Publication of Regulatory (Separated) Accounts

Consultation Document

ECS 21/2011

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Response Date – 20 January 2011

UTILITIES REGULATION & COMPETITION AUTHORITY

UBS Annex Building, East Bay St | P.O. Box N-4860 Nassau, Bahamas | T 242. 393. 0234 | F 242. 393. 0153

www.urcabahamas.bs

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1. Introduction

1.1 Purpose of this Consultation

This document sets out the Utilities Regulation and Competition Authority's (URCA) proposals for the publication of accounting separation and cost accounting information by Licensees determined or presumed to have Significant Market Power (SMP) in relevant economic markets. With these proposals, URCA aims to increase transparency in the regulatory process.

The preparation of separated accounts by SMP licensees provides URCA with credible information that can be utilized to assess whether competitive market outcomes are realizable and to effectively monitor and detect potential behaviours that are unfavourable to competition. The publication of those accounts as proposed in this consultation document will enhance the availability of relevant and reliable information on a timely basis that is understandable by all stakeholders and can be effectively used by interested parties to make informed decisions. The proposals set out in this document are specific to the accounting separation and cost accounting information that is to be available for public consumption.

The main objectives of this consultation paper are:

(i) to set out URCA's proposals with respect to publication of separated accounting and cost accounting information by SMP licensees;

(ii) to set out the criteria for how URCA should determine if particular information is confidential; and

(iii) to invite comments from licensees and other stakeholders on URCA's proposals.

1.2 Responding to this Consultative Document

Responses to this consultation document should be submitted to URCA by 5:00 p.m. on 20 January 2012. Persons may send their written responses or comments to the Director of Policy and Regulation, either:

- by hand, to URCA's office at UBS Annex Building, East Bay Street, Nassau; or
- by mail to P.O. Box N-4860, Nassau, Bahamas; or
- by fax, to (242) 393-0153; or
- by email, to info@urcabahamas.bs.

URCA reserves the right to make all responses available to the public by posting responses online on its website. If a response is marked confidential, reasons should be given by the respondent to facilitate evaluation by URCA of the request for confidentiality. URCA may publish or refrain from publishing any document or submission, at its sole discretion.

1.3 Structure of the remainder of this Document

The remainder of this document is structured as follows:

- Section 2 provides an overview of the ex ante regulatory obligations imposed on BTC and CBL;
- Section 3 provides URCA's reasoning behind the requirements to publish regulatory accounts;
- Section 4 details URCA's proposed approach to the requirement to publish regulatory accounts;
- Section 5 sets out the criteria for how URCA should determine if particular information is confidential;
- Section 6 provides a summary of Consultation Questions; and
- Annexes provide the reporting format for BTC and CBL.

2. *Ex Ante* Regulatory Framework

Having regard to the interim presumptions of SMP under s.116 of the Communications Act (Comms Act), URCA issued on 22 April 2010 its Final Decision on - "Obligations imposed on Operators with Significant Market Power" (ECS 11/2010). Alongside the publication of this document, URCA also published the following regulatory measures:

- ECS 12/2010 – Final Guidelines on Accounting Separation and Cost Accounting (AS/CA) for Bahamas Telecommunications Company (BTC) Limited;
- ECS 13/2010 – Final Guidelines on Accounting Separation and Cost Accounting (AS/CA) for Cable Bahamas Ltd (CBL);
- ECS 14/2010 – Final Guidelines on Access and Interconnection; and
- ECS 15/2010 – Regulation of Retail Prices for SMP Operators (Rules).

ECS 12/2010 and ECS 13/2010 imposed specific requirements for accounting separation as they apply to BTC and CBL. The key objectives for the separated (regulatory) accounting and cost accounting obligations imposed by URCA, are to:

- support retail price regulation where it is applied;
- promote transparency and non-discrimination;
- support any setting or assessment of cost-oriented wholesale charges;
- overcome the information asymmetry between URCA and the SMP Licensees; and
- support any *ex-post* assessment under the competition provisions of the Comms Act.

URCA is mindful that the attainment of these objectives is best realized when regulatory accounts are independently audited to ensure the reliability of the information therein and the information gleaned from such accounts is available to all industry stakeholders on a timely and understandable basis.

3. The Requirement to Publish Regulatory Accounts

3.1 URCA's Initial Requirement to Publish

In the draft Guidelines on A/S and C/A for BTC (ECS 20/2009)[1] and CBL (ECS 21/2009)[2], URCA stated its intention to have each SMP licensee publish aspects of their audited separated accounting information on their respective websites. In so doing, URCA proposed to require each licensee to submit to URCA an audited non-confidential version of their separated accounts for URCA's review prior to publication. URCA proposed that the non-confidential information should include the following components:

- Separated accounts (i.e., profit and loss statement, and statement of mean capital employed);
- Reconciliation statements;
- Statements of accounting principles and policies;
- Wholesale-retail mapping matrix; and
- Independent audit report.

In URCA's initial proposal, URCA envisaged that its review of the SMP licensee's regulatory accounts would assume a compliance verification format that would subsequently yield a compliance statement that would be included with the SMP licensee's publication of its non-confidential separated accounting information. This compliance statement would include comments based on URCA's review and may indicate any areas of the separated accounts that URCA may wish to examine in greater detail.

URCA's proposed approach recognized that the level of disclosure required for regulatory accounts is often greater than that provided in statutory accounts and annual reports. However, URCA was also cognizant of the principles of transparency and non-discrimination and the impact that those principles have on URCA's remit. In attempting to achieve a delicate balance between the additional requirements associated with the preparation of detailed separated accounts, and the requirements of the Comms Act, URCA proposed that SMP licensees publish a non-confidential version of their regulatory accounts. It was URCA's view at that time that the proposed level of transparency may have been sufficient to allow licensees to make informed decisions.

[1] Draft Guidelines – Accounting Separation and Cost Accounting Issued to Bahamas Telecommunications Company Ltd (BTC).

[2] Draft Guidelines – Accounting Separation and Cost Accounting Issued to Cable Bahamas Limited (CBL).

In their responses to the initial consultation on URCA's original proposals, BTC and CBL indicated that the publication of regulatory accounting information can impact negatively on the said licensees' competitiveness as specific confidential costing information becomes publically available. After consideration of all submissions, URCA stated in the Final Decision on "Obligations imposed on Operators with Significant Market Power (SMP) (ECS 11/2010) that it was of the view that the publication of separated accounting information can add to transparency in the market, reduce the information asymmetry between SMP operators and other licensees, and increase confidence in the regulatory process. However, URCA concluded:

> "*that, at this stage of the development of the market, it would be reasonable not to require BTC and CBL to publish their Accounting Separation statements for 2009. However, following completion of the 2009 separated accounts, URCA intends to launch a public consultation on the future publication requirements of separated accounting information. This will include a discussion of which aspects of separated accounts should be published in the future, and criteria for how URCA should determine if particular information is confidential*".[3]

URCA's final position as reflected in Final Guidelines on Accounting Separation and Cost Accounting for BTC and CBL, respectively ECS 12/2010 and ECS 13/2010, stated that URCA would review:

> "*its position on the general issue of confidential treatment of information and will publicly consult…(and) pending the results of its consultation on publication, it reserves the right to require publication of regulatory SMP licensee's regulatory accounts*."[4]

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[3] Section 2.4.1 of ECS 11/2010 at page 12.

[4] Section 4.5 of ECS 12/2010 and ECS 13/2010.

3.2 Benchmarking

URCA has now conducted a comprehensive international benchmarking exercise to ascertain best practice as it pertains to the publication of regulatory accounting information. URCA's study spanned a wide array of countries inclusive of those comprising the European Union (EU), the Caribbean and other emerging markets. URCA's choice of countries/regions was informed by the need to learn from the global experience and the availability of information. Further, URCA's benchmarking study focused on three broad elements of publication:

- the rationale for publication of accounting separation and cost accounting information;
- the type of information to be published; and
- the timeliness of publication of such information.

3.2.1 European Union Member Countries

URCA's review suggested that the majority of EU member countries that have implemented a requirement for separated accounts have also required the publication of those separated accounts.[5] The motivation for publishing separated accounts within the EU is contained in the EU Commission Recommendation of April 8, 1998, which states that "…*the publication by the notified operator of sufficiently detailed cost statements showing the average cost of network components will increase transparency and raise confidence on the part of competitors, that there are no anti-competitive cross subsidies*"[6]. URCA also understands that in the verification of compliance with the principles of transparency and non-discrimination, national regulatory authorities may require operators to provide accounting records and to "*publish such information (sic) as would contribute to an open and competitive market...*"[7] [8]

URCA recognizes that the publication of regulatory accounts cannot by itself contribute to an open and competitive market unless the information is relevant and understandable. Relevance is typically achieved by the timeliness of publication. In relation to the timeline for publication, the Inter-Regulatory Working Group stated that *"…regulatory accounts should be published as*

[5] URCA references include France, Guernsey, Jersey, Italy, Ireland, Malta and the United Kingdom.

[6] Recommendation 7 of the EU Commission Recommendation of 8 April 1998 on interconnection in a liberalised telecommunications market Part 2 – Accounting Separation and cost accounting.

[7] Article 11 of the EU's "Directive 2002/19/EC of the European Parliament and of the Council of 7 March 2002 on access to, and interconnection of, electronic communications networks and associated facilities (Access Directive).

[8] While there appears to be a caveat which suggests that publication of regulatory accounts may be subject to confidentiality and national law obligations, the *de facto* position as suggested in EU Commission Recommendation of September 19, 2005 is for the preparation and publication of separated accounts such that competitive market outcomes are attainable.

soon as possible after the regulatory accounting year-end" and *"…should be no more than four months after the regulatory accounting year end."*[9] The EU Commission in its Recommendation of 19 September 2005[10] stated that "*Publication of regulatory accounts should take place annually and as soon as possible after the end of the accounting (reporting) year. Publication of the statement must take place no later than two months after the completion of the regulatory audit or no later than the current practice as specified by regulatory obligations.*" Evident in the EU Commission Recommendation is the importance of a regulatory audit to provide credence to the published regulatory accounts. The requirement of a compressed publication timeline coupled with the audit requirement ensures the reliability of the information for ascertaining credible investment opportunities.

Relevance and understandability of regulatory accounts is also determined by the quality and type of information disclosed. The EU Commission Recommendation of 19 September 2005 sought to ensure that appropriate detailed information is available for public consumption which can be used by interested stakeholders to make credible investments in the Communications Sector, ultimately leading to competitive market outcomes and sustainable competition. For completeness, the financial information that the EU Commission recommended in its September 2005 Recommendation was:

- profit and loss statements;
- capital employed statement (detailed calculation methodology and value of parameters used);
- consolidation and reconciliation with statutory accounts or other source of costing information;
- a description of the costing methodologies including reference to cost base and standards, allocation and valuation methodologies, identification and treatment of indirect costs;
- non-discrimination notes (detailed transfer charges);
- audit opinion (if required by the national regulatory authority);
- a description of accounting policies and regulatory accounting principles;
- a statement of compliance with Community and national rules; and
- other supplementary schedules as required

In reviewing the effectiveness of the EU Framework on accounting separation and the requirement to publish separated accounts, the European Competitive Telecommunications Association (ECTA) in its annual Regulatory Scorecards for 2008 and 2009 found that accounting

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[9] See Publication Issued in "The role of regulatory accounts in regulated industries." The Inter-Regulatory Working Group. 2000. http://www.caa.co.uk/docs/5/ergdocs/joint_consultation_paper.pdf

[10] Commission Recommendation of 19 September 2005 on Accounting Separation and cost accounting systems under the electronic framework for electronic communications.

separation regimes appear to suffer from lack of transparent and timely publication of information. In its recommendations to national regulatory agencies (NRAs), ECTA stated that:

> *"NRAs should ensure the* ***timely and detailed publication of regulatory accounts*** *containing sufficient public data to allow independent verification that products are cost-oriented and no anti-competitive cross-subsidies have occurred.*
>
> *NRAs should improve* ***transparency*** *where possible by ensuring that requests for confidentiality are not granted automatically, but subject to more stringent review. This is in particular the case for cost models."*[11]

3.2.2 Other Countries

URCA's review of non-EU member states suggested that those countries that adhere to, or follow the EC Framework for Electronic Communications to some degree (e.g., Australia and New Zealand in particular), have implemented a requirement for publication of separated accounting information. The information available to URCA, for these countries suggested that the financial information published for regulatory purposes typically adhere to the EU Commission September 2005 Recommendation, albeit in some instance at a consolidated level.

In the geographic space of the Caribbean, URCA noted that the Fair Trade Commission (FTC) of Barbados had proposed initially in its 2008 consultation on separated accounts that the incumbent should make its regulatory accounts available to interested parties three months after publishing its statutory accounts. However, the FTC subsequently implemented an internal verification process of the SMP provider's statutory accounts to determine the profitability of regulated services. [12]

URCA's review of the publication requirement in the countries, sampled in this section, is best captured in four salient principles, namely:

- understandability – published separated accounts must be in an appropriate format and accompanied by relevant explanatory information and guidance notes;
- relevance – published separated accounts must contain appropriate information that is useful to all stakeholders;
- reliability – published separated accounts must be reasonably accurate to provide market assurance; and

[11] http://www.ectaportal.com/en/upload/Scorecards/Regulatory%20Scorecard%202009/ECTA_Regulatory_Scorecard_2009_Executive_Summary.pdf

[12] The Office of Utilities Regulation (OUR) in Jamaica had specified the publication requirement in its 2006, Regulatory Accounting Guidelines for Cable and Wireless Jamaica. However, URCA's research suggested that the OUR had certain specific challenges in the implementation of the obligation for separated accounts.

- comparability – the format of published separated accounts must facilitate comparison across time periods.

In its discussion of these salient principles the New Zealand Commerce Commission (NZCC) stated that:

> "*Timeliness is seen as being a constraint on relevance and reliability in that if there is undue delay in reporting, information may lose its usefulness, even if reliability is improved. Consistency across both time and reporting entities is seen as an attribute of comparability*."[13]

The NZCC statement and the aforementioned salient principles appear to succinctly capture the EU's requirement for the publication of regulatory accounts.

[13] "Draft Companion Paper on the Accounting Separation of Telecom Corporation of New Zealand Limited" page 42

4. URCA's Proposed Publication Requirements for Regulatory Accounts

After conducting its international benchmarking exercise, URCA is of the view that the publication of regulatory accounts is central to the attainment of the public policy objectives articulated in s.4 of the Comms Act, specifically the promotion of investment and innovation, and the sustainability of competition in the Electronic Communications Sector (ECS) in The Bahamas. In URCA's view there are two requirements that facilitate achievement of those objectives:

1. the type/quality of financial information that must be published; and
2. the timeline to publish the financial information identified in (1) above.

4.1 Information for Publication

The type of financial information published is central to the relevance and understandability of information by stakeholders. As noted in Section 2 above relevance and understandability will allow potential market entrants to make informed business decisions and/or will allow existing licensees to identify potentially anticompetitive conduct by the SMP licensee. URCA notes that in the absence of relevant and timely information, non-SMP licensees may not be able to understand the derivation of wholesale costs or be certain that transfer prices are applied in a non-discriminatory manner. In keeping with practices elsewhere and to ensure information reliability and understandability, URCA proposes that the following information on the SMP licensees' regulated services must be published:

- Profit and loss statements;[14]
- Mean capital employed statement;[15]
- Reconciliation (with statutory accounts) statements;[16]
- Independent auditor's opinion;
- Detailed Cost Allocation Methodology (explaining inter alia, details of cost drivers, attributions and/or ABC modeling, where applicable); and
- A Responsibility Statement signed by the Chief Financial Officer.

[14]For BTC - in the format specified at Annex I for each of the line of business identified at Section 3.1 of ECS 12/2010. For CBL – in the format specified at Annex II for each of the business areas identified at Section 3.1 of ECS 13/2010. For the avoidance of doubt, BTC and CBL are not required to report separate financial statements for any service within each defined business unit.

[15] In the format specified at Annex III for BTC and Annex IV for CBL.

[16] In the format specified at Annex V for BTC and Annex VI for CBL.

Question #1:

Do you agree with URCA's proposal that an SMP licensee should be required to publish the following components of its regulatory (separated) accounts, namely:

- *Profit and loss statements (consolidated by line of business);*
- *Mean capital employed statement (consolidated by line of business);*
- *Reconciliation (with statutory accounts) statements;*
- *Independent auditor's opinion.*
- *Detailed Cost Allocation Methodology (explaining inter alia, details of cost drivers, attributions and/or ABC modeling, where applicable)); and*
- *A Responsibility Statement signed by the Chief Financial Officer?*

Please detail your responses in full and include, where possible, evidence and experiences to support your respective position. If you disagree, please provide reasons.

4.2 Publication Timeline

The timeliness of the availability of the SMP licensee's regulatory accounts is central to the relevance of information necessary to ensure effective investment by existing and potential licensees in the ECS of The Bahamas and to ascertain conducts that are inimical to competition. As noted earlier the EU Commission recommended that regulatory accounts should be published annually and as soon as possible after the end of the accounting (reporting) year but no later than two months after the completion of the regulatory audit. It is reasonable therefore to conclude that published regulatory accounts should not exceed twelve months of the financial year for which it reports on and should be published as soon as possible after being independently audited. URCA notes that OFCOM requires British Telecom plc to publish its regulatory accounts and audit opinion within four months of the period to which it relates. The New Zealand Commerce Commission requires Telecom New Zealand to publish its regulatory accounts on its website five months after its financial year end. The Irish Commission for Communications Regulations requires Eircom to publish on its website its separated accounts within four months of its financial year end.

URCA notes from its previous consultation that licensees were concerned as to the impact that the publication of regulatory accounts may have on their ability to compete effectively in the ECS. Licensees alleged that publication of regulatory accounts would make commercially sensitive information publically available. Having considered all arguments, URCA is of the view that in accordance with the principles of transparency and non-discrimination, aggregate accounting and costing information relevant to regulated lines of business should be publicly available. However, URCA is mindful that a balance can be further achieved between commercial sensitivity and pubic importance through the timeline to publish information. Thus, a sufficiently lengthy timeline to publish the regulatory accounts can render the information sufficiently dated to negate commercial sensitivity. The length of the delay must however be balanced by the need to ensure the relevance of the published regulatory accounting information.

In arriving at an appropriate timeline to publish regulatory accounts, URCA was cognizant of the EU Recommendation of 19 September 2005, ECTA 2009 recommendations to EU NRAs and the need to achieve a balance between information relevance and information confidentiality. After due consideration, URCA proposes that SMP licensees publish the information set out in Section 4.1 above on their website within eight months of their financial year end. For the avoidance of doubt, the proposed eight months will be comprised of the six months requirement for submission of the separated accounts to URCA and the two months' timeframe for URCA's compliance verification.

Question #2:

Do you agree with URCA's proposal that an SMP licensee be required to publish its regulatory (separated) accounts on its website within eight months after the end of the relevant financial year?

Please detail your responses in full and include, where possible, evidence and experiences to support your respective position. If you disagree, please provide reasons.

URCA is also mindful that the publication of regulatory accounts should be easily accessible to all stakeholders and be considerate of the environment. URCA's research revealed that some countries, Ireland and New Zealand in particular require the SMP licensee to publish its separated accounts on its website. In addition, URCA is of the view that audited separated accounts must be comparable across time. Hence, such accounts should be published in a format that facilitates ease of comparison. URCA therefore proposes that SMP licensees publish and maintain their annual regulatory accounts online on their websites, in the prescribed format for a period of not less than three years.

Question #3:

Do you agree or disagree with URCA's proposal that an SMP licensee be required to publish and maintain its annual regulatory (separated) accounts on its website, in the prescribed format, for a period of not less than three years?

Please detail your responses in full and include, where possible, evidence and experiences to support your respective position. If you disagree, please provide reasons.

5. Criteria for Determination of Confidentiality

In ECS 11/2010 URCA stated that it would publicly consult on the criteria that it will use to determine if particular information is confidential. In doing so, URCA is of the view that any harm, loss or damage that might result from publication of an SMP Licensee's commercial information must be balanced against the benefit of providing relevant and timely information to the marketplace. In seeking that balance, URCA will consider the extent to which publication of the relevant information may damage the SMP licensee's legitimate commercial interest.

A review of international experience suggests that there may be two reasons why the publication of information might harm the commercial interests of the SMP licensee:

- if it encouraged new entry or affected the strategic decisions of existing competitors (known as "competitive harm"); or
- if it constrained the SMP licensee to charge lower prices to its customers than otherwise.

URCA notes that the Australian Competition and Consumer Commission (ACCC) in discussing these reasons stated that "…it *is often difficult to determine whether public disclosure of regulatory information will in fact damage commercial interests in these ways. The impact of disclosure will likely depend on circumstances in particular markets*."[17] In URCA's preliminary view the publication of regulatory accounts to encourage market entry and constrain an SMP licensee's pricing behaviours achieves the objectives set out at sections 4(a)(ii) and (iii) of the Comms Act.

Those objectives notwithstanding, URCA notes that the evidence available internationally is inconclusive as to whether or not the publication of regulatory accounts would materially harm the legitimate commercial interest of SMP licensees in The Bahamas. URCA's research shows that regulators elsewhere typically address this concern by requiring the SMP licensee to demonstrate that the publication of regulatory accounting information would harm its commercial interest. The rationale for this policy is rooted in the SMP licensee being better placed to produce evidence to demonstrate competitive harm. URCA subscribes to this position, namely that SMP licensees must demonstrate that the publication of regulatory accounting information will cause commercial harm. In this context, it would be for SMP licensees to demonstrate to URCA that URCA's proposed publication requirements set out in Section 4 above, either in whole or in part, would result in competitive harm. In demonstrating harm to its commercial interest, an SMP licensee must show, *inter alia* that:

- the publication of regulatory accounts, as proposed:
  - discloses information about the SMP licensee's strategy; and
  - contains information beyond the SMP licensee obligation; and

[17] Section 3.4.1 of "Regulatory Principles for Public Disclosure of Record-Keeping Rule Information", ACCC, 2002.

- the time frame for the publication of information provides competitive disadvantage to the SMP licensee.

> ***Question #4:***
> Should *SMP licensees be required to provide evidence to support a contention that publication of regulatory accounts would harm legitimate commercial interests? If so, what sort of evidence should be required?*
>
> *Please detail your responses in full and include, where possible, evidence and experiences to support your respective position. If you disagree, please provide reasons.*

URCA has received a request from an SMP licensee's auditors to provide some measure of clarity as to URCA's preferred approach to the implementation of the audit requirement. URCA is of the view that the audit requirement should be consistent with international practices for the audit profession, specifically the International Financial Reporting Standards (IFRS). However, from a publication perspective, which is informed by the audit requirements, the auditors' reports should include at a minimum:

- The conclusion of the auditor;
- All identified irregularities;
- Recommendations made by the auditor; and
- A detailed description of the verification methodology utilized by the auditor.

> ***Question #5:***
> Do *you agree with URCA's proposal that the independent auditors' opinion should include:*
>
> - *The conclusion of the auditor;*
> - *All identified irregularities;*
> - *Recommendation made by the auditor; and*
> - *A detail description of the verification methodology utilized by the auditor.*
>
> *Please detail your responses in full and include, where possible, evidence and experiences to support your respective position. If you disagree, please provide reasons.*

6. Summary List of Consultation Questions

__Question #1:__

Do you agree with URCA's proposal that an SMP licensee should be required to publish all of the following components of its regulatory (separated) accounts, namely:

- *Profit and loss statements (consolidated by line of business);*
- *Mean capital employed statement (consolidated by line of business);*
- *Reconciliation (with statutory accounts) statements;*
- *Independent auditor's opinion.*
- Detail Cost Allocation Methodology (explaining inter alia, details of cost drivers, attributions and/or ABC modeling, where applicable)*); and*
- *A Responsibility Statement signed by the Chief Financial Officer?*

__Question #2:__

Do you agree with URCA's proposal that an SMP licensee be required to publish its regulatory (separated) accounts on its website within eight months after the end of the relevant financial year?

__Question #3:__

Do you agree or disagree with URCA's proposal that an SMP licensee be required to publish and maintain its annual regulatory (separated) accounts on its website for a period of not less than three years?

__Question #4:__

Should *SMP licensees be required to provide evidence to support a contention that publication of regulatory accounts would harm legitimate commercial interests? If so, what sort of evidence should be required?*

__Question #5:__

Do *you agree with URCA's proposal that the independent auditors' opinion should include:*

- *The conclusion of the auditor;*
- *All identified irregularities;*
- *Recommendation made by the auditor; and*
- *A detail description of the verification methodology utilized by the auditor.*

Please detail your responses to each of the above Questions in full and include, where possible, evidence and experiences to support your respective position. If you disagree, please provide reasons.

ANNEX I Profit and Loss Reporting Format (BTC)

For each wholesale service (line of Business) identified at Section 3.1 of ECS/12/2010, the profit and loss statement should have the following format:

		Current year	Prior year
		$	$
Turnover	Transfer charges to retail	X	X
	Charges to other operators	X	X
	Total turnover	**X**	**X**
Operating Costs	Cost of sales	X	X
	Other operating costs	X	X
	Depreciation charges	X	X
	Transfer charges from Retail	X	X
	Total operating costs	**X**	**X**
Return		**X**	**X**
Mean Capital Employed		X	X
% return on Mean Capital Employed		**X**	**X**
% return on turnover		**X**	**X**

For each retail service (line of Business) identified at Section 3.1 of ECS 12/2010, the profit and loss statement should have the following format:

		Current year	**Prior year**
		$	**$**
Turnover	One-off charges	X	X
	Monthly charges	X	X
	Usage-related charges	X	X
	Other turnover	X	X
	Total turnover	**X**	**X**
Operating costs	Cost of sales	X	X
	Other operating costs specific to Retail	X	X
	Depreciation charges		
	Transfer charges from Wholesale	X	X
	Total operating costs	**X**	**X**
Exceptional items		X	X
Return		**X**	**X**
Mean Capital Employed		X	X
% return on Mean Capital Employed		**X**	**X**
% return on turnover		**X**	**X**

ANNEX II Profit and Loss Reporting Format (CBL)

For each business (line of business) set out in Section 3.1 of ECS 13/2010, the profit and loss statement should have the following format:

		Current year	**Prior year**
		$	**$**
Turnover	One-off charges*	X	X
	Monthly charges*	X	X
	Usage-related charges*	X	X
	Other turnover	X	X
	Total turnover	**X**	**X**
Operating costs	Cost of sales**	X	X
	Retail specific operating costs**	X	X
	Other operating costs**	**X**	**X**
	Depreciation charges**	**X**	**X**
	Total operating costs	**X**	**X**
Exceptional items		X	X
Return		**X**	**X**
Mean Capital Employed		X	X
% return on Mean Capital Employed		**X**	**X**
% return on turnover		**X**	**X**

*where applicable

** In notes to the financial statements for each Business Area CBL should provide a split of operating costs (incl. depreciation charges) into the individual cost categories, as set out in Section 3.1 of ECS 13/2010.

ANNEX III Mean Capital Employed Reporting Format (BTC)

The Mean Capital Employed Statement should have the following format for each of the service (line of business) identified Section 3.1 of ECS/12/2010:

		Current year	Prior year
Assets		$	$
Current Assets	Cash at bank and in hand	X	X
	Accounts receivable	X	X
	Inventory	X	X
	Total current assets	X	X
Non-current Assets	Investments	X	X
	Property, plant & equipment	X	X
	Intangible assets	X	X
	Total non-current assets	X	X
Liabilities			
Current liabilities	Accounts payable and accruals	X	X
	Loans payable	X	X
	Deferred income	X	X
	Total current liabilities	X	X
Non-current liabilities	Accounts payable	X	X
	Provisions	X	X
	Total non-current liabilities	X	X
Mean Capital Employed		**X**	**X**

Notes:

Long term borrowings and any tax liabilities and standard provisions generally included in the operator's Balance Sheet that relate to the business as a whole, should be excluded from the mean capital employed calculations, because these items relate to the business as a whole and not to individual segments.

Unallocated items should be included as reconciling items in the Reconciliation of Consolidated Statement of Mean Capital Employed.

ANNEX IV Mean Capital Employed Reporting Format (CBL)

The Mean Capital Employed Statement should have the following format for each business (line of business) set out in Section 3.1 of ECS 13/201:

		Current year	Prior year
Assets		$	$
Current Assets	Cash at bank and in hand	X	X
	Accounts receivable	X	X
	Inventory	X	X
	Total current assets	X	X
Non-current Assets	Total non-current assets*	X	X
Liabilities			
Current liabilities	Accounts payable and accruals	X	X
	Loans payable	X	X
	Deferred income	X	X
	Total current liabilities	X	X
Non-current liabilities	Accounts payable	X	X
	Provisions	X	X
	Total non-current liabilities	X	X
Mean Capital Employed		**X**	**X**

* In notes to the financial statements for each Business Area CBL should provide a split of non-current assets into the individual cost categories, as set out in Section 3.1 of ECS 13/2010.

ANNEX V Reconciliation Statements (BTC)

The reconciliation statement for the Profit and Loss statement should look as follows:

		Operating Revenue	Operating Cost
Wholesale Businesses:			
	Fixed Core Network	X	X
	Local Access Network	X	X
	Directory Services		
	Mobile Network		
	TOTAL Wholesale Businesses	**X**	**X**
Retail Businesses:			
	Fixed Retail Voice and Data Services	X	X
	Mobile Retail Voice and Data Services	X	X
	TOTAL Market 2	**X**	**X**
Other Businesses		X	X
TOTAL SEPARATED ACCOUNTS		**X**	**X**
ADJUSTMENTS		X	X
STATUTORY ACCOUNTS		**X**	**X**

The main adjustments made should then be documented and explained separately.

The reconciliation statement for mean capital employed should look as follows:

		MEAN CAPITAL EMPLOYED
Wholesale Businesses:	Fixed Core Network	X
	Local Access Network	X
	Directory Services	X
	Mobile Network	
	TOTAL Wholesale Businesses	**X**
Retail Businesses:		
	Fixed Retail Voice and Data Services	X
	Mobile Retail Voice and Data Services	X
	TOTAL Market 2	
OTHER BUSINESS	Other Retail	X
	Other Equipment	X
	Other Residual	X
TOTAL SEPARATED ACCOUNTS		**X**
ADJUSTMENTS		X
STATUTORY ACCOUNTS		**X**

The main adjustments made should then be documented and explained separately.

ANNEX VI Reconciliation Statements (CBL)

The reconciliation statement for the Profit and Loss statement should look as follows[18]:

	Operating Revenue	**Operating Cost**
SuperBasic	X	X
Digital TV	X	X
Broadband Internet	X	X
National Leased Lines	X	X
Other activities	**X**	**X**
TOTAL SEPARATED ACCOUNTS	**X**	**X**
ADJUSTMENTS	X	X
STATUTORY ACCOUNTS	**X**	**X**

The main adjustments made should then be documented and explained separately.

The reconciliation statement for mean capital employed should look as follows:

	MEAN CAPITAL EMPLOYED
SuperBasic	X
Digital TV	X
Broadband Internet	X
National Leased Lines	X
Other activities	**X**
TOTAL SEPARATED ACCOUNTS	**X**
ADJUSTMENTS	X
STATUTORY ACCOUNTS	**X**

The main adjustments made should then be documented and explained separately.

[18] CBL's offers its SuperBasic and DT Television packages as "Prime" under its RevTV Brand.