هيئة الاتصالات وتقنية المعلومات
Communications and Information Technology Commission

Guidelines and Rules for Accounting Separation

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0. Definitions

The terms, words and phrases used in these Guidelines and Rules must have the same meaning as in the Act, the Bylaw, the Ordinance and the Regulatory Framework on Accounting Separation adopted by the Commission on [DATE TBC], decision [no TBC] (the "Regulatory Framework"), unless stated otherwise.

For the purpose of these Guidelines and Rules, the followings definitions apply:

- **Accounting Separation Manual** must mean a document explaining in detail the methodological principles, main assumptions, internal structure and calculation flows of the Accounting Separation System.
- **Current Cost Accounting or CCA** must mean an accounting convention that considers the Gross Replacement Cost (GRC) of the assets, instead of their Gross Book Value (GBV).
- **Day** must mean working day.
- **Fully Allocated Costs or FAC** must mean an accounting method to distribute all costs amongst a firm's various services.
- **Gross Book Value or GBV** must mean the undepreciated book value of an asset, which is equal to the historical price paid to buy an asset.
- **Gross Replacement Costs or GRC** must mean the cost of replacing an asset with an equivalent new item.
- **Historical Cost Accounting or HCA** must mean an accounting convention that preserves the costs from the Statutory Financial Accounts.
- **Management** must mean, unless otherwise indicated, the Designated Service Providers' senior manager(s), responsible of the Accounting Separation information such as Chief Regulatory and Financial Officer.

- **Statutory Accounts or Statutory Financial Accounts** must mean the audited statutory financial accounts prepared by the Designated Service Provider in order to meet its obligations under applicable legislation of the Kingdom of Saudi Arabia.
- **Statutory Financial Statements** must mean the audited financial statements prepared from Statutory Accounts (e.g. Profit and Loss Statement, Balance Sheet Statement).

1. Introduction

These Guidelines and Rules are prepared pursuant, and as a complement, to the Regulatory Framework.

They include instructions on how the Designated Service Providers must prepare the Accounting Separation and on the manner in which detailed reports, analyses, information and data must be prepared and submitted to the Commission.

They are structured as follows:

- General Considerations (section 2)
- Methodological Approach (section 3)
- Architecture of the Accounting Separation System (section 4)
- Implementation, Monitoring and Supervision Process of Accounting Separation (section 5)

The above sections are supplemented by the following appendices:

- Minimum Required Disaggregation of the Accounting Separation Levels (Appendix A)
- Allocation Criteria (Appendix B)
- Management Responsibility Statement (Appendix C)
- Accounting Separation Result Presentation Formats (Appendix D)

2. General Considerations

The purpose of these Guidelines and Rules is:

- to complement the Regulatory Framework;
- to provide rules for the preparation of Accounting Separation Systems and the information these must include;
- to provide specific rules to Designated Service Providers on how to prepare and present the Accounting Separation;
- to assist Designated Service Providers to better understand the Commission's information requirements and regulatory tasks in connection with Accounting Separation;
- to provide a structured approach for the Designated Service Providers' compliance when submitting information to the Commission;
- to ensure that the Designated Service Providers report to the Commission on a timely, consistent and accurate basis.

These Guidelines and Rules may be amended in part or in full at any time by the Commission. They apply to all Designated Service Providers, unless stated otherwise.

The Designated Service Providers must keep detailed and easily accessible records of all matters (e.g. information, data, reports, studies, notes and methodologies) relevant and necessary for the purposes of preparing the Accounting Separation.

Accounting Separation must be prepared according to the principles, rules and methodologies described in these Guidelines and Rules, and must serve the objectives set out in Article 3.1 of the Regulatory Framework.

3. Methodological Approach

3.1. Accounting Separation Principles

The principles of Accounting Separation discussed below aim to ensure the robustness, credibility and reliability of Accounting Separation. Accordingly, they must be adhered to by Designated Service Providers when preparing their Separated Accounts.

In the context of the present Guidelines and Rules, the Accounting Separation principles include:

- **Accounting consistency:** Information corresponding to the Accounting Separation must be reconciled with the Statutory Financial Statements (unless otherwise stated in the present Guidelines and Rules) and supporting information that justifies such reconciliation must be provided.

- **Auditability:** The information provided must be adequately supported, so that an external or internal reviewer can easily trace its sources and review it.

- **Causality:** When one event (e.g. activity, product or service) causes a corresponding cost or revenue, that cost or revenue must be reflected in the preparation of accounts. In particular, costs must be allocated to those accounts that cause these costs to arise. Revenues must be allocated directly to those accounts that cause these revenues to be earned.

- **Consistency:** The methodology, accounting principles and criteria used for the preparation of the Accounting Separation must be maintained over time, unless there is a valid and reasoned explanation for the change. Necessary variations due to technological or market changes must be documented, explained and justified in detail explaining why other options are not possible, and describing their impact on accounts and results.

- **Fairness:** Accounting and procedural decisions in the preparation of Accounting Separation must fairly represent the treatment of internal and external parties. The fairness of decisions must be properly ensured by the Designated Service Providers' processes and procedures, and be constantly supervised by its Management.

- **Internal reconciliation:** Transparent reconciliation between internal databases, reports and statements, and the information corresponding to the Accounting Separation must be ensured.

- **Materiality:** Cost and revenue accounts that represent more than 1% of the total costs/revenues under the same level of the Accounting Separation System must be disaggregated.

- **Non-compensation:** Revenues and costs must be treated differentially, without engaging in any compensation between them. Accordingly, revenues and costs pertaining to one service must not be compensated with revenues and costs pertaining to another service.

- **Non-discrimination:** The allocations of costs and revenues to services must reflect, fundamentally, i) a homogeneous wholesale price-setting towards all counterparts, without unjustified fluctuations, and ii) cost-orientation in the wholesale charges applied to other service providers.

- **Objectivity:** Accounts, allocations, decisions and other information employed in the Accounting Separation System must be based on verifiable data, which must be maintained and submitted for review, and may not be designed to favour other service providers, products or services.

- **Relevance:** Information must be prepared in a way that ensures there is no significant omission that may affect regulatory decisions.

- **Reliability:** Information must be detailed, accurate, legitimate and error-free.

- **Responsibility:** Management must be personally responsible for the quality and correctness of all the information provided to the Commission in connection with Accounting Separation.

- **Statistical accuracy:** Accepted statistical methods must be applied, for example in sampling. Statistics must be documented, replicable and consistent over time.

- **Sufficiency:** The information provided must include all necessary data to fulfil the Accounting Separation objectives.

- **Transparency:** Accounts, data, reporting and information must be clear, traceable, easy to understand for third parties and self-explanatory. The information must be maintained and submitted for review in a medium and format that can be easily accessed and replicated at any time, without restriction, using standard software and data processing tools (e.g. MS Office).

Question 1: Do you agree with the defined Accounting Separation Principles?

Please explain your views and their rationale, and provide any information that supports your arguments.

3.2. Cost and Revenue Base

3.2.1. Cost Conventions

Accounting Separation must be prepared in accordance with a top-down Fully Allocated Cost (FAC) approach.

Accounting Separation must be prepared in accordance with the following cost conventions: Historical Cost Accounting (HCA) and Current Cost Accounting (CCA). This implies that the Designated Service Providers must deliver two Accounting Separations, one for each cost convention.

Unless otherwise stated in the present Guidelines and Rules, the Designated Service Providers must follow a consistent treatment of costs/revenues, methodologies and processes under the HCA and the CCA conventions.

Historical Cost Accounting (HCA)

HCA refers to the accounting convention that leaves all costs with the same value as per the Statutory Financial Statements (comprising, among others, Profit and Loss Statement and Balance Sheet Statement), and data from internal reporting systems, with the exception of the cost of capital, which must be calculated as defined in these Guidelines and Rules.

Data from internal reporting systems include:

- General Ledger
- Fixed Assets Register
- Billing System
- Data Warehouse
- Network Routing Factors
- Management Accounting System

In case of any inconsistency between the data available in the systems listed above, the Statutory Financial Statements must be prioritized over internal reporting systems. Further, the internal reporting systems must be prioritized in the order in which they appear in the above list.

Current Cost Accounting (CCA)

CCA refers to the Accounting Separation convention that revaluates assets based on their Gross Replacement Cost (GRC) instead of their Gross Book Value (GBV). This approach reflects the current value of the assets in the market in which the company operates, under competitive market conditions.

To arrive at current cost asset valuations, it is necessary to revalue assets to estimate their gross replacement cost, i.e. what it would cost to purchase and install the equipment at present.

In this regard, and by reference to the architecture defined for the Accounting Separation System in section 4.1:

- the revaluation exercise (i.e. calculation of the GRC) must be performed at either "Level 0 – Statutory Financial Statements" (e.g. Fixed Asset Register) or "Level 1 – Accounts by Nature Costs" (in particular, for the accounts defined under the "Costs associated with the capital" category); but
- the calculation of depreciation and cost of capital in the CCA convention must be performed at the "Level 0 – Statutory Financial Statements" (e.g. Fixed Asset Register).

> **Question 2**: Do you agree with the defined cost conventions to be used for the preparation of Accounting Separation?
>
> Please explain your views and their rationale, and provide any information that supports your arguments.

3.2.2. Revaluation Methods

In revaluating assets under the CCA convention, the Designated Service Providers must use one of the following methods:

- Absolute Valuation
- Modern Equivalent Asset (MEA)
- Appraisal
- Indexation
- No revaluation

The revaluation method used for each asset must be listed and justified.

Absolute Valuation

The absolute valuation methodology is applied by multiplying the current price of an asset by its quantity.

The current market unitary price must be calculated as the average price paid by the Designated Service Providers for assets purchased or ordered during the year concerned (the reference year). This must include all applicable discounts and conditions of payment.

The absolute valuation methodology must be the preferred choice among the proposed methodologies for revaluation. However, this methodology is not appropriate for all types of assets, particularly where there has been significant technological change for a particular asset or asset group. In such a case, an alternative methodology, known as the Modern Equivalent Asset (MEA), is likely to be preferable. In addition, reliance on absolute valuation may also be inappropriate for other types of assets, such as heterogeneous, non-network or low-materiality assets. Other revaluation methods must be adopted in such cases, which take into consideration the nature of the revalued assets.

Modern Equivalent Asset (MEA)

The Modern Equivalent Asset (MEA) methodology requires assets to be revalued according to the current price of an equivalent asset in terms of capacity and functionality.

The MEA methodology must be applied equivalently to the absolute valuation methodology, i.e. by multiplying the current price of an asset by its quantity.

MEA is likely to be preferable when the Designated Service Providers replace an asset through one with the same functionality but with other, superior, features due to technological progress or the earlier asset's obsolescence. For example, it may not be reasonable to value PDH[1] links based on the cost of assets of the same technology, because of their obsolescence. Accordingly, the assets in question should be revalued at the current price of alternative technologies such as SDH[2] or Ethernet, which provide the same functionality but at a lower price. It is crucial to note that, when the equivalent modern asset has higher capacity or functionality than the original, it is necessary to adjust prices accordingly.

[1] Plesiochronous Digital Hierarchy.
[2] Synchronous Digital Hierarchy.

Appraisal

The appraisal method is based on the opinion of experts for the determination of the current value of an asset. This alternative is preferable for assets that have a market value. In particular, the appraisal method may be used for the valuation of real estate (land, buildings) owned by the Designated Service Providers.

The appraisal must be carried out by an independent and impartial expert with qualifications in asset appraisal. The expert must not have worked, in the previous six months, directly or indirectly, for the Designated Service Provider or for one of the companies it controls or is controlled by, and must not accept any other assignments from the Designated Service Provider, with the exception of the same appraisal of assets assignment, for a subsequent relevant period, e.g., the following 12 months.

The expert must produce a statement of independence, confirming its compliance with, and acceptance of, its obligations. This statement must accompany the information relating to the Accounting Separation.

Indexation

Indexation is appropriate for assets where there has been limited technological change, and the capitalized costs would have to be incurred again if the asset were to be replaced. Under the indexation method, a group of assets is revalued by applying yearly price change indices that are specific for each group of assets. The indices to be used must, where possible, be asset-specific (i.e. no general consumer inflation indexes), and based on real prices paid by the Designated Service Providers.

An indexation valuation method can be used when:

- there has been no technological change regarding the asset or the change has not been material/significant;
- Designated Service Providers' databases and the fixed asset register deliver sufficient and accurate information about the asset subject to valuation (e.g. acquisition dates, investments); or
- the asset group is homogenous in respect of price changes.

No revaluation

An asset may be maintained at Historical Cost and not be revalued, when:

- its GBV, NBV and annual depreciation is lower than 1% of the total GBV, NBV and annual depreciation, respectively;
- it has a short useful life, of not more than three years;
- it is already at current cost, as it has been purchased and paid for in the last calendar year; or
- it is fully depreciated.

The value of non-revalued assets, which is left at historical cost, must not be higher than 20% of the total assets value, measured by the Net Replacement Cost.

Question 3: Do you agree with the defined revaluation methods to be used for the preparation of Accounting Separation?

Please explain your views and their rationale, and provide any information that supports your arguments.

3.2.3. Depreciation

Assets' lifetimes used in the HCA and the CCA conventions must be the same, unless otherwise stated by the Commission.

The Designated Service Providers must use the straight-line depreciation method for the HCA and CCA conventions.

Question 4: Do you agree with the defined depreciation methodology to be used for the preparation of Accounting Separation?

Please explain your views and their rationale, and provide any information that supports your arguments.

3.2.4. Cost of Capital

The cost of capital must be composed of the following two components:

- **Cost of capital for fixed assets**, which represents the opportunity cost of funds invested in network components and other related assets. The Designated Service Providers must calculate the cost of capital for fixed assets as follows:

$$Cost\ of\ capital\ for\ fixed\ assets = NBV/NRC^{3}\ of\ Fixed\ Assets \cdot WACC$$

- **Working capital**, which refers to the costs[4] of maintaining daily operations at an organization. The calculation of the working capital must involve the identification of appropriate current asset and current liability pools, such as those associated to payables, receivables and cash or cash equivalents. Therefore, the Designated Service Providers must calculate the working capital as follows:

$$Working\ capital = (Current\ assets - Current\ liabilites) \cdot WACC$$

As shown above, for the calculation of the cost of capital, the Weighted Average Cost of Capital (WACC) must be applied.

The WACC must be calculated by the Designated Service Providers in accordance with the methodology approved by the Commission. The WACC value used must be the same for both the HCA and CCA conventions.

In order to avoid potential double counting of financial revenues and expenses in the Accounting Separation System (e.g. interest expenses derived from loans), as these are already reflected in the WACC calculation, the Designated Service Providers must not attribute such revenues and expenses to the final relevant services.

Question 5: Do you agree with the defined methodology to calculate the cost of capital for the preparation of Accounting Separation?

Please explain your views and their rationale, and provide any information that supports your arguments.

[3] Net Book Value in HCA, Net Replace Cost in CCA.
[4] These can be positive or negative.

3.3. Cost Allocation to Services

The Fully Allocated Cost (FAC) approach must be adopted to allocate costs to services. Under this scheme, the costs corresponding to the Statutory Financial Accounts must be distributed throughout the different levels of the Accounting Separation System. The costs to be distributed to the different services include:

- **Direct costs**, which are the costs that are associated directly to a particular service and, thus, do not require specific allocation criteria.
- **Indirect costs**, which are the costs that are distributed to two or more services and require the definition of a causal allocation criterion, such as most network elements' costs.
- **General costs**, which are the costs for which no specific causal allocation criteria to services exist. Accordingly, it is necessary to make use of an equally proportional allocation in order to distribute them among services.

For the implementation of the FAC approach, data needs to be extracted from different sources, such as accounting records, information systems and technical studies regarding the network infrastructure and operations of the Designated Service Providers. The allocation of the aforementioned indirect costs to services must be performed by using these data and studies in a causal and cost-oriented manner.

On the other hand, given the lack of precision in the distribution of the aforementioned general costs, they must not represent a percentage greater than 10% in any of the levels of the Accounting Separation System. This approach aims to ensure the accuracy and causality of the cost allocation exercise.

To ensure a better alignment with the principles of "Causality", "Non-discrimination" and "Objectivity", Appendix B includes some general guidelines to be considered in the definition of the allocation criteria.

Question 6: Do you agree with the main principles for the allocation of costs to services?

Please explain your views and their rationale, and provide any information that supports your arguments.

3.4. Transfer Charges

The identification of so-called transfer charges implies a virtual separation of the Designated Service Provider into i) a wholesale unit, which represents the owner and administrator of the network; and ii) a retail unit, which purchases network services from the wholesale unit to offer retail services to the end-users.

Transfer charges refer to the imputation of costs (and revenues) among the above wholesale unit and retail unit. Therefore, the Accounting Separation System must reflect the transfer charges in the form of costs under the retail unit and the same revenues under the wholesale unit, as the latter is providing network services to the former.

Transfer charges must be calculated as the product of the quantity of the service being provided (e.g. minutes) and a reference unit price. Both terms (units and price) must be distinctly recognizable in the calculation.

The unit price employed for the determination of transfer charges must be based on the following references, by strict order of priority:

- Regulated tariffs: whenever regulated tariffs for the service exist, these must be employed for the calculation of transfer charges.
- Arm's length price: in the absence of the previous reference, an average price of actual commercial wholesale agreements of the service must be employed.
- Average unit revenue: in the absence of the previous references, the average unit revenue of the service must be employed.
- Average unit cost: the absence of the previous references, the average unit cost of the service as calculated internally in the Accounting

Separation System (according to the corresponding cost convention) must be employed.

If volume discounts or other kinds of conditional discounts can be considered applicable to a service for which transfer charges have to be calculated, the Designated Service Providers must not apply, to itself, a discount higher than the average discount actually provided to third parties.

> **Question 7**: Do you agree with the defined principles for the identification of the transfer charges?
>
> Please explain your views and their rationale, and provide any information that supports your arguments.

4. Architecture of the Accounting Separation System

Designated Service Providers must prepare their Accounting Separation System based on the high-level architecture shown below.

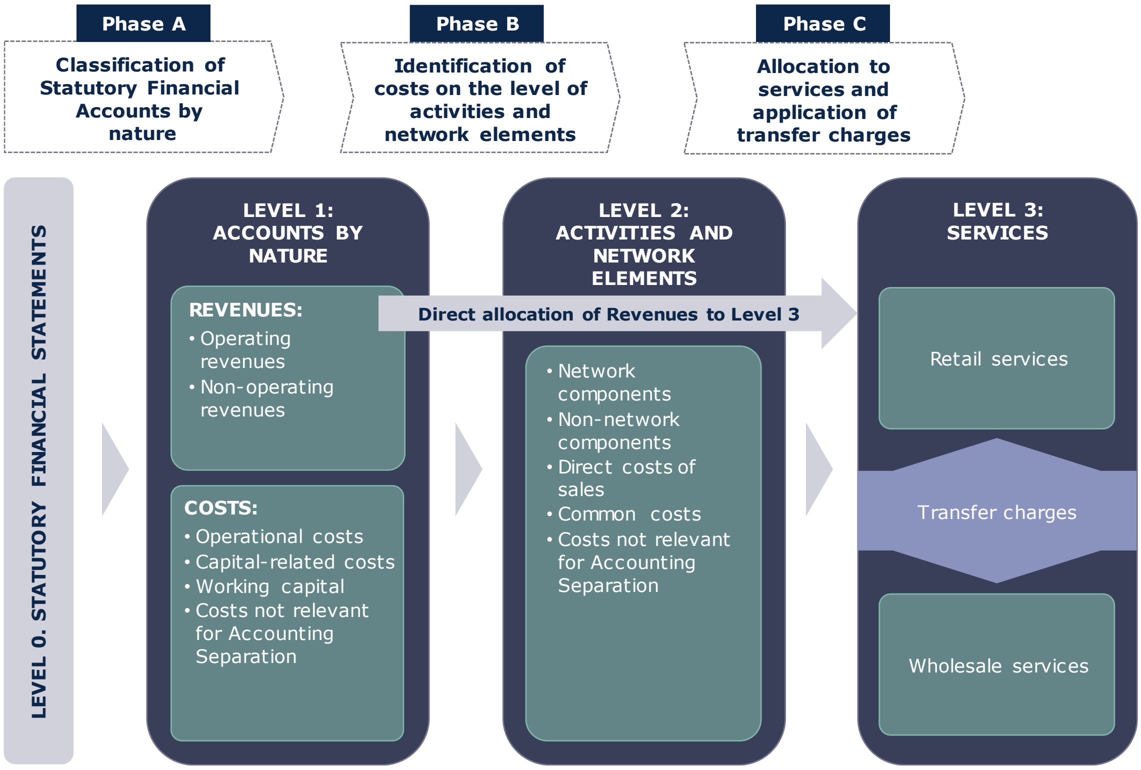

Exhibit 4.1: Architecture of the Accounting Separation System

4.1. Accounting Separation Levels

According to the main architecture presented in Exhibit 4.1, Level 0 will be constituted through the Service Provider's Statutory Financial Statements.

Revenues, costs, assets and liabilities must be presented at their original input value, in a way that makes it possible to reconcile each input value directly with its original source.

The structure of accounts presented in Level 0 must be built following the same structure employed for the Designated Service Providers' Statutory Financial Statements, based on International Financial Reporting Standards

(IFRS). In the case of accounts corresponding to fixed assets, the structure of the Designated Service Providers' Fixed Asset Register (FAR) must be used, provided it is fully consistent with International Financial Reporting Standards (IFRS).

The structure of the accounts in Level 0 must facilitate and streamline the data-importing process (e.g. from the FAR to the Accounting Separation System).

The sub-sections that follow provide a detailed description of the three major levels of the Accounting Separation System architecture.

4.1.1. Level 1 – Accounts by Nature: Revenues

In the first level of the Accounting Separation System, revenue items from the Statutory Financial Accounts are grouped into accounts according to their nature, with the objective of facilitating allocation to services (Level 3). Depending on their nature, these revenue accounts can be classified into the following major categories:

- **Operating revenues** obtained from core business services (mainly telecommunications services) that are provided by the Designated Service Providers.

- **Non-operating revenues** obtained from transactions that are not directly related to the core business operations of the Designated Service Providers (e.g. financial activities or asset sales).

The minimum required disaggregation under each of the above categories is presented in Appendix A.

4.1.2. Level 1 – Accounts by Nature: Costs

In addition to revenue accounts, Level 1 must include all the costs incurred by the Designated Service Providers in a fiscal year according its Statutory Financial Statements, as well as the cost of capital (see section 3.2.4).

These cost accounts can be classified into the following major categories:

- **Operational costs** incurred by the Designated Service Providers as a result of operations that are necessary to provide core business related services.

- **Capital-related costs** arising from the depreciation, amortization and cost of capital for fixed assets of the Designated Service Providers' assets.

- **Working capital**, as per the calculation methodology indicated in section 3.2.4.

- **Costs not relevant for Accounting Separation**, including all other costs that are not relevant to carry out daily operations related to the core business services, such as financial costs, revaluation adjustments for CCA, non-current provisions, etc.

The minimum required disaggregation under each of the above categories is presented in Appendix A.

4.1.3. Level 2 – Activities and Network Elements

The second level of the Accounting Separation System contains a disaggregation of the Level 1 cost accounts in accordance with their associated activities and network elements.

Specifically, Level 2 accounts can be classified into the following major categories:

- **Network components**, including costs that are directly related to the operation of the Designated Service Providers' networks.

- **Non-network components**, including costs that are not directly related to the Designated Service Providers' networks, such as customer service, marketing or advertising activities.

- **Direct costs of sales**, reflecting costs that have a direct relationship with the provision of services, such as costs for interconnection traffic or for the sale of terminals.

- **Common costs**, which include the costs associated with the administration and general management of the Designated Service Providers.

- **Costs not relevant for Accounting Separation**, reflecting all costs that are not relevant for Accounting Separation, including those costs associated to the homonymous account in Level 1.

The minimum required disaggregation under each of the above categories is presented in Appendix A.

4.1.4. Level 3 – Services

Level 3 must reflect the results of revenues and costs allocation to the services provided by the Designated Service Providers, which can be classified according to the following major categories:

- **Retail services** offered by the Designated Service Providers to their end-users, such as home telephone services and internet access.

- **Wholesale services** offered to other service providers, through which they can perform their operational activities in the telecommunications sector.

- **Services not relevant for Accounting Separation**, reflecting the revenues and costs that are not relevant for the Accounting Separation.

After allocating revenues and costs to final services, the transfer charges between the retail and wholesale services must also be applied.

Finally, it will be necessary to obtain the margin at the service level through the following calculation:

$$Margin_{Service} = Revenues_{Service} - Costs_{Service}$$

The minimum required disaggregation under each of the above categories is presented in Appendix A.

4.2. Accounting Separation Allocation Phases

In line with the general architecture of the Accounting Separation System explained in the previous section, revenues and costs must be allocated to services through a three-phased approach, starting from Level 0:

- **Phase A**, where the revenues and costs are extracted from the Designated Service Providers' Statutory Financial Statements and are organized and grouped according to their nature.
- **Phase B**, where costs are distributed to activities and network elements according to their level utilization, for which the definition of allocation rules will be necessary. Revenues are not allocated in this phase, as they are not used in the Level 2 of the Accounting Separation.
- **Phase C**, where both revenues and costs are allocated to services and transfer charges are applied.

In line with the principle of "Transparency", it must be possible to trace costs and revenues associated with each account at each allocation phase. In particular, all costs must be allocated from one level to the following one, so that a clear direct link (reconciliation) is present between the overall costs (and revenues) included in each level.

Appendix B includes a set of guidelines for the allocation of revenue and cost accounts across the above-mentioned allocation phases.

Question 8: Do you agree with the defined architecture of the Accounting Separation System?

Please explain your views and their rationale, and provide any information that supports your arguments.

5. Implementation, Monitoring and Supervision Process of Accounting Separation

The Exhibit below provides a summary overview of the Implementation, Monitoring and Supervision Process of Accounting Separation:

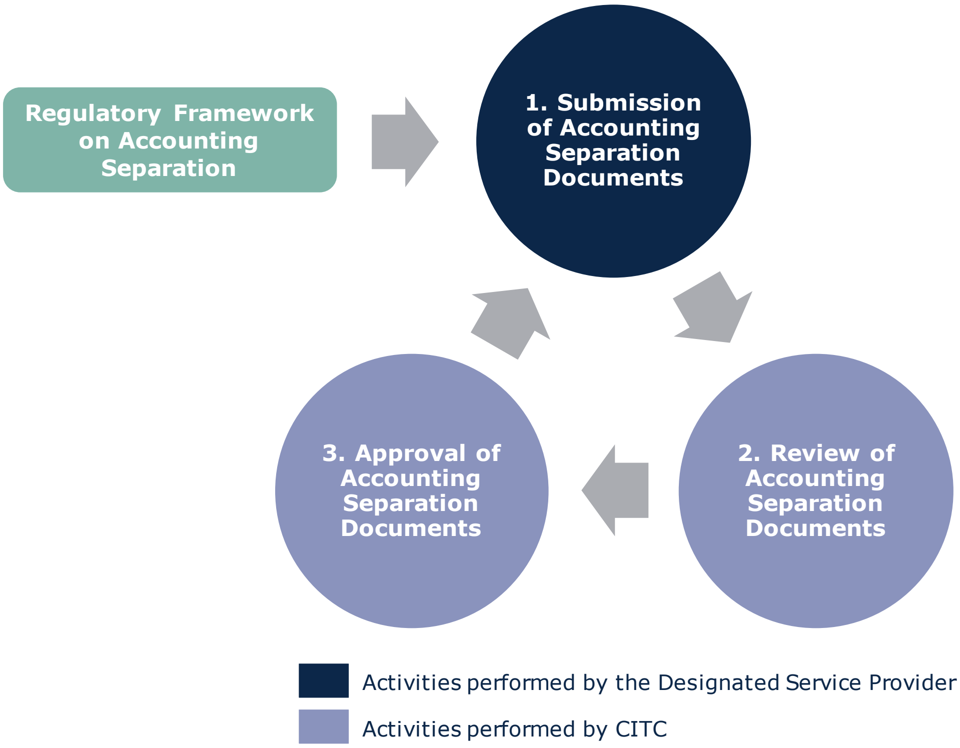

Exhibit 5.1: Overview of the Implementation, Monitoring and Supervision Process of Accounting Separation

As shown in the above exhibit, once the Regulatory Framework on Accounting Separation has been published, the implementation, monitoring and supervision process will comprise three phases, as explained in detail in the following sub-sections:

- Submission of Accounting Separation Documents (section 5.1)
- Review of Accounting Separation Documents (section 5.2)
- Approval of Accounting Separation Documents (section 5.3)

Finally, section 5.4 explains the specific timeframe for the execution of the above phases.

Although the above Exhibit shows the general recurring process, for the first implementation, there will be an intermediate step, wherein the Designated Service Providers must firstly submit an Accounting Separation Manual, which needs to be approved by CITC prior to the submission of the full set of AS Documents (see section 5.4.1).

5.1. Submission of Accounting Separation Documents

The Designated Service Providers must prepare and submit to the Commission three sets of Accounting Separation Documents, namely:

- Accounting Separation Manual
- Accounting Separation Results
- Technical Studies

The above Accounting Separation Documents must be reviewed and mutually approved by the Designated Service Providers' Chief Financial Officer and Chief Regulatory Officer (or equivalent functions reporting directly to the Chief Executive Officer). To this end, the "Management Responsibility Statement" included in Appendix C must be signed by the Designated Service Providers' Chief Financial Officer and Chief Regulatory Officer (or equivalent functions reporting directly to the Chief Executive Officer) and provided to the Commission along with the above-mentioned Accounting Separation Documents.

The Accounting Separation Documents, alongside the Management Responsibility Statement and the Statutory Financial Statements, must be submitted to the Commission through the e-mail address "AS-Project@citc.gov.sa", as follows:

- One (1) electronic copy of the "Accounting Separation Documents" in MS Word/MS Excel format (not protected), depending on the nature of the document.

- One (1) electronic copy of the "Management Responsibility Statement" in PDF format.
- One (1) electronic copy of the Statutory Financial Statements.

The following paragraphs provide details on the specific information to be submitted by the Designated Service Providers.

5.1.1. Accounting Separation Manual

The Designated Service Providers must present an "Accounting Separation Manual", in which the methodological approach adopted for the implementation of the Accounting Separation is explained in detail.

The Accounting Separation Manual must be self-explanatory, well structured, provide a complete overview to a third party and be in full compliance with the provisions of the Regulatory Framework and the Guidelines and Rules.

More specifically, the Accounting Separation Manual must include, at a minimum, the following elements:

A) Design and structure of the Accounting Separation System

This item must contain the details of the list of revenue and cost accounts in each level together with their descriptions. To this end, the Designated Service Providers must use the same format with that of the tables shown in Appendix A.

B) Allocation criteria of costs and revenues

This item must explain the methodology adopted to allocate each of the cost and revenue accounts of the Accounting Separation System. As explained in section 3.3, the allocation methodologies must follow the principles of "Causality", "Non-discrimination" and "Objectivity". To this end, the Designated Service Providers must use the following template:

Account - Origin	Account - Destination	Allocation criteria
Personnel	Commercial	According to an Activity Based Costing exercise that relates the dedication and salaries of the employees to activities within the organisation.
	Billing	
	…	

Account - Origin	Account - Destination	Allocation criteria
Land and constructions	Media Gateway (MGW)	According to the utilized area (in square meters) of each equipment.
	Access Gateway (AGW)	
	Broadband Remote Access Server (BRAS)	
	2G Controllers	
	3G Controllers	
	…	
…	…	

This information will have to be presented for each of the following allocation phases:

- Allocation of cost accounts from Level 0 to Level 1
- Allocation of revenue accounts from Level 0 to Level 1
- Allocation of cost accounts from Level 1 to Level 2
- Allocation of revenue accounts from Level 1 to Level 3
- Allocation of cost accounts from Level 2 to Level 3

C) Principles for the CCA revaluation

This item must contain a detailed description of the methodological principles used for the revaluation of the assets. To this end, the Designated Service Providers must use the following template:

Asset category[5]	Useful life (years)	Gross Book Value (HCA)	Net Book Value (HCA)	Cumulated Depreciation (HCA)	Annual depreciation charges (HCA)	CCA Revaluation method[6]
Account 1						
Account 2						
…						
TOTAL						

The above template must be accompanied by:

- A justification, per asset category, describing why the selected CCA revaluation method is expected to be the most appropriate alternative.
- A detailed description, per asset category, on how the CCA revaluation methodology is expected to be implemented (e.g. expected sources of information to implement absolute valuation or indexes employed for the implementation of the indexation methodology).
- A description of the methodology (explanations, formulas, etc.) to calculate the annual depreciation charges under the CCA conventions.

D) Transfer charges

This item must contain a detailed description of the methodology, principles and parameters used to calculate transfer charges between the retail and wholesale units for the services (Level 3) included in the Accounting Separation System. To this end, the Designated Service Providers must use the following template:

[5] Asset categories must correspond to the accounts included in "Costs associated with capital" of "Level 1 – Accounts by Nature: Costs" indicated in Appendix A.
[6] Designated Service Providers must indicate the revaluation method for each asset category, as per the options defined in section 3.2.2: absolute valuation, modern equivalent asset, indexation, no revaluation.

Retail services[7]	Wholesale services[8]	Unitary transfer charge applied	Reference[9]	Sources used for the determination of transfer charges[10]
Retail service 1	Wholesale service 1			
	Wholesale service 2			
	…			
…	…			

E) WACC calculation

This item must contain a detailed description of the parameters used to calculate the WACC. To this end, the Designated Service Providers must use the following template:

Parameter	Value	Source of reference[11]
Equity (E)		
Debt (D)		
Cost of debt (Kd)		
Risk-free rate (rf)		
Levered beta (β)		
Equity Risk Premium (ERP)		
Cost of equity (Ke)		
Tax Rate (T)		
WACC		

5.1.2. Accounting Separation Results

The Designated Service Providers must present the "Accounting Separation Results", following the formats provided in the Appendix D.

These must include, at a minimum:

[7] Retail services must correspond to the accounts of "Level 3 – Services" indicated in Appendix A.
[8] Wholesale services must correspond to the accounts of "Level 3 – Services" indicated in Appendix A.
[9] This corresponds to the references indicated in section 3.4, i.e. regulated tariffs, arm's length price, average unit revenue, average unit cost.
[10] This is intended to provide further details of the reference, e.g. wholesale regulated tariff pertaining to the Reference Interconnection Offer.
[11] The sources of reference presented should be public and need to be accompanied by a link that allows the review of all the figures included in this template.

- Accounting Separation Results
- Reconciliation Statement Between the Accounting Separation and the Statutory Financial Statements
- Allocation Matrices
- Assets information

5.1.3. Technical Studies

The Designated Service Providers must present three (3) "Technical Studies" that provide additional details about some critical cost allocation criteria used in the Accounting Separation System, in particular:

- *Infrastructure study*, describing the methodology (and underlying numbers) used for the allocation of the civil infrastructure costs to activities and network elements.
- *Energy study*, describing the methodology (and underlying numbers) used for the allocation of electricity costs to activities and network elements.
- *Routing factors study*, identifying the level of utilization of the network elements by wholesale services, in such a way that the matrix of routing factors can be constructed for the distribution of costs in the Phase B.

Question 9: Do you agree with the defined procedure for the Submission of the Accounting Separation Documents?

Please explain your views and their rationale, and provide any information that supports your arguments.

5.2. Review of Accounting Separation Documents

An external reviewer, appointed by the Commission, must review the Accounting Separation Documents submitted by the Designated Service Providers.

The main objectives of the review are to:

- Strengthen confidence in the Accounting Separation results, particularly in the first years of implementation.
- Suggest changes (if appropriate) to the systems, reports and documentation to assure compliance with the present Guidelines and Rules.
- Ensure compliance with the Accounting Separation principles, criteria and conditions defined in the present Guidelines and Rules.
- Support the Commission in the approval of the Accounting Separation Documents.

The Designated Service Providers must provide full support to the reviewer and permit access to:

- Premises
- Accounting and database systems
- Experts and personnel
- All information and support required in the fulfilment of his tasks.

The Designated Service Providers must prepare their systems, personnel and resources to support the reviewer's tasks. In particular, the Designated Service Providers must be able to successfully respond, within a maximum of five (5) days, to any question or request posed by the reviewer in written or oral form.

As a result of the reviewing process, the reviewer must submit to the Commission a "Review Report", which may include:

- Detailed description of the analyses/reviews performed.
- Results and conclusions from each of the reviews.
- Impact analysis.

- Recommendations for improvements to be implemented by the Designated Service Providers in their Accounting Separation System and Documents.

- Letter recommending to approve, to conditionally approve or to reject the Accounting Separation Documents.

Question 10: Do you agree with the defined procedure for the Review of the Accounting Separation Documents?

Please explain your views and their rationale, and provide any information that supports your arguments.

5.3. Approval of Accounting Separation Documents

The Commission must notify to the Designated Service Providers a decision on the adequacy of the Accounting Separation Documents. This decision may consist of an approval, conditional approval or rejection.

In the event of conditional approval, the Designated Service Providers must implement the modifications and amendments required by the Commission. Subsequently, the Commission must again notify to the Designated Service Providers a decision, which can only consist of an approval or a rejection of the Accounting Separation Documents.

Question 11: Do you agree with the defined procedure for the Approval of the Accounting Separation Documents?

Please explain your views and their rationale, and provide any information that supports your arguments.

5.4. Timeframe for Submission, Review and Approval of Accounting Separation Documents

5.4.1. First Implementation of the Accounting Separation

Within three (3) months of approving these Guidelines and Rules, the Designated Service Providers must submit to the Commission their proposed Accounting Separation Manual (see section 5.1.1).

Within two (2) months of receiving the Accounting Separation Manual, the Commission must notify to the Designated Service Providers its decision on the adequacy of that manual, which can be:

- **Approval**, if the Designated Service Providers fully comply with the requirements for the Accounting Separation Manual defined in section 5.1.1 of these Guidelines and Rules.
- **Conditional approval,** if the Designated Service Providers only partially comply with the requirements for the Accounting Separation Manual defined in section 5.1.1 of these Guidelines and Rules.
    - In the event of conditional approval, the Designated Service Providers must implement the modifications and amendments required by the Commission in the adequacy notification. The Designated Service Providers must submit a revised Accounting Separation Model within one (1) month of receipt of the notification.
    - Within one (1) month of receipt of the revised Accounting Separation Manual, the Commission must again notify to the Designated Service Providers a decision on its adequacy, which can only consist of an approval or a rejection. In the event of the Accounting Separation Manual's rejection, the Commission may apply preliminary measures, as provided under the Regulatory Framework.
- **Rejection**, if the Designated Service Providers fail to comply with the requirements for the Accounting Separation Manual defined in section 5.1.1 of these Guidelines and Rules. In the event of the Accounting

Separation Manual's rejection, the Commission may apply preliminary measures, as provided under the Regulatory Framework.

Once the Accounting Separation Manual is approved by the Commission, the Designated Service Provider must submit to the Commission all the Accounting Separation Documents (see section 5.1) for the previous financial year, no later than four (4) months after the approval of the Accounting Separation Manual. Within four (4) months of receiving the Accounting Separation Documents, the Commission must provide the Designated Service Providers with a decision on the Accounting Separation's adequacy, which can be:

- **Approval**, in case the Designated Service Providers fully comply with the requirements of these Guidelines and Rules.
- **Conditional approval,** in case the Designated Service Providers partially comply with the requirements of these Guidelines and Rules.
    - In the event of conditional approval, the Designated Service Providers must implement the modifications and amendments required by the Commission in its notification. The Designated Service Providers must submit a revised version of the Accounting Separation Documents within one (1) month of receiving the notification.
    - Within one (1) month of receiving the revised Accounting Separation Documents, the Commission must again notify to the Designated Service Providers a decision on the Accounting Separation's adequacy, which can consist only of an approval or a rejection. In the event of the Accounting Separation Documents' rejection, the Commission may apply preliminary measures, as provided under the Regulatory Framework.
- **Rejection**, if the Designated Service Providers fail to comply with the requirements of these Guidelines and Rules. In the event of the Accounting Separation Documents' rejection, the Commission may apply preliminary measures, as provided under the Regulatory Framework.

Question 12: Do you agree with the defined timeframe for the first implementation of the Accounting Separation?

Please explain your views and their rationale, and provide any information that supports your arguments.

5.4.2. Subsequent Implementations of the Accounting Separation

The Designated Service Provider must submit to the Commission, on an annual basis, all the Accounting Separation Documents (see section 5.1) for the previous financial year, no later than July 31.

Within four (4) months of receiving the Accounting Separation Documents, the Commission must provide the Designated Service Providers with a decision on the Accounting Separation's adequacy, which can be:

- **Approval**, in case the Designated Service Providers fully comply with the requirements of these Guidelines and Rules.

- **Conditional approval,** in case the Designated Service Providers partially comply with the requirements of these Guidelines and Rules.

    - In the event of conditional approval, the Designated Service Providers must implement the modifications and amendments required by the Commission in its notification. The Designated Service Providers must submit a revised version of the Accounting Separation Documents within one (1) month of receiving the notification.

    - Within one (1) month of receiving the revised Accounting Separation Documents, the Commission must again notify to the Designated Service Providers a decision on the Accounting Separation's adequacy, which can consist only of an approval or a rejection. In the event of the Accounting Separation Documents' rejection, the Commission may apply preliminary measures, as provided under the Regulatory Framework.

- **Rejection**, if the Designated Service Providers fail to comply with the requirements of these Guidelines and Rules. In the event of the

Accounting Separation Documents' rejection, the Commission may apply preliminary measures, as provided under the Regulatory Framework.

Question 13: Do you agree with the defined timeframe for the subsequent implementations of the Accounting Separation?

Please explain your views and their rationale, and provide any information that supports your arguments.

Appendix A. Minimum Required Disaggregation of the Accounting Separation Levels

This section presents the minimum disaggregation of accounts across the different levels of the Accounting Separation System.

Should the Designated Service Provider propose any change (e.g. propose new accounts, eliminate certain accounts) to the accounts provided below, detailed justifications must be provided in the Accounting Separation Manual.

Level 1 – Accounts by Nature: Revenues

Account	Description
Operating revenues	
Connection fees – fixed telephony	Non-recurring retail fees related to the activation of fixed telephony services.
Connection fees – fixed internet	Non-recurring retail fees related to the activation of fixed internet services.
Connection fees – mobile	Non-recurring retail fees related to the activation of mobile services.
Connection fees – IPTV	Non-recurring retail fees related to the activation of IPTV services.
Recurring fees – fixed access (standalone)	Retail recurring fees related to the fixed access provision service (standalone, i.e. not included in bundles).
Recurring fees – fixed telephony (standalone)	Retail recurring fees related to fixed telephony services (standalone, i.e. not included in bundles).
Recurring fees – fixed internet (standalone)	Retail recurring fees related to fixed internet services (standalone, i.e. not included in bundles).
Recurring fees – mobile (standalone)	Retail recurring fees related to mobile services (standalone, i.e. not included in bundles).
Recurring fees – IPTV (standalone)	Retail recurring fees related to IPTV services (standalone, i.e. not included in bundles).
Recurring fees – Bundle Fixed access + fixed telephony + fixed internet	Retail recurring fees related to bundles of fixed access + fixed telephony + fixed internet.
Recurring fees – Bundle Fixed access + fixed telephony + mobile	Retail recurring fees related to bundles of fixed access + fixed telephony + mobile.
Recurring fees – Bundle Fixed access + fixed telephony + fixed internet + mobile	Retail recurring fees related to bundles of fixed access + fixed telephony + fixed internet + mobile.
Recurring fees – Bundle Fixed access + fixed telephony + fixed internet + IPTV	Retail recurring fees related to bundles of fixed access + fixed telephony + fixed internet + IPTV.
Recurring fees – other bundles	Retail recurring fees related to other bundles not included in the previous accounts.

Account	Description
Traffic – fixed voice	Retail revenues related to the use of fixed voice minutes not included in the fixed telephony recurring fees.
Traffic – mobile voice	Retail revenues related to the use of mobile voice minutes not included in the mobile recurring fees.
Traffic – mobile data	Retail revenues related to the use of mobile data not included in the mobile recurring fees.
Traffic – messaging	Retail revenues related to the use of text messages not included in the mobile recurring fees.
Data connectivity	Retail revenues related to national and international connectivity services, including point-to-point or point-to-multipoint, using physical or virtual capacity.
Sales of terminals and equipment	Retail revenues related to the sale of terminals (e.g. mobile devices) and equipment (e.g. routers) to end-users.
Wholesale broadband access	Wholesale revenues related to wholesale broadband access services, including bitstream (and ancillary services), line sharing, virtual unbundling (VULA) and broadband resale.
Wholesale physical local fixed access	Wholesale revenues related to wholesale physical local fixed access services, including local loop access services and access to passive infrastructure.
Wholesale fixed interconnection	Wholesale revenues related to wholesale fixed interconnection services, including call origination, call termination and transit.
Wholesale leased line services and managed network transmission services	Wholesale revenues related to the provision of wholesale access segment or trunk segment of leased line services and managed network transmission services.
Wholesale termination	Wholesale revenues related to termination services.
Wholesale MVNO	Wholesale revenues related to MVNO services.
Wholesale National Roaming	Wholesale revenues related to National Roaming services.
Other retail revenues	Retail revenues received related to the provision of other retail services to end-users (e.g. content, value-added services, etc.).
Other wholesale revenues	Wholesale revenues related to the provision of other wholesale services to other service providers.
Non-operating revenues	
Financial revenues	Revenues related to financial operations.
Asset disposal revenues	Revenues related to the disposal of assets.
Revenues not relevant for Accounting Separation	Revenues that are not relevant for Accounting Separation.

Exhibit 5.1: Minimum required disaggregation of "Level 1 – Accounts by Nature: Revenues"

Level 1 – Accounts by Nature: Costs

Account	Description
Operational costs	
Access to international internet	Costs related to access to international internet.
Termination to national destinations (fixed)	Costs related to the termination of fixed voice traffic on networks of other national service providers.
Termination to national destinations (mobile)	Costs related to the termination of mobile traffic on networks of other national service providers.
Termination to international destinations (fixed)	Costs related to the termination of fixed traffic on networks of international service providers.

Account	Description
Termination to international destinations (mobile)	Costs related to the termination of mobile traffic on networks of international service providers.
National roaming – voice	Costs related to the use of other national service providers' networks for the provision of mobile voice services.
National roaming – data	Costs related to the use of other national service providers' networks for the provision of mobile data services.
National roaming – messaging	Costs related to the use of other national service providers' networks for the provision of mobile messaging services.
International roaming – voice	Costs related to the use of other international service providers' networks for the provision of mobile voice services.
International roaming – data	Costs related to the use of other international service providers' networks for the provision of mobile data services.
International roaming – messaging	Costs related to the use of other international service providers' networks for the provision of mobile messaging services.
Costs of selling terminals and equipment	Costs of terminals (e.g. mobile devices) and equipment (e.g. routers) sold to end-users.
Personnel	Costs related to salary payments, incentives, contributions to pension plans, social security, etc.
Rental and leasing	Costs related to rental and leasing of buildings, lands, etc.
Maintenance	Costs related to the maintenance of network and non-network elements.
Energy	Costs related to the use of electricity.
Commissions	Costs of commissions paid to distributors associated with the subscription, retention, customer loyalty, etc.
Professional services	Costs related to professional services (auditors, consultants, etc.).
Advertising	Costs of advertising activities, advertising campaigns, events, fairs, exhibitions, etc.
Supplies	Costs of renting circuits and other supplies.
Inventories	Costs related to inventory.
Provisions	Costs related to provisions for insolvency.
Fees and taxes	Costs related to fees and taxes related to core business activities. Income tax or Zakat must be not included.
Other operational costs	Other operational costs not included in the previous accounts.
Capital-related costs[12]	
Fixed access network	
Access copper cabling	Copper cabling in the fixed access network.
Access fibre cabling	Fibre cabling in the fixed access network.
Access ducts	Ducts containing the network cables of the fixed access network.
Access subducts	Subducts containing fibre cables of the fixed access network.
Trenches	Excavations carried out on the ground for the installation of cables of the fixed access network.
Poles	Masts used for laying aerial copper and fibre optic cables of the fixed access network.

[12] As explained in section 4.1.2, these accounts must gather assets' depreciation, amortization and cost of capital.

Account	Description
Mobile access network	
Mobile access sites	Physical space used to install the base stations of the mobile access network.
Towers	Structures used to support transmission antennas and mobile radio access equipment.
2G access equipment	Base stations for the 2G network, as well as their corresponding antennas and transmitters.
3G access equipment	Base stations for the 3G network, as well as their corresponding antennas and transmitters.
4G access equipment	Base stations for the 4G network, as well as their corresponding antennas and transmitters.
Single RAN elements	Access equipment that allows the simultaneous provision of mobile services under 2G, 3G and 4G technologies.
Fixed switching network	
Main Distribution Frame (MDF)	Frame located in a telephone exchange for the distribution of signals to connect network and telecommunications equipment of the copper network to the cables and equipment of the service provider.
Optical Distribution Frame (ODF)	Frame used to interconnect the telephone network with multiple intermediate distribution points of the fibre access network.
DSLAM/MSAN	Multiplexers located in the telephone exchange that provide access to telephony and internet services.
Remote exchanges	Elements that allow the switching of telephony lines that enable the voice call service.
Local exchanges	Elements that allow the aggregation of traffic generated by different remote exchanges, being responsible for their switching.
Tandem exchanges	Elements that allow circuit traffic switching of the Time Division Multiple Access (TDM) network.
International exchanges	Elements that allow traffic switching of international circuits.
Edge routers	Elements that allow the traffic management generated in the access network of next generation networks (NGN).
Distribution routers	Elements that allow the traffic management traffic generated in the distribution network of next generation networks (NGN).
Transmission network	
Fixed-only transmission – Below local exchanges	Transmission links that are exclusive to fixed communications, connecting points below the local exchanges (e.g. local-local, remote-local, etc.).
Fixed-only transmission – Above local exchanges	Transmission links that are exclusive to fixed communications, connecting points above the local exchanges (e.g. local-tandem, tandem-core, etc.).
Mobile-only transmission	Transmission links that are exclusive to mobile communications.
Fixed and mobile transmission	Transmission links that are used for both mobile and fixed communications.
Core network	
Call Session Control Function (CSCF)	Elements responsible for the management and control of call sessions, including the three components S-CSCF (Serving CSCF), I-CSCF (Interrogating CSCF) and P-CSCF (Proxy CSCF).
Home Subscriber Server (HSS)	Element responsible for the storage of subscriber information, including authentication credentials, detail of subscribed services and identification of the attributed S-CSCF.

Account	Description
Interconnect Border Controller Function (IBCF)	Element responsible for session control in points of interconnection with other NGN networks.
Breakout Gateway Control Function (BGCF)	Element responsible for routing calls to destinations outside the service provider's network.
Media Gateway Controller Function (MGCF)	Element responsible for the control of the MGWs used to interconnect NGN networks with PSTN networks.
Access Gateway Control Function (AGCF)	Element that controls AGWs and supports SIP signalling for NGN networks. The AGCF has a role similar to the P-CSCF in TDM networks.
Media Gateway (MGW)	Element that is responsible for managing the circuit traffic calls between core locations.
Access Gateway (AGW)	Element that allows receiving data from TDM access networks.
Session Border Controller (SBC)	Element responsible for managing signalling, VoIP calls set-up and other multimedia connections based on IP.
Voicemail System (VMS)	System that allows users and subscribers to exchange personal voice messages and manage subscribers' voicemail.
Application Server (AS)	Element that enables voice and multimedia services on established sessions.
Policy and Charging Rules Function (PCRF)	Element responsible for managing network and billing policies.
Billing platform	Systems and functionalities involved in managing all the billing process in the network.
DNS Server	Database that contains the information needed to translate internet domain names to their IP addresses.
International traffic switching equipment	Equipment responsible for traffic switching with other international networks.
Broadband Remote Access Server (BRAS)	Element responsible for the traffic routing of broadband remote access equipment, such as DSLAMs.
IPTV platforms	Platforms used to provide IPTV services.
2G controllers	BSC equipment responsible for the control of 2G access equipment.
3G controllers	RNC equipment responsible for the control of 3G access equipment.
Mobile Switching Centre Server (MSCS)	Element responsible for the management of voice and video calls in the mobile network.
Short Message Service Centre (SMSC)	Element responsible for the management, delivery and storage of short text messages in the mobile network.
Multimedia Messaging Service Centre (MMSC)	Element responsible for the management, delivery and storage of multimedia messages in the mobile network.
Gateway GPRS Support Node (GGSN)	Element responsible for the provision of data interconnection between the packet core and external packet networks like the Internet.
Serving GPRS Support Node (SGSN)	Element responsible for establishing packet data connections with end users and delivering data packets between them and the GGSN in both directions
Home Location Register (HLR)	Central database that contains the details of all the subscribers of the network, including data of the SIM cards and MSISDN numbers associated with each of them.
Mobile Management Entity (MME)	Main control point of subscribers and calls on NGN networks.
Serving Gateway (SGW)	Element responsible for the routing and delivery of packages.
Packet Data Network Gateway (PGW)	Element that connects the Designated Service Provider's network with other external networks.

Account	Description
Other elements	
Industrial property	Trademarks and brand.
Software applications	Software of network equipment and the corporate computer systems.
Electrical network and air conditioning	Auxiliary elements needed for operations associated with energy and cooling, including electrical sub-station, backup power sources (emergency plant), air conditioning, etc.
Land and buildings	Costs related to real estate capital (land, buildings, etc.).
Accessory elements	Support elements for operations such as furniture, transportation, etc.
Other elements	Other elements not included in the previous accounts.
Working capital[13]	
Cash and cash equivalents	Working capital related to the assets that provide immediate liquidity to carry out its daily operations.
Accounts receivable	Working capital related to the balance of money due for goods or services delivered or used but not yet paid for by customers.
Inventories	Working capital related to the goods that are ready for sale.
Other current assets	Working capital related to other current assets associated with core business activities.
Short term debt to suppliers	Working capital related to short-term debt (less than one year) to suppliers, as well as the portion of long-term debt to suppliers that must be paid during this period.
Deferred revenue	Working capital related to the liabilities associated with revenues that have already been received from customers, but the services for these revenues have not been provided.
Other current liabilities	Working capital related to other current liabilities associated with core business activities.
Costs not relevant for Accounting Separation	
Financial costs	Costs and interests and other charges involved in the borrowing of money to build or purchase assets.
Depreciation adjustments	Adjustments of the amortization and depreciation costs after the CCA revaluation of assets. These adjustments correspond to the difference between the original costs in the financial statements and the costs under CCA.
Other cost items	Other costs not related to the provision of telecommunications services.

Exhibit 5.2: Minimum required disaggregation of "Level 1 – Accounts by Nature: Costs"

Level 2 – Activities and Network Elements

Account	Description
Network components	
Fixed access network	
In-building copper cabling	Copper cabling from the Final Drop Point (FDP) to the Network Termination Point (NTP) located inside of the end-user's premises.

[13] As explained in section 4.1.2, these accounts must represent the working capital associated with current assets and liabilities.

Account	Description
In-building fibre cabling	Fibre cabling from the Final Drop Point (FDP) to the Network Termination Point (NTP) located inside of the end-user's premises.
Primary network – copper	Copper cabling between the main distribution frame and the distribution point of the access network.
Secondary network – copper	Copper cabling between the distribution point and the FDP.
Primary network – fibre	Fibre cabling between the optical distribution frame and the distribution point of the access network.
Secondary network – fibre	Fibre cabling between the distribution point and the FDP.
Primary network – ducts	Ducts containing the primary network cables.
Secondary network – ducts	Ducts containing the secondary network cables.
Subducts	Subducts containing fibre cables.
Trenches	Excavations carried out on the ground for the installation of cables.
Poles	Masts used for laying aerial copper and fibre optic cables.
Other elements of the fixed access network	Other elements of the fixed access network not included in the previous accounts.
Mobile access network	
Mobile access sites	Physical space used to install the base stations of the mobile access network.
Towers	Structures used to support transmission antennas and mobile radio access equipment.
2G access equipment	Base stations for the 2G network, as well as their corresponding antennas and transmitters.
3G access equipment	Base stations for the 3G network, as well as their corresponding antennas and transmitters.
4G access equipment	Base stations for the 4G network, as well as their corresponding antennas and transmitters.
Single RAN elements	Access equipment that allows the simultaneous provision of mobile services under 2G, 3G and 4G technologies.
Other elements of the mobile access network	Other elements of the mobile access network not included in the previous accounts.
Fixed switching network	
Main Distribution Frame (MDF)	Frame located in a telephone exchange for the distribution of signals to connect network and telecommunications equipment of the copper network to the cables and equipment of the service provider.
Optical Distribution Frame (ODF)	Frame used to interconnect the telephone network with multiple intermediate distribution points of the fibre access network.
DSLAM/MSAN	Multiplexers located in the telephone exchange that provide access to telephony and internet services.
Remote exchanges	Elements that allow the switching of telephony lines that enable the voice call service.
Local exchanges	Elements that allow the aggregation of traffic generated by different remote exchanges, being responsible for their switching.
Tandem exchanges	Elements that allow circuit traffic switching of the Time Division Multiple Access (TDM) network.
International exchanges	Elements that allow traffic switching of international circuits.
Edge routers	Elements that allow the traffic management generated in the access network of next generation networks (NGN).

Account	Description
Distribution routers	Elements that allow the traffic management traffic generated in the distribution network of next generation networks (NGN).
Other switching equipment	Other elements of the switching network not included in the previous categories.
Transmission network	
Fixed-only transmission – Below local exchanges	Transmission links that are exclusive to fixed communications, connecting points below the local exchanges (e.g. local-local, remote-local, etc.).
Fixed-only transmission – Above local exchanges	Transmission links that are exclusive to fixed communications, connecting points above the local exchanges (e.g. local-tandem, tandem-core, etc.).
Mobile-only transmission	Transmission links that are exclusive to mobile communications.
Fixed and mobile transmission	Transmission links that are used for both mobile and fixed communications.
Submarine links	Transmission links through submarine cables.
Core network	
Call Session Control Function (CSCF)	Elements responsible for the management and control of call sessions, including the three components S-CSCF (Serving CSCF), I-CSCF (Interrogating CSCF) and P-CSCF (Proxy CSCF).
Home Subscriber Server (HSS)	Element responsible for the storage of subscriber information, including authentication credentials, detail of subscribed services and identification of the attributed S-CSCF.
Interconnect Border Controller Function (IBCF)	Element responsible for session control in points of interconnection with other NGN networks.
Breakout Gateway Control Function (BGCF)	Element responsible for routing calls to destinations outside the service provider's network.
Media Gateway Controller Function (MGCF)	Element responsible for the control of the MGWs used to interconnect NGN networks with PSTN networks.
Access Gateway Control Function (AGCF)	Element that controls AGWs and supports SIP signalling for NGN networks. The AGCF has a role similar to the P-CSCF in TDM networks.
Media Gateway (MGW)	Element that is responsible for managing the circuit traffic calls between core locations.
Access Gateway (AGW)	Element that allows receiving data from TDM access networks.
Session Border Controller (SBC)	Element responsible for managing signalling, VoIP calls set-up and other multimedia connections based on IP.
Voicemail System (VMS)	System that allows users and subscribers to exchange personal voice messages and manage subscribers' voicemail.
Application Server (AS)	Element that enables voice and multimedia services on established sessions.
Policy and Charging Rules Function (PCRF)	Element responsible for managing network and billing policies.
Billing platform	Systems and functionalities involved in managing all the billing process in the network.
DNS Server	Database that contains the information needed to translate internet domain names to their IP addresses.
International traffic switching equipment	Equipment responsible for traffic switching with other international networks.
Broadband Remote Access Server (BRAS)	Element responsible for the traffic routing of broadband remote access equipment, such as DSLAMs.
IPTV platforms	Platforms used to provide IPTV services.

Account	Description
2G controllers	BSC equipment responsible for the control of 2G access equipment.
3G controllers	RNC equipment responsible for the control of 3G access equipment.
Core sites (buildings)	Physical space (buildings) used to accommodate elements of the core network.
Mobile Switching Centre Server (MSCS)	Element responsible for the management of voice and video calls in the mobile network.
Short Message Service Centre (SMSC)	Element responsible for the management, delivery and storage of short text messages in the mobile network.
Multimedia Messaging Service Centre (MMSC)	Element responsible for the management, delivery and storage of multimedia messages in the mobile network.
Gateway GPRS Support Node (GGSN)	Element responsible for the provision of data interconnection between the packet core and external packet networks like the Internet.
Serving GPRS Support Node (SGSN)	Element responsible for establishing packet data connections with end users and delivering data packets between them and the GGSN in both directions
Home Location Register (HLR)	Central database that contains the details of all the subscribers of the network, including data of the SIM cards and MSISDN numbers associated with each of them.
Mobile Management Entity (MME)	Main control point of subscribers and calls on NGN networks.
Serving Gateway (SGW)	Element responsible for the routing and delivery of packages.
Packet Data Network Gateway (PGW)	Element that connects the Designated Service Provider's network with other external networks.
Other elements of the core network	Other elements of the core network not included in the previous categories.
Other network elements	
Electrical network and air conditioning	Auxiliary elements needed for operations associated with energy and cooling, including electrical sub-station, backup power sources (emergency plant), air conditioning, etc.
Non-network elements	
Commercial	Commercial functions such as gain and retention of customers, advertising, brand, product development, etc.
Billing	Control and management of billing to retail end-users.
Charging	Control and management of billing to other service providers.
Collection	Control and management of the payment collection from end-users.
Fees and taxes	Costs related to fees and taxes related to core business activities. Income tax or Zakat must be not included.
Loyalty programs	Customer loyalty management.
Direct costs of sales	
Access to international internet	Costs related to access to international internet.
Termination to national destinations (fixed)	Costs related to the termination of fixed voice traffic on networks of other national service providers.
Termination to national destinations (mobile)	Costs related to the termination of mobile traffic on networks of other national service providers.
Termination to international destinations (fixed)	Costs related to the termination of fixed traffic on networks of international service providers.

Account	Description
Termination to international destinations (mobile)	Costs related to the termination of mobile traffic on networks of international service providers.
National roaming – voice	Costs related to the use of other national service providers' networks for the provision of mobile voice services.
National roaming – data	Costs related to the use of other national service providers' networks for the provision of mobile data services.
National roaming – messaging	Costs related to the use of other national service providers' networks for the provision of mobile messaging services.
International roaming – voice	Costs related to the use of other international service providers' networks for the provision of mobile voice services.
International roaming – data	Costs related to the use of other international service providers' networks for the provision of mobile data services.
International roaming – messaging	Costs related to the use of other international service providers' networks for the provision of mobile messaging services.
Costs of selling terminals and equipment	Costs of terminals (e.g. mobile devices) and equipment (e.g. routers) sold to end-users.
Provisions	Costs related to provisions for insolvency.
Common costs	
G&A costs – retail	General and administrative expenses related to the provision of retail services.
G&A costs – network	General and administrative expenses related to the planning, management, monitoring, etc. of the network.
G&A costs – business	General and administrative expenses related to the general functioning of the business.
Costs not relevant for Accounting Separation	
Costs not relevant for Accounting Separation	Costs not relevant for Accounting Separation.

Exhibit 5.3: Minimum required disaggregation of "Level 2 – Activities and Network Elements"

Level 3 – Services

Account	Description
Retail services	
Activation services	
Mobile activation	Service related to the activation of mobile telephony services to the end-user (excluding traffic consumption included in mobile services).
Fixed telephony activation	Service related to the activation of fixed telephony services to the end-user (excluding access line, traffic consumption, etc.).
Fixed internet activation	Service related to the activation of fixed internet services to the end-user (excluding access line, traffic consumption, etc.).
IPTV activation	Service related to the activation of IPTV services to the end-user (excluding access line, traffic consumption, etc.).
Other activation services	Provision of alternative activation services not included in the previous accounts.
Mobile retail services	
Mobile data – National	Provision of mobile data traffic for end-users located in the country.

Account	Description
Mobile data – Roaming Out	Provision of mobile data traffic for end-users located outside the country.
Mobile voice on-net	Provision of mobile voice traffic within the Designated Service Provider’s network.
Mobile voice off-net – National	Provision of mobile voice traffic from a mobile end-user located in the country to a different service provider in the country.
Mobile voice off-net – International	Provision of mobile voice traffic from a mobile end-user located in the country to an international location.
Mobile voice – Roaming Out	Provision of mobile voice traffic to end-users that are located outside the country.
SMS on-net	Provision of mobile SMS within the Designated Service Provider’s network.
SMS off-net – National	Provision of mobile SMS from a mobile end-user located in the country to a different service provider in the country.
SMS off-net – International	Provision of mobile SMS from a mobile end-user located in the country to an international location.
Mobile SMS – Roaming Out	Provision of mobile SMS to end-users that are located outside the country.
MMS on-net	Provision of mobile MMS within the Designated Service Provider’s network.
MMS off-net – National	Provision of mobile MMS from a mobile end-user located in the country to a different service provider in the country.
MMS off-net – International	Provision of mobile MMS from a mobile end-user located in the country to an international location.
MMS – Roaming Out	Provision of mobile MMS to end-users that are located outside the country.
Videocalls on-net	Provision of mobile videocalls within the Designated Service Provider’s network.
Videocalls off-net – National	Provision of mobile videocalls from a mobile end-user located in the country to a different service provider in the country.
Videocalls off-net – International	Provision of mobile videocalls from a mobile end-user located in the country to an international location.
Videocalls – Roaming Out	Provision of mobile videocalls to end-users that are located outside the country.
Other mobile retail services	Provision of other mobile services not included in the previous accounts.
Fixed retail access services	
Access rental copper	Provision of a copper access line to an end-user.
Access rental fibre	Provision of a fibre access line to an end-user.
Other fixed retail access services	Provision of alternative access services not included in the previous accounts.
Fixed retail voice services	
Fixed voice on-net – Local	Provision of fixed voice traffic from a fixed location to other fixed locations belonging to the same network in the same local area.
Fixed voice on-net – National	Provision of fixed voice traffic from a fixed location to other fixed locations belonging to the same network in a different local area.

Account	Description
Fixed voice off-net – National	Provision of fixed voice traffic from a fixed location to fixed locations belonging to a different network within the country.
Fixed voice off-net – International	Provision of fixed voice traffic from a fixed location to an international location.
Fixed voice – Special numbers	Provision of fixed voice traffic from a fixed location to special numbers.
Other fixed retail voice services	Provision of other fixed voice services not included in the previous accounts.
Fixed retail broadband services	
Fixed retail broadband – ADSL/VDSL[14]	Provision of fixed broadband services to an end-user through ADSL/VDSL technologies.
Fixed retail broadband – FTTH[15]	Provision of fixed broadband services to an end-user through ADSL/VDSL technologies.
IPTV	Provision of IPTV services to an end-user.
Other fixed broadband services	Provision of other fixed broadband services not included in the previous accounts.
Retail leased lines	
Fast Ethernet – National	Provision of Fast Ethernet transmission between a given location within the country to a different location within the country.
Gigabit Ethernet – National	Provision of Gigabit Ethernet transmission between a given location within the country to a different location within the country.
10 Giga Ethernet – National	Provision of 10 Giga Ethernet transmission between a given location within the country to a different location within the country.
Fast Ethernet – International	Provision of Fast Ethernet transmission between a given location within the country to a location outside of the country.
Gigabit Ethernet – International	Provision of Gigabit Ethernet transmission between a given location within the country to a location outside of the country.
10 Giga Ethernet – International	Provision of 10 Giga Ethernet transmission between a given location within the country to a location outside of the country.
Other retail leased lines services	Provision of other leased lines services not included in the previous accounts.
Other retail services	
Sales of terminals and equipment	Provision of terminals (e.g. mobile devices) and equipment (e.g. routers) to end-users.
Other retail services	Provision of other retail services not included in the previous accounts
Wholesale services	
Mobile interconnection services	

[14] Designated Service Providers must disaggregate this service for the speeds that are commercially available (e.g. 2 Mbps, 4 Mbps, 6 Mbps, 8 Mbps, 16 Mbps, 24 Mbps, 40 Mbps, etc.).
[15] Designated Service Providers must disaggregate this service for the speeds that are commercially available (e.g. 50 Mbps, 80 Mbps, 100 Mbps, 200 Mbps, 300 Mbps, 400 Mbps, 500 Mbps, etc.).

Account	Description
Mobile voice termination from fixed network – National	Provision of mobile voice termination services in the network originated in another service provider's fixed network within the country.
Mobile voice termination from mobile network – National	Provision of mobile voice termination services in the network originated in another service provider's mobile network within the country.
Mobile voice termination – International	Provision of mobile voice termination services in the network originated in another service provider's international network.
Mobile SMS termination – National	Provision of mobile SMS termination services in the network originated in another service provider's network within the country.
Mobile SMS termination – International	Provision of mobile SMS termination services in the network originated in another service provider's international network.
Mobile MMS termination – National	Provision of mobile MMS termination services in the network originated in another service provider's network within the country.
Mobile MMS termination – International	Provision of mobile MMS termination services in the network originated in another service provider's international network.
Mobile videocalls termination – National	Provision of mobile videocalls termination services in the network originated in another service provider's network within the country.
Mobile videocalls termination – International	Provision of mobile videocalls termination services in the network originated in another service provider's international network.
Other mobile interconnection services	Provision of other mobile interconnection services not included in the previous accounts (e.g. origination, international roaming, etc.).
National roaming services	
National Roaming – Data	Provision of data traffic generated by national roaming users and delivered to their service providers' network in a core node.
National Roaming – Outgoing voice	Provision of mobile outgoing voice traffic originated by national roaming users and delivered to their service providers' network in a core node.
National Roaming – Incoming voice	Provision of mobile incoming voice traffic to national roaming users using the Designated Service Provider's network.
National Roaming – Outgoing SMS	Provision of mobile outgoing SMS originated by national roaming users and delivered to their service providers' network in a core node.
National Roaming – Incoming SMS	Provision of mobile incoming SMS to national roaming users using the Designated Service Provider's network.
Other national roaming services	Provision of other national roaming services not included in the previous accounts.
MVNO services	
MVNO – Data	Provision of data traffic to MVNO users.
MVNO – Outgoing voice	Provision of mobile outgoing voice traffic to MVNO users.
MVNO – Incoming voice	Provision of mobile incoming voice traffic to MVNO users.
MVNO – Outgoing SMS	Provision of mobile outgoing SMS to MVNO users.
MVNO – Incoming SMS	Provision of mobile incoming SMS to MVNO users.

Account	Description
Other MVNO services	Provision of other MVNO services not included in the previous accounts.
Fixed wholesale access services	
Wholesale Line Rental (WLR)	Provision of telephony services to other service provider's end-users without requiring the service provider's presence to the access node.
Local Loop Unbundling (LLU)	Provision of services in which an end user's local copper loop in the Designated Service Provider's network is disconnected from the rest of the Designated Service Provider's network and connected via a co-located Point of Access to the requesting service provider's network, from which services are provided to the end-user.
Local Sub Loop Unbundling (LSLU)	Provision of services in which an end user's local copper loop in the Designated Service Provider's network is disconnected from the rest of the Designated Service Provider's network at the Distribution Point (DP) and connected via a co-located point to the requesting service provider's network, from which services are provided to the end user.
Shared Local Loop Unbundling (SLLU)	Provision of a service similar to the LLU but, in this case, the requesting service provider is only granted the high frequencies of the local loop, which allows it to provide only broadband services to the end user.
Naked Bitstream Line	Provision of access to an end user's line which is not using Designated Service Provider's voice services.
Virtual Unbundling of the Local Access (VULA)	Provision of a service through which the requesting service provider can make use of the fibre access infrastructure of the Designated Service Provider to provide services to the end user.
Fibre Bitstream Line	Provision of fibre access line to the requesting service provider, over which a bitstream service will be provided.
Copper Resale Line	Provision of copper access line to the requesting service provider, over which a broadband resale service will be provided.
Fibre Resale Line	Provision of fibre access line to the requesting service provider, over which a broadband resale service will be provided.
Other fixed wholesale access services	Provision of other fixed wholesale access services not included in the previous accounts.
Fixed interconnection services	
Fixed voice termination from fixed network – National	Fixed voice termination from fixed network – National
Fixed voice termination from mobile network – National	Fixed voice termination from mobile network – National
Fixed voice termination – International	Fixed voice termination – International
Fixed voice termination – directory enquiries	Through this service, a service provider delivers a voice communication from an end user in a different network to a directory enquiry service residing in the network of the Designated Service Provider.
Fixed voice termination – non-geographic numbers	Through this service, a service provider delivers a voice communication from an end user in a different network to a non-geographic number residing in the network of the Designated Service Provider.

Account	Description
Fixed voice termination – emergency services	Through this service, a service provider delivers a voice communication from an end user in a different network to an emergency services number residing in the network of the Designated Service Provider.
Fixed voice origination – CS/CPS	Provision of the service that enables end-users connected to one service provider to choose to have some of their telephone calls carried by that service provider or by another service provider.
Fixed voice origination – intelligent services	Provision of the service in which the voice call originated by an end-user calling to an intelligent network number residing in another service provider's network.
Other fixed interconnection services	Provision of other fixed interconnection services not included in the previous accounts.
Wholesale broadband services	
Fixed wholesale broadband Bitstream – ADSL/VDSL[16]	Provision of ADSL/VDSL broadband traffic of a requesting service provider's end-user from the access node up to an edge router where the traffic is interconnected to the requesting service provider.
Fixed wholesale broadband Bitstream – FTTH[17]	Provision of FTTH broadband traffic of a requesting service provider's end-user from the access node up to an edge router where the traffic is interconnected to the requesting service provider.
Fixed wholesale broadband Resale – ADSL/VDSL[18]	Equivalent to retail broadband services but resold to another service provider.
Fixed wholesale broadband Resale – FTTH[19]	Equivalent to retail broadband services but resold to another service provider.
Other wholesale broadband services	Provision of other wholesale broadband services not included in the previous accounts.
Wholesale leased lines	
National trunk – Fast Ethernet	Provision by the Designated Service Provider of Fast Ethernet transmission between a given Designated Service Provider's Edge Router location within the country to a different Designated Service Provider's Edge Router Location within the country.
National trunk – Gigabit Ethernet	Provision by the Designated Service Provider of Gigabit Ethernet transmission between a given Designated Service Provider's Edge Router location within the country to a different Designated Service Provider's Edge Router Location within the country.
National trunk – 10 Giga Ethernet	Provision by the Designated Service Provider of 10 Giga Ethernet transmission between a given Designated Service Provider's Edge Router location within the country to a different Designated Service Provider's Edge Router Location within the country.

[16] Designated Service Providers must disaggregate this service for the speeds that are commercially available (e.g. 2 Mbps, 4 Mbps, 6 Mbps, 8 Mbps, 16 Mbps, 24 Mbps, 40 Mbps, etc.).
[17] Designated Service Providers must disaggregate this service for the speeds that are commercially available (e.g. 50 Mbps, 80 Mbps, 100 Mbps, 200 Mbps, 300 Mbps, 400 Mbps, 500 Mbps, etc.).
[18] Designated Service Providers must disaggregate this service for the speeds that are commercially available (e.g. 2 Mbps, 4 Mbps, 6 Mbps, 8 Mbps, 16 Mbps, 24 Mbps, 40 Mbps, etc.).
[19] Designated Service Providers must disaggregate this service for the speeds that are commercially available (e.g. 2 Mbps, 4 Mbps, 6 Mbps, 8 Mbps, 16 Mbps, 24 Mbps, 40 Mbps, etc.).

Account	Description
Terminating – Fast Ethernet	Provision to a requesting service provider by the Designated Service Provider of Fast Ethernet transmission between a given Designated Service Provider's Edge Router location within the country and a specific premise within the country.
Terminating – Gigabit Ethernet	Provision to a requesting service provider by the Designated Service Provider of Gigabit Ethernet transmission between a given Designated Service Provider's Edge Router location within the country and a specific premise within the country.
Terminating – 10 Giga Ethernet	Provision to a requesting service provider by the Designated Service Provider of 10 Giga Ethernet transmission facility between a given Designated Service Provider's Edge Router location within the country and a specific premise within the country.
Other wholesale leased lines services	Provision of other wholesale leased lines services not included in the previous accounts.
Wholesale access to passive infrastructure	
Access to towers/masts	Service through which Designated Service Provider shares the towers and masts of an access site with a requesting service provider.
Access to buildings and sites – Access	Service through which a requesting service provider can collocate equipment in the access sites (land, building, shelters, etc.) of the Designated Service Provider.
Access to ducts and trenches – Access	Service through which a requesting service provider can access the ducts and trenches of the access network of the Designated Service Provider.
Access to dark fibre – Access	Service through which a requesting service provider can access the dark fibre in the access network of the Designated Service Provider.
Access to buildings and sites – Core	Service through which a requesting service provider can collocate equipment in the core sites (land, building, shelters, etc.) of the Designated Service Provider.
Access to ducts and trenches – Core	Service through which a requesting service provider can access the ducts and trenches of the backbone network of the Designated Service Provider.
Access to dark fibre – Core	Fixed wholesale services through which a requesting service provider can access the dark fibre in the backbone network of the Designated Service Provider.
Other wholesale access services to passive infrastructure	Provision of other wholesale access services to passive infrastructure.
Other wholesale services	
Customer sited interconnection link	This service represents the costs of the transmission (backbone) to the Point of Interconnection (measured in Mbps). In this case, the end at third party's side is located within the premises.
In-span interconnection link	This service represents the costs of the transmission (backbone) to the Point of Interconnection (measured in Mbps). In this case, the end at third party's side is located outside the premises.
Transit – national	Through this service, a Designated Service Provider carries a communication from another service provider and delivers it to the network of a different service provider within the country, using its fixed network to provide transit to such communication. It gathers costs from the transmission network due to its capacity requirements, as well as from the core platforms responsible of handling the call.

Account	Description
Transit – transit international	Through this service, a Designated Service Provider carries a communication from another service provider and delivers it to the network of a different service provider outside the country, using its fixed network to provide transit to such communication. It gathers costs from the transmission network due to its capacity requirements, as well as from the core platforms responsible of handling the call.
International capacity – International connectivity	Service comprising the provision by the Designated Service Provider of international connectivity. This service includes the costs associated to the international links.
IP transit	Service by which the Designated Service Provider provides the other licensed service provider the national and/or international bandwidth for Internet (IP) traffic via the reference operator's Internet Gateway.
Private peering	Service where the Designated Service Provider facilitates the interconnection of its network with that of the other licensed service provider by creating a direct physical connection, so that both the networks can exchange mutually agreed balanced internet traffic between them. This service is considered to make use of the backbone in order to reach the peering point.
International roaming signalling IX	Service where the Designated Service Provider provides a port for international signalling transmission to another mobile licensed service provider for the sole purpose of facilitating international roaming. This service is not included the cost associated to rent of international capacity to reach the destination country.
Access to cable landing points	Service comprising the provision of access to cable landing points.
Other wholesale services	Other wholesale services not included in the previous accounts.
Services not relevant for Accounting Separation	
Services not relevant for Accounting Separation	Provision of services not relevant for Accounting Separation

Exhibit 5.4: Minimum required disaggregation of "Level 3 – Services"

Question 14: Do you agree with the minimum disaggregation of accounts required for each of the Accounting Separation Levels?

Please explain your views and their rationale, and provide any information that supports your arguments.

Appendix B. Allocation Criteria

This section provides certain guidelines that should help Designated Service Providers define the most appropriate criteria for the allocation of costs and revenues across the different levels of their Accounting Separation System.

The allocation criteria explained in this section are not exhaustive or mandatory. They are presented only as an indication to facilitate the implementation of the Accounting Separation System by the Designated Service Providers.

Allocation of revenues from Level 1 to Level 3

The main challenge of this allocation phase consists in the allocation of revenues generated through bundled commercial tariffs (e.g. voice and data packages) to services.

The Commission will not accept an allocation of these revenues to services based on their costs. Neither will the Commission accept the allocation of all the revenues of a bundled package to a single service. On the contrary, the allocation methodology presented by the Designated Service Provider must ensure that revenues are allocated to all the services included in the bundled package.

The Commission's preferred approach consists in the development of a statistical model that determines the implicit value of different services, taking into consideration the Designated Service Provider's service portfolio and commercial offers. Alternatively, using nominal service prices as the driver for this allocation could also be a valid approach.

Allocation of costs from Level 1 to Level 2

The following paragraphs contain high-level indications on how to carry out the allocation of some critical cost pools from Level 1 to Level 2:

- **Personnel costs:** these costs must be allocated based on an Activity Based Costing exercise that relates the dedication of the employees to well-defined activities within the organisation. This approach must recognize not only the worker's time commitment, but also their salary to ensure the causality of the cost allocation.

- **Support elements' costs (e.g. leases, buildings, repairs, energy, supplies):** these costs must be allocated to the activities or network elements that cause the costs to arise. For example:
    - For the distribution of the leases and buildings, the usage of the Designated Service Providers' premises must be analysed, distributing costs based on the area (square meters) utilized by each activity/network element. For example, if 10% of a building is occupied by MGW equipment, then 10% of cost of that building must be allocated to the 'MGW' account in Level 2.
    - The distribution of energy costs will be based on the electricity consumption of different activities and network elements in Level 2. The Designated Service Providers will have to evaluate the electrical consumption of their technical equipment, as well as of their administrative functions.
- **Network asset costs:** these costs will be allocated, in general, directly to the corresponding network elements in Level 2.

Allocation of costs from Level 2 to Level 3

The following information provides guidance on how to perform the allocation of some critical cost pools from Level 2 to Level 3:

- **Network components:** as a general rule, a matrix of routing factors must be defined, showing the usage of different network elements by the services defined in the Accounting Separation System. Whenever it is necessary to normalize the volume units of these services to ensure the applicability of this matrix, the conversions should be made based on technical measurements and related information should be shared with the Commission when required. Once the matrix of routing factors is created, it should be multiplied by the volumes of the services to reach the applicable allocation factors.

- **Non-network components:** these costs must be allocated to services through causal allocation criteria. For example, in the case of commercial costs, the degree of commercial attention dedicated to the provision of different services (or groups of services) should be identified to optimize the allocation of costs according to causality. On the other hand, if it is not possible to find a relation between costs and services, such as certain taxes, they can directly be allocated to services by using an equally proportional mark-up.

- **Direct costs of sales:** These costs will be allocated directly to the corresponding service (or services).

- **Common costs:** These costs could be distributed to services by using an equally proportional mark-up.

Question 15: Do you agree with the described guidelines for the allocation criteria of revenues and costs?

Please explain your views and their rationale, and provide any information that supports your arguments.

Appendix C. Management Responsibility Statement

We, [full names], [Chief Financial Officer and Chief Regulatory Officer (or equivalent functions reporting directly to the Chief Executive Officer)] of [Designated Service Provider], hereby solemnly declare that, to the best of our knowledge and belief having made all reasonable enquiry, the following attached documents have been prepared in accordance with [reference to the Commission's Decision approving the Regulatory Framework and Guidelines on Accounting Separation], that they are true and complete, and that nothing relevant for the purposes of Accounting Separation has been omitted:

- *[Insert list of Accounting Separation Documents submitted]*

[Signatures]

[Date]

Appendix D. Accounting Separation Result Presentation Formats

This section presents the formats, templates and guides that must be used by the Designated Service Providers for the presentation of the Accounting Separation Results.

Unless otherwise indicated, all the requested information presented in this Annex must be prepared for the last two years (year N and year N-1[20]) and under the two applicable cost conventions (HCA, CCA).

The remainder of this appendix has been structured as follows:

- Accounting Separation Results
- Reconciliation Statement Between the Accounting Separation and the Statutory Financial Statements
- Allocation Matrices
- Assets information

D.1. Accounting Separation Results

D.1.1. Results by Service Segment

The results by service segment must be presented in accordance with the following templates:

[20] For the first implementation of the Accounting Separation, year N-1 does not have to be provided.

Retail services

	Year	
	N-1	N
Revenues		
Revenues from the provision of services		
Costs		
Costs from the provision of services		
Transfer costs		
Margin *(Revenues – Costs)*		
% Margin over Revenues		

Exhibit 5.5: Results by service segment - Retail

Wholesale services

	Year	
	N-1	N
Revenues		
Revenues from delivery of services to other service providers		
Transfer revenues		
Costs		
Costs from the provision of services		
Margin *(Revenues – Costs)*		
% Margin over Revenues		

Exhibit 5.6: Results by service segment – Wholesale

D.1.2. Results by Service

The results for each of the services included in Level 3 of the Accounting Separation architecture must be presented in accordance with the following templates.

Service	Revenue (SAR)	Cost(SAR)	Margin (SAR)	Volume unit[21]	Volume quantity	Unit revenue (SAR/unit)	Unit cost (SAR/unit)	Unit margin (SAR/unit)
Retail services								
Service 1								
Service 2								
…								
Wholesale services								
Service 1								
Service 2								
…								
TOTAL								

Exhibit 5.7: Results by service

D.2. Reconciliation Statement Between the Accounting Separation and the Statutory Financial Statements

The Reconciliation statement between the Accounting Separation and the Statutory Financial Statements must be presented in accordance with the following template. The Designated Service Providers must provide appropriate justifications to clarify the reasons behind eventual differences (under the column 'Notes').

[21] The volume unit can be minutes, GB, connections, users, etc.

Information[22]	Statutory Financial Statements	Accounting Separation	Difference	Notes
Revenues				
Revenue Category 1				
Revenue Category 2				
…				
Costs				
Cost Category 1				
Cost Category 2				
…				
Assets				
Current asset 1				
Current asset 2				
…				
Non-current asset 1				
Non-current asset 2				
…				
Liabilities				
Current liabilities 1				
Current liabilities 2				
…				
Non-current liabilities 1				
Non-current liabilities 2				
…				

Exhibit 5.8: Reconciliation statement between the Accounting Separation and the Statutory Financial Statements

D.3. Allocation Matrices

The allocation of revenues and costs for each account of the Accounting Separation System must be presented in accordance with the following templates:

- Allocation from Revenues of the Statutory Financial Statements (Level 0) to Revenue Accounts by Nature (Level 1)

[22] The categories presented in this table must correspond to those presented in the Designated Service Providers' Statutory Financial Statements.

- Allocation from Costs of the Statutory Financial Statements (Level 0) to Cost Accounts by Nature (Level 1)
- Allocation from Cost Accounts by Nature (Level 1) to Activities and Network Elements (Level 2)
- Allocation from of Revenue Accounts by Nature (Level 1) to Services (Level 3)
- Allocation from Activities and Network Elements (Level 2) to Retail Services (Level 3)
- Allocation from Activities and Network Elements (Level 2) to Wholesale Services (Level 3)
- Transfer charges between Retail Services (Level 3) and Wholesale Services (Level 3)

D.3.1. Allocation from Revenues of the Statutory Financial Statements (Level 0) to Revenue Accounts by Nature (Level 1)

Revenue accounts of Statutory Financial Statements (Level 0)	Accounts by Nature – Revenues (Level 1)[23]	Year	
		N-1 (SAR)	N (SAR)
Financial Account 1	Account 1		
Financial Account 1	Account 2		
Financial Account 1	…		
…	…		
Financial Account 2	Account 3		
Financial Account 2	…		
…	…		
Financial Account N	…		

Exhibit 5.9: Allocation from Revenues of the Statutory Financial Statements (Level 0) to Revenue Accounts by Nature (Level 1)

[23] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.

D.3.2. Allocation from Costs of the Statutory Financial Statements (Level 0) to Cost Accounts by Nature (Level 1)

Cost accounts of Statutory Financial Statements (Level 0)	Accounts by Nature – Costs (Level 1)[24]	Year	
		N-1 (SAR)	N (SAR)
Financial Account 1	Account 1		
Financial Account 1	Account 2		
Financial Account 1	…		
Financial Account 2	Account 3		
Financial Account 2	…		
…	…		
Financial Account N	…		

Exhibit 5.10: Allocation from Costs of the Statutory Financial Statements (Level 0) to Cost Accounts by Nature (Level 1)

D.3.3. Allocation from Cost Accounts by Nature (Level 1) to Activities and Network Elements (Level 2)

Accounts by Nature – Costs (Level 1)[25]	Activities and Network Elements (Level 2)[26]	Year	
		N-1 (SAR)	N (SAR)
Account 1	Account 1		
Account 1	Account 2		
Account 1	…		
…	…		
Account 2	Account 2		
Account 2	Account 3		
…	…		
Account N	…		

Exhibit 5.11: Allocation from Cost Accounts by Nature (Level 1) to Activities and Network Elements (Level 2)

[24] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.
[25] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.
[26] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.

D.3.4. Allocation from of Revenue Accounts by Nature (Level 1) to Services (Level 3)

Accounts by Nature – Revenues (Level 1)[27]	Services (Level 3)[28]	Year	
		N-1 (SAR)	N (SAR)
Account 1	Account 1		
Account 1	Account 2		
Account 1	…		
…	…		
Account 2	Account 2		
Account 2	Account 3		
…	…		
Account N	…		

Exhibit 5.12: Allocation from of Revenue Accounts by Nature (Level 1) to Services (Level 3)

D.3.5. Allocation from Activities and Network Elements (Level 2) to Retail Services (Level 3)

Activities and Network Elements (Level 2)[29]	Retail Services (Level 3)[30]	Year	
		N-1 (SAR)	N (SAR)
Account 1	Retail service 1		
Account 1	Retail service 2		
Account 1	…		
…	…		
Account 2	Retail service 2		
Account 2	Retail service 3		
…	…		
Account N	…		

Exhibit 5.13: Allocation from Activities and Network Elements (Level 2) to Retail Services (Level 3)

[27] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.
[28] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.
[29] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.
[30] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.

D.3.6. Allocation from Activities and Network Elements (Level 2) to Wholesale Services (Level 3)

Activities and Network Elements (Level 2)[31]	Wholesale Services (Level 3)[32]	Year	
		N-1 (SAR)	N (SAR)
Account 1	Retail service 1		
Account 1	Retail service 2		
Account 1	…		
…	…		
Account 2	Retail service 2		
Account 2	Retail service 3		
…	…		
Account N	…		

Exhibit 5.14: Allocation from Activities and Network Elements (Level 2) to Wholesale Services (Level 3)

D.3.7. Transfer charges between Retail Services (Level 3) and Wholesale Services (Level 3)

[31] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.
[32] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.

Retail Services (Level 3)[33]	Wholesale Services (Level 3)[34]	Year N-1			Year N		
		Unitary transfer charge applied (SAR/unit)	Volume (unit)	Total (SAR)	Unitary transfer charge applied (SAR/unit)	Volume (unit)	Total (SAR)
Retail service 1	Wholesale service 1						
Retail service 1	Wholesale service 2						
Retail service 1	…						
…	…						
Retail service 2	Retail service 2						
Retail service 2	Retail service 3						
…	…						
Account N	…						

Exhibit 5.15: Transfer charges between Retail Services (Level 3) and Wholesale Services (Level 3)

D.4. Assets information

The information on the Designated Service Provider's assets must be presented in accordance with the following templates:

- Detailed Information by Asset
- Investment Activity by Asset
- Asset Revaluation Report

[33] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.
[34] This must correspond to the minimum required disaggregation of accounts as explained in **Error! Reference source not found.**.

D.4.1. Detailed Information by Asset

Asset category[35]	Useful life (years)	Gross Book Value (HCA) / Gross Replacement Cost (CCA)	Net Book Value (HCA) / Net Replacement Cost (CCA)	Cumulated Depreciation	Fully amortized plant	Annual depreciation charges	Cost of capital
Account 1							
Account 2							
…							
TOTAL							

Exhibit 5.16: Detailed information by asset

D.4.2. Investment Activity by Asset[36]

Asset category[37]	Gross book value as of 31-Dec (year N-**1**)	Acquisitions	Disposals	Transfers	Gross book value as of 31-Dec (year N)
Account 1					
Account 2					
…					
TOTAL					

Exhibit 5.17: Investment activity by asset

D.4.3. Asset Revaluation Report[38]

Asset category[39]	Unit Price (p)	Volume (q)	GRC (pxq)
Account 1			
Account 2			
…			

Exhibit 5.18: Asset revaluation report

[35] Asset categories must correspond to the accounts included in "Costs associated with capital" of "Level 1 – Accounts by Nature: Costs" indicated in Appendix A.
[36] This report must be presented only under HCA convention.
[37] Asset categories must correspond to the accounts included in "Costs associated with capital" of "Level 1 – Accounts by Nature: Costs" indicated in Appendix A.
[38] This report must be presented only under CCA convention.
[39] Asset categories must correspond to the accounts included in "Costs associated with capital" of "Level 1 – Accounts by Nature: Costs" indicated in Appendix A. Only assets for which absolute valuation and MEA methods have been used for the asset revaluation must be included in this report.

Question 16: Do you agree with the proposed Accounting Separation Result Presentation Formats?

Please explain your views and their rationale, and provide any information that supports your arguments.