (d) For the purposes of this illustration, assume that R2,000,000 of network investment is assigned to call origination/termination, R1,200,000 is assigned to local call conveyance and R800,000 is assigned to national call conveyance. Consequently, R50,000 of network operations expense is allocated to call origination/termination, R30,000 is allocated to local call conveyance and R20,000 is allocated to national call conveyance.
- (e) Computer logs showed that 40,000 minutes were devoted to supporting local call conveyance and 60,000 minutes were for national call conveyance. Since R50,000 was spent on wholesale services, the unit cost is .50 per minute. R20,000 should be allocated to local call conveyance and R30,000 should be allocated to national call conveyance.
- (f) The following shows these allocations:

Account	Allocation Factor	Wholesale Cost	Unit Cost	Call Orig/ Term Units	Local Call Conv Units	Nat'l Call Conv. Km	Call Orig/ Term Cost	Local Call Conv Cost	Nat'l Call Conv. Cost
Maint. & Repair – Cable and wire	Kilometers 1,600	160,000	10	1,000 km	500 km	100 km	100,000	50,000	10,000
Local switch expense	BH MOU 200,000	20,000	.10		150,000 MOU	50,000 MOU		15,000	5,000
Network operations	Network Investment R4,000,000	100,000	.025	R2.0 Million	R1.2 Million	R .8 Million	50,000	30,000	20,000
Computer expense	Computer minutes 100,000	50,000	.50		40,000 Minutes	60,000 Minutes		20,000	30,000
Total Wholesale Costs		330,000					150,000	115,000	65,000

Step 4: Allocate wholesale costs to segments

- (a) Wholesale service costs are allocated to the various segments based on the number of units of those services used by each segment. Units are multiplied by the unit cost of each service. In the case of Call Originating/Terminating service, an appropriate unit cost allocation factor could be based on the relative number of customers served through each segment, the number of subscriber telephone lines provided to each segment or the number of calls or total minutes of use for each segment. The same types of unit cost allocation factors would be appropriate for Local Call Conveyance. The number of national long distance minutes of use would be an appropriate base for National Call Conveyance service.

- (b) For purposes of this illustration, the unit cost factors for Call Originating/Terminating and Local Call Conveyance will be based on the relative number of subscriber telephone lines served through each segment.
- (c) Assume there are 60,000 subscriber lines. 6,000 are served through other network operators, 34,000 are served through an affiliated service provider and 20,000 are retail. Also, assume there are 10 million two way national LD minutes of use during the period. 1.5 million are served through another network operator, 6 million are served through an affiliated service provider and the balance of 2.5 million are generated by retail customers.
- (d) The following shows these allocations:

Wholesale Service	Wholesale Costs	Allocation Unit	Unit Cost	Network Operator Units	Affiliated S.P. Units	Retail Units	Network Operator Cost	Affiliated S.P. Cost	Retail Cost
Call Orig/Term	150,000	Subscriber lines 60,000	2.5	6,000	34,000	20,000	15,000	85,000	50,000
Local Call Convey.	115,000	Subscriber lines 60,000	1.92	6,000	34,000	20,000	11,400	65,300	38,300
National Call Convey.	65,000	National LD MOU	.0065	1,500,000	6,000,000	2,500,000	9,750	39,000	16,250
Total	330,000						36,150	189,300	104,550
								Check Total	330,000

Step 5: Allocate remaining non-wholesale costs to segments

- (a) Corporate operations costs are allocated to segments in proportion to the expenses that have already been allocated or assigned to segments.
- (b) The total corporate operations expense of R120,000 is allocated as follows:

Account	Segments			
	Network operator	Affil. S.P.	Retail	Total
Computer expense			10,000	10,000
Customer bill processing		100,000	40,000	140,000
Wholesale costs	36,150	189,300	104,550	330,000
Total	36,150	289,300	154,550	480,000
Distribution	.075	.603	.322	1.000
Corporate operations	9,000	72,360	38,640	120,000
Total allocation by segment	45,150	361,660	193,190	600,000

Step 6: Reconciliation

The above transactions are summarised below:

Account	Cost	Wholesale Services			Segments			Total
		Call Orig./Term.	Local Call Conv.	Nat'l Call Conv.	Network operator	Affil. S.P.	Retail	
Maint. & Repair – Cable and wire	160,000	100,000	50,000	10,000				
Local switch expense	20,000		15,000	5,000				
Network operations	100,000	50,000	30,000	20,000				
Computer expense	60,000		20,000	30,000			10,000	10,000
Customer bill processing	140,000					100,000	40,000	140,000
Corporate operations	120,000				9,000	72,360	38,640	120,000
Total Costs	600,000	150,000	115,000	65,000	9,000	172,360	88,640	270,000

Transfer of wholesale services
Call origination/termination
Local call conveyance
National call conveyance
Total wholesale services costs

	Call Orig./Term.	Local Call Conv.	Nat'l Call Conv.	Network operator	Affil. S.P.	Retail	Total
Transfer Charge	(150,000)			15,000	85,000	50,000	150,000
		(115,000)		11,400	65,300	38,300	115,000
			(65,000)	9,750	39,000	16,250	65,000
	0	0	0	36,150	189,300	104,550	330,000

Total segment costs

Network operator	Affil. S.P.	Retail	Total
45,150	361,660	193,190	600,000

Volumes and allocation factors
Km of cable
Minutes of use – local switch
Subscriber lines
National Long Distance MOU
Network investment
Computer minutes of use
Ratio of other assigned or allocated costs

	Call Orig./Term.	Local Call Conv.	Nat'l Call Conv.	Network operator	Affil. S.P.	Retail	Total
Km of cable	1,000	500	100				
Minutes of use – local switch		150,000	50,000				
Subscriber lines				6,000	34,000	20,000	60,000
National Long Distance MOU				1,500,000	6,000,000	2,500,000	10,000,000
Network investment	2,000,000	1,200,000	800,000				
Computer minutes of use		40,000	60,000				
Ratio of other assigned or allocated costs				.075	.603	.322	1.000

Unit costs
Call origination/termination per subscriber line
Local call conveyance per subscriber line
National call conveyance per LD Minute of Use

	Call Orig./Term.	Local Call Conv.	Nat'l Call Conv.
Call origination/termination per subscriber line	2.5		
Local call conveyance per subscriber line		1.92	
National call conveyance per LD Minute of Use			.0065

Exhibit 3.4: Cost Allocation Methodology for Fixed-line Operators

Account	Account Title	Methodology
CAPITAL EMPLOYED		
1.1.0000	Shareholders' Funds	The required rate of return on equity capital should be applied to shareholders' funds, then allocated to segments together with net interest expenses on the basis of non-current assets and working capital associated with each segment
1.1.1000	Share capital	See Account 1.1.0000
1.1.2000	Reserves	Summary account
1.1.2100	Asset revaluation reserve	See Account 1.1.0000
1.1.2200	Other reserves	See Account 1.1.0000
1.1.3000	Retained earnings	See Account 1.1.0000
1.2.1000	Long term loans from external sources	See Account 1.1.0000
1.2.2000	Long term debt owed to affiliates	See Account 1.1.0000
1.2.3000	Long term license fees payable	See Account 1.1.0000
1.3.1000	Deferred tax	See Account 1.1.0000

EMPLOYMENT OF CAPITAL		
2.0.0000	Non-current assets	Summary account
2.1.0000	Fixed assets	Summary account
2.1.1100	Network equipment	Summary account
2.1.1110	Customer equipment	The costs associated with customer and ancillary equipment should be assigned to segments based on information available in fixed asset and customer records.
2.1.1111	Telephone sets	See Account 2.1.1110 above.
2.1.1112	Private Branch Exchange (PBX) equipment	See Account 2.1.1110 above
2.1.1113	Teletype equipment	See Account 2.1.1110 above
2.1.1114	Dedicated transmission equipment installed on customer premises	See Account 2.1.1110 above
2.1.1115	Inside wire installed on customer premises	See Account 2.1.1110 above
2.1.1116	Pay Telephones	The costs associated with public and semi-public pay telephones should be assigned to the public telephone segment

Account	Account Title	Methodology
2.1.1120	Switching Equipment	<p>The costs associated with switching equipment should be analysed by location and equipment components should be assigned to either the traffic sensitive or non-traffic sensitive categories. Separate interoffice tandem switches should be assigned to the traffic sensitive category.</p> <p>The costs of traffic sensitive equipment components should be allocated to wholesale network services based on traffic during the busy period.</p> <p>The costs of non-traffic sensitive equipment components are allocated to segments based on the cost separations approach prescribed for indirect fixed costs.</p>
2.1.1121	Digital electronic switching equipment	See Account 2.1.1120 above
2.1.1122	Analogue electronic switching equipment	See Account 2.1.1120 above
2.1.1123	Electro-mechanical switching equipment	See Account 2.1.1120 above
2.1.1124	Packet switching equipment	See Account 2.1.1120 above
2.1.1125	Dedicated switch power equipment	Dedicated switch power equipment should be categorised as traffic sensitive equipment and allocated to wholesale network services based on traffic at each switch location during the busy period.
2.1.1130	Circuit equipment	See detailed account methodologies below.
2.1.1131	Wireline interoffice circuit equipment	This equipment should be assigned to wholesale network conveyance services based on analysis of circuit assignment records. Unassigned equipment should be allocated in proportion to assigned equipment of the same type.
2.1.1132	Wireline subscriber loop circuit equipment	This equipment should be assigned to call origination/termination wholesale services and assigned to segments based on analysis of subscriber records.
2.1.1133	Wireless subscriber loop equipment	This equipment should be assigned to call origination/termination wholesale services and assigned to segments based on analysis of subscriber records
2.1.1134	Other radio circuit equipment	This equipment should be assigned to wholesale network conveyance services by analysis of the use of the equipment at each location or allocated based on minutes of use.
2.1.1135	Dedicated circuit equipment power	This equipment is assigned or allocated by location in proportion to the circuit equipment being supported.

Account	Account Title	Methodology
2.1.1140	Cable and wire equipment	<p>This equipment is assigned where possible or allocated to wholesale network services in proportion to kilometres of working conductors (copper or fibre pairs).</p> <p>Equipment assigned or allocated to call origination/termination should be allocated to segments based on the relative number of access lines in each segment</p> <p>Leased line equipment should be directly assigned to segments as appropriate.</p> <p>All other equipment should be allocated to wholesale network services based on minutes of use during the busy period.</p>
2.1.1141	Aerial Fibre-optic cable	See Account 2.1.1140 above.
2.1.1142	Buried Fibre-optic cable	See Account 2.1.1140 above
2.1.1143	Underground Fibre-optic cable	See Account 2.1.1140 above
2.1.1144	Submarine cable	See Account 2.1.1140 above
2.1.1145	Aerial metallic cable	See Account 2.1.1140 above
2.1.1146	Buried metallic cable	See Account 2.1.1140 above
2.1.1147	Underground metallic cable	See Account 2.1.1140 above
2.1.1148	Poles	Allocate same as Account 2.1.1141 plus 2.1.1145
2.1.1149	Conduit	Allocate same as Account 2.1.1143 plus 2.1.1147
2.1.1150	Value added network equipment	See detailed account methodologies below.
2.1.1151	VANS processors and terminals	<p>Costs should be assigned to wholesale value added network services (VANS).</p> <p>Costs of equipment indirectly related to VANS are disaggregated into individual components such as transmission equipment, processing equipment and other equipment as appropriate, based on similarity of operational factors that influence the provisioning of each type of equipment element and the financial significance of the cost relative to total VANS cost.</p> <p>The costs associated with equipment elements should be allocated to wholesale services based on provisioning and operational factors. For example, costs associated with transmission should be allocated based on the number of circuits, type of circuit, and traffic factors.</p>
2.1.1152	VANS ancillary equipment	VANS ancillary equipment by location should be associated with the primary VANS equipment at each location and allocated in the same manner as that equipment.
2.1.1153	Operator information systems equipment	Operator services equipment should be categorised as traffic sensitive equipment and allocated to wholesale value added network services or segments based on operator call volumes at each location.

Account	Account Title	Methodology
2.1.1154	Operator services call completion equipment	Operator services equipment should be categorised as traffic sensitive equipment and allocated to wholesale value added network services or segments based on operator work times at each location.
2.1.1155	Emergency response system equipment	Emergency response system equipment costs should be assigned to the non-commercial segment
2.1.1160	Network operations equipment	Operations and maintenance system costs should be allocated to wholesale network services or segments in proportion to the investment in summary Account 2.1.1100
2.1.2200	Billing and administrative systems	See detailed account methodologies below.
2.1.2201	Billing systems	Costs are allocated between wholesale ancillary services and segments in proportion to the bill processing expenses in Account 6.2.6300
2.1.2202	Administrative systems	Costs are allocated between wholesale services and segments in proportion to the expenses in accounts 6.2.2000 through 6.2.6000
2.1.3300	Land and buildings	See detailed account methodologies below.
2.1.3311	Land	Costs of land should be identified by location and allocated or assigned in accordance with the associated buildings.
2.1.3312	Buildings	<p>For each location, the costs associated with buildings should be allocated to plant categories and business functions (e.g., customer services, advertising, finance and accounting) on the basis of square footage used by each plant category or function.</p> <p>Building costs in each plant category should be allocated to wholesale network services or segments using the cost allocation methodology prescribed for each plant and equipment category.</p> <p>Building costs in each business function should be allocated to segments using the cost allocation methodology prescribed for each business function.</p>
2.1.3313	Building common power equipment	<p>Common power equipment is allocated by location to the supported plant categories or business function based on relative power use.</p> <p>Costs allocated to plant categories are allocated among wholesale network services or segments based on the distribution of each plant category.</p> <p>Costs allocated to business functions should be allocated to segments using the cost allocation methodology prescribed for each business function.</p>
2.1.4400	Support equipment	See detailed account methodologies below.
2.1.4411	Furniture and office equipment	Costs associated with furniture and office equipment should be allocated to segments using the same methodology prescribed for buildings.
2.1.4412	General purpose computers	The costs associated with support computers should be assigned to the business function for which it was purchased. All other computer costs should be allocated to business functions in proportion to their relative usage (e.g., processing minutes).

Account	Account Title	Methodology
2.1.4413	General purpose vehicles	The costs of motor vehicles should be assigned to business functions based on each function's use of the motor vehicles. Where vehicles are shared between two or more functions, their cost should be allocated based on relative usage (e.g., mileage, hours). The costs of vehicles should be allocated to segments using the methodology prescribed for each function.
2.1.4414	Special purpose vehicles	The costs of special purpose vehicles should be assigned to wholesale network services and allocated to segments in the same proportion as the investment in summary Account 2.1.1100.
2.1.4415	Garage and other work equipment	The costs of garage and other work equipment should be assigned to wholesale network services and allocated to segments in the same proportion as the investment in summary Account 2.1.1100.
2.2.0000	Construction in progress	Costs associated with construction in progress are allocated to wholesale and segments on the basis of the related plant category.
2.2.1120	Switching equipment under construction	See Account 2.2.0000 above.
2.2.1130	Circuit equipment under construction	See Account 2.2.0000 above.
2.2.1140	Cable and wire equipment under construction	See Account 2.2.0000 above.
2.2.1150	Value added network equipment under construction	See Account 2.2.0000 above.
2.2.1160	Network operations equipment under construction	See Account 2.2.0000 above.
2.2.2200	Billing and administrative systems under construction	Summary account.
2.2.2201	Billing systems under construction	See Account 2.2.0000 above.
2.2.2202	Administrative systems under construction	See Account 2.2.0000 above.
2.2.3300	Buildings under construction	See Account 2.2.0000 above.
2.3.0000	Leases	Lease costs for each plant category should be allocated to wholesale services and segments using the fixed asset cost allocation methodology prescribed for each category of plant or equipment.
2.3.1100	Network equipment leases	Summary account
2.3.1120	Leases of switching equipment	See Account 2.3.0000 above.
2.3.1130	Leases of circuit equipment	See Account 2.3.0000 above.
2.3.1140	Leases of cable and wire equipment	See Account 2.3.0000 above.

Account	Account Title	Methodology
2.3.2200	Leases of billing and administrative systems	Summary account
2.3.2201	Leases of billing systems	See Account 2.3.0000 above.
2.3.2202	Leases of administrative systems	See Account 2.3.0000 above.
2.3.3300	Leases of land and buildings	Summary account
2.3.3311	Leases of land	See Account 2.3.0000 above.
2.3.3312	Leases of buildings	See Account 2.3.0000 above.
2.3.4400	Leases of support equipment	Summary account
2.3.4411	Leases of furniture and office equipment	See Account 2.3.0000 above.
2.3.4412	Leases of general purpose computers	See Account 2.3.0000 above.
2.3.4413	Leases of general purpose vehicles	See Account 2.3.0000 above.
2.3.4414	Leases of special purpose vehicles	See Account 2.3.0000 above.
2.3.4415	Leases of garage and other work equipment	See Account 2.3.0000 above.
2.4.3312	Leasehold improvements- Buildings	Use same methodology as Account 2.1.3312, Buildings.
2.5.0000	Accumulated depreciation	Accumulated depreciation, by plant category, should be allocated using the fixed asset cost allocation methodology prescribed for each category of plant and equipment.
2.5.1100	Accumulated depreciation – Network Equipment	Summary account
2.5.1110	Accumulated depreciation – Customer Equipment	See Account 2.5.0000 above.
2.5.1111	Accumulated depreciation - Telephone sets	See Account 2.5.0000 above.
2.5.1112	Accumulated depreciation - Private Branch Exchange (PBX) equipment	See Account 2.5.0000 above.
2.5.1113	Accumulated depreciation - Teletype equipment	See Account 2.5.0000 above.
2.5.1114	Accumulated depreciation - Dedicated transmission equipment installed on customer premises	See Account 2.5.0000 above.
2.5.1115	Accumulated depreciation - Inside wire installed on customer premises	See Account 2.5.0000 above.

Account	Account Title	Methodology
2.5.1116	Accumulated depreciation – Pay telephone	See Account 2.5.0000 above.
2.5.1120	Accumulated depreciation - Switching Equipment	Summary account
2.5.1121	Accumulated depreciation - Digital electronic switching equipment	See Account 2.5.0000 above.
2.5.1122	Accumulated depreciation - Analogue electronic switching equipment	See Account 2.5.0000 above.
2.5.1123	Accumulated depreciation - Electro-mechanical switching equipment	See Account 2.5.0000 above.
2.5.1124	Accumulated depreciation - Packet switching equipment	See Account 2.5.0000 above.
2.5.1125	Accumulated depreciation - Dedicated switch power equipment	See Account 2.5.0000 above.
2.5.1130	Accumulated depreciation - Circuit equipment	Summary account
2.5.1131	Accumulated depreciation - Wireline interoffice circuit equipment	See Account 2.5.0000 above.
2.5.1132	Accumulated depreciation - Wireline subscriber loop circuit equipment	See Account 2.5.0000 above.
2.5.1133	Accumulated depreciation - Wireless subscriber loop equipment	See Account 2.5.0000 above.
2.5.1134	Accumulated depreciation - Other radio circuit equipment	See Account 2.5.0000 above.
2.5.1135	Accumulated depreciation - Dedicated circuit equipment power	See Account 2.5.0000 above.
2.5.1140	Accumulated depreciation - Cable and wire equipment	Summary account
2.5.1141	Accumulated depreciation - Aerial Fibre-optic cable	See Account 2.5.0000 above.

Account	Account Title	Methodology
2.5.1142	Accumulated depreciation - Buried Fibre-optic cable	See Account 2.5.0000 above.
2.5.1143	Accumulated depreciation - Underground Fibre-optic cable	See Account 2.5.0000 above.
2.5.1144	Accumulated depreciation - Submarine cable	See Account 2.5.0000 above.
2.5.1145	Accumulated depreciation - Aerial metallic cable	See Account 2.5.0000 above.
2.5.1146	Accumulated depreciation - Buried metallic cable	See Account 2.5.0000 above.
2.5.1147	Accumulated depreciation - Underground metallic cable	See Account 2.5.0000 above.
2.5.1148	Accumulated depreciation - Poles	See Account 2.5.0000 above.
2.5.1149	Accumulated depreciation - Conduit	See Account 2.5.0000 above.
2.5.1150	Accumulated depreciation - Value added network equipment	Summary account
2.5.1151	Accumulated depreciation - VANS processors and terminals	See Account 2.5.0000 above.
2.5.1152	Accumulated depreciation - VANS ancillary equipment	See Account 2.5.0000 above.
2.5.1153	Accumulated depreciation – operator information systems equipment	See Account 2.5.0000 above.
2.5.1154	Accumulated depreciation – operator call completion equipment	See Account 2.5.0000 above.
2.5.1155	Accumulated depreciation – emergency response system equipment	See Account 2.5.0000 above.
2.5.1160	Accumulated depreciation - Network operations equipment	See Account 2.5.0000 above.

Account	Account Title	Methodology
2.5.2200	Accumulated depreciation - Billing and administrative systems	Summary account
2.5.2201	Accumulated depreciation - Billing systems	See Account 2.5.0000 above.
2.5.2202	Accumulated depreciation - Administrative systems	See Account 2.5.0000 above.
2.5.3312	Accumulated depreciation - Buildings	See Account 2.5.0000 above.
2.5.3313	Accumulated depreciation - Building common power equipment	See Account 2.5.0000 above.
2.5.4400	Accumulated depreciation - Support equipment	Summary account
2.5.4411	Accumulated depreciation - Furniture and office equipment	See Account 2.5.0000 above.
2.5.4412	Accumulated depreciation - General purpose computers	See Account 2.5.0000 above.
2.5.4413	Accumulated depreciation - General purpose vehicles	See Account 2.5.0000 above.
2.5.4414	Accumulated depreciation - Special purpose vehicles	See Account 2.5.0000 above.
2.5.4415	Accumulated depreciation - Garage and other work equipment	See Account 2.5.0000 above.
2.6.0000	Accumulated amortisation – Capitalised leases and leasehold improvements	Accumulated depreciation, by plant category, should be allocated using the fixed asset cost allocation methodology prescribed for each category of plant and equipment.
2.6.1100	Accumulated amortisation – Network equipment capitalised leases	See Account 2.6.0000 above.
2.6.2200	Accumulated amortisation – Billing and administrative systems capitalised leases	Summary account
2.6.2201	Accumulated amortisation – Billing systems capitalised leases	See Account 2.6.0000 above.

Account	Account Title	Methodology
2.6.2202	Accumulated amortisation – Administrative systems capitalised leases	See Account 2.6.0000 above.
2.6.3300	Accumulated amortisation – Land and buildings capitalised leases	See Account 2.6.0000 above.
2.6.4400	Accumulated amortisation – Support equipment capitalised leases	See Account 2.6.0000 above.
2.7.0000	Other non-current assets	Costs of other non-current assets should be directly assigned to segments if possible. If not possible, allocate based on Account 2.1.0000, Fixed Assets
2.7.1000	Property held for future use – Long term	See Account 2.7.0000 above.
2.7.2000	Intangible assets	Summary account
2.7.2100	Licenses	See Account 2.7.0000 above.
2.7.2200	Permits and rights-of-way	See Account 2.7.0000 above.
2.7.2300	Patents, copyrights, trademarks and miscellaneous	See Account 2.7.0000 above.
2.7.2400	Capitalised start-up costs	See Account 2.7.0000 above.
2.7.2500	Capitalised research and development costs	See Account 2.7.0000 above.
2.7.3000	Investments in external securities	See Account 2.7.0000 above.
2.7.4000	Long term loans and notes receivable	See Account 2.7.0000 above.
2.7.5000	Long term loans and notes receivable from affiliates	See Account 2.7.0000 above.
2.7.6000	Other non-current assets	See Account 2.7.0000 above.
3.1.0000	Current Assets	Unless otherwise specified below, all working capital should be allocated to segments on the basis of cash operating expenses associated with each segment.
3.1.1000	Inventories	Inventories should be identified as customer equipment, switching equipment, cable and wire or other. Customer equipment, switching equipment and cable and wire inventories should be allocated to wholesale network services or segments in proportion to the related fixed asset account. Other inventory should be allocated to segments on the basis of cash operating expenses associated with each segment.

Account	Account Title	Methodology
3.1.2000	Accounts receivable	See Account 3.1.0000 above.
3.1.2110	Customer accounts receivable	See Account 3.1.0000 above.
3.1.2120	Amounts due from affiliates for telecommunications services	See Account 3.1.0000 above.
3.1.2200	Short term loans - Non-affiliates	See Account 3.1.0000 above.
3.1.2300	Short term loans – Affiliates	See Account 3.1.0000 above.
3.1.2401	Provision for doubtful accounts – Telecommunications	See Account 3.1.0000 above.
3.1.2402	Provision for doubtful accounts – Other	See Account 3.1.0000 above.
3.1.2500	Other receivables	See Account 3.1.0000 above.
3.1.3000	Prepayments	See Account 3.1.0000 above.
3.1.4000	Cash and cash equivalents	See Account 3.1.0000 above.
3.1.5000	Other current assets	See Account 3.1.0000 above.
3.2.0000	Current liabilities	Summary account
3.2.1000	Accounts payable	See Account 3.1.0000 above.
3.2.2000	Customer deposits	See Account 3.1.0000 above.
3.2.3000	Provision for taxation	See Account 3.1.0000 above.
3.2.4000	Short term borrowings	See Account 3.1.0000 above.
3.2.5000	Amounts due to affiliates	See Account 3.1.0000 above.
3.2.6000	Provision for dividends	See Account 3.1.0000 above.
3.2.7000	Other current liabilities	See Account 3.1.0000 above.

INCOME STATEMENT		
4.0.0000	Total Revenues	All revenues should be assigned to segments on the basis of a primary analysis of revenue transactions.
4.1.0000	Retail regulated revenues	Summary account.
4.1.1100	Basic local service revenues – Residential	Summary account.
4.1.1101	Basic residential local service connection and usage	See Account 4.0.0000 above.
4.1.1102	Optional residential extended area service revenues	See Account 4.0.0000 above.

Account	Account Title	Methodology
4.1.1104	Customer premises equipment revenues – Residential	See Account 4.0.0000 above.
4.1.1105	Network based vertical and optional features	See Account 4.0.0000 above.
4.1.1200	Switched long distance revenues – Residential	Summary account
4.1.1210	Switched national long distance revenues – Residential	See Account 4.0.0000 above.
4.1.1220	Switched international long distance revenues – Residential	See Account 4.0.0000 above.
4.1.1300	Leased line services – Residential	See Account 4.0.0000 above.
4.1.1400	Regulated value added services revenues – Residential	See Account 4.0.0000 above.
4.1.2100	Basic local service revenues – Business	Summary account
4.1.2101	Basic business local service connection and usage	See Account 4.0.0000 above.
4.1.2102	Optional business extended area service revenues	See Account 4.0.0000 above.
4.1.2104	Customer premises equipment revenues – Business	See Account 4.0.0000 above.
4.1.2105	Network based vertical and optional features	See Account 4.0.0000 above.
4.1.2200	Switched long distance revenues – Business	Summary account
4.1.2210	Switched national long distance revenues – Business	See Account 4.0.0000 above.
4.1.2220	Switched international long distance revenues – Business	See Account 4.0.0000 above.
4.1.2300	Leased line services – Business	Summary account
4.1.2310	National leased line services – Business	See Account 4.0.0000 above.
4.1.2320	International leased line services – Business	See Account 4.0.0000 above.
4.1.2400	Regulated value added services revenues – Business	See Account 4.0.0000 above.

Account	Account Title	Methodology
4.1.4000	Public Telephone revenue	Summary account
4.1.4100	Basic local revenues – Public Telephone	See Account 4.0.0000 above.
4.1.4200	Long distance revenues– Public Telephone	See Account 4.0.0000 above.
4.2.0000	Non-regulated revenues	Assigned to non-regulated segment
4.3.0000	Interconnection revenues	Summary account.
4.3.0200	Switched services interconnection	See Account 4.0.0000 above.
4.3.0300	Leased line services interconnection	See Account 4.0.0000 above.
4.3.0400	Other interconnection revenues	See Account 4.0.0000 above.
4.4.0000	Resale revenues	Summary account.
4.4.0100	Basic local services resale	See Account 4.0.0000 above.
4.4.0200	Switched services resale	See Account 4.0.0000 above.
4.4.0300	Leased line services resale	See Account 4.0.0000 above.
4.4.0400	Other resale revenues	See Account 4.0.0000 above.
4.5.0000	Miscellaneous revenues	Summary account.
4.5.0100	Directory revenue	See Account 4.0.0000 above.
4.5.0200	Rent revenue	See Account 4.0.0000 above.
4.5.0300	Corporate operations revenue	See Account 4.0.0000 above.
4.5.0400	Special billing arrangement revenues	See Account 4.0.0000 above.
4.5.0500	Customer operations revenue	See Account 4.0.0000 above.
4.5.0600	Service providers billing and collection revenue	Assigned to the service providers segments.
4.5.0700	Other and incidental regulated revenues	See Account 4.0.0000 above.
4.6.0100	Uncollectable revenue - Telecommunications	See Account 4.0.0000 above.
4.6.0200	Uncollectable revenue - Other	See Account 4.0.0000 above.
5.0.0000	Cost of sales	Summary account
5.1.0000	Discounts and incentives	Summary account
5.1.1000	Volume discounts	Where account detail is used to capture volume discounts by segment, costs should be directly assigned to those segments. Where segment specific account detail is not available, volume discounts should be allocated to segments on the basis of analysis of customer revenues.

Account	Account Title	Methodology
5.1.2000	Other incentives	See Account 5.1.1000 above.
5.2.0000	Network operator interconnection costs	Summary account
5.2.1000	Switched interconnection	Directly assign costs to segments where possible and allocate remaining costs to segments on the basis of customer minutes of use.
5.2.2000	Leased lines interconnection	Directly assign to segments.
5.2.3000	Value added services	Directly assign costs to segments where possible and allocate remaining costs to segments on the basis of call volumes.
5.2.5000	Non-regulated services	Directly assign costs to the non-regulated entity.
5.2.9000	Other interconnection costs	Directly assign costs to segments where possible and allocate remaining costs to segments on the basis of customer minutes of use.
5.3.0000	Other costs of sales	Summary account
5.3.1000	Non-regulated telecommunications services	Directly assign costs to the non-regulated entity.
5.3.2000	Regional Service Council (RSC) levies and Value Added Tax (VAT)	Directly assign to segments where possible and allocate remaining levies and VAT to segments on the basis of revenues generated by each segment.
5.3.9000	Other costs of sales	Directly assign to segments where possible and allocate remaining costs to segments on the basis of revenues generated by each segment.
6.0.0000	Total Expenses	Summary account.
6.1.0000	Plant expenses	Plant expenses, by plant and equipment category, should be allocated to wholesale services or segments using the fixed asset cost allocation methodology prescribed for each plant and equipment category.
6.1.1100	Depreciation expense – Network Equipment	Summary account
6.1.1110	Depreciation expense – Customer Equipment	Summary account
6.1.1111	Depreciation expense – Telephone sets	See Account 6.1.0000 above.
6.1.1112	Depreciation expense – Private Branch Exchange (PBX) equipment	See Account 6.1.0000 above.
6.1.1113	Depreciation expense – Teletype equipment	See Account 6.1.0000 above.
6.1.1114	Depreciation expense – Dedicated transmission equipment installed on customer premises	See Account 6.1.0000 above.
6.1.1115	Depreciation expense – Inside wire installed on customer premises	See Account 6.1.0000 above.
6.1.1116	Depreciation expense – Pay telephone	See Account 6.1.0000 above.

Account	Account Title	Methodology
6.1.1120	Depreciation expense – Switching Equipment	Summary account
6.1.1121	Depreciation expense – Digital electronic switching equipment	See Account 6.1.0000 above.
6.1.1122	Depreciation expense – Analogue electronic switching equipment	See Account 6.1.0000 above.
6.1.1123	Depreciation expense – Electro-mechanical switching equipment	See Account 6.1.0000 above.
6.1.1124	Depreciation expense – Packet switching equipment	See Account 6.1.0000 above.
6.1.1125	Depreciation expense – Dedicated switch power equipment	See Account 6.1.0000 above.
6.1.1130	Depreciation expense – Circuit equipment	Summary account
6.1.1131	Depreciation expense – Wireline interoffice circuit equipment	See Account 6.1.0000 above.
6.1.1132	Depreciation expense – Wireline subscriber loop circuit equipment	See Account 6.1.0000 above.
6.1.1133	Depreciation expense – Wireless subscriber loop equipment	See Account 6.1.0000 above.
6.1.1134	Depreciation expense – Other radio circuit equipment	See Account 6.1.0000 above.
6.1.1135	Depreciation expense – Dedicated circuit equipment power	See Account 6.1.0000 above.
6.1.1140	Depreciation expense – Cable and wire equipment	Summary account
6.1.1141	Depreciation expense – Aerial Fibre-optic cable	See Account 6.1.0000 above.
6.1.1142	Depreciation expense – Buried Fibre-optic cable	See Account 6.1.0000 above.
6.1.1143	Depreciation expense – Underground Fibre- optic cable	See Account 6.1.0000 above.
6.1.1144	Depreciation expense – Submarine cable	See Account 6.1.0000 above.
6.1.1145	Depreciation expense – Aerial metallic cable	See Account 6.1.0000 above.
6.1.1146	Depreciation expense – Buried metallic cable	See Account 6.1.0000 above.

Account	Account Title	Methodology
6.1.1147	Depreciation expense – Underground metallic cable	See Account 6.1.0000 above.
6.1.1148	Depreciation expense – Poles	See Account 6.1.0000 above.
6.1.1149	Depreciation expense – Conduit	See Account 6.1.0000 above.
6.1.1150	Depreciation expense – Value added network equipment	Summary account.
6.1.1151	Depreciation expense – VANS processors and terminals	See Account 6.1.0000 above.
6.1.1152	Depreciation expense – VANS ancillary equipment	See Account 6.1.0000 above.
6.1.1153	Depreciation expense – Operator information services equipment	See Account 6.1.0000 above.
6.1.1154	Depreciation expense – Operator services call completion equipment	See Account 6.1.0000 above.
6.1.1155	Depreciation expense – Emergency response system equipment	See Account 6.1.0000 above.
6.1.1160	Depreciation expense – Network operations equipment	See Account 6.1.0000 above.
6.1.1200	Depreciation expense – Billing and administrative systems	See Account 6.1.0000 above.
6.1.1312	Depreciation expense – Buildings	See Account 6.1.0000 above.
6.1.1313	Depreciation expense – Building common power equipment	See Account 6.1.0000 above.
6.1.1400	Depreciation expense – Support equipment	Summary account
6.1.1411	Depreciation expense – Furniture and office equipment	See Account 6.1.0000 above.
6.1.1412	Depreciation expense – General purpose computers	See Account 6.1.0000 above.
6.1.1413	Depreciation expense – General purpose vehicles	See Account 6.1.0000 above.
6.1.1414	Depreciation expense – Special purpose vehicles	See Account 6.1.0000 above.
6.1.1415	Depreciation expense – Garage and other work equipment	See Account 6.1.0000 above.

Account	Account Title	Methodology
6.1.3000	Lease expenses	Summary account
6.1.3100	Network equipment Lease expenses	Summary account
6.1.3120	Lease expenses of switching equipment	See Account 6.1.0000 above
6.1.3130	Lease expenses of circuit equipment	See Account 6.1.0000 above
6.1.3140	Lease expenses of cable and wire equipment	See Account 6.1.0000 above
6.1.3200	Lease expenses of billing and administrative systems	See Account 6.1.0000 above
6.1.3300	Lease expenses of land and buildings	See Account 6.1.0000 above
6.1.3400	Lease expenses of support equipment	Summary account
6.1.3411	Lease expenses of furniture and office equipment	See Account 6.1.0000 above
6.1.3412	Lease expenses of general purpose computers	See Account 6.1.0000 above
6.1.3413	Lease expenses of general purpose vehicles	See Account 6.1.0000 above
6.1.3414	Lease expenses of special purpose vehicles	See Account 6.1.0000 above
6.1.3415	Lease expenses of garage and other work equipment	See Account 6.1.0000 above
6.1.4312	Amortisation of leasehold improvements- Buildings	See Account 6.1.0000 above
6.2.0000	Business operation expenses	Summary account
6.2.1000	Maintenance and repair total	Maintenance and repair expenses, by plant and equipment category should be allocated to wholesale services or segments using the fixed asset cost allocation methodology prescribed for each plant and equipment category.
6.2.1100	Maintenance and repair expense – Network Equipment	See Account 6.2.1000 above.
6.2.1110	Maintenance and repair expense – Customer Equipment	Summary account.
6.2.1111	Maintenance and repair expense – Telephone sets	See Account 6.2.1000 above.
6.2.1112	Maintenance and repair expense – Private Branch Exchange (PBX)	See Account 6.2.1000 above.

Account	Account Title	Methodology
6.2.1113	Maintenance and repair expense – Teletype equipment	See Account 6.2.1000 above.
6.2.1114	Maintenance and repair expense – Dedicated transmission equipment installed on customer premises	See Account 6.2.1000 above.
6.2.1115	Maintenance and repair expense – Inside wire installed on customer premises	See Account 6.2.1000 above.
6.2.1116	Maintenance and repair expense – Pay telephone	See Account 6.2.1000 above.
6.2.1120	Maintenance and repair expense - Switching Equipment	Summary account
6.2.1121	Maintenance and repair expense - Digital electronic switching equipment	See Account 6.2.1000 above.
6.2.1122	Maintenance and repair expense - Analogue electronic switching equipment	See Account 6.2.1000 above.
6.2.1123	Maintenance and repair expense - Electro-mechanical switching equipment	See Account 6.2.1000 above.
6.2.1124	Maintenance and repair expense - Packet switching equipment	See Account 6.2.1000 above.
6.2.1125	Maintenance and repair expense - Dedicated switch power equipment	See Account 6.2.1000 above.
6.2.1130	Maintenance and repair expense - Circuit equipment	Summary account
6.2.1131	Maintenance and repair expense - Wireline interoffice circuit equipment	See Account 6.2.1000 above.
6.2.1132	Maintenance and repair expense - Wireline subscriber loop circuit equipment	See Account 6.2.1000 above.
6.2.1133	Maintenance and repair expense - Wireless subscriber loop equipment	See Account 6.2.1000 above.

Account	Account Title	Methodology
6.2.1134	Maintenance and repair expense - Other radio circuit equipment	See Account 6.2.1000 above.
6.2.1135	Maintenance and repair expense - Dedicated circuit equipment power	See Account 6.2.1000 above.
6.2.1140	Maintenance and repair expense - Cable and wire equipment	See Account 6.2.1000 above.
6.2.1150	Maintenance and repair expense - Value added network equipment	Summary account
6.2.1151	Maintenance and repair expense - VANS processors and terminals	See Account 6.2.1000 above.
6.2.1152	Maintenance and repair expense - VANS ancillary equipment	See Account 6.2.1000 above.
6.2.1153	Maintenance and repair expense - Operator information services equipment	See Account 6.2.1000 above.
6.2.1154	Maintenance and repair expense - Operator services call completion equipment	See Account 6.2.1000 above.
6.2.1155	Maintenance and repair expense – Emergency response unit equipment	See Account 6.2.1000 above.
6.2.1160	Maintenance and repair expense - Network operations equipment	See Account 6.2.1000 above.
6.2.1200	Maintenance and repair expense - Billing and administrative systems	Summary account
6.2.1201	Maintenance and repair expense - Billing systems	See Account 6.2.1000 above.
6.2.1202	Maintenance and repair expense - Administrative systems	See Account 6.2.1000 above.
6.2.1312	Maintenance and repair expense - Buildings	See Account 6.2.1000 above.

Account	Account Title	Methodology
6.2.1313	Maintenance and repair expense - Building common power equipment	See Account 6.2.1000 above.
6.2.1400	Maintenance and repair expense - Support equipment	Summary account
6.2.1411	Maintenance and repair expense - Furniture and office equipment	See Account 6.2.1000 above.
6.2.1412	Maintenance and repair expense - General purpose computers	See Account 6.2.1000 above.
6.2.1413	Maintenance and repair expense - General purpose vehicles	See Account 6.2.1000 above.
6.2.1414	Maintenance and repair expense - Special purpose vehicles	See Account 6.2.1000 above.
6.2.1415	Maintenance and repair expense - Garage and other work equipment	See Account 6.2.1000 above.
6.2.1417	Expense in connection with property held for future use	See Account 6.2.1000 above.
6.2.1418	Warehouse and material handling expense	Allocate to wholesale services and segments in proportion to Account 3.1.1000, Inventories
6.2.2000	Network operations expense total	Assign expenses directly related to a wholesale network service or segment to that service or segment. Allocate all other expense to wholesale network services and segments in proportion to Account 2.1.1100 Network Equipment
6.2.2100	Power expense	See Account 6.2.2000 above.
6.2.2200	Network administration expense	See Account 6.2.2000 above.
6.2.2300	Testing expense	See Account 6.2.2000 above.
6.2.2400	Plant operations administration expense	See Account 6.2.2000 above.
6.2.2500	Access expense	See Account 6.2.2000 above.
6.2.3000	Engineering expense	See Account 6.2.2000 above.
6.2.4000	Operator services expense	Summary account
6.2.4100	Operator call completion services expense	Assign to VANS wholesale services
6.2.4200	Directory information services expenses	Assign to wholesale ancillary services

Account	Account Title	Methodology
6.2.5000	Product and market planning expense total	Summary account
6.2.5100	Product management expense	Product development expenses should be assigned to segments based on a primary analysis of product development transactions and project records. Direct marketing expenses should be assigned to segments whenever possible. All other product management expenses should be allocated to segments on the basis of related revenues.
6.2.5200	Sales expense	Direct sales expenses should be assigned to segments whenever possible. Any indirect sales expenses should be allocated to segments on the basis of related revenues.
6.2.5300	Product advertising expense	Product advertising expenses should be assigned to segments based on a detailed analysis of account records.
6.2.6000	Customer services expense	Summary account
6.2.6100	Customer service order expense	Direct customer service order expenses should be assigned to wholesale services or segments whenever possible.
6.2.6200	Customer billing and collection	Direct billing expenses should be assigned to segments. Indirect billing expenses should be allocated based on revenues for each segment.
6.2.6300	Bill processing expense	Bill processing expenses should be allocated to segments on the basis of the relative number of invoices prepared.
6.2.6400	Service providers billing expense	Service providers billing expenses should be allocated to segments in proportion to revenues billed.
6.2.6500	Other customer service expenses	Expenses in this account should be allocated to segments in proportion to the sum of all other customer services expenses.
6.3.0000	Corporate operations expense total	Sum of corporate operations expense accounts
6.3.1000	Executive and planning expense	Executive and planning expenses should be allocated to segments on the basis of total operating costs (excluding corporate operations expenses) that have already been assigned or allocated to each segment.
6.3.2000	Accounting and finance expense	Accounting and finance expenses should be allocated to segments on the basis of total operating costs (excluding corporate operations expenses) that have already been assigned or allocated to each segment.
6.3.3000	Regulatory, government, and external relations expense	Regulatory affairs expenses that can be traced directly to segments should be assigned to those segments. Indirect regulatory affairs expenses and all public relations expenses should be allocated to segments on the basis of total operating costs (excluding corporate operations expenses) that have already been assigned or allocated to each segment.
6.3.4000	Legal expense	Legal services expenses that can be traced directly to segments should be assigned to those segments. Indirect expenses should be allocated to segments on the basis of total operating costs (excluding corporate operations expenses) that have already been assigned or allocated to each segment.
6.3.5000	Information systems expense	Direct information technology expenses should be assigned to segments whenever possible. Indirect expenses should be allocated to business functions (e.g., marketing, sales, billing) by type of systems application. Costs in each function should be allocated to segments using the cost allocation methodology prescribed for each function.

Account	Account Title	Methodology
6.3.6000	Human resources expense	Human resources expenses should be allocated to segments on the basis of total operating costs (excluding depreciation expenses and corporate operations expenses) that have already been assigned or allocated to each segment.
6.3.7000	Procurement expense	Direct procurement expenses should be assigned to wholesale services and segments whenever possible. All remaining procurement expenses should be allocated to segments on the basis of total operating costs (excluding corporate operations expenses) that have already been assigned or allocated to each segment.
6.3.8000	Research and development expense	Applied research and development expenses should be assigned to wholesale services and segments whenever possible. All remaining expenses should be allocated to segments on the basis of total operating costs (excluding corporate operations expenses) that have already been assigned or allocated to each segment.
6.3.9000	Other general and administrative expenses	Other general and administrative expenses should be allocated to segments on the basis of total operating costs (excluding corporate operations expenses) that have already been assigned or allocated to each segment.
7.0.0000	Non-operating items, Taxes, and Dividends	Summary account
7.1.0000	Non-operating income	Summary account
7.1.1000	Interest income	Interest income should be allocated to segments using the cost allocation methodology prescribed for interest expenses in Account 7.2.1100
7.1.2000	Foreign exchange gains/losses	Gains and losses are reviewed on a transaction basis. Gains and losses that can be traced to segments should be assigned to segments. All other gains and losses on foreign exchange transactions should be allocated to segments based on the distribution of total revenues in Account 4.0.0000
7.1.3000	Gains/(loss) on disposal of assets	Gains or losses from the disposition of property should be allocated to segments based on net investment and working capital that has already been allocated to segments.
7.1.9000	Other non-operating income	Other non-operating income should be allocated to segments based on net investment and working capital that has already been allocated to segments.
7.2.1100	Interest expense	Interest expense should be allocated to segments on the basis of non-current assets and working capital already allocated to segments.
7.2.1200	Cost of equity capital	The cost of equity capital should be allocated to segments on the basis of non-current assets and working capital already allocated to segments.
7.2.9000	Non-operating expenses	Expenses that can be directly traceable to segments should be assigned to those segments. Remaining non-operating costs should be allocated to segments on the basis of total operating expenses.
7.3.0000	Taxes, extraordinary items and dividends	Summary account
7.3.1100	Operating taxes	Taxes should be allocated to segments on the basis of income after interest expenses in each segment.
7.3.1200	Non-operating taxes	Non-operating taxes should be allocated to segments on the basis of income after interest expenses in each segment.

Account	Account Title	Methodology
7.3.2000	Extraordinary items	Extraordinary items are reviewed on a transaction basis. To the extent they can be traced to segments, they should be assigned to those segments. Remaining items are excluded from the cost allocation methodology.
7.3.3000	Dividends	Dividends are not allocated to segments since they are a component of the cost of equity capital.

VOLUME 2, PART 4: ADMINISTRATIVE FRAMEWORK

VOLUME 2, PART 4: ADMINISTRATIVE FRAMEWORK

4.1 INTRODUCTION

- (1) The information needs and reporting requirements with which Operators are to comply on an ongoing basis are set out, in broad terms, in the entity accounting, separations accounting and administrative framework sections of *Volume 1: Manual and Appendices*.
- (2) These *Detailed Requirements* prescribe the specific reporting requirements applicable to Fixed Line Operators as follows:
 - *Reporting requirements* provides an overview of the frequency and timing of each major class of report; and
 - *Report formats* illustrates the content and format of each class of report.
- (3) Fixed Line Operators are to provide detailed descriptions relating to the preparation of the reports in their *Procedures Manuals*.

4.2 REPORTING REQUIREMENTS

- (1) The frequency of the reports and their timing are outlined on the next pages.
- (2) Reports that are to be submitted on a semi-annual basis are to include comparative financial information for the preceding six months.
- (3) Reports that are to be submitted on an annual basis are to include financial information in total for the year.
- (4) An overview of the reports is provided in Exhibit 4.1.

Exhibit 4.1 Overview of Reports

Report Class	Report Name	Frequency *	Timing
<i>Entity reports</i>	1.x Unconsolidated financial statements: Corporate Entity and Regulated Entity 1.1 Balance sheet 1.2 Income statement 1.3 Cash flow statement	Semi-annual	45 days after period end; 90 days after year end
	2.x Annual audited financial statements 2.1 Balance sheet 2.2 Income statement 2.3 Cash flow statement	Annually	90 days after year end
	3.x Forecasts: Corporate Entity and Regulated Entity 3.1 Forecast of earnings	Annually	90 days after year end
	4.x Affiliate transactions 4.1 Affiliate transactions	Semi-annual	45 days after period end; 90 days after year end
	5.x Net investment schedules 5.1 Fixed asset and depreciation schedule	Semi-annual	45 days after period end; 90 days after year end
	6.x Reconciliation statements Reconciliation statement <ul style="list-style-type: none"> • Annual unconsolidated entity statements to annual audited financial statements; and • Regulated entity reports to calculation of Net Operating Income (NOI) 	Annually	90 days after year end
<i>Segment reports</i>	7.x Income statements 7.1 Revenues and costs by segment and total regulated entity 7.2 Cost and use of wholesale services	Semi-annual (Quarterly for 1 st year)	45 days after period end; 90 days after year end
	8.x Net investment schedules 8.1 Net investment by segment	Semi-annual (Quarterly for 1 st year)	45 days after period end; 90 days after year end
<i>Administrative reports</i>	9.x Audit reports 9.1 Audit of entity and segment financial reports	Annually	90 days after year end

* To be reviewed 2 years after commencement of Entity reporting.

4.3 REPORT FORMATS

- (1) The report formats are illustrated in Exhibit 4.2.

Corporate Entity Report

Report 1.1

Operator Name
Unconsolidated Balance Sheet
As of dd-mm-yy

Account Code	Account Title	Current Period	YTD	Prior Year Period	Prior Year YTD
	CAPITAL EMPLOYED				
1	Shareholders' Funds, Reserves, Long-term Liabilities and Deferred Taxes				
1.1.1	Share Capital				
1.1.2	Reserves • • •				
1.1.3	Retained Earnings				
	Total				
1.2.	Long-term Liabilities • • •				
	Total				
1.3.	Deferred Taxes				
	TOTAL CAPITAL EMPLOYED				

	EMPLOYMENT OF CAPITAL				
2	Non-current Assets				
2.1.	Fixed Assets				
2.2.	Construction in Progress				
2.3.	Capital Leases				
2.4.	Leasehold Improvements				
2.5.	Accumulated Depreciation				
2.6.	Accumulated Amortisation				
2.7.	Other Non-current Assets				
	Total Non-current Assets				
3	Working Capital				
3.1.	Current Assets • • •				
	Total				
3.2.	Current Liabilities • • •				
	Total				
	Net Working Capital				
	TOTAL EMPLOYMENT OF CAPITAL				

Exhibit 4.2: Report Formats (Continued)

Regulated Entity Report

Report 1.2

**Operator Name
Unconsolidated Income Statement
For Period Ending dd-mm-yy**

Account Code	Account Title	Current Period			Year to Date			Prior Year to Date		
		Regulated Entity	Unreg. Entity	Corporate Entity	Regulated Entity	Unreg. Entity	Corporate Entity	Regulated Entity	Unreg. Entity	Corporate Entity
4	REVENUES									
4.1.	Retail Regulated Services									
4.2.	Non-regulated Services									
4.3.	Interconnection									
4.4.	Resale									
4.5.	Miscellaneous									
4.6.	Uncollectables									
	TOTAL OPERATING REVENUES									
5	COST OF SALES									
5.1.	Discounts and Sales Incentives									
5.2.	Network operator Interconnection Costs									
5.3.	Other Costs of Sales									
	TOTAL COST OF SALES									
6	OPERATING EXPENSES									
6.1.	Plant Expenses									
6.1.1xxx	Depreciation									
6.1.3xxx	Lease Expenses									
6.1.4xxx	Amortisation of Leasehold Improvements									
	Total Plant Expenses									
6.2.	Business Operations Expenses									
6.3.	Corporate Operations									
	TOTAL OPERATING EXPENSES									
	CONTRIBUTION BEFORE TAX AND EXTRA-ORDINARY ITEMS									
7	NON-OPERATING ITEMS									
7.1	Non-operating Income									
7.2.9000	Non-operating Expenses									
	NET INCOME BEFORE INTEREST, TAX AND EXTRA-ORDINARY ITEMS									
7.2.1100	Interest									
7.3.1000	Taxes									
	NET INCOME BEFORE EXTRA-ORDINARY ITEMS									
7.3.2000	Extraordinary Items									
	NET INCOME									
7.3.3000	Dividends									
	RETAINED PROFIT									

Notes:

Unregulated Entity and Corporate Entity results are only required for the following accounts:

- 4. Total Operating Revenues;
- 5. Total Cost of Sales;
- 6. Total Operating Expenses;
- 7.1. Non-operating Income;
- 7.2.9000 Non-operating Expenses;
- 7.2.1100 Interest;
- 7.3.1000 Taxes;
- 7.3.2000 Extraordinary Items;
- 7.3.3000 Dividends; and
- those accounts which have been allocated between the Regulated and Unregulated Entities.

Corporate Entity Report

Report 1.3

Operator Name
Unconsolidated Cash Flow Statement
For Period Ending dd-mm-yy

	Current Period	Year to Date	Prior Year Period	Prior Year to Date
Cash retained from operating activities (A)				
Cash generated by operations 1				
Investment income				
Utilised to increase working capital 2				
Cash generated by operating activities				
Finance costs				
Taxes paid				
Cash available from operating activities				
Dividends paid				
Cash utilised in investing activities (B)				
Investment to maintain operations				
Replacement of fixed assets				
Proceeds on disposal of fixed assets				
Investment to expand operations				
Additions to fixed assets				
Investments in subsidiaries				
(A)+(B)				
Cash effects of financing activities				
Increase/decrease in long term borrowings				
Increase/decrease in short term borrowings				
Increase/decrease in cash and bank balances				
Share capital raised				
1. Cash generated by operations				
Operating income before interest and taxation				
Adjustment for:				
Depreciation				
Profit/loss on disposal of fixed assets				
Investment income				
2. Utilised to increase working capital				
Increase in inventories				
Increase in accounts receivable				
Increase in accounts payable				

Exhibit 4.2: Report Formats (Continued)

Regulated Entity Report

Report 3.1

**Operator Name
Unconsolidated Income Statement
For year ending dd-mm-yy**

		Regulated Entity	Corporate Entity
Account	Account Title	Total Year	Total Year
4	REVENUES		
4.1.1100	Basic Local Services – Residential		
4.1.2100	Basic Local Services – Business		
4.2.0000	Non-regulated Revenues		
4.3.0000	Interconnection Revenues		
4.4.0000	Resale Revenues		
4.5.0000	Miscellaneous Revenues		
4.6.0000	Uncollectable Revenues		
	TOTAL OPERATING REVENUES		
5	COST OF SALES		
5.1.0000	Discounts and Incentives		
5.2.0000	Network operator Interconnection Costs		
5.3.0000	Other Costs of Sales		
	TOTAL COST OF SALES		
6.	OPERATING EXPENSES		
6.1.0000	Plant Expenses		
6.1.1000	Depreciation		
6.1.3000	Lease Expenses		
6.1.4000	Amortisation of Leasehold Improvements		
	Total Plant Expenses		
6.2.0000	Business Operations Expenses		
6.2.1000	Maintenance and Repair		
6.2.2000	Network Operations		
6.2.3000	Engineering		
6.2.4000	Operator Services		
6.2.5000	Product and Market Planning		
6.2.6000	Customer Service		
	Total Business Operations Expenses		
6.3.0000	Corporate Operations Expenses		
6.3.1000	Executive and Planning		
6.3.2000	Accounting and Finance		
6.3.3000	Regulatory, Government and External Relations		
6.3.4000	Legal		
6.3.5000	Information Systems		
6.3.6000	Human Resources		
6.3.7000	Procurement		
6.3.8000	Research and Development		
6.3.9000	Other General and Administrative Expenses		
	Total Corporate Operations Expenses		
	TOTAL OPERATING EXPENSES		
7	NON-OPERATING ITEMS		
	NET INCOME BEFORE TAX AND EXTRAORDINARY ITEMS		
7.3.10000	Taxation		
	NET INCOME BEFORE EXTRAORDINARY ITEMS		
7.3.2000	Extraordinary Items		
	NET INCOME		
7.3.3000	Dividends		
	RETAINED PROFIT		

Exhibit 4.2: Report Formats (Continued)

Regulated Entity Report

Report 4.1

**Operator Name
Summary of Affiliated Transactions
For period ending dd-mm-yy**

Services Provided by the Regulated Entity				
Sequence Number	Transaction Type	Unregulated Entity or Affiliate	Transaction Value	Valuation Method *
Total Value				

Services Provided to the Regulated Entity				
Sequence Number	Transaction Type	Unregulated Entity or Affiliate	Transaction Value	Valuation Method *
Total Value				

Asset Transfers				
Sequence Number	Transaction Type **	Unregulated Entity or Affiliate	Transaction Value	Valuation Method *
Total Value				

Jointly Used Assets – Capitalised Value							
Sequence Number	Asset Description	Anticipated Usage		Actual Usage		Cost	
		Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated
Total Value							

Jointly Used Assets – Periodic Cost							
Sequence Number	Asset Description	Anticipated Usage		Actual Usage		Cost	
		Regulated	Unregulated	Regulated	Unregulated	Regulated	Unregulated
Total Value							

* Valuation method

1. Tariff or market
2. Fair market value
3. Cost

** Sale or purchase

All affiliate transactions that constitute more than 1% of a segment's revenue should be disclosed and reported in accordance with the rules set out in section 2.4: Affiliate Transactions of Volume 1: Manual and Appendices.

Regulated Entity Report

Report 5.1

**Operator Name
Unconsolidated Fixed Asset Schedule
As of dd-mm-yy**

Assets		Regulated Entity				Unregulated Entity	Corporate Entity
Account Code	Fixed Asset Account Category	Fixed Asset Cost/Valuation	Current Depreciation	Accumulated Depreciation	Net Book Value	Net Book Value	Net Book Value
2.	FIXED ASSETS						
2.1.1000	Communications Plant						
2.1.1100	Network Equipment						
2.1.1110	Customer Premises Equipment						
2.1.1120	Switching Equipment						
	- Digital						
	- Analogue						
	- Packet						
	- Other						
2.1.1130	Circuit Equipment						
2.1.1140	Cable & Wire Equipment						
2.1.1150	VANS Equipment						
	Total Network Equipment						
2.1.2200	Billing and Administration Systems						
2.1.3300	Land and Buildings						
2.1.4400	Support Equipment						
2.2.0000	Construction in Progress						
2.3.0000	Leases						
2.4.0000	Leasehold Improvements						
	Total Fixed Assets						

Asset Lives			
Account Code	Fixed Asset Account Category	Asset Life Category	Asset Life (Years)

Notes: The report contains financial and non-financial information relating to the investment in fixed assets of the Regulated, Unregulated and Corporate entities. The Fixed Line Operator should maintain detailed records for fixed assets in their subsidiary ledgers as support information to the COA.

1. Each fixed asset account category may include assets of different lives.
2. Each fixed asset life category may only include assets with the same lives.
3. Each asset life must be a specific number of years, not a range of years.
4. In the event of a requirement to change the life of an asset, the Fixed Line Operator is required to:
 - Explain the change;
 - Determine the new depreciation rate;
 - Provide information to SATRA on the impact of the new depreciation rate by restating the latest annual historical and forecasted statements submitted to SATRA to reflect the change in rate.
5. If fixed assets are re-valued, information should be disclosed to SATRA in terms of RSA GAAP.
6. Unregulated Entity and Corporate Entity balances are only required for the following accounts:
 - 2.1.1100 Network Equipment;
 - 2.1.3300 Land and Buildings;
 - 2.2.0000 Construction in Progress;
 - 2.3.0000 Leases; and
 - those accounts which include assets jointly used by the Regulated and Unregulated Entities.

Exhibit 4.2: Report Formats (Continued)

Corporate Entity Report

Report 6.1

**Operator Name
Reconciliation Statement
Audited Annual Financial Statement Reports to Year To Date Reports**

Account Code	Account Title	YTD Regulated Entity	Adjustment	YTD Corporate Entity	Adjustment	Annual Audited Reports	Ref. #
1	BALANCE SHEET (As of dd-mm-yy) CAPITAL EMPLOYED Shareholders' Funds, Reserves, Long-term Liabilities and Deferred Taxes						
1.1.1	Share Capital						
1.1.2	Reserves • • •						
1.1.3	Retained Earnings						
	Total						
1.2.	Long-term Liabilities • • •						
	Total						
1.3.	Deferred Taxes						
	TOTAL CAPITAL EMPLOYED						
2	EMPLOYMENT OF CAPITAL Non-current Assets						
2.1.	Fixed Assets • • •						
	Total Non-current Assets						
3	Working Capital						
3.1.	Current Assets • • •						
	Total						
3.2.	Current Liabilities • • •						
	Total						
	Net Working Capital						
	TOTAL EMPLOYMENT OF CAPITAL						
	INCOME STATEMENT (For period ending dd-mm-yy)						
4	REVENUES						
5	COST OF SALES						
6	OPERATING EXPENSES						
7	CONTRIBUTION BEFORE NON-OPERATING ITEMS Non-Operating Items						
	NET INCOME BEFORE TAX AND EXTRAORDINARY ITEMS						
7.3.1000	TAXATION						
	NET INCOME BEFORE EXTRAORDINARY ITEMS						
7.3.2000	EXTRAORDINARY ITEMS						
	NET INCOME						
7.3.3000	DIVIDENDS						
	RETAINED PROFIT						
EXPLANATION OF ADJUSTMENTS							
Reference Notes							

Exhibit 4.2: Report Formats (Continued)

Corporate Entity Report

Report 6.2

**Operator Name
Reconciliation Statement
Regulated Entity Reports to Net Operational Income**

Account Title	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	YTD
OPERATING REVENUES					
Less:					
Interconnection charges					
Connection discounts					
Bad debt expense					
VAT and indirect taxes					
Other categories as agreed with SATRA in accordance with the NOI definition in the operating license					
NET OPERATIONAL INCOME					

Segment Report

Report 7.1

Operator Name
Segment Income Statement
For period ending dd-mm-yy

	Commercial					Non-commercial	Total Regulated Entity
	Network operators	Affiliates	Non-affiliates	Retail	Total Commercial		
Wholesale revenues							
Cost of sales							
Discounts and sales incentives							
Network operator interconnection costs							
Other costs of sales							
<i>Total cost of sales</i>							
Wholesale network services costs							
Call origination/termination							
Local network conveyance							
-							
-							
Wholesale ancillary service costs							
Supply of terminal equipment							
Printed directories							
-							
-							
<i>Total wholesale service costs</i>							
Gross margin							
Short run expense							
<i>Plant expenses</i>							
<i>Operating leases</i>							
<i>Total plant expenses</i>							
<i>Business operations</i>							
<i>Network operations and engineering</i>							
<i>Repair and maintenance</i>							
<i>Product and market planning</i>							
-							
-							
<i>Other segment expenses</i>							
<i>Total business operations</i>							
<i>Corporate activities</i>							
<i>Executive and planning</i>							
<i>Procurement and materials</i>							
-							
-							
<i>Total corporate activities</i>							
<i>Total short run expenses</i>							
Contribution before Long Run Expenses							
<i>Depreciation, lease amortisation and cosat of capital</i>							
Contribution to Indirect Fixed Costs							
<i>Short run indirect fixed costs</i>							
<i>Long run indirect fixed costs</i>							
Contribution after Indirect Fixed Costs							

Segment Report

Report 7.2

Operator Name
Cost and Use of Wholesale Services Report
For period ending dd-mm-yy

	Total Cost (COA)	WHOLESALE SERVICES			SEGMENTS			
		Call Orig/Term	Network Conveyance	Ancillary Services	Network operator	Aff. S.P.	Non- Aff. S.P.	Retail
REVENUE								
Basic Local – Residence								
Basic Local – Business								
Public Telephone								
Long Distance – Residence								
Long Distance – Business								
Leased lines								
Non-regulated								
Interconnection								
Resale								
Other								
TOTAL REVENUE								
COSTS								
Cost of Sales								
Short run expenses								
Plant expenses								
Business operations								
Corporate activities								
Total short run expenses								
Long run expenses								
Customer access network								
Local network								
National network								
International network								
Other								
Total long run expenses								
Total Operating Costs								
Total wholesale services costs								
Wholesale Transfer Charges								
Call orig/term		()	()	()	+	+	+	+
Network conveyance		()	()	()	+	+	+	+
Ancillary services		()	()	()	+	+	+	+
Total segment costs		0	0	0				
Contribution before indirect fixed costs								
Indirect fixed costs								
Contribution before non-operating expenses								
Non-operating expenses								
Segment contribution								
Activity levels								
# of calls								
# of minutes of use								
# of access lines								

Exhibit 4.2: Report Formats (Continued)

Segment Report

Report 8.1

Operator Name
Net Investment by Segment
As of dd-mm-yy

Account	Category	Commercial					Non-commercial	Total Regulated Entity
		Network operator	Affiliate	Non-Affiliated	Retail	Total Commercial		
2	NON-CURRENT ASSETS							
2.1	FIXED ASSETS							
2.1.1100	Network Equipment							
2.1.1110	Customer Equipment							
2.1.1120	Switching Equipment							
2.1.1130	Circuit Equipment							
2.1.1140	Cable and Wire Equipment							
2.1.1150	Value Added Network Equipment							
2.1.1160	Network Operations Equipment							
	Total Network Equipment							
	Land, Buildings and non-network Plant and Equipment							
2.1.2200	Billing and Administration Equipment							
2.1.3300	Land and Buildings							
2.1.4400	Support Equipment							
2.3.0000	Leases							
2.4.0000	Leasehold Improvements							
	Total Non-network Equipment							
	TOTAL FIXED ASSETS							
	Other non-current assets							
	•							
	•							
	TOTAL OTHER NON CURRENT ASSETS							
	WORKING CAPITAL							
	TOTAL NET INVESTMENT							

Exhibit 4.2: Report Formats (Continued)

Report 9.1

**Operator's Name
Audit Report**

Report of the independent auditors to the South African Telecommunications Regulatory Authority (SATRA).

We have audited the annual financial statements of _____ (entity name) and have reported thereon at _____ (date). We have also audited the entity and segment financial statements submitted to SATRA in terms of the prescribed Chart of Accounts/Cost Allocation Manual. These financial statements are the responsibility of the company's directors. Our responsibility is to report on these statements.

We conducted our audit in accordance with generally accepted auditing standards. We consider that our audit procedures were appropriate in the circumstances to express our opinion presented below.

In our opinion:

- these financial statements have been properly prepared in all material aspects in accordance with the Chart of Accounts/Cost Allocation Manual and the Operator's Procedures Manual, to the extent that the Procedures Manual elaborates on the Accounting Manual; and
- these financial statements fairly present, on the bases set out in the Chart of Accounts/Cost Allocation Manual, the allocation of the Operator's net investment between the entities and segments of the Operator at _____ and the allocation of its revenue and expenditure between these entities and segments for the year then ended.