Regulatory Accounting System (RAS) Orders for the financial years 2013+

to

Ooredoo Q.S.C.

Communications Regulatory Authority "CRA"

CRA 2014/05/26a
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1 Executive Summary

The State of Qatar has empowered and authorized the Supreme Council of Information and Communication Technology (**ictQATAR**), now CRA to liberalize and regulate the telecommunications sector under Decree Law 34 of 2006 and the Telecommunications Law (**Telecommunications Law**), and Executive By-Law 1 of 2009 for the Telecommunications Law (**By-Law**). These laws establish the objectives and legal framework for CRA to create the appropriate legal and regulatory conditions for the development of sustainable competition in the telecommunications sector so that, amongst other things, telecommunications may become a factor for promoting social and economic development.

Under the Telecommunications Law and By-Law, CRA has specific objectives and powers to ensure the prices and charges of service providers are efficiently cost-based and appropriately applied to products and services offered at a wholesale or retail level. Service providers are also subject to any related regulations, rules, orders, notices, decisions and instructions, as well as telecommunications licenses issued to them. Together this comprises the Applicable Regulatory Framework (**ARF**) that applies to licensed telecommunications service providers.

Qatar Telecom (Qtel) Q.S.C. (QTel), now Ooredoo Q.S.C. (**Ooredoo**) was designated as a Dominant Service Provider (**DSP**) in various retail markets and wholesale markets in the telecommunications sector in Qatar[1].

Designation as a DSP means Ooredoo is subject to specific provisions, obligations and remedies that are now part of the ARF or may be in the future, which apply to or will apply to DSPs, concerning conduct and activities in or connected with those relevant markets that include costing and accounting by the DSP.[2] These include access and interconnection pricing, accounting separation and tariffs based on efficient costs.

ictQATAR issued Regulatory Accounting System Instructions in August 2010 (ICTRA 08/10), which were replaced by the RAS Orders ICTRA 2013/03/31-B 31 March 2013. Those orders were applied to specifically to QTel (now Ooredoo).
Since then Ooredoo has developed its Regulatory Accounting System (**RAS**) for the financial years 2010, 2011 and 2012 (collectively **RAS 2010+**).
During the review of the RAS 2010+, the CRA provided Ooredoo with clarifications and further instructions. Due to relevance of these and the experience gained the CRA felt that a partial revision of the RAS Orders is warranted. On 16 April 2014, CRA issued a consultation (CRA 2014/04/16) which closed on 11 May 2014. Submissions were received by Ooredoo and Vodafone, which have been carefully taken into account by the CRA (cf. CRA 2014/05/26b).

These RAS Orders are formal Instructions to Ooredoo to comply with the following:

- Prepare and participate in the further development of the RAS as approved by CRA;
- Meet the timelines for the RAS implementation process according to the timelines set out in Section 5;
- Prepare and submit written reports, plans and responses to information requests from CRA as part of the RAS;
- Apply the RAS information in its own business systems and practices that relate to price setting and to demonstrate the application and implementation of the RAS system and information; and
- Guarantee the performance of its RAS obligations by executing and providing to CRA a Performance Bond as set out in section 4 Performance Bonds.

These Instructions set out:

- The relevant provisions and requirements of the ARF in respect of a RAS;

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[1] Notice and Orders ICTRA 2011/10/31 of 31 October 2011

[2] This includes obligations and remedies contained in the annexures to QTel's public telecommunications licenses, and in particular, annexures D (procedures for implementing and revising tariffs), F (interconnection, access and wholesale services), I (additional obligations of dominant service providers) and J (transitional provisions – including fast-track interconnection process).

- The objectives, function and tasks of the RAS;
- The obligations of Ooredoo in respect of the RAS; and
- The detailed regulatory accounting requirements.

The RAS provides a set of systems, processes, policies and procedures that enable Ooredoo to establish a record keeping regime necessary to meet its regulatory obligations. These systems keep track of revenues, costs, assets and capital employed.

In addition to the requirements in these RAS Orders, CRA may issue additional clarifications or minor amendments to these RAS Orders from time to time. These RAS Orders shall be taken as key principles to be met and should be complied with, along with the amendments.

One of the key objectives of the RAS is to calculate, trace and analyze costs in order to demonstrate compliance with a cost orientation and non-discrimination obligation for regulated services. The main instruments of the RAS, which are depicted in Figure 1 below, are: (i) the Cost Model that forms the central part of the RAS (ii) the Regulatory Separated Accounts (SA); and, (iii) the Audit and Statement of Compliance.

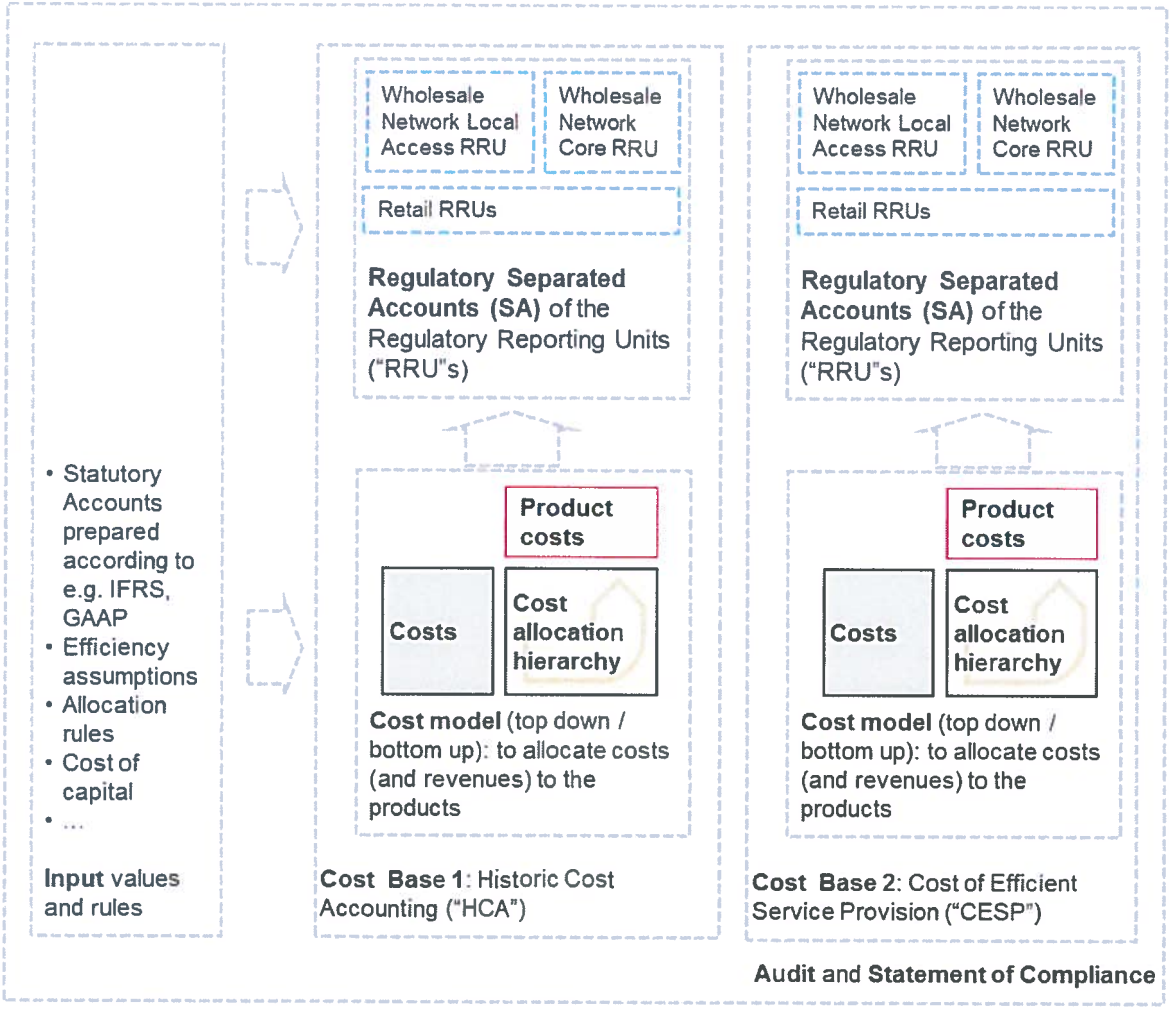

Figure 1 Simplified elements of the RAS (Input values and rules, Cost Model, Separated Accounts, Audit and Statement of Compliance)

These requirements are immediate and will be on-going, subject to adjustments in the details and required timeframes, as specified from time to time by CRA.

The Cost Model allocates costs and revenues in a causal manner to the DSP's products. The allocation of costs to service categories and products shall be subject to internationally agreed principles, of which cost causation is the most important.

The Regulatory Separated Accounts (**SA**), form a second main instrument of the RAS. They show each Regulatory Report Unit's (**RRU**) costs and revenues that are relevant to this RRU and its products. The Separated Accounts can indicate the existence or the absence of anti-competitive behavior. Such analyses that may use the RAS data do not form part of these RAS Orders.

The SA shall include accounting statements that identify not only the overall RRU's profit and loss and balance sheet, but also more detailed analysis of individual products and services supplied by the RRUs. This must include sufficient detail to enable understanding of the nature of the cost components. This is required for CRA to analyze the business and prices and so support CRA in its obligations relating to price approvals and ensuring the best outcomes for the Qatari market.

Historic Cost Accounting (**HCA**) is immediately required. The basis for historic costs is the statutory accounts and the audited annual financial statements.

Current Cost Accounting (**CCA**) is required, *after* details of the CCA methodology are defined (see Annex IV). The basis for current costs is the statutory accounts and the audited annual financial statements. Asset costs shall be adjusted to current values – altering the net value and the depreciation charges. CCA will be in addition to HCA.

Requirements pertaining the Cost of Efficient Service Provision (**CESP**), as prescribed by the Telecommunications are included in section 3.5.2.

The RAS will cover the full extent of the DSP's domestic operations. International (overseas) subsidiaries or group structures shall be reported on only if they materially impact domestic operations. In any event, the international operations shall be included to enable clear reconciliation of the SA with the company Statutory Accounts.

Compliance with these RAS Orders is a material obligation of Ooredoo, under the terms of its Licenses and the ARF. The RAS is an essential tool for monitoring the activities of a DSP and preventing anticompetitive conduct, and it is a key component of CRA's regulation of Ooredoo as a DSP.

2 Policy Objectives and Legal Basis

These are formal Instructions from CRA to Ooredoo directing Ooredoo to comply with the requirements outlined in these Instructions concerning the development and implementation of the RAS.

The objectives and legal basis for issuing these Instructions are outlined below.

2.1 Policy Goals, Objectives and Powers

CRA has mandated objectives and goals to achieve under the Telecommunications Law. Article 2 outlines the main objectives that apply for the purposes of these Instructions on the RAS:

- Article 2 (2) enhancing the telecommunications sector's performance in the State of Qatar through encouraging competition and fostering use of telecommunications;
- Article 2 (5) encouraging sustainable investment in the telecommunications sector;
- Article 2 (7) identifying and addressing anti-competitive practices in the telecommunications sector;
  Article 2 (9) establishing a fair regime that meets the requirements of the competitive market place through the implementation of interconnection between service providers and all procedures related thereto;
  Article 2 (12) ensuring that the regulation of the telecommunications sector remains in line with international rules; and
- Article 2 (13) ensuring the orderly development and regulation of the telecommunications sector.

Article 4 of the Telecommunications Law empowers CRA to monitor compliance with the terms of licenses and authorization (Article 4(2)), set and enforce the appropriate remedies to prevent anti-competitive practices (Article 4(4)), set the terms of interconnection and access between service providers (Article 4 (6)), safeguard the interests of customers (Article 4(8)), require the provision of information relating, inter alia, to financial and accounting records (Article 4(10)), and ensure compliance with the provisions of the Law, Executive By-Law, regulations, and decisions (Article 4(11)).

Article 19(1) of the Telecommunications Law also requires ictQATAR to undertake functions and duties in respect of interconnection and access to promote appropriate, effective and low cost interconnection between telecommunications networks, promote access to facilities of other service providers to ensure interoperability and promote the growth of competitive telecommunications services markets.

Article 29 of the Telecommunications Law requires tariffs to be based on the cost of efficient service provision without any excessive charges which may result from dominance. Under this Article 29, ictQATAR may issue decisions to amend tariffs where it finds they are not in line with the cost of service provision.

In order to achieve these objectives and goals, the ARF authorized ictQATAR to impose requirements on DSPs to carry out or participate in the preparation of a cost study and, if necessary, adopt business and accounting practices to separate and determine costs (Articles 32 and 33 of the Telecommunications Law and Annexure I of Licenses).

2.2 Legal Basis

On 31 October 2011, Ooredoo (then QTel) was issued with the Notice and Orders,[3] designating it as a DSP in retail and wholesale Relevant Markets in the telecommunications sector in Qatar. The implications and operation of the designation Notice and Orders are that Ooredoo will be subject to

[3] ICTRA 2011/10/31

specific provisions, obligations and remedies in the ARF that apply to DSPs. Ooredoo may also be made subject to additional ex ante obligations and remedies, if required.

The legal basis for the RAS can be found in various parts of the ARF. These mostly, but not exclusively, apply to DSPs.

Telecommunications Law

Article 18 (8) of the Telecommunications Law cites the rights, obligations and terms of interconnection and access, which are available to each licensed service provider including the following:

> (...) Each licensed service provider shall have the rights and obligations regarding interconnection and access as follows:
>
> 8. any obligations or requests to a dominant service provider regarding **interconnection and access** as specified by the General Secretariat and which relate to its charges or **calculation of costs** or the **requirements of accounting separation** pursuant to the rules of article (24), (25) and (33) of this Law.

The RAS is an obligation imposed on Ooredoo as a DSP that relates to its charges, calculation of costs and requirements of accounting separation.

Article 24 provides that a DSP must provide interconnection and access to all service providers on the same terms and quality as it provides to itself or other affiliates. The RAS process enables the identification of costs that lead to ascertaining such equivalence.

Article 25 provides that the RAS itself is a direction and instruction in respect of the rights and obligations of DSPs regarding interconnection and access charges or relating to calculation of costs or accounting separation.

Other provisions in the law empower ictQATAR to undertake functions and duties to ensure interconnection and access agreements meet legal requirements (Article 19(4)), and to determine any additional obligations on DSPs regarding interconnection and access (Article 19 (6)).

The RAS is an essential part of identifying the cost of efficient service provision for the purpose of ensuring the tariffs of DSPs do not contain any excessive charges (Article 29).

Article 32 enables ictQATAR to require a cost study such as that to be carried out as part of the RAS, and Article 33 requires a DSP to adopt the RAS and any other accounting or business practices as a means to prevent anti-competitive conduct.

Article 62 enables ictQATAR to obtain from a service provider the information it needs to exercise its regulatory powers including ensuring that DSPs comply with their license obligations and meet the legal requirements of the Telecommunications Law.

Executive By-Law

Article 49(1) of the By-Law requires DSPs to meet any requirements relating to interconnection or access charges.

Article 50(1) of the By-Law requires DSPs to take direction from ictQATAR to implement specific charges or change such charges as determined by ictQATAR. Article 50 (2) requires access charges of a DSP to be cost-based and in accordance with rules or standards determined by ictQATAR. Article 50(3) requires a DSP to comply with any orders applicable to any pricing, costing and cost separation requirements as prescribed by ictQATAR.

Article 59 of the By-Law says that if ictQATAR requires a DSP to prepare or participate in the development of a cost study and the DSP shall comply. Such a cost study involves ictQATAR deciding on cost categories, form, approach, procedures and timing for the cost study and its implementation (Article 59). The DSP can then be required to adopt identified cost accounting practices to facilitate the cost study or to achieve any other regulatory purpose including the separation of accounts (Article 59).

Ooredoo's Individual Licenses

On 7 October 2007, QTel was granted and issued two telecommunications licenses to provide public mobile and fixed telecommunications networks and services (License for the provision of Public Mobile Telecommunication Networks and Service ICTRA 08/07A and License for the provision of Public Fixed Telecommunication Networks and Service ICTRA 08/07B).

Ooredoo is required under these licenses to comply with the terms and conditions of the licenses and the ARF (Clauses 4 and 14.1). It is also required under Sub-clause 14.2 to take all reasonable and practicable steps and measures necessary to adapt its business practices and processes to facilitate the introduction and development of competition as directed by ictQATAR. The development of, and the adoption of the RAS into its processes, are part of this process.

Clause 11 of the Licenses places specific obligations on Licensees to provide facilities and services to wholesale customers in accordance with pricing, interconnection and access prescribed by the ARF. The RAS exercise is part of enabling the Licensee to fulfill this license requirement.

Annexure D of the Licenses requires Ooredoo to provide its telecommunications services pursuant to retail tariffs. Clause 3 of Annexure D applies special procedures to DSPs, including prior review of new and modified tariffs.

Sub-clause 2.1 of Annexure F of the Licenses states that an interconnection or access agreement will contain interconnection or access prices and any additional cost components of the Licensee or the requesting licensee. Such costs, and prices based on costs, will become apparent during the RAS process and will enable the Licensee and any requesting licensee to enter into agreements based on efficient cost pricing and reduce the instance of disputes over this.

Sub-clause 1.1 of Annexure I of the Licenses clearly states that when a DSP is ordered by ictQATAR to prepare or otherwise participate in a cost study, it will comply. Sub-clause 1.2 of Annexure I orders the compliance by a DSP with an ictQATAR direction to retain an independent auditor. Sub-clause 1.3 of Annexure I orders and directs the same compliance regarding the adoption and implementation of accounting procedures, and sub-clause 1.4 orders and directs the same compliance regarding accounting separation requirements.

These RAS Orders to Ooredoo direct Ooredoo to comply with the requirements outlined in these Instructions and in the ARF, including the directions in Clause 1 of Annexure I outlined above concerning the RAS.

Clause 3 of Annexure I lists specific conduct by a DSP that is prohibited. The RAS exercise is expected to produce transparent costing and accounting information that will support business activities and processes that do not involve such prohibited conduct or the risk of such conduct.

Ooredoo's licenses also describe the obligations and procedures related to the delivery of Performance Bonds.

Clause 29 of each license is entitled "Performance Bonds." Sub-clause 29.1 of the Licenses states that QTel may be required to guarantee the fulfillment of any obligation which ictQATAR expressly designates as a Secured Obligation. Sub-clause 29.2 explains that to guarantee the performance of a Secured Obligation, QTel shall provide to ictQATAR a Performance Bond in accordance with Annexure K of the licenses.[4] The sub-clause specifies that Performance Bonds shall be issued or endorsed by a bank operating in the State of Qatar and shall be in the amount specified by ictQATAR.

[4] CRA notes that while there are slight variations in sub-clause 29.2 wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of CRA to require additional Secured Obligations later through the ARF. Because the combined effect of the other provisions of Clause 29, Annexure A, and Annexure K make clear that CRA has authority to create additional Secured Obligations which will be governed by the provisions of Annexure K, these differences in wording are immaterial to any Secured Obligations created for these RAS Instructions in any concurrent Orders.

Annexure A of the Licenses defines "Performance Bond" as a bank guarantee or other form of surety approved by ictQATAR in accordance with the requirements of Annexure K of the license. The Annexure defines "Secured Obligation" as any obligation that is expressly designated by the license or the ARF as requiring the lodging of Performance Bond or other surety approved by CRA to guarantee performance of the obligation.

Annexure K of the licenses addresses the procedures governing the requirement, provision, and enforcement of Performance Bonds. Sub-clause 1.1 states that where ictQATAR determines that a surety is necessary to guarantee the performance of a material obligation by the Licensee, ictQATAR may issue a written order to provide a Performance Bond. The sub-clause also states that the value of the bond shall be specified by ictQATAR. Sub-clauses 1.3 and 1.4 of Annexure K recognize that ictQATAR has the authority to determine that a Performance Bond must be paid, that a Performance Bond should be released, or that the term of a Performance Bond should be extended.

Ancillary Provisions concerning the RAS

The ARF mentions further provisions that may be linked to the RAS, including Number Portability[5] and Universal Service[6].
These and other detailed analysis may be specified by CRA in the future. Specific Instructions may be issued to enhance the RAS to assist with such investigations.

[5] Q1M license and Q2M license; Annexure J: The Licensee shall ensure that any charges that it imposes for the provision of Mobile Number Portability are reasonable and cost-oriented.
[6] Telecommunications Law, Articles 37 to 39: The Board after the approval of the universal service policy may establish a fund to be called "Universal Service Fund" to **subsidize the costs** resulting from the provision of the universal service.

3 The Regulatory Accounting System (RAS)

3.1 Purpose of the RAS

This Chapter sets out the purpose, tasks and applicable guiding principles which CRA requires Ooredoo to apply and implement as part of the RAS. These principles shall ensure the primary aims are met, making the RAS fit for purpose.

CRA hereby determines it necessary for Ooredoo to develop and implement a regulatory accounting system ("RAS"), and CRA instructs Ooredoo to do so pursuant to the provisions of these RAS Orders.

The RAS[7] contains a set of methodologies, documents, systems, processes, rules and procedures which, inter alia, enables Ooredoo to establish a record keeping regime necessary to meet its regulatory obligations and which keeps track of and reports on revenues, costs, volumes, assets and capital employed.

The RAS is a tool that supports other investigations and helps with the implementation of informed decisions. These are expanded on below in the Guiding Principles that define how the RAS aims are to be met. The RAS is required to give a solid platform that gives insights and information on products and business units, but on its own the RAS is not a full solution to any regulatory decision. The RAS purpose is to be used as part of additional processes.

The RAS is not an end in itself. The RAS is a vital instrument to support CRA's regulatory activities. Amongst these purposes are to monitor and identify potentially anti-competitive practices, pricing below cost or cross subsidies. The ARF provides, that the prices of DSPs have to be above cost. These cost inputs are derived from the RAS. DSPs are also obliged to non-discriminatory behavior. A DSP needs to ensure that e.g. prices for services rendered to other Service Providers are in line as those used in its own pricing. Using the RAS therefore helps to ensure that CRA is fulfilling its mandate to ensure just and fair competition to the benefit of the Qatari people.

The RAS gives transparency, both to CRA and to the industry of the status of products costs and profits. This gives confidence that prices are reasonable and that markets are not distorted, or else it allows issues to be identified and investigated. In this case, the RAS can be further investigated and used in other analysis and investigation work.

These aims include *inter alia,* but are not limited to, the following:

- The RAS is a supporting tool to assist CRA to meet it general objectives to develop competitive telecommunications markets in QATAR and promote competitive services in the country;
- The RAS provides a platform for additional analysis, in support of the above. Therefore information from the RAS provides insights to costs and profit margins that can be combined with other investigations to assist with decisions on such issues as costing, pricing and the verification of the License and Industry Fees;
- The RAS provides an overview of the DSP's profit margins and therefore supports regulatory decisions that may be related to market distortions;
- The insights provide a basis for other decisions such as general price controls or tariff rebalancing;
- The RAS provides an initial basis for price controls – retail and wholesale;
- The RAS provides some information for evaluation for anti-competitive behavior investigations and evaluations of price squeezes;
- The RAS gives insights to the cost base of the operator that can inform evaluations on such issues as new wholesale products' costs, cross subsidizations and cost/profit trends;
- To give transparency to CRA and the rest of the industry of the status of services, costs and margins being made, and so assist with competitive market developments.

[7] The Regulatory Accounting System is sometimes referred to as regulatory **cost accounting system** or **cost model**. As revenues are explicitly in scope, the more generic term is used.

CRA appreciates that the RAS has certain limitations and it is not itself always a solution to a regulatory decision on its own and cannot be expected to give definitive answers in all situations. It is therefore important to appreciate what the RAS is not intended to do. Limitations include:

- The RAS does not set prices (retail or wholesale). Data from the RAS provides inputs to such price control processes, or to help evaluate prices. In some cases the cost-values from the RAS may be used to define a price, but this would be based on assumptions that the RAS produces a reasonable basis for the price and other factors are not critical and need not be included. Please note that price setting is outside the scope of the RAS, as additional assumptions and analysis will be used along with RAS data;
- The RAS does not clearly identify or stop anti-competitive behavior. RAS based information could be used, with other evidence and analysis to evaluate such behavior;
- The RAS based on HCA does not identify efficient costs nor does it force operational efficiencies. The latter may be encouraged by price setting or from competition development – but this is not directly related to the RAS.

As the RAS provides inputs to a wide range of diverse evaluations and decisions, it must be flexible and it must provide enough detail to support a wide range of evaluations, some of which are not yet defined: it is inevitable that new questions on services will arise and these cannot be predicted in advance. The RAS must also balance the desire to answer as many possible questions as possible (which implies a very detailed system and many analytical breakdowns) with the practical reality of what can be achieved with cost accounting tools and the realistic expectations from an operator with the scale of Ooredoo.

3.2 Guiding principles

According to the ARF, and to international best practice, regulatory financial information must be relevant, reliable, comparable, verifiable, transparent and comprehensive. CRA, therefore, requires the following standards in respect of data supplied for the RAS to apply:

Relevant

Information is relevant if it has the ability to influence economic decisions, and is provided in time to influence those decisions. The qualitative characteristic of relevance is applied as a selection criterion at all stages of the RAS process.

Reliable

There are a number of criteria that can be applied to test if information is reliable, such as whether:

- It represents faithfully what it purports to represent;
- It is free from deliberate or systematic bias;
- It is free from material error and free of arbitrary elements;
- It is complete (subject to materiality tests);
- Its basis of preparation is carried out in an objective (fair) way;
- It has a degree of caution (i.e. prudence) applied in exercising judgement and making the necessary estimates.

Comparable

The information contained in a financial statement is only useful if it can be compared with similar information for other reporting periods in order to identify trends and differences. This aspect is particularly valuable where comparable information is used to assess the impact of competition or establish cost trends for price control purposes. Comparability implies consistency over time in the way in which a DSP prepares and reports regulatory accounting information. Relevant changes over the periods (e.g. drivers) must be disclosed in advance.

Verifiable

Information needs to be auditable. This usually means, that a complete "audit trail" must exist, which allows the regulatory accounting information to be traced and reconciled between (both to and from) the source data and the regulatory final financial reports of the DSP. The audit trail should set out sufficient evidence for a reviewer to demonstrate the

reliability of the RAS. This also implies that the auditor must have access to all necessary information and/or documents used in the RAS development. .

Transparent and comprehensive

Information needs to be understandable for the recipient. Ooredoo has to ensure that any data, information or document used in the RAS is prepared and documented to a standard that allows a suitably informed reader to gain a clear understanding of that information etc.

All information needs to be conveyed to CRA in a standard electronic format, which can be processed by CRA[8]. Where information is provided in spreadsheet format, links and all formulae need to be visible and workable. This will allow CRA to perform its own analysis of the data contained in the RAS.

Transparency also requires that CRA has an electronic copy of the system used by the DSP, with all documentation and user guides. CRA may agree to alternatives, subject to meeting the requirement that all key information and calculation stages can be verified and investigated by CRA.

All information conveyed to CRA shall be in English to enable the involvement of a wide range of staff and international experts.

3.3 Elements of the RAS

Ooredoo's RAS shall include, inter alia, the following elements:

Description of the RAS

The description of the RAS "framework", containing, inter alia the applicable standards like cost base, cost standard and how they are set in place.
This shall also include, inter alia, but not limited to

- details on the processing stages,
- the data used in the RAS to carry out these processes,
- a comprehensive description of:
  - the cost centers (products, network components, etc.),
  - the network, and
  - the accounting cost model and the drivers used there.

The Electronic Cost Model

The (electronic) framework for allocating costs and revenues. This shall include operating and user guides. Subject to agreement by CRA, alternative arrangements to allow CRA to access the model or to investigate the system and its data, may be agreed to.

Separated Accounts (SA)

Statements are needed for Ooredoo's regulatory reporting units.
Statements are required for the products and services within these units.
Statements shall show cost transferrals between the units and shall show details of the types of costs within the services.

Audit and Statement of Compliance

Executed by an independent auditor to testify the compliancy with the rules of the ARF and the RAS. As part of this process, Ooredoo's Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter.

The detailed deliverables in relation to each of the above elements of the RAS are set out in section 3.11.

[8] e.g. figures must be conveyed in .xls (including formulas and links) and not in .pdf.

3.4 Extent of the RAS and Regulatory Reporting Unit (RRU) structure

The RAS itself needs to cover the **entire** domestic operations of Ooredoo. The coverage of all geographic markets and service categories[9] and products is a prerequisite to ensure the coherence of data, to avoid double counting and to detect possible anti-competitive actions like cross-subsidization.

3.4.1 Regulatory Reporting Unit (RRU) structure

For the purposes of RAS Ooredoo's domestic operations need to be disaggregated into Regulatory Reporting Units (**RRUs**), which are aggregation units for the cost model and the separated financial statements. This is illustrated in Figure 2 below.

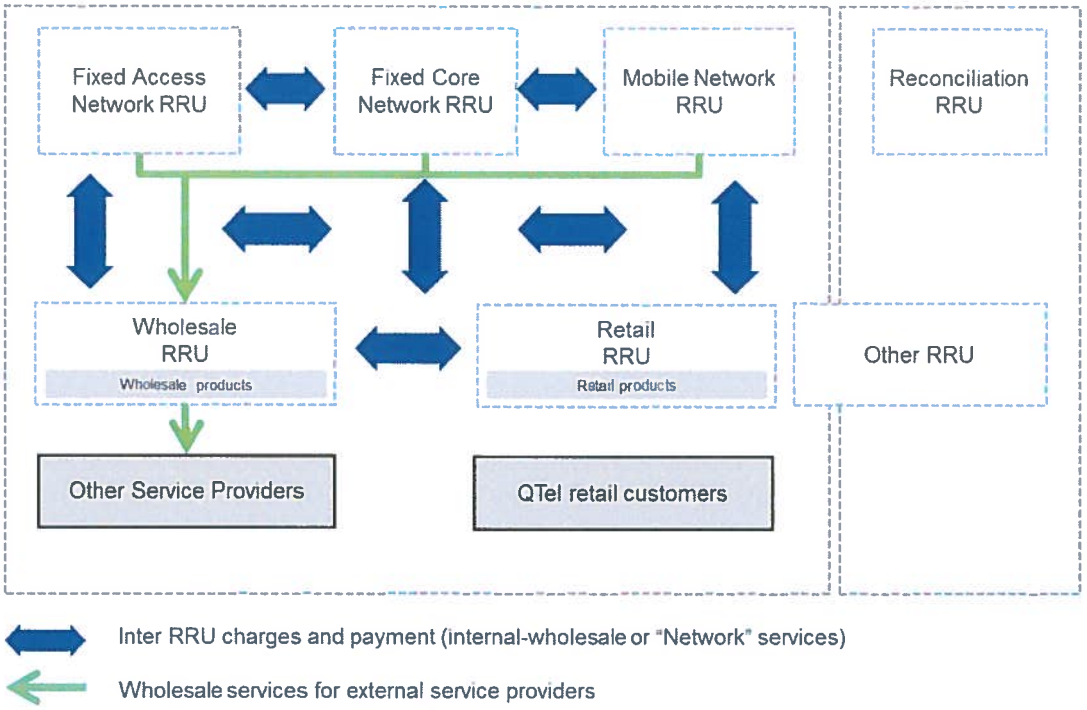

Figure 2 Generic structure of RAS and Regulatory Reporting Units (RRUs) – Schematic for illustrative purpose

The RAS shall employ a structure of RRUs, which distinguishes the domestic operations between the *internal*-wholesale (also termed "network") RRUs (Fixed Access Network RRU, Fixed Core Network RRU, Mobile Network RRU), the Retail RRU and the Wholesale RRU.

Operations and other activities that are not relevant to domestic telecom-related services can be grouped into the Other RRU. The international businesses[10] do not require detailed financial

[9] The Licenses in Annexure I, 1.3 use the term "service categories". For the extent of the RAS service categories shall be used for groups of products and specific products as appropriate.

[10] For the avoidance of doubt, international ("overseas") operations in this context refers to other operating companies that provide services to customers outside Qatar. The result of these operations, to the extent that they appear in the financial statements of Qatar Telecom (Qtel) Q.S.C. must be separated from the results of Ooredoo's domestic operations within Qatar. Ooredoo's domestic operations include the provision of international services such as IDD, leased lines etc. These services will be included in their relevant RRU (e.g. Retail and Wholesale).

breakdown – they are required to ensure reconciliation and to separately identify other costs or revenues that are not relevant to the Qatari RRUs.

"Hubbing" services, where a service provider transits voice calls from one country to another via transit systems in Qatar, are considered international services and are part of the Other RRU, unless specified otherwise by CRA. The major cost and revenues relate to inter-operator payments with non-Qatari service providers are handled by the wholesale unit but transfer to the Other RRU.

Network services supplied between the RRUs are a type of wholesale service, as they are services between the notional standalone RRU businesses. In these instructions we use the term network services to mean services within the business, and wholesale to mean the services supplied to (or bought from) other service providers. These wholesale services are bought/sold by the Wholesale RRU.

A reconciliation statement is included to ensure the accounts in all of the RRUs and the full statutory accounts can be correctly compared (Reconciliation RRU).

All transfer charges between units (network services) and charges to/from external services providers (wholesale services) shall be shown in a transparent manner.

The definition of the products (service categories) and their mapping to the RRUs shall be developed by Ooredoo and submitted to CRA for approval in updated pro forma accounting reports and in RAS definition documents.

CRA points out that all wholesale products, being sold to other Service Providers, must be included in the RAS, with the relevant units as per contracts between Ooredoo and the other Service Providers.

Transfer charging requirements are defined in more detail below Section 3.7.2. The principles of Figure 2 above are as follows:

- Each RRU is allocated the costs that relate to the unit;
- Assets and operational activity costs are therefore assigned to the appropriate unit;
- The RRUs' costs are processed and the RRU delivers services (products) that are used by other RRUs, other service providers or retail customers;
- The products are assigned to the RRU that produces the product;
- If the product is used by another RRU then this is a cost to the other RRU and this forms a revenue for the RRU that produced the product;
- If some services transfer from (say) Fixed Access Network RRU to the Mobile Network RRU (both of which are network businesses) then this is a transfer between the two network units (cost to one and revenue for the other). The access cost[11] that contributes to the Mobile Network RRU services is reported on as a *mobile network product* when it transfers to the retail unit that uses the mobile service (this results in a mobile *network service* charged to retail). This follows from the principle that services delivered by a unit are assigned to that unit. This is also technically logical as the fiber cost becomes part of the mobile network's own transmission network components. This avoids double counting and avoids the access cost being reported separately again within a mobile product when the mobile services' cost of production are defined.

The figure also shows the path of wholesale services (in green) that are sold via the Wholesale RRU to other service providers. A mobile network termination call, for example, is a Mobile RRU network service and is notionally sold by the Mobile Network RRU. The costs of this are transferred to the Wholesale RRU. This is a cost to the Wholesale RRU. Direct wholesale costs (such as billing or managing inter-operator relations) are allocated directly into the Wholesale RRU and so to the wholesale products. The Wholesale RRU's revenues are from the inter-service provider payments from selling the mobile termination (and other services). This isolation of wholesale costs (separate

[11] A hypothetical example is where access network fibre is used both for retail broadband services and for access to base stations in the mobile network

from the network units supplying network products) ensures transparency of the costs and profits of services supplied to other service providers.

The Wholesale RRU incurs the costs of outpayments to other service providers for buying capacity and termination services from the other service providers. These costs, plus any wholesale product management become costs to the retail products – such as a call from a mobile phone to another network.

The Wholesale RRU does not have any network costs – so an international cable cost is a network component in the fixed core network business, needed for international capacity services. If duct space is a Wholesale service, then the cost of duct, and the costs of providing it, are a transferred cost from the Access Network unit to the Wholesale unit. The Wholesale unit has its own costs of sale and obtains the revenues from the other service providers.

The Wholesale RRU provides external services for the Retail RRU. Retail services that use other service provider's networks and services must have the costs of these services transferred to the Retail RRU's services. A retail mobile call to another Qatari service provider will have the Mobile Network RRU network costs, plus the Wholesale Mobile RRU's outpayment costs (mobile termination rate), plus the direct Retail unit's own costs for selling the product.

Transfers of costs between the RRU are based on the calculated costs. The exception to this is when the service (from the access, fixed core or mobile network units), that is transferred to the Retail RRU, is *essentially the same service* delivered to the Retail RRU, as the service that is provided to other service providers (via the Wholesale RRU). In this case, the inter-RRU transfer payment (cost and revenue) is based on the same tariff that is charged to other service providers. The *cost* of producing the service (such as call termination in a mobile network) is calculated in and borne by the network RRU (mobile). The *revenue* obtained is the standard regulated mobile termination charge. The Retail unit bears the same wholesale tariff-based charge, *not* the cost of production (i.e. not the network cost of producing the mobile termination service).

This arrangement over-rides the normal cost-based transfer principles used for all services that are supplied internally and do not have a direct equivalent sold to other service providers. The list of services to be dealt with in this way will be defined by the CRA. Fixed and mobile voice call termination services are prime examples.

On-net fixed calls and mobile to mobile calls do not have a direct equivalent sold to other service providers – the transfer of cost to the Retail unit is at the cost of production.

For the absence of doubt, some services delivered to the downstream Retail unit will not be in *exactly* the same format as delivered to other service providers. A fixed to mobile retail service has a mobile termination portion, but the hand-over of this internal-to-Ooredoo termination path may not be exactly the same as the mobile termination used by other service providers. However, essentially it is the same mobile termination service. Therefore, it shall be subject to this equivalent charging requirement based on the regulated wholesale price. This means that minor variations in the way a termination call product is routed within Ooredoo, compared to how it is routed if sourced from another servicer provider, still result in the same charge being made. Such differences are inevitable in a small integrated operator, unless there is re-structuring the business[12].

The benefit of this approach is that the retail unit and other service providers are both considered on an equivalent basis and the profit and loss accounts of all RRUs then reflect the notional profits as if they were acting as standalone units. This method ensures that non-discriminatory pricing is used in the RAS.

The RRU structures are based on the principle that the Mobile and Fixed network services are each supplied to the retail unit directly. There is a mobile charge to retail for one part of a mobile to fixed call, and then a fixed charge for the other part of the call. There are two transfer charges made to

[12] The RAS does not attempt to measure these hypothetical business-structure costs – it only measures the *actual* business costs

retail: the mobile units' cost and the fixed termination cost for the rest or the call into the fixed network. A customer however sees this only as a mobile retail call.

Network Costs related to new platform (e.g. LTE) in construction during the Financial Year, and so are not used to provide products to the Retail Customers or to other SPs, shall be transferred at cost to the Other RRU.

The capital costs (depreciation and cost of capital) related to assets acquired for free by Ooredoo cannot be attributed to the products. They shall be directly attributed to the Other RRU.

Set out below is a brief description of each of the RRUs.

3.4.2 Fixed Access Network RRU

This RRU provides connections from customers to the Core Network. The accounts for this RRU include the costs and capital employed associated with providing and maintaining these connections. For Accounting Separation, this RRU includes all the customer-dedicated components of the network including, for example, the copper and access ducts. The investments in access fiber and fixed wireless access networks are also included.

The revenues of this RRU will derive from the sale (i.e. transfer) of access services to the Wholesale RRU and from transfer charges to other RRUs. The costs of this RRU will be the Fully Allocated Costs (**FAC**) of the Fixed Access network components.

The network components in this RRU, that deliver the access services include *inter alia*, but are not limited to:

- Copper local loops, including the duct and operational costs;
- Fiber local loops, including the duct and operational costs;
- Subscriber-related costs – those that are not related to traffic volumes but are related to the customer. This does not include the DSLAMs or similar equipment which are to be attributed to the Fixed Core Network RRU;
- Indirect costs that contribute to the total operational costs. This requirement must also be met by all other RRUs.

These network components deliver the wholesale and retail access services such as PSTN lines, ISDN lines and leased lines. The network component costs shall be reported on in detailed statements that supplement the main SA for the RRU (as identified in the pro forma SA, 0Annex VI Separated Accounts). This requirement must be met for all RRUs.

3.4.3 Fixed Core Network RRU

This RRU provides a range of services supplied both internally and externally in order to allow the customer of one operator to communicate with customers of the same or another operator, or to access services provided by another operator. These services include the switching and conveyance of calls.

The Fixed Core Network comprises of, but is not limited to:

- The PSTN network with its remote concentrators, local and tandem exchanges, or equivalent new technology replacements;
- The DSLAM or similar equipment;
- International Gateway and other facilities necessary for the handling of international calls;
- Various data networks and transmission systems;
- The necessary operational support **(OSS)** and staff.

The revenues of this RRU derive from the transfer charges of network services to the other RRUs. The costs of this RRU are the FAC of the Fixed Core Network.

Service examples supplied by this RRU are: fixed call termination; on net fixed calls; and fixed to mobile out bound calls. On-net fixed calls are transferred (at cost) to the retail unit, unless such

services were a defined external-wholesale service that other service providers could also buy and supply. Termination call costs are charged to the Wholesale RRUs at the cost of production (and *then* to the other service providers at the regulated tariff through the Wholesale RRU). Fixed termination costs for internal mobile to fixed calls are borne by this unit. The amount charged to Retail RRU is however based on the regulated tariff (see earlier discussion at the start of this section 3.4).

Fixed to international calls incur the fixed core costs that are charged to the retail unit. The international outpayment costs are borne by the Wholesale RRU (it pays other service providers).

3.4.4 Mobile Network RRU

This RRU comprises all network components of the mobile network. This includes, but is not limited to: sites, masts; mobile switches; transmission; fibers; ducts and ancillary infrastructure such as network management systems.

On-net mobile calls are charged to the retail unit at the cost of provision, unless there is a wholesale equivalent to such a service, in which case the defined tariff for that wholesale service should be used. Ooredoo internal mobile terminating calls (from fixed) are charged to retail at the defined tariff, as paid by other service providers.

The revenues of this RRU derive from the sale (i.e. transfer) of network services to the other RRUs. These services include mobile to mobile calls, messages and data services.

The costs of this RRU are the FAC of the Mobile Network.

3.4.5 Retail RRU

This RRU provides the final services sold to customers in Qatar. The Retail RRU includes all of the fixed, mobile, data and other services. The full list of retail services includes all services provided by Ooredoo to its customers, not only services listed in the Licenses, such as the sale of Customer Premises Equipment (CPE) and value added service for businesses. Such services should not be considered part of the "Other RRU," as they are considered part of the Qatari retail telecoms business.

Retail specific costs include, inter alia: the costs of sale; customer care; marketing; payments to sales outlets; and billing costs that are incurred to deliver the retail products.

Revenues shall be reported under key product categories such as connections, rentals and calls. These services shall be grouped to identify service types, based on the nature of the retail customer's bill, such as:

- Mobile;
- Fixed traffic;
- Fixed Access;
- Leased lines;
- Subscriptions;
- CPEs;
- ...

The products shall also be grouped by the Relevant Markets, as defined in the Market Definition and Dominance Designation.

This grouping is illustrated in the SA. The SA shall be provided to CRA in such a way that both individual products and products grouped by Relevant Markets (as per MDDD) may be analyzed in follow-up processing of the delivered SA – the individual products should have the Market designation included and total costs and revenues by Relevant Market are also to be provided. This is in additional to the individual products' costs.

The revenues of this RRU will derive from the sale of services to Ooredoo's retail customers.

The costs of this RRU will be the FAC of the Retail Unit which will include: the transfer charged network costs from other RRUs (transferred based on cost or on tariff); out-payments for wholesale services to other service providers needed to complete the service; and the RRU's own retail specific costs.

The retail unit has costs for the products as sold to consumers (domestic and business). These are built up from the transferred-in costs of production (from internal network units), outpayments (from the Wholesale unit) and the retail unit's own costs of sale. The retail units own specific costs are allocated on a cost-causal manner to the final products. This is shown in the Detailed Statement of Retail product costs (see Annex VI Separated Accounts).

The cost-causation is noted to be often weak in retail businesses. The cause of a retail cost can often be clearly related to a *group* of products (such as "mobile traffic services"), but not clearly related to a *single* product such as an SMS or an on mobile net call, within the group. FAC RAS reporting requires final product costing to the detailed products in the Detailed Statement of Retail Product Costs. This requires the use of some proxy cost drivers – to assign the general costs relating to groups, to all of the specific products. To enable retail evaluations, retail costs should be allocated to the most detailed level possible where there are *totally* robust cost drivers. If a cost can be robustly related to one or more final retail products, then this should be done initially to this level. In many cases the robust-cost will therefore relate to a range of products (not to a single product).

Where the cost robustly relates only to more general sets of products, then the cost should be allocated to general cost pools (or "common" cost pools, as the cost are common to many products). These cost pools should be defined along with the range of products to which they relate.

Retail promotion costs are not expected to be identified in the annual SA, unless these are readily available and can be defined as a robust cost pool of the promotion's full costs. It is noted that promotion costs may be examined (even if not identified in the RAS) in price approvals or other regulatory analysis processes that are *external* to the RAS.

3.4.6 Wholesale RRU

This RRU enables the clear division between services provided to other SPs and retail customers.

The Wholesale RRU provides the wholesale sales and purchase functions to other service providers. This RRU takes the network services from the network units (access, fixed core and mobile) and provides these to other service providers. Additional costs such as wholesale capacity planning and wholesale billing services are provided by the RRU.

The unit buys wholesale services such as call termination in another network in Qatar or calls that terminate in another country. These are obtained from other service providers (incurring "outpayments" – the fees to other providers) and these are transferred to the other business units. The transferred cost includes the specific cost of the wholesale RRU, as well as the outpayments.

The revenues are from the sale of wholesale services (such as call termination in to Ooredoo) sold to other service providers ("inpayments") and transfer charges made to the Retail RRU.

This unit is included to ensure transparency of the additional wholesale-service specific costs that are not part of the network RRUs. It also enables wholesale markets to be clearly identified in line with the Market and Dominance definitions.

The Wholesale RRU sells Ooredoo mobile termination, transit services and fixed termination. It buys mobile termination services from national service providers and buys international call services from international carriers.

Wholesale RRU reporting should include all of the wholesale services supplied and procured by Ooredoo. Call termination services are one example. The services list must include the wholesale products sold by Ooredoo to the SPs during the year, such as transmission link services, interconnection link services and other interconnection services and physical infrastructure services. The service list should include all the products (as individual or combined products as defined with the

CRA) sold by Ooredoo during the year of reference, and not limited only to those with specific price regulation or other regulations.

Attention is drawn to sections 3.4.1 and 3.7.2 for further clarification of the charging principles of this unit and the transfers between units.

3.4.7 Other RRU

This RRU enables business costs to be identified and collected, which are not subject to detailed regulatory supervision. The Other RRU ensures transparency of the rest of the business's costs, showing how all of the regulated units' costs can be traced back to the overall group totals.

This RRU enables services (national or overseas) to be collated in a transparent manner, even though their data need not be broken down to the detailed cost or revenue components required in other RRUs. It also ensures clear reconciliation to audited statutory financial statements, when combined with the reconciliation unit (described below) by ensuring services and business operations are defined in this Other RRU; it could include also accounting adjustments (identified in the Reconciling).

The Other RRU collects all services that are not relevant to the other units. These may include:

- Overseas investments;
- Other non-telecoms ventures in Qatar or elsewhere (this may include property investments, or overseas businesses);
- Investment income.

"Residual Business RRU" would be an alternative name that emphasizes the nature of the unit to collect the rest of the business activities that are not in the other RRUs.

CRA may amend the definitions of the items in this Other RRU, on an as-needed basis.

3.4.8 Reconciliation Statement

The RAS is focused on Ooredoo's (the Qatari) operations. Some operations of Ooredoo group include items that do not pertain to operations in Qatar. These business activities will normally be included in the Other RRU.

However, there may be specific accounts that are part of the statutory accounts that cannot be conveniently and clearly reported on in the Other RRU. This may include for example: interest payments, taxes or one off redundancy payments and other accounts that are excluded from the RAS reports.

As a result there must be a Reconciliation Statement (which is not technically a RRU) showing the accounting and other cost or revenue adjustments that are required in order to only include Ooredoo's relevant operations in the RAS. The relevant operations are the important national services in the main RRUs with the less relevant and international group activities in the Other RRU." The sum of all the items in the RRUs, including the Other RRU, plus the items in Reconciliation Statement should equal the values in the statutory accounts.

The Reconciliation Statement becomes additionally important to identify the adjustments needed to asset and operational costs under CESP reporting as these adjustments mean that the sum of the total final product's costs will not be the same as the accounting costs fed in from the statutory accounts. Such efficiency-adjusted-costs are not part of the Other RRU.

All reconciling items and adjustments must be clearly defined to show the nature of the adjustment/reconciling accounts.

3.5 Cost base

CRA requires currently the preparation of the RAS according to the cost base Historic Cost Accounting (**HCA**) with initial efficiency assumptions Cost of Efficient Service Provision (**CESP**).

At a later date, Current Cost Accounting (**CCA**) or a further development of CESP may be required. This will be part of a separate process.

3.5.1 Historic Cost Accounting (HCA)

The statutory accounts and the disaggregated figures of the audited financial statement of the DSP, as prepared in accordance with international financial reporting standards and signed by an independent auditor, are the basis for HCA. Therefore, reconciliation with the audited annual Statutory Accounts is both possible and necessary.

The starting part for the separated accounts prepared on a HCA basis will be Ooredoo's actual performance as presented in its statutory accounts. This performance is then separated between the different reporting units.

The main assumptions underpinning HCA in the context of RAS are:

- Gross Book Values (**GBV**) are presented on the basis of the historic cost of the purchased assets.
- Net Book Values (**NBV**) are presented as the difference between GBV and accumulated depreciation for all the assets currently in place.
- Annual depreciation is on a straight-line basis.

Given that the starting point for reporting under a HCA basis is Ooredoo's actual network, operations and associated costs, it is necessary for CRA to develop an understanding the main components of Ooredoo's network and operations. The detailed deliverables in section 3.11 set out the information requirements that will provide CRA with such an understanding.

3.5.2 Efficiency Adjustments

The Telecommunications Law prescribes, that the tariffs for telecommunications services provided by a DSP must be based on the cost of efficient service provisioning (**CESP**).[13]

Efficiency adjustments can also be applied to HCA cost basis.

CRA requires that the capital costs (depreciation and cost of capital) related to the assets acquired "for free" shall be attributed to the Other RRU. Hence, these costs will be excluded from the cost of both Retail and Wholesale products.
This needs to be verified by the auditors explicitly and separately. If this will not be attested by the auditors the CRA will take up to 20% of the relevant asset category into account.

This requirement aims to avoid unduly burden on customers and other service providers and to aid fair competition on a non-discriminatory basis. It is considered as absolutely unfair that a Service Provider can indeed charge a fee for assets which were incurred for free.

3.6 Cost standard

The cost bases (HCA, CCA, CCA plus full CESP) need to be combined with a costing standard (e.g. FAC or Long Run Incremental Cost (**LRIC**) to allocate costs and revenues to products. LRIC is explained below after a short explanation of the FAC approach and the different cost types that must be allocated.

3.6.1 Fully allocated costs (FAC)

The FAC[14] approach allocates all relevant costs and revenues incurred by the DSP to its products. FAC is used for the costs bases HCA and CESP. This is illustrated in the following Figure 3:

[13] Telecommunications Law, Article 29

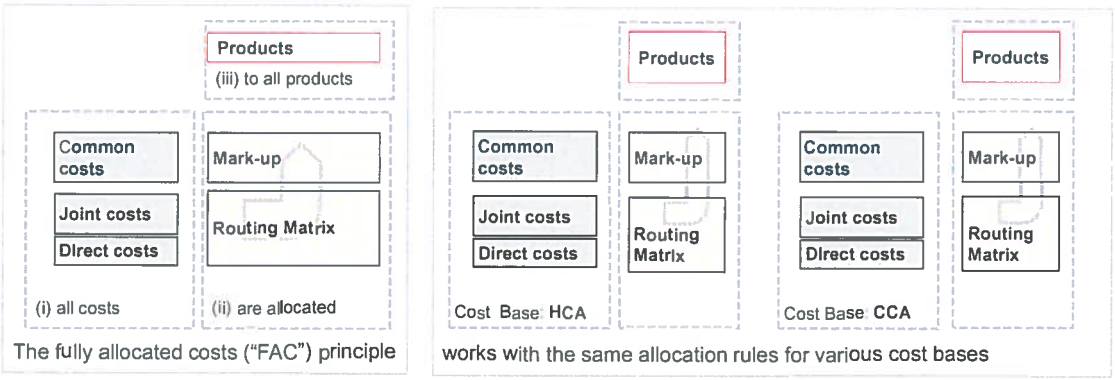

Figure 3 Allocating costs (and revenues) with the cost standard FAC

3.6.2 Cost Types

The following table defines the primary cost types and the typical allocation methods required.

Cost Type	Characteristic	Allocation
Direct Cost	This cost can be directly attributed to products. E.g. a SMSC is allocated to SMS services	Direct
Joint Cost	These occur where an input produces two or more separable outputs in fixed proportions irrespective of volume.	Routing Factors
Common Cost	Certain types of indirectly attributable costs are "common" to a number of activities. The cost of these inputs are necessary to produce one or more services, which cannot be directly assigned to specific services	Cost causal allocations such as ABC or suitable proxies, where possible.
Indirect supporting operational costs	This cost relates to supporting services and items that are indirectly related to the network and services. Example: IT support. The cost is similar to a joint cost as it supports several outputs, but there are clear cost drivers and the output is usually a direct operational cost center. Therefore IT support supplies activities that support the network and other operational staff – a robust cost driver therefore exists	Cost causal basis, such as Activity Based Costing or proxy allocations that have a close to cost-causal basis, to direct-cost elements
Direct operational costs	This cost relates directly to the production of services or the operation of network components. Example: network operational staff or sales staff. This is a type of direct cost, but does not have the one to one link to products as the SMSC example	Cost causal basis such as Activity Based Costing

Figure 4 Cost Types and their allocation

FAC allocates all costs. This includes costs that are not directly related to the products (joint and common costs). These joint and common costs pertain to many products, but must be included in a FAC system in the final products' costs.

One type of common cost is the "business sustaining" cost which includes costs that are relevant to the entire business[15], but do not have a strong cost driver. Such costs are also sometimes referred to as "un-attributable" costs, but they have to still be recovered and must be reported on in a FAC

[14] Also referred as fully distributed costs (**FDC**)

[15] There can be similar un-attributable/business sustaining common costs that are relate just to a sub-unit such as "all of mobile" that are not directly related to the individual mobile services and have cost-drivers with limited cost causality

system. Examples may include: annual audit costs or chairman's office costs. These relate to the entire business and do not have a clear cost driver that relates to other parts of the business such as network systems or services in the same way as the examples given in Figure 4 above. Typically these costs do not vary significantly with changes in cost or volumes of services – they lack solid cost causality. The business sustaining costs are typically a small percentage of a business's total costs.

The Figure 3 above shows such common costs included as a "mark-up" that enables these costs to be assigned to the final products as an additional cost. CRA will review and specify the mark-up approach depending on the size and nature of the cost. There are two primary options:

- The costs may be allocated to services using cost, revenues or other allocation bases. Specific mark-up values may be defined. Equal proportional mark-ups (**EPMU**) is one example mark-up where the costs are allocated in proportion to the directly allocated costs;
- The common costs may be allocated to cost centers and other cost pools in the RAS, based on "proxy" drivers such as: the costs already within the centers or annual investment levels. The costs are then further allocated using the robust cost allocations of the other entities through the rest of the RAS. This is an "absorbed cost" approach.

Both methods result in the common costs included in the final services. CRA will approve and adjust the recovery method, as needed.

The absorbed cost approach is acceptable until further notice. The business sustaining costs must be identified in the final products' reports (see Annex VI).

The approaches described above produce HCA-FAC or CCA-FAC reports.

3.6.3 Incremental Costing (IC)

Annex IV briefly describes this standard cost. It is included for future discussion and advice only. Incremental Costing (**IC**) is not currently a requirement unless directed by CRA.

3.7 Cost and revenue allocation

3.7.1 Allocation principles

Under the FAC standard, all costs and revenues are allocated to specific products. The guiding principles of cost allocation according to international best practice and required by CRA are:

Causality
Costs or revenues are allocated to the products that "cause" them to arise. This requires the implementation of appropriate cost and revenue allocation methodologies[16].

Objectivity
This supports the causality principle, requiring allocations to reflect causality using an objective (e.g. determined in an unbiased manner) driver[17]. This also ensures that an audit is possible.

One time allocation
There should be no double counting or undocumented exclusion of cost or revenue items. This is demonstrated by reconciling the separated accounts to the statutory accounts.

Transparency
The descriptions of the allocation methods should provide sufficient information such that a suitably informed reader can easily gain a clear understanding of the structure, the

[16] Documented Network Models and Activity Based Costing (**ABC**) to ensure robust cost-causal allocations have to delivered to ictQATAR
[17] Drivers based on auditable data recorded in the company systems are preferred

methodologies and drivers applied. The RAS has to include all the relevant material, so that the results can be fully analysed by CRA.

Consistency of treatment

The structures, methodologies and drivers should be consistent from one period to the next. Deviations from a chosen structure or methodology need to be documented and justified.

3.7.2 Transfer Charges

A system of Transfer Charges needs to be clearly identified in sufficient detail to allow CRA to assess whether there are any potential issues in relation to Ooredoo's non-discrimination obligations, e.g. between its own retail unit and other SPs. The internal transfer charging system will ensure that the total transfer charges between the RRUs will be clearly identified and reconciled between retail, and network RRUs. This system will make explicit the total charges between the different RRUs such as, for example, from the access or core network RRU to the retail RRU.

The RAS provides the clarity on Transfer Charges. This will help *inter alia* to identify cases of non-discrimination.

Transfer charges must be calculated to ensure transparency between network and retail activities and external operators. These transfer charges shall be based on the costs of the services consumed (transferred) by the other RRU. The transferred amount is the cost of the service as determined in the RAS. The cost transfer is defined as the sum of costs: relevant operation costs including depreciation charges plus a cost of capital charge. The capital charge considers the average capital employed in the service, and the defined cost of capital percentage (as defined by CRA, cf. Section 3.8).

Where a service is available to other service providers and this service is substantially the same as provided to other RRUs, the same tariff must be used as that provided to the other service providers. Therefore the transfer tariff is on an equivalent basis to the tariffs charged to external parties. There may be small technical differences in the service that is provided internally to that provided externally, but if the service features and quality is essentially the same as the external service, then the external charge must be used. Mobile termination is provided to the Retail fixed call business (for a fixed to Ooredoo mobile retail call) as well as other external mobile operators. Even if the routing of the call might differ slightly from that provided to the external operators, the same tariff must be used.

The mobile network RRU then obtains the termination revenue, and not simply the "cost of production."

In respect of this direction, transfer charges are an instrument to provide transparency whereby the costs of one RRU are notionally transferred to another RRU. The transfer charge is recorded as revenue in the accounts of the RRU that is supplying the service and as cost in the accounts of the RRU that is purchasing the service.

Transfer charges shall clarify both the total costs (and revenues) and the individual service's costs. The total cost of a transferred service includes a cost of capital (cf. Section 3.8).

Section 3.4.1 provides an overview of the key transfer charge payment principles needed in the RRU structure.

The selection of final method for defining the definition of costs to transfer (defining network components), should be based on cost causation, accuracy and transparency principles.

3.7.3 Cost allocation hierarchy

The cost allocation hierarchy gives the structure of the allocation of costs (and revenues) to products according to Ooredoo's existing FAC/HCA model.

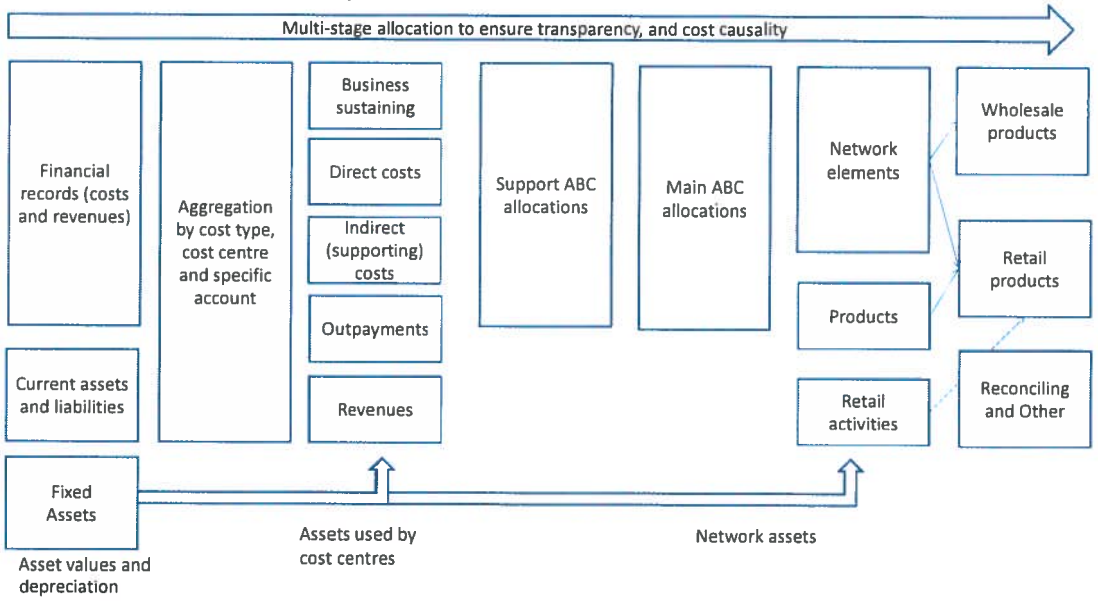

Figure 5 Cost allocation hierarchy –minimum requirements (illustrative)

The above hierarchy is consistent with an Activity Based Costing (**ABC**[18]) system which follows a multi-layer approach to cost allocation. Under such an approach costs are allocated progressively to network elements and retail activities through a number of allocation layers. The costs of network elements are allocated to the Network RRUs and then transferred to Wholesale and Retail RRUs. The network elements provide the "costs of production" – the network products that are transferred from the network RRUs to the Retail and Wholesale RRUs. Wholesale and retail activities are directly allocated to Wholesale and Retail products.

The hierarchy shown above only reflects the minimum expected cost allocation stages to ensure robust, transparent allocations that reflect cost causality. The products' outputs from the cost model will be used in conjunction with revenue data and the RRU structure in order to generate the Separated Accounts.

The indirect supporting costs are the supporting operational costs defined in Section 3.6.2. Business sustaining costs are also defined in Section 3.6.2.

The assignment of costs to the categories should be defined in the Description of the RAS (see section 3.11.1).

The network elements identify the main network components and therefore the Network RRUs that the cost resides in. The assignment of the network element's costs to the different RRUs must be made transparent.

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[18] ABC is a management accounting approach that allows **causal** relations to be established between costs and products. ABC views the products as a series of activities, each of which consumes resources and therefore generates costs. This methodology, based on cost drivers allocates costs through the activities performed and establishes a clear cause-and-effect relationship between activities, their associated costs and the resulting output.
ABC may introduce an intermediate stage of activities, enabling some costs - that would otherwise be allocated in a less direct way - to be attributed to the services that cause them to occur. This technique may therefore strengthen the causal link for certain types of indirect cost where alternative approaches may prove less robust.

The cost information in the Separated Accounts (derived from the general ledger and asset register inputs to the RAS) must be disaggregated in the SA reports to ensure cost transparency. At a minimum this must separately identify:

- Capital costs (asset values and depreciation);
- Operational costs (salaries etc.) which may be direct, supporting or business sustaining;
- Outpayments (interconnection costs);
- Cost of sales – retail or wholesale and related costs;
- Working capital (current assets and liabilities);
- Business sustaining costs.

The business sustaining costs are shown allocated as "absorbed costs" in the above figure. Only if directed by CRA, such costs may be alternatively assigned to the final products using an CRA-specified mark-up approach in line with the options defined in Section 3.6.2

The business sustaining costs will include salaries and overhead costs. This creates two forms of salary costs – those identified as business sustaining and other salary costs (without this business sustaining identifier). This does not impact the allocations used in Figure 5, but the assignment of business sustaining as an identifier to some cost types enables the final regulatory reports to separate these costs.

Next generation access (**NGA**) networks are being developed (fiber in the loop). The RAS must evolve to reflect the cost causality and provide the correct RRU reporting of products delivered using the NGA. The principles of cost causality of these Instructions also apply.

To meet the ARF requirements, CRA will give detailed clarifications and adjustments to the RAS, where required, to ensure adequate reporting of (for example) tariff bundles and cost allocations where cost elements such as access fibers are common to several products.

The typical approach must ensure cost transparency at the lowest practical level and avoid any arbitrary assumptions on: the relative costs of a product sold individually or in a bundle; or on the splits of a single fiber to the diverse services on that fiber. Such assumptions would be required if a basic service such as PSTN line rental were to be reported on only once as a final service: combining the alternative costs occurred when it is sold both individually and in a bundle. Such assumptions are not part of the RAS cost model (see: the earlier objectivity requirement), unless CRA provides clarifications. The PSTN product is therefore reported on twice: when sold individually and also when sold as a tariff bundle (the bundle cost is reported on, not the PSTN part, unless CRA clarifies the fiber-cost apportioning).

The delivery of the network components' costs and the wholesale transfer products' costs, plus the retail costs at the lowest practical level, together provide transparency of the relevant cost elements to ensure sufficient clarity of the NGN access costs.

3.8 Cost of Capital

Apart from including depreciation in the RAS, there is also a need to include a return on capital employed. This allows CRA to assess the profitability of the different Regulatory Reporting Units taking into account the need to earn a return on capital investments. In line with international best practice, a Cost of Capital (**CoC**) value is specified by CRA to be included in the cost transfer calculations. The CoC shall be included in the SA and all product or network costs reports, as a discrete item that can be separated from the operational costs (see Annex VI, pro forma SA).

The calculation of the CoC, typically expressed as the Weighted Average Cost of Capital (**WACC**), is subject to a specific separate definition process.

3.9 Working Capital

Working Capital (**WC**) includes cash as a current asset and other short-term assets and liabilities. The WC is low or even negative in some operators. In the absence of CESP, the WC must still be limited,

as experience shows that cash levels can vary substantially and this distorts an assessment of the costs.

CRA specifies that the working capital levels should be maintained in the FAC HCA and CCA reports to a reasonable level. The actual *net* working capital value should be used subject to an upper limit of one month of the total average operating costs[19]. This is deemed a reasonable level and has been respected by Ooredoo in RAS 2010+.

Working capital levels above this should be allocated to the Other RRU or to Reconciling. High positive levels reflect large cash levels or current assets that can be used for other purposes – so are not relevant to Qatari product monitoring.

3.10 Retail product costs and revenue allocations

FAC reporting requires costs (and revenues) to be allocated fully – to the final (market) products. Cost causality can be assured, to a high degree, for the network costs.

Retail products must also be reported on and information must be produced by the RAS to support CRA's requirements for retail price approvals and to assist with price investigations. Retail specific costs must be included in the final retail costs, along with the "cost of production" from the network RRUs.

Retail cost allocations should comply with cost causality wherever possible. Direct costs of sales shall be allocated to the product, or products that cause the cost.

Where costs are causally related to a range of services then these costs shall be allocated to a cost pool that is common those services. Common retail cost pools shall be defined to enable the products that relate to it, to be identified.

The common retail cost pools will include general promotions, marketing campaigns or billing that covers many call and message types. These form a robust set of general cost pools that have clear cost causation. A secondary stage is also required to enable a reasonable view of the final products' costs under a FAC approach. Proxy cost drivers may be employed, even if the cost relationship may be low. Revenues, volumes, subscriber numbers may be used. The approach used should be clear and documented. CRA may revise the allocation basis, on an as needed basis.

The RAS costing systems shall allow CRA to identify the common retail cost pools that do have robust costs assignments as well as the final FAC product costs, including the other less-robust allocations. The RAS should allow retail costs (and revenues) to be grouped by CRA to enable analysis of general service areas. This is in line with the approach described in more detail in section 3.11.2.2. These groupings will be defined by CRA and they may reflect already-identified markets[20]. The response to this consultation is not required to define such markets.

Retail costs that relate to a tariff bundle that is sold should be assigned to the bundle and not be assigned to the services in each, unless there is a clear cost causation.

Revenues are expected to be allocated to products on a causal basis. Revenues that relate to a tariff bundle should be assigned to the bundle and not to the individual products within the bundle.

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[19] Or 8.3%, where operating costs covers salaries and other operating expenses, excluding depreciation and outpayments to other operators.

[20] Telecom Markets have been formally defined. Clearly pricing investigations might consider mobile or fixed calls as separate areas and the profit and loss of each can be segregated. International calls might be a sub market for analysis.

3.11 Deliverables required on an annual basis

CRA's requires the RAS to be delivered annually, with updates to reflect business changes. In order to capture all detailed requirements, a RAS Orders document would be excessively long. If necessary CRA may issue specific clarifications and further adjustments, in order to enhance the general demands specified in these instructions. CRA does not expect that such details would alter the RAS Orders significantly requiring additional consultations or re-issue of the Instructions. This might include new products, product groupings or altered cost-types to be reported on.

Ooredoo's deliverables on an annual basis will include:

- Description of the RAS (cf. section 3.11.1 below);
- The Electronic Cost Model (cf. section 3.11.2 below);
- Pro forma of the auditor's statement (audit report scope and what the auditor will be signing off to, defined in advance);
- Separated Accounts (**SA**) (cf. section 3.11.3 and Annex VI Separated Accounts):
    - Profit and Loss
    - Statement of Mean Capital Employed
    - Detailed statement of total cost of production, reporting the Network element (component) costs broken down by cost type and showing the total and per-unit cost[21]
    - Network cost statement, detailing the network component total and per-unit cost attributed to the products
    - Detailed Statement of product cost, showing the cost (total and per-unit) of the own and transferred cost. These are the "costs of production." The reports must also show the discrete cost types
    - For the Retail RRU, in addition:
        - Statement of turnover,
        - Statement of costs by category,
        - Analysis of the transfer charges and statements on retail cost;
    - For the Wholesale RRU, in addition:
        - Statement of turnover and
        - Statement of costs by category
    - Reconciliation Statements
- Audit opinion and Statement of Compliance (cf. section 3.11.3 and 3.11.4 below).

As noted in the Executive Summary, adjustments in the details and required timeframes, may specified from time to time by CRA. The deliverables list and the exact contents of the deliverable therefore are subject to change. These Orders provide the basic minimum requirements. During the review process (cf. section 5), CRA has the right to instruct Ooredoo and to specify the requirements. The full reporting structures, product lists and costing methods must be developed in detail, to follow these more-general Instructions and other adjustments specified by CRA. The details are then defined in the above deliverables. The deliverables will be subject to CRA approval.

3.11.1 Description of the RAS

The DSP will provide on an annual basis a detailed document describing the RAS Methodology. The Methodology shall contain, inter alia, but not limited to:

- Accounting principles and policies including asset lives;
- Cost base;
- Cost standard;
- Attribution Methods;
- Allocation Methods detailing the drivers used;

[21] Each final network element (after allocations) is used by products. The element has to have only one cost driver (subscribers, minutes, messages etc.). The per-unit cost provides inputs to inform with element based charging and to assess the RAS results.

- Cost-allocation hierarchy including a description for each allocation step in the cost allocation hierarchy;
- Description of all cost centers used, including for the Network Components;
- Transfer Charge Accounting Policies;
- List and Product description;
- Network Structure linked to the costs
- Efficiency adjustments (when reporting on a CESP basis or if some CESP techniques are included within the HCA or CCA cost base).

This document shall describe the full structure of the RAS, the reporting fields, the nature of allocations and processes, driver types, cost centers description, etc., and final SA reporting structures with the full lists of products and cost breakdowns. This should be submitted to CRA for approval. CRA has the right to request adjustments or changes to be implemented by Ooredoo. This provides the formal definition of the RAS and so it is also the basis for the audit – the RAS should function in accordance with this document, these Orders and the adjustments/requirements that CRA may submit during the implementation process described in section 5.

Regarding the valuation methodologies, the documentation must describe the methods used to derive cost re-valuations (CCA).

The documentation must describe in detail the accounting cost model: the methods of attributing costs, revenues, assets and liabilities. This includes details on the way costs and revenues for services are accumulated such as a detailed description of the cost centers and of the cost-allocation hierarchy including a description for each allocation step in the cost allocation hierarchy. The allocation principles must also set out the transfer charging methodologies.

The documentation must describe how costs are treated from their initial appearance in the Ooredoo's accounting records to their final attribution to services. The attribution methodology must provide the linkage between the inputs from Ooredoo's financial records and the RAS.

When reporting under a HCA basis, the starting point for the regulatory accounts will be Ooredoo's actual performance in relation to its existing infrastructure (i.e. with no efficiency adjustments). Therefore, as part of its annual reporting, Ooredoo is required to present its network facilities (i.e. the physical network systems) that were in place during the year, shown in an aggregated manner to enable the main service delivering components to be identified and related to the RAS costs. The RAS description therefore should include annexes that have network schematics to show the main network components and how they are used by the primary network and retail services.

3.11.2 Electronic Cost model

Ooredoo will provide the cost model on electronic form to CRA on an annual basis. The electronic cost model enables CRA to perform its own analytical review procedures. It includes:

- A comprehensive description of the IT system, its capabilities and limitations;
- A comprehensive description of the modules with the relevant assumptions;
- A user guide on how the system is used, operates and can be analyzed;

Physical hand-over of the electronic Cost Model may become a problem with moves to proprietary systems. CRA does not want to hold back on the use of better IT systems, but the need for access remains. Equivalent outcomes (to delivery of the system) may be considered such as: secure remote access to IT platforms; licensing of the IT to CRA; export to CRA of model structures & data that enable full analysis or reproduction of the RAS functionality; open access for CRA staff/representatives to the Ooredoo system.

The obligation on Ooredoo is that the solution provides an equivalent outcome to CRA having a complete electronic copy of the RAS.

It is the obligation of Ooredoo to ensure training is provided to enable CRA to use the electronic costing system. If the electronic costing system requires licenses or infrastructure to enable CRA to use the RAS, then Ooredoo is obliged to supply such systems free of charge to CRA.

3.11.2.1 Model inputs and parameters

Ooredoo shall submit the model documentation setting out the key inputs and parameters that are used in the model, as well as a general description of the model. Ooredoo will also provide comprehensive details and descriptions of its networks (e.g. fixed, mobile and data), supported by up to date network diagrams, including network nodes and their locations.

The documentation must include a comprehensive list of services and their definitions within each of the RRUs, and how these services map to the detailed breakdown of revenue that is required as part of the financial statements of the Retail RRU.

With respect to Input values, the documentation must be comprehensive, including the source, method and date (covering the period which the data relates to). When the data was collected and other information on the collection should also be archived for the potential for investigations. There is a need for trace-ability of data. Such traceability is assumed to be covered by audit demands to ensure verification is possible. Date information indicates whether the input is up to date.

The model inputs must be transparent and unequivocal. Inputs to the model should be directly sourced from Ooredoo's operating and financial systems, or other solid sources that can be verified and audited to ensure cost causality (for example the use of ABC interviews and technical-calculation data).

Costs can be categorized into a more manageable set of inputs for the cost model allocation stages. There should be no pre-allocation of costs outside of the costing system, e.g. if the fixed asset register only records duct in a single code, the accounting entries in relation to duct should not be split between core duct, access duct and shared duct prior to entering the cost model input layer.

With respect to model parameters, the documentation should include justifications for any assumptions that are used. If expert judgments are used, the expert's name, his/her position and a justification for the assumption is to be included. If sampling and statistical methods are used, the documentation should include details of:

- The sample per se;
- Detailed statement of the statistical sampling techniques used or which generally accepted statistical techniques the sample was based on;
- Justification why the sample is statistically significant and objective.

3.11.2.2 Calculation results

The full results and product reports cannot be specified in advance for all products. The following describes the *general* expectation and level of detail that should be produced. The reports and system is expected to be flexible to enable a variety of reports to satisfy likely future investigations. CRA expects to define the final format during the development of RAS in coordination with Ooredoo.

Product reports should cover:

- Product Code;
- Product Group;
- Product Name;
- Relevant Market assignment (as per Market Definition Dominance Designation exercise) to indicate how revenues/cost of this product allocates to the Relevant Market(s);
- Volume;
- Revenues (average price) per unit;
- Total Revenue;

The costs should have breakdowns to cost type and source. This should cover at least the following level of granularity:

- (Total) Unit Cost, split in the following cost components (see also below Figure 6)
    - Network \ Wholesale
        - Depreciation (without CoC)
        - CoC
        - OPEX (without outpayment). See the SA for details of the cost types that this

must be disaggregated to;
        - Outpayments
    - Retail
        - Depreciation (without CoC)
        - CoC
        - Opex (without outpayment). See the SA for details of the cost types that this must be disaggregated to;
        - Outpayments
- Total Cost
    - split in the categories in the SA
    - % network \ wholesale cost
    - % retail cost.

Ooredoo is required to keep the Product Codes (but also all the cost center codes) consistent over the RAS years, in order to enable a year to year comparison.

Ultimately, the allocation of costs and revenues will be to individual services. Ooredoo must include a dimensional flexibility to present the costs and revenues, where a "drill down" is possible, or else cost analysis data that enables such investigations to be carried out. The minimum required reporting to achieve this transparency is described in the pro-forma accounts. The principles to follow include providing the ability to analyze products at a retail and network (internal-wholesale) level by the cost categories and details as shown below in Figure 6 and as defined in the SA (Annex V). The individual products must be identifiable and also reported on at a grouped level, including grouped by markets and as totals for the entire RRU.

Costs must be identifiable at the network element (component) level as these provide the transfer charging basis to the retail and wholesale units.

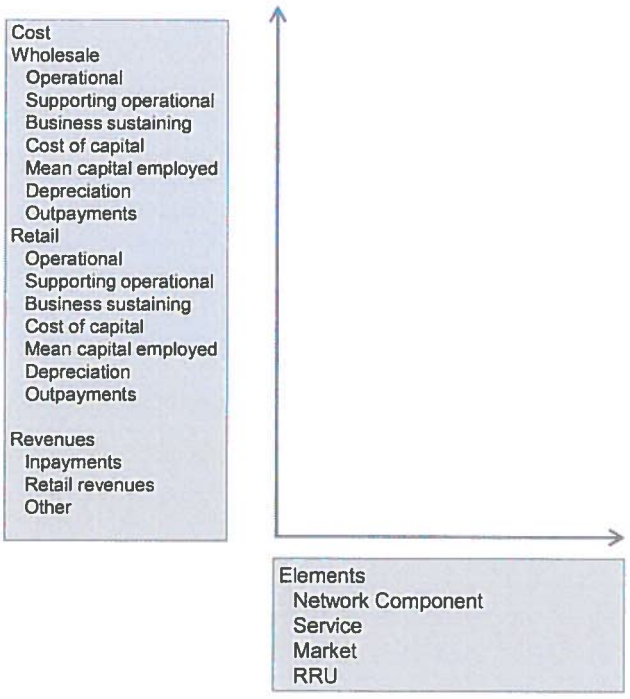

Figure 6 Analysis is required of individual or groups of products by cost type

The first dimension is on the service level. A grouping / filtering according to the different levels of the service hierarchy has to be enabled:

- Service (one service or a number of services together);
- Service Group (to be defined – the reports must be flexible). It should be possible to define Markets to group the products;

- Entire RRU.

The second dimension is according to the cost level. The following dimensions have to be distinguished:

- Network transferred costs;
- Capital costs (depreciation, capital employed and cost of capital);
- Operating costs (direct, pay cost, as well as indirect/supporting costs);
- Outpayments to other operators;
- Network components' cost (only in the case of network products from the Wholesale network RRUs);
- Business sustaining;
- Retail cost of sales (separable into capital and operating costs).

Network component should enable their costs to be broken down by the cost types (capital, operational etc.) to give transparency of the cost sources.

The representation of any sensible combination has to be enabled (e.g. via specific reports, or Excel Pivots tables on source data). These reports have to be:

(i) implemented in the electronic cost model; and
(ii) made available in the form of flexible reports. They have to be easily transferrable to Excel.

Revenues will be directly allocated to the services to which they relate based on accounting records and billing system information. In cases where direct allocation is not possible (e.g. bundles), revenues should be attributed on the basis of causation to the lowest level possible, without additional assumptions (unless such assumptions are agreed to by CRA).

3.11.3 Separated Accounts (SA)

A key process of the RAS is the creation of Separated Accounts. Financial information produced for this purpose should be at a level of detail which demonstrates compliance with the principles of non-discrimination and transparency. The data should adequately identify and attribute revenues and costs from various activities performed by Ooredoo.

The provision of SA is especially important in the case of vertically integrated and multinational organizations, as they make transfer charges transparent and help to assess whether the operator has engaged in any anti-competitive pricing. The outputs from such a system must be capable of independent verification (auditable) and reflects the financial position of Ooredoo.

The SAs are prepared by Ooredoo for the separate Regulatory Reporting Units ("RRUs"), based on the market activities of Ooredoo in the state of Qatar.

The SA will follow the RRU structure of the RAS as a whole as set out in section 3.4. and requires the following RRU's:

a. Fixed Core Network RRU;
b. Fixed Access Network RRU;
c. Mobile Network RRU;
d. Retail RRU;
e. Wholesale RRU
f. Other RRU;
g. Reconciliation Statements (or Reconciliation RRU)

The pro-forma statements are included in Annex VI.

All the Separated Accounts listed in Annex VI shall be produced and audited on an annual basis.

The SA (all or part of them) will be required on a Historical Cost basis and eventually on a Current Cost basis.

3.11.4 Audit and Statement of Compliance

The SA should be audited to the level of Properly Prepared in Accordance with (**PPIA**), audit standard. This PPIA review is in line with international practice.

The RAS will include an audit process comprising the examination and verification of Ooredoo's RAS and supporting documents. An audit process will provide clarity, transparency and confidence with Ooredoo's figures.

The auditor should be chosen based upon his resources and experience in such a way as to ensure a high level quality of the audit of the separated financial statements.

The main elements to be covered by the audit are, inter alia, but not limited to, the following:

- The scope of costs included in the model and the allocation to individual services and service categories;
- Methodologies used regarding valuation and depreciation of assets;
- Assurances that SAs are derived from underlying general ledgers, properly prepared, including operational data as volumes and technological parameters;
- Transfer charges in the SA; and
- The reconciliation between the cost model, the SAs and the statutory accounts.

The statement of compliance will be prepared and signed by the independent auditor and includes, inter alia but not limited to, the following:

a. The work done by the auditor;
b. Whether the auditor has obtained all information and explanations that he or she has required;
c. Whether, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the DSP so as to enable the complete and accurate compilation of required information;
d. Whether, in the auditor's opinion, the SA are prepared, in all material respects, in accordance with these Requirements and further specification issued by CRA during the process described in section 5 ;
e. A statement of whether the separated financial statements have been properly prepared;
f. A statement of accounting policies used in the preparation of the SAs;
g. The full description of the verification methodology followed;
h. A statement about the methodologies used regarding capitalization, valuation, amortization and allocation;
i. A statement regarding the appropriate implementation of the CESP regarding the identified efficiency potential; a specific statement on the assets acquired "for free" is requested (see paragraph 3.5.2)
j. A statement that the SAs have been prepared in with the accounting requirements of governing legislation in Qatar, in compliance with standard accounting practices with the Direction and Instruction and these Detailed Requirements from CRA
k. All identified irregularities and any matters of emphasis;
l. Any other comments and remarks;
m. The conclusions of the auditor.

As part of this process, Ooredoo's Chief Executive Officer and Chief Financial Officer are required to sign a Representation Letter, attesting to the auditors that the accounts have been prepared in accordance with the principles defined by CRA for Regulatory Accounting System.

4 Performance Bonds

In this section, pursuant to the relevant provisions of the ARF and Ooredoo's Licenses, CRA determines that a surety may be necessary to guarantee Ooredoo's compliance with the material obligations created by these RAS Orders, and it describes the terms and conditions that would apply to the required Performance Bonds. In such a case, the CRA would issues Orders implementing these determinations and requiring Ooredoo to execute and provide to CRA Performance Bonds to guarantee fulfillment of its RAS obligations. Failure to comply with the Performance Bond obligations, as required under Ooredoo's licenses, would constitute material breach of a license condition, and could result in criminal, economic, or regulatory sanctions.[22]

4.1 Requirement of a surety to guarantee implementation of the RAS

CRA hereby designates the fulfillment of Ooredoo's obligations under these RAS Orders a Secured Obligation, for which a Performance Bond may be required as a surety. Pursuant to the terms of Ooredoo's Licenses, to which Ooredoo fully consented by accepting the Licenses, Ooredoo is required to guarantee the fulfillment of any obligation which CRA expressly designates as a Secured Obligation.[23] Although some specific Secured Obligations were set forth in Ooredoo's Mobile License, the provisions of that License and the Fixed License are not limited to those specified Secured Obligations and give CRA flexibility to create new Secured Obligations. According to Annexure A of the Licenses, a Secured Obligation is any obligation expressly designated by the Licenses or the ARF as requiring the lodging of a Performance Bond or other surety approved by CRA to guarantee performance of the obligation.[24] As these RAS Orders, upon issuance, become a part of the ARF, Ooredoo has consented in its licenses to CRA's ability to designate Secured Obligations herein.

Where CRA determines that a surety is necessary to guarantee the performance of a material obligation by Ooredoo, CRA may require Ooredoo to execute and provide a Performance Bond to CRA pursuant to the provisions set forth in Annexure K of QTel's licenses.[25] Implementation of the RAS is a material obligation of Ooredoo.

As explained in detail in Section 3 of these RAS Orders, the RAS is a key component of CRA's monitoring and regulation of Ooredoo's activities as a DSP, and the protection of consumers from distorted competition, for example by anti-competitive cross-subsidies. Annexure I of Ooredoo's licenses requires it to comply with instructions from CRA regarding cost studies, independent auditing, adoption of accounting procedures, and accounting separations requirements. The information provided by the RAS will allow CRA to monitor Ooredoo's compliance with the provisions of Annexure F of its license governing the terms of interconnection or access agreements. Additionally, the RAS will facilitate CRA's review of Ooredoo's tariff filings pursuant to Annexure D of its licenses and help it evaluate the cost bases for Ooredoo's retail charges.

One of the key objectives of the RAS is to calculate, trace and analyze costs in order to demonstrate compliance with a cost orientation and non-discrimination obligation for regulated services. Therefore the RAS is vital for establishing regulatory tools based on sound economic evidence. This will help to foster the development of a pro-competitive market place and hence benefit the Qatari people. The importance of the RAS justifies the designation of the RAS as a Secured Obligation.

These RAS Orders require from Ooredoo certain RAS deliverables on an ongoing annual basis. The full deliverables are included in this RAS Order and specifically in Section 3.11.

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[22] *See, e.g.*, Telecommunications Law of 2006, Articles (67), (70); QTel Fixed and Mobile Licenses, Sub-clause 17.2.
[23] QTel Fixed and Mobile Licenses, Clause 29.1.
[24] QTel Fixed and Mobile Licenses, Annexure A.
[25] QTel Fixed and Mobile Licenses, Annexure K, Clause 1.1.

The components of the RAS, including amongst others, but not limited to the Description of the RAS, the Cost Model itself, the Separated Accounts (SA) and the Audit and Statement of Compliance as further detailed in Section 3.11 are essential components of the RAS. Because complete and satisfactory implementation of these obligations is required in order for the RAS to serve its many important purposes, CRA could determine that a surety is necessary to guarantee the performance of these material obligations.

Hence, CRA could designates the implementation of these RAS Orders, including the provision on an annual basis of all deliverables in this RAS Order and specifically in Section 3.11 in a complete form that is satisfactory to CRA, to be a Secured Obligation of Ooredoo. As detailed below, Ooredoo would be required to execute a separate surety in the form of a Performance Bond for each fiscal year covered by these RAS Instructions on an ongoing annual basis.

4.2 Form and Content of the Performance Bonds

The form and content of Performance Bonds are governed by Annexure K of QTel's licenses.[26] CRA has significant flexibility to set the conditions of and enforce Performance Bonds. CRA has discretion to specify the value of any required Performance Bond.[27] CRA must approve in advance the issuing financial institution selected by Ooredoo.[28] CRA has discretion to release the bond or demand payment of the bond based upon its determination of whether Ooredoo has complied with the requirements of the Secured Obligation,[29] and it has authority to extend the term of the bond or if there is a dispute about Ooredoo's compliance.[30] Disputes over fulfillment of Ooredoo's obligation under a performance bond will be settled pursuant to Clause 2 of Annexure K of Ooredoo's licenses.

The Performance Bonds executed by Ooredoo to guarantee fulfillment of its Secured Obligations under these RAS Orders should be payable to CRA in the amount of 10'000'000 QAR (ten million Qatari Rial) for each fiscal year covered by these RAS Orders on an ongoing annual basis.

As discussed in Section 4.1 above, the RAS establishes an approved, fundamental understanding of Ooredoo's costs and revenues. This helps CRA to establish a fair regulatory regime on the wholesale and the retail level. The RAS is a vital instrument to support CRA's regulatory activities. Amongst these purposes is to monitor and identify potentially anti-competitive practices, such as pricing below cost and cross subsidies. The ARF provides that the prices of DSPs have to be above cost. These cost inputs are derived from the RAS. DSPs are also obliged to engage in non-discriminatory behavior. For example, a DSP must ensure that prices for services rendered to other Service Providers are in line with those used in its own pricing. Using the RAS therefore helps to ensure that CRA is fulfilling its mandate to ensure just and fair competition to the benefit of the Qatari people.

The value of the annual Performance Bond is a small fraction of the bonds contained in QTel's Mobile License (QAR 670'000'000 - six hundred seventy million Qatari Rial), as illustrated by the table below, adapted from Table A of QTel's Mobile License.

ITEM	SECURED OBLIGATION MILESTONE	AMOUNT OF CORRESPONDING PERFORMANCE BOND COMPONENT (QAR/ MILLION)	LICENSE CROSS-REFERENCE	INITIAL TERM OF VALIDITY OF PERFORMANCE BOND COMPONENT

[26] ictQATAR notes that while there are slight variations in Annexure K wording between the Fixed and Mobile licenses, these variations relate only to the fact that certain specific Secured Obligations were contained within the Mobile license in addition to the general ability of ictQATAR to require additional Secured Obligations later through the ARF. These differences do not affect the provisions of Annexure K relevant to other Secured Obligations, and therefore these differences in wording are immaterial to the Secured Obligations created by these RAS Instructions and the concurrent Orders.

[27] *See* QTel Fixed and Mobile Licenses, Annexure K, Clause 1.1.

[28] QTel Fixed and Mobile Licenses, Annexure K, Clause 1.2.

[29] QTel Fixed and Mobile Licenses, Annexure K, Clauses 1.3, 1.4, 1.7.

[30] QTel Fixed and Mobile Licenses, Annexure K, Clause 1.3.

ITEM	SECURED OBLIGATION MILESTONE				AMOUNT OF CORRESPONDING PERFORMANCE BOND COMPONENT (QAR/ MILLION)		LICENSE CROSS-REFERENCE	INITIAL TERM OF VALIDITY OF PERFORMANCE BOND COMPONENT
	SPECTRUM RELEASE			COVERAGE	NON-CUMULATIVE	CUMULATIVE		
	1800 MHz Release Block (Milestone A)	900 MHz Release Block I (Milestone B)	900 MHz Release Block II (Milestone C)					
1.					20	-	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
2.	II				40	60	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
3.	III				60	120	Annexure C Section 2.4 Table 1	The Effective Date of this License + 9 months
4.	IV				80	200	Annexure C Section 2.4 Table 1	31 October 2007 + 9 months
-	Total				=	**200**	-	-
5.		I			20	-	Annexure C Section 3.4 Table 2	31 October 2007 + 9 months
6.		II			40	60	Annexure C Section 3.4 Table 2	30 November 2007 + 9 months
7.		III			60	120	Annexure C Section 3.4 Table 2	31 December 2007 + 9 months
8.		IV			80	200	Annexure C Section 3.4 Table 2	31 January 2008 + 9 months
-	Total					**200**	-	-
9.			I		200	-	Annexure C Section 3.4 Table 3	31 July 2009 + 9 months
-	Total				-	**200**	-	-
10.				I	60	-	Annexure G Section 1	First Anniversary Date + 9 months
11.				II	10	70	Annexure G Section 1	Fifth Anniversary Date + 9 months
				Total	=	**70**		
12.	Grand Total					**670**		

Figure 7 Detail of performance bonds in Ooredoo's mobile License

QAR 10 million is far less than the bond amount specified in the Mobile License. Given that Ooredoo consented to a bond of QAR 670 million in its License, the QAR 10 million bond imposed herein for the important regulatory obligation of the RAS is not reasonably objectionable.

Under international best practices, the standard for judging the appropriateness of the bond amount is whether it is sufficient to ensure regulatory compliance "without creating an undue burden" on

Licensees.[31] Therefore, CRA is mindful of the amount of the Performance Bonds. Ooredoo is in a very strong financial position.[32] Both revenue and profit increased considerably from last year. EBITDA is quite high relative to international comparisons. The annual bond amount is 0.2% of Ooredoo's total revenue (6,220.100.000 - six point two billion Qatari Rial) and less than 0.7% of Ooredoo's net profit (1,529.500.000 one point five two nine Qatari Rial). Such an amount is not threatening Ooredoo's economic welfare.

When comparing the value of the Performance Bonds CRA is also mindful of Performance Bonds previously required.

CRA notes that the Performance Bond required for mobile number portability (**MNP**) was set at QAR 50 million. MNP enables customers to switch service providers, while retaining their telephone numbers. This reduces barriers to switch the service provider significantly. Hence MNP brings significant consumer benefits and therefore is internationally recognized as a cornerstone of the regulatory framework and as such a licensing obligation in the Qatari ARF.

The RAS is no less important. A well set-up and audited RAS gives confidence that prices are above cost and that markets are not distorted. As such the RAS is vital to monitor and identify potentially anti-competitive practices, such as pricing below cost and cross subsidies. This in turn gives confidence in the Qatari marketplace and helps to ensure consumer benefit. The RAS is a significant part of the ARF and also foreseen in the Licenses. As it gives transparency also the RAS is internationally recognized as a cornerstone of the regulatory framework. Therefore, setting a similar amount for the RAS Performance Bonds is in line with the importance of the RAS and MNP.

CRA also notes that the "cost" of Performance Bond is not the surety itself, but rather the carrying charges of the Performance Bond over the relevant period. For Ooredoo, a large and global service provider with local revenues and profits mentioned above, and access to favorable banking conditions, the carrying charges should be relatively low. Although such carrying-costs would increase Ooredoo's cost base to a small extent, they should not increase Ooredoo's prices in the competitive marketplace. Thus the imposition of the Performance Bond will not distort the market.[33]

Another, traditional jurisprudence of proportionality flows from the assessment of fines or penalties. The QAR 10million bond amount is equally justified under those standards. To illustrate, in setting fine amounts, French and Anglo-American law take into account similar factors, for example the degree of damage to the regulatory scheme:

- "Les sanctions pécuniaires sont proportionnées à la gravité des faits reprochés, à l'importance du dommage causé à l'économie, à la situation de l'organisme ou de l'entreprise sanctionné ou du groupe auquel l'entreprise appartient" (The financial penalties are proportionate to the seriousness of the charges brought, to the scale of the damage caused to the economy.). France, Code de commerce, Art. L464-1.
- "The more serious and widespread the infringement, the higher the starting point is likely to be." U.K. Office of Fair Trading, OFT's Guidance as to the appropriate amount of a penalty, at 8 (September 2012).
- The amount should reflect "the degree of harm, whether actual or potential, caused by the contravention." U.K. Ofcom, Penalty Guidelines, at 1 (13 June 2011), *available at* http://www.ofcom.org.uk/about/policies-and-guidelines/penalty-guidelines/
- "Egregious misconduct" and "Substantial harm" listed as "Upward Adjustment Criteria" when the U.S. Federal Communications Commission sets forfeiture amounts. 47 C.F.R. § 1.80(b)(5)(II).

Other factors to be considered are specific and general deterrence:

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[31] *See, e.g.*, Amendment of the Commission's Space Station Licensing Rules and Policies, 19 FCC Rcd 12,636, 12,653, ¶ 41 (2004).

[32] All figures http://www.ooredoo.qa/idc/groups/public/documents/document/2012_operating_results_cou_new.pdf?CSRT=15874961002881734037

[33] *Cf.* 19 FCC Rcd at 12,650-51, ¶ 33

- The amount should be set "high enough to serve as a deterrent and foster compliance with our rules." The Commission's Forfeiture Policy Statement and Amendment of Section 1.80 of the Rules to Incorporate the Forfeiture Guidelines, *Report and Order*, 12 FCC Rcd 17087, 17097, ¶ 19 (1997) ("Forfeiture Policy Statement").
- The U.K. Office of Fair Trading will penalize "at a rate up to 30 percent of an undertakings' relevant turnover to deter the infringing undertaking and other undertakings generally from engaging in that particular practice or type of practice in the future." OFT's Guidance as to the appropriate amount of a penalty, at 8.
- "The central objective of imposing a penalty is deterrence." Ofcom, Penalty Guidelines, at 1.
- In setting penalties, French competition law considers "à l'éventuelle réitération de pratiques prohibées par le présent titre" (the likelihood of any repetition of the prohibited practices). France, Code de commerce, Art. L464-1.

Finally, penalties typically are set with a view toward the regulated entity's ability to pay:

- The amount should reflect the "extent to which the level of the penalty is proportionate, taking into account the size and turnover of the regulated body." U.K. Ofcom, Penalty Guidelines, at 2.
- French competition authorities will set fines after consideration of "la situation de l'organisme ou de l'entreprise sanctionné ou du groupe auquel l'entreprise appartient" (the situation of the body or company penalised or to the group to which the company belongs). France, Code de commerce, Art. L464-1. *See also* Art. L430-8(I).
- "[W]e intend to take into account the subject violator's ability to pay in determining the amount of a forfeiture to guarantee that forfeitures issued against large or highly profitable entities are not considered merely an affordable cost of doing business. Forfeiture Policy Statement,12 FCC Rcd at 17099, ¶ 24.

Given the importance of the RAS, the need to ensure compliance with RAS deadlines and Ooredoo's unquestioned financial ability to be able to obtain a bond, or – should it fail to meet the above terms and conditions – pay the surety in the case of default, the QAR 10 million Performance Bond clearly is consistent with the international jurisprudence discussed above. Thus, CRA considers the Performance Bond value adopted herein appropriate, justified, proportionate and reasonably related to the regulatory purposes of the RAS.

A separate Performance Bond should be executed and provided to CRA for the RAS of each financial year. The Performance Bonds should comply with all provisions of Annexure K of Ooredoo's licenses, and with the Orders issued concurrently with these RAS Orders. The Performance Bonds should be in the form of a bank guarantee issued by a bank operating in the State of Qatar, which must be approved in advance by CRA; and they shall provide for an unconditional and irrevocable undertaking on the part of the bank to pay the amount stipulated in the Orders.

The implementation timeframe for the Performance Bonds, including the submission for CRA's approval of the name of the issuing financial institution, provision of the bonds, and the Completion Deadline for the Secured Obligations are set forth in the sections below.

4.2.1 Submission of the Performance Bonds

CRA reserves the right to request Ooredoo to submit to CRA for approval the name of the financial institution selected to issue the Performance Bond to guarantee Ooredoo's RAS obligations for that financial year. Within two (2) weeks of receiving CRA's approval of the financial institution, Ooredoo will provide a Performance Bond payable to CRA in the amount of 10'000'000 QAR (ten million Qatari Rial) for the purpose of guaranteeing Ooredoo's fulfillment of its Secured Obligation under these RAS Orders for that financial year.

4.2.2 General provisions

While the RAS is being determined on a FAC basis, the "Completion Deadline" of the Performance Bond requirement, as that term is used in Annexure K of QTel's Licenses, shall be the same as the date set by CRA for delivery of the RAS deliverables for each year.

The Completion Deadline for the Performance Bond when the RAS is completed on a CESP basis will be determined at the time when CESP is implemented. CRA anticipates that the Completion Deadline will remain the same as the RAS deliverables deadline.

Release or payment of the bond shall be governed by the procedures set forth in Annexure K of QTel's licenses.

Any non-compliance with any aspect of the RAS Orders or the non-enforcement of any aspects of the Orders, including these Performance Bond obligations shall not be considered a waiver to the obligations to comply with the rest of the Orders.

5 Timeframe for implementing the RAS

5.1 RAS submissions – general provision

The RAS final deliverable must be submitted for each financial year within **9 months** of the end of the financial year. For the avoidance of doubt, this includes all deliverables and the audit (cf. section 3.11). This allows for a reasonable time for the annual audit which has to be reflected e.g. in the SA. This should include the RAS cost model itself together with all the SAs as set out in 3.11 above.

The Description of the RAS with accounting manual shall be delivered at least 6 months in advance of the RAS completion date (i.e. no later than 3 months after the financial year-end). The pro forma auditor's report should also be supplied. The pro forma SA reports should also be supplied. These are needed for approval and possible adjustments by CRA.

The detailed timelines for the implementation of the RAS will be agreed with Ooredoo at the beginning of each financial year. The following shows the relevant steps that must be performed.

Timeline	Content
Within January of each financial year	Start-up meeting (inter alia, to define the detailed timeline for implementing the RAS and to discuss the improvement to be done according to the closure letter of the previous financial year).
Within three (3) months after the financial year end: first submission	Ooredoo to provide pro forma of Representation Letter and pro-forma of audit report (audit report wording) (both as per 3.11.4) Ooredoo to provide **draft** RAS Methodology, including amongst others: • Description of the RAS (cf. 3.11.1 this includes amongst others product lists, network components with units, SA and reports. • Routing Table (logical structure). • Reports to be implemented (also internal reports). • A document describing all changes from the previous version (i.e. new products, new cost centers, new network components, changes in drivers, etc.)
Within 1 month after the first submission	CRA to provide review comments (if any)
Within six (6) months after the financial year end: second submission	Ooredoo to provide for CRA review the preliminary results, model and documentation, to include: • Preliminary results (the SA) • The electronic cost model • All RAS Documentation listed in section 4.11
Within one (1) month after the second submission	CRA to provide review of and feedback on the preliminary SA statements and other items
Within nine (9) months after the financial year end: final submission	Ooredoo to provide all the final deliverables. This date defines the "Completion Deadline" for Performance Bond. Deliver all results, final description of RAS, final electronic cost model, Audit Statement and all other documents[34].

[34] For the avoidance of any doubt, this will include all elements of this RAS Instruction and specifically deliverables listed in section 3.11 which include inter alia, but not limited to:
Description of the RAS (cf. section 3.11.1)
Cost Model (cf. section 3.11.1, 3.11.2)

Timeline	Content
Within two (2) months after the final submission	CRA to provide closure letter

Figure 8 Timetable of RAS implementation

All changes from the previous version should be highlighted.

During the RAS implementation, Ooredoo will provide CRA with the outputs of the steps shown above. Any required adjustments to the reports and SA that vary from these instructions should be reported on to CRA when they become apparent.
The detailed timing for the submission of the RAS and SA on a CESP basis will be determined at the time when CESP is implemented. CRA anticipates that this will be delivered to the same schedule as FAC.

5.2 Specific provision for RAS 2013

The following shows the high-level timelines, which must be adhered to. Given the complexity of the RAS detailed timelines will be discussed and agreed with Ooredoo at the beginning of the RAS development process.

Timeline	Content
29 May 2014	**Issuance of the final RAS Orders** RAS Orders modified according to the outcomes of the RAS 2010/11/12 Review
29 May 2014	**Closing of RAS 2010+ issues for implementation in RAS 2013** • Product List definition and simplification, • improvements to ABC methodology, • etc... The full list of the activities to be performed will be sent to Ooredoo.
12 June 2014	**Ooredoo's first submission** Ooredoo to provide: • pro forma of Representation Letter and (cf. 3.11.4) • pro-forma of audit report (audit report wording) (cf. 3.11.4) Ooredoo to provide draft RAS Methodology, including amongst others: • Description of the RAS (cf. 3.11.1 this includes amongst others product lists, network components with units, SA and reports. • Routing Table (logical structure). • Reports to be implemented (also internal reports). • A document describing all changes from the previous version (i.e. new products, new cost centers, new network components, changes in drivers, etc.)
19 June 2014	**CRA to provide review comments (if any)**

SA (cf. section 3.11.3)
Audit and Statement of opinion (cf. section 3.11.4)

Timeline	Content
31 July 2014	**Ooredoo's second submission** Ooredoo's second submission Ooredoo to provide for CRA review the preliminary results, model and documentation, to include: • Preliminary results (the SA) • The electronic cost model • All RAS Documentation listed in section 4.11
9 October 2014	**CRA to provide review of and feedback** on the preliminary SA statements and other items
4 December 2014	**Ooredoo to provide all the final deliverables**[35]. . Deliver all results which include amongst others, but not limited to, final description of RAS, final electronic cost model, Audit Statement and all other documents[36].
25 December 2014	**CRA to provide closure letter**

Figure 9 Timetable of RAS 2013 implementation

Saleh Al-Kuwari

Chairman of the CRA Management Committee

For the Communications Regulatory Authority

Date: 25 May 2014

[35] This date defines the "Completion Deadline" for Performance Bond (if previously requested by CRA)
[36] For the avoidance of any doubt, this will include all elements of this RAS Instruction and specifically deliverables listed in section 3.11 which include inter alia, but not limited to:
Description of the RAS (cf. section 3.11.1)
Cost Model (cf. section 3.11.1, 3.11.2)
SA (cf. section 3.11.3)
Audit and Statement of opinion (cf. section 3.11.4)

Annex I Definitions and Acronyms

ABC	Activity Based Costing
Accounting methodology	is the cost standard
Annual financial statement	is an integrated part of the annual report and comprises typically: balance sheet, profit and loss account, cash flow explanatory notes, auditor's statement
ARF	Applicable Regulatory Framework
BSS	Business Support Systems
CAPEX	Capital Expenditure
CC	Current Costs
CCA	Current Cost Accounting
CESP	Cost of Efficient Service Provision
Cost base	primarily the "HCA family" and the "CCA family" are used. CESP is typically in the "CCA family", but includes efficiency adjustments have been made.
Cost components	is an umbrella term for direct costs, joint costs and common costs
Cost Model	The (electronic) framework for allocating costs and revenues
Cost pools	where do costs accrue (e.g. copper plant, tandem switching centre, etc.)
Cost centres	a type of cost pool that relates to a functional area within the operator – the cost centre has all of the relevant costs of the team
Cost standards	(= accounting methodology) like FAC; FDC, LRIC, FL-LRIC, FL-LRAIC, SAC and EDC. A combination of the aforementioned standards is possible.
Cost types	which costs accrue (e.g. personnel cost, rental cost, CAPEX for switches, etc.)
CoC	Cost of Capital
CPE	Customer Premises Equipment
CVR	cost-volume relationship
DSP	Dominant Service Provider
EDC	Embedded Direct Cost
EPMU	equivalent proportional mark-up
FAC	Fully Allocated Costs
FDC	Fully Distributed Costs
FY	Financial Year
FL-LRAIC	Forward Looking - Long Run Average Incremental Costing
FL-LRIC	Forward Looking - LRIC
FCM	Financial Capital Maintenance
GBV	Gross Book Value
HC	Historic Costs
HCA	Historic Cost Accounting
IC	Incremental Cost
IP	Internet Protocol
ISDN	Integrated Services Digital Network
LRAIC	Long Run Average Incremental Costs
LRIC	Long Run Incremental Cost
MEA	Modern Equivalent Asset
MTR	Mobile Termination Rate, regulated termination price
NBV	Net Book Value
NGA	Next Generation Access
NGN	Next Generation Network
OCM	Operational Capital Maintenance

One-off tariffs	as installation or set-up rates for the initial implementation (cf. recurring tariffs)
OPEX	Operational Expenses
OSS	Operational Support Systems
PDH	Plesiochronous Digital Hierarchy
PPIA	Properly Prepared in Accordance with audit standard
POTS	Plain Old Telephony Services
PSTN	Public Switched Telephone Network
Price control method	Cost orientation, Benchmarking, Price Cap, Retail Minus, etc.
Products	Products offered by the Service provider. For the RAS the terms "product" and "service" have the same meaning
Q1F	1st Fixed Licence
Q1M	1st Mobile Licence
Q2M	2nd Mobile Licence
RAS elements	Costing Methodology; Cost Model per se; Cost Model documentation; Separated financial statements; Report of an independent auditor
RAS	Regulatory Accounting System = Regulatory Cost Accounting System
Recurring tariffs	as periodic lease or rental rates for the use of facilities, equipment and other identified resources (cf. one-off tariffs)
RRU	Regulatory Reporting Unit
SA	Separated Accounts
SAC	Stand Alone Costs
SDH	Synchronous Digital Hierarchy
Separated Accounts	are formed for the regulatory reporting units of the DSP
SFS/SA	Separated Financial Statements = Separated Accounts
Service category	product group, resp. product
Service	see product
Tariffs	= price = charges; excludes License Fee and Industry Fee as defined in Annexure H of the Licenses
Transfer tariffs	= transfer charges =transfer prices
TT	Transfer Tariffs
WACC	Weighted Average Cost of Capital
WC	Working Capital

Annex II References

EC; "COMMISSION RECOMMENDATION on accounting separation and cost accounting systems under the regulatory framework for electronic communications"; 19 Sep 2005; (2005/698/EC), ("EC recommendation accounting II")

EC; "COMMISSION RECOMMENDATION on interconnection in a liberalized telecommunications market (Part 2 - Accounting separation and cost accounting)"; 8 Apr 1998; 98/322/EC; (EC recommendation accounting I")

EC; "COMMISSION STAFF WORKING DOCUMENT Explanatory Memorandum of the Commission Recommendation ON ACCOUNTING SEPARATION AND COST ACCOUNTING SYSTEMS UNDER THE REGULATORY FRAMEWORK FOR ELECTRONIC COMMUNICATIONS"; 19 Sep 2005;in reference to 2005/698/EC, ("EC recommendation accounting explanatory memorandum")

ERG; "ERG COMMON POSITION: Guidelines for implementing the Commission Recommendation C (2005) 3480 on Accounting Separation & Cost Accounting Systems under the regulatory framework for electronic communications", ERG (05) 29; ("ERG position accounting")

IRG; "Principles of implementation and best practice regarding accounting separation and cost accounting", Nov 2002; ("IRG PIB Accounting")

IRG; "Principles of Implementation and Best Practice regarding the use of current cost accounting methodologies as applied to electronic communication activities", rev1 Jan 2006; IRG (05) 40rev1;("IRG PIB CCA")

ITU; Regulatory Accounting Guide March 2009.

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Annex IV Current Cost Accounting (CCA) as cost base

A key adjustment to be considered for implementation, *after* HCA FAC costs are developed, is to ensure that the asset values are reflecting those of an efficient (modern) business. The valuation of asset inputs follows the modern equivalent asset (**MEA**) concept. Assets are valued using the cost of replacement with the MEA. The MEA is the lowest cost asset, which serves the same function as the asset being valued. It will generally incorporate the latest available and proven technology, and is the asset which a new entrant might be expected to employ. In a world in which technology is changing rapidly it is quite likely that, for some assets, the MEA will differ from the asset that an incumbent currently has in place. (Examples include wired versus wireless technologies for local access; PDH transmission technology versus SDH technology; IP versus switched technologies for voice traffic; ...). This methodology is termed current cost accounting (**CCA**).

This re-valuation can be considered in typically two stages:

- **Revaluation adjustments** of the assets using the MEA. This can replace the assets with equivalent equipment as would be bought today. This is the central aspect of CCA.
- Adjustment of the number of assets and/or the configuration of these assets to reflect an efficient business structure (**efficiency adjustments**). This is considered with CESP and is not required in a *purely* CCA based FAC report. It is noted that some such adjustments may be included in the CCA, even if a full CESP cost base is not required.

The effect of the CCA changes ensures the capital employed reflects the prices paid today for the equipment. HCA values may over or under-estimate the real values, as seen today. It is these prices paid today that an efficient (new) operator would incur. CCA also ensures the depreciation values reflect the future costs that must be met to replace the asset. This mirrors the costs that a new efficient business would in theory incur if it built the same network today.

There are two primary forms of CCA – Operational Capital Maintenance (**OCM**) and Financial Capital Maintenance (**FCM**). These are described in standard accounting literature. CRA would require FCM to be used, unless there are clear reasons given why this is not possible and does not cause any negative effects on competition.

CCA should be implemented in accordance with accounting standards and conventions. International practices in telecoms shows several methods can be employed. Re-valuations are not required for asset categories that have short lifetimes or are not material. Asset lifetimes may be altered, if the economic lifetime is significantly different to the values used in HCA and the statutory accounts. Such changes should be agreed with CRA and should be passed by the auditor. Price indexation of assets so that each individual asset in a category is re-valued, based on the year of purchase, is an acceptable basis. This is particularly relevant for major asset categories such as cables, buildings, land and civil works that do not have major technological changes. Many electronics systems can also be re-valued using this method. Other methods may be considered in addition.

CCA may be implemented using the same FAC HCA structure used in cost base 1, to deliver CCA FAC results, without the additional *business efficiency* changes defined in CESP.

CCA methods will be subject to specific instructions that CRA will issue. These will need to consider specific details of the Ooredoo asset base and the relevant Qatari issues. Some of the re-valuation issues introduce efficiency considerations – should the asset be re-valued against the most efficient alternative network technology configuration or simply against the current price of similar equipment. Some assets may have been acquired at prices that were not based on commercial rates and/or could be seen as gifts. The re-valuation approaches for these may need specific approaches, cf. section 3.5.2. Other assets may be subject to technical obsolescence in periods much less than the technical (accounting lifetimes): copper might be replaced by fiber in the near future. In this case the copper lifetime in CCA may be reduced but the copper assets would probably *not* be valued on the basis of fiber being the MEA.

These CCA changes to the asset cost base will be introduced at a later date, after further clarification of these and other issues by CRA.

Annex V Cost Standard: Incremental Costing

Often an IC standard is employed. The IC cost standard distinguishes between larger cost output units, the so-called Increments[37]. These identify the cost change (i.e. the variable costs) due to the volume increases: in a service; in a range of services; or caused by another input factor such as the provision of service coverage to an area. The latter defines the increment caused by providing a basic coverage of services that is clearly separate from the increment due to an additional change (or increment) in traffic.

Using this cost basis, both the Stand Alone Cost (**SAC**) and the Incremental Cost (**IC**) of the various Increments can be calculated. The following Figure 10 Incremental Cost ("IC") versus Stand Alone Cost ("SAC") gives an example of the IC and the SAC of a given increment A.

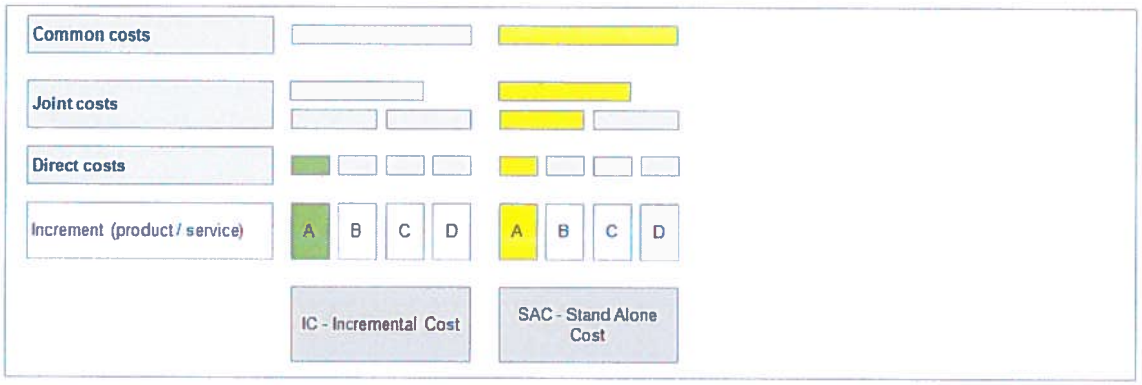

Figure 10 Incremental Cost ("IC") versus Stand Alone Cost ("SAC")

For a given increment, the SAC can be used to define a price ceiling, whereas the IC gives a price floor. If priced below the IC, the costs for producing service A are not recovered and other services would need to bear the cost, if the total business is to remain profitable. If priced above the SAC, all costs that are even partly related to the product are exceeded and this this may indicate excessive prices.

Article 43(6) of the Telecommunications Law states that it is an abuse of dominance to supply competitive telecommunications services at prices below long run incremental costs or *any other cost standard* specified by the CRA.[38]

IC cost information can be important, but the implementation of an incremental cost standard is complex. For the initial stages of the RAS, CRA deems the cost standard FAC, as sufficient and does not require the application of an incremental cost standard at this stage. FAC can allocate costs according to the cost bases (i) HCA, or (ii) CESP.

If the cost standard FAC proves to be insufficient to achieve regulatory objectives including compliance with the ARF, CRA may oblige Ooredoo to implement an IC or another suitable cost standard.

Annex VI Separated Accounts

The following defines the Separated Accounts required from Ooredoo. The statements are based on CRA's requirements and experience of the RAS developed by Ooredoo.

The statements may be amended to reflect the detailed products and network components that are actually employed. Any such amendments have to be approval by CRA by prior submission of the proposed pro forma statements. In general, CRA expects fuller details to be disclosed rather than less, so amendments that reduce the information breakdowns in terms of cost types or product separation, are likely to be rejected.

The RRU statements may have zero values in many entries, although still indicated by a "x" entry in the below.

For the absence of doubt, the pro forma SA, in some places, only indicate the general types of information required and the minimum level of detail required to meet the primary aims. For example the list of products and network components is illustrative only – the full list will be more extensive (to be finalized and submitted by Ooredoo before the final RAS results are submitted). The cost type and detailed analysis indicates the *minimum* level of breakdown expected. Some variations in the details of the final reports are anticipated but these should not be substantial. In any event variations must be agreed with CRA before the final results are submitted.

The HCA and the CCA versions should be substantively the same. Revenues and products are not altered. Only the capital employed and depreciation costs are changed. These will result in an adjustment to the reconciling statement. Where allocation drivers are based on capital values or depreciation values, the same driver values as used in the HCA may be re-used unless cost causality is materially affected.

PROFIT AND LOSS ACCOUNT

for the year ended 31 December

	20XX QAR	20YY QAR
Turnover		
Charges to other RRUs		
External turnover		
Total turnover		
Costs		
Depreciation		
Cost of Sales		
Business sustaining		
Operating costs		
Other expenses – Net of reversals		
External charges (outpayments)		
Total Own Costs (A)		
Transfer charges from other RRUs		
Fixed Core Network		
Mobile Network		
Retail		
Wholesale RRU		
Other		
Total Transfer Charges (B)		
Total costs (A+B)		
Return		

RETURN ON MEAN CAPITAL EMPLOYED

for the year ended 31 December

	20XX QAR	20YY QAR
Mean Capital employed		
Return on mean capital employed		
Return on turnover		

STATEMENT OF MEAN CAPITAL EMPLOYED

for the year ended 31 December

	20XX QAR	20YY QAR
Non-current assets		
Property, plant and equipment		
Other non current assets		
Total non-current assets		
Current Assets		
Inventories		
Accounts receivable and prepayments		
Bank balances and cash		
Total current assets		
Current Liabilities		
Accounts payable, accruals and deferred revenue		
Due to/from State of Qatar		
Total current liabilities		
Mean capital employed		

Fixed Access Network RRU

Detailed Statement of total "costs of production"
for the year ended 31 December 20XX

Network element costs	Network element code	Fixed Access - Cost of sales	Fixed Access - Outpayments	Fixed Access - Primary operating costs	Fixed Access - Support operating costs	Fixed Access - Business sustaining	Fixed Access - Depreciation expense	Fixed Access - Other expenses (net of other income)	Fixed Access - Total operating costs	Fixed Access - Mean capital employed	WACC	Fixed Access - Cost of capital	Fixed Access - Total operating and capital costs	Total volume - effective usage of the element	Cost per unit of usage	Effective unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR	Units	QAR	Units
Copper																
ODF																
Cabinet																
MDF																
Subscriber units - PSTN cards																
Subscriber units - ISDN BRA cards																
Access Fibre FTTX																
Total costs																

Fixed Access Network RRU

Detailed Statement of total "costs of production"
for the year ended 31 December 20YY

Network element costs	Network element code	Fixed Access - Cost of sales	Fixed Access - Outpayments	Fixed Access - Primary operating costs	Fixed Access - Support operating costs	Fixed Access - Business sustaining	Fixed Access - Depreciation expense	Fixed Access - Other expenses (net of other income)	Fixed Access - Total operating costs	Fixed Access - Mean capital employed	WACC	Fixed Access - Cost of capital	Fixed Access - Total operating and capital costs	Total volume - effective usage of the element	Cost per unit of usage	Effective unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR	Units	QAR	Units
Copper																
ODF																
Cabinet																
MDF																
Subscriber units - PSTN cards																
Subscriber units - ISDN BRA cards																
Access Fibre FTTX																
Total costs																

Fixed Access Network RRU

Network Cost Statements

Network Component

Report nr. 3

Fixed Access Network Statement 20XX

	NC code	NC01	NC02	NC03	NC04	NC05	NC06	NC07	...	
Product Name		Copper	ODF	Cabinet	MDF	Subscriber units - PSTN cards	Subscriber units - ISDN BRA cards	Access Fibre FTTX	...	Total
A.1 Total cost										
Converted volumes in Network components										
S.1 Cost per unit (network component)										

	NC code	NC01	NC02	NC03	NC04	NC05	NC06	NC07	...	Total
Product Name		Copper	ODF	Cabinet	MDF	Subscriber units - PSTN cards	Subscriber units - ISDN BRA cards	Access Fibre FTTX	...	Total operating and capital costs - Product wise (%)
A.2 Route factor weighted by converted volumes in percentage terms										
a) Retail products	Product code									
PSTN										
Fiber voice										
BR-ISDN										
ADSL										
...										
b) Wholesale Products										
Interconnection links										
Transmission links										
Wholesale Duct Rental										
Fixed calls - Termination										
Mobile calls - Termination										
...										
c) Other Products										
...										
Total Fixed Access Network Operating and Capital Costs - by Product (%)		100%	100%	100%	100%	100%	100%	100%		

	NC code	NC01	NC02	NC03	NC04	NC05	NC06	NC07	...	
Product Name		Copper	ODF	Cabinet	MDF	Subscriber units - PSTN cards	Subscriber units - ISDN BRA cards	Access Fibre FTTX	...	Total operating and capital costs - Product wise (Qatari riyals)
A.3 Route factor weighted by converted volumes in qatari riyals										
a) Retail products	Product code									
PSTN										
Fiber voice										
BR-ISDN										
ADSL										
...										
b) Wholesale Products										
Interconnection links										
Transmission links										
Wholesale Duct Rental										
Fixed calls - Termination										
Mobile calls - Termination										
...										
c) Other Products										
...										
Total Fixed Access Network Operating and Capital Costs - by Product and Network Component (Qatari Riyals)										

B.2 Unit Cost based on converted volumes per Fixed Access network component
(Total operating and capital cost of elements by converted volumes)

	Product Name	NC code	NC01 Copper	NC02 ODF	NC03 Cabinet	NC04 MDF	NC05 Subscriber units - PSTN cards	NC06 Subscriber units - ISDN BRA cards	NC07 Access Fibre FTTX	...	Total Unit cost - Product wise based on converted volumes of products	Converted Volumes (products)
a)	**Retail products**	Product code									CAR / unit	UOM
	PSTN											
	Fiber voice											
	BR-ISDN											
	ADSL											
	...											
b)	**Wholesale Products**											
	Interconnection links											
	Transmission links											
	Wholesale Duct Rental											
	Fixed calls - Termination											
	Mobile calls - Termination											
	...											
c)	**Other Products**											
	...											

B.3 Effective net Route Factor of network component usage by products

	Product Name	NC code	NC01 Copper	NC02 ODF	NC03 Cabinet	NC04 MDF	NC05 Subscriber units - PSTN cards	NC06 Subscriber units - ISDN BRA cards	NC07 Access Fibre FTTX	...
a)	**Retail products**	Product code								
	PSTN									
	Fiber voice									
	BR-ISDN									
	ADSL									
	...									
b)	**Wholesale Products**									
	Interconnection links									
	Transmission links									
	Wholesale Duct Rental									
	Fixed calls - Termination									
	Mobile calls - Termination									
	...									
c)	**Other Products**									
	...									

Fixed Access Network RRU

Report nr 4

Detailed Statement of fixed access network product
for the year ended 31 December 20XX

Product Names	Product code	Total Revenue and Cost (Fixed Access plus transferred in)																		
		Fixed Access - Revenue (including transfer margins)	Fixed Access - Cost of sales	Fixed Access - Outpayments	Fixed Access - Primary operating costs	Fixed Access - Support operating costs	Fixed Access - Business sustaining	Fixed Access - Depreciation expense	Fixed Access - Other expenses net of other income	Fixed Access - Total operating costs	Fixed Access - Mean Working Capital Employed	Fixed Access - Non-current assets	Fixed Access - Mean capital employed	WACC	Fixed Access - Cost of capital	Total Transferred-in costs from other RFU's	Fixed Access - Total operating and capital costs	Total volume as sold	Fixed Access - Cost per unit of usage	Effective Unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	CAR	Units	CAR	Units
PSTN																				
Fiber voice																				
BR-ISDN																				
ADSL																				
Fiber Broadband																				
IP/ MPLS \ PN																				
Triple Play																				
Transmission lines																				
...																				
...																				
Total																				

Detailed Statement of fixed access network product
for the year ended 31 December 20YY

Product Names	Product code	Total Revenue and Cost (Fixed Access plus transferred in)																		
		Fixed Access - Revenue (including transfer margins)	Fixed Access - Cost of sales	Fixed Access - Outpayments	Fixed Access - Primary operating costs	Fixed Access - Support operating costs	Fixed Access - Business sustaining	Fixed Access - Depreciation expense	Fixed Access - Other expenses net of other income	Fixed Access - Total operating costs	Fixed Access - Mean Working Capital Employed	Fixed Access - Non-current assets	Fixed Access - Mean capital employed	WACC	Fixed Access - Cost of capital	Total Transferred-in costs from other RFU's	Fixed Access - Total operating and capital costs	Total volume as sold	Fixed Access - Cost per unit of usage	Effective Unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	CAR	Units	CAR	Units
PSTN																				
Fiber voice																				
BR-ISDN																				
ADSL																				
Fiber Broadband																				
IP/ MPLS \ PN																				
Triple Play																				
Transmission lines																				
...																				
...																				
Total																				

Financial Statements

Fixed Core Network RRU

PROFIT AND LOSS ACCOUNT

for the year ended 31 December

	20XX QAR	20YY QAR
Turnover		
Charges to other RRUs		
External turnover		
Total turnover		
Costs		
Depreciation		
Cost of Sales		
Business sustaining		
Operating costs		
Other expenses – Net of reversals		
External charges (outpayments)		
Total Own Costs (A)		
Transfer charges from other RRUs		
Fixed Access Network		
Mobile Network		
Retail		
Wholesale RRU		
Other		
Total Transfer Charges (B)		
Total costs (A+B)		
Return		

RETURN ON MEAN CAPITAL EMPLOYED

for the year ended 31 December

	20XX QAR	20YY QAR
Mean Capital employed		
Return on mean capital employed (including transfer margins)		
Return on turnover		

STATEMENT OF MEAN CAPITAL EMPLOYED

for the year ended 31 December

	20XX QAR	20YY QAR
Non-current assets		
Property, plant and equipment		
Other non current assets		
Total non-current assets		
Current Assets		
Inventories		
Accounts receivable and prepayments		
Bank balances and cash		
Total current assets		
Current Liabilities		
Accounts payable, accruals and deferred revenue		
Due to/from State of Qatar		
Total current liabilities		
Mean capital employed		

Fixed Core Network RRU

Detailed Statement of total "costs of production"
for the year ended 31 December 20XX

Network element costs	Network element code	Fixed Core - Cost of sales	Fixed Core - Outpayments	Fixed Core - Primary operating costs	Fixed Core - Support operating costs	Fixed Core - Business sustaining	Fixed Core - Depreciation expense	Fixed Core - Other expenses (net of other income)	Fixed Core - Total operating costs	Fixed Core - Mean capital employed	WACC	Fixed Core - Cost of capital	Fixed Core - Total operating and capital costs	Total volume - effective usage of the element	Cost per unit of usage	Effective unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	Units	CAR	Units
Subscriber unit - Broadband																
DSLAM																
Subscriber units (Traffic Sensitive)																
Main switches (TDM - Traffic Sensitive)																
Universal Media Gateway (UMG)																
Softswitch (SS)																
...																
Total costs																

Detailed Statement of total "costs of production"
for the year ended 31 December 20YY

Network element costs	Network element code	Fixed Core - Cost of sales	Fixed Core - Outpayments	Fixed Core - Primary operating costs	Fixed Core - Support operating costs	Fixed Core - Business sustaining	Fixed Core - Depreciation expense	Fixed Core - Other expenses (net of other income)	Fixed Core - Total operating costs	Fixed Core - Mean capital employed	WACC	Fixed Core - Cost of capital	Fixed Core - Total operating and capital costs	Total volume - effective usage of the element	Cost per unit of usage	Effective unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	Units	CAR	Units
Subscriber unit - Broadband																
DSLAM																
Subscriber units (Traffic Sensitive)																
Main switches (TDM - Traffic Sensitive)																
Universal Media Gateway (UMG)																
Softswitch (SS)																
...																
Total costs																

Fixed Core Network RRU
Network Cost Statements 20XX

		Network Component								
	Product Name	NC code	NC10 Subscriber unit - Broadband	NC11 DSLAM	NC12 Subscriber units (Traffic Sensitive)	NC13 Main switches (TDM - Traffic Sensitive)	NC14 Universal Media Gateway (UMG)	NC15 Softswitch (SS)	NC16 OLT - traffic sensitive Broadband	... Total
A.1	Total cost									
	Converted volumes in Network components									
B.1	Cost per unit (network component)									

											Total
	Product Name	NC code	NC10 Subscriber unit - Broadband	NC11 DSLAM	NC12 Subscriber units (Traffic Sensitive)	NC13 Main switches (TDM - Traffic Sensitive)	NC14 Universal Media Gateway (UMG)	NC15 Softswitch (SS)	NC16 OLT - traffic sensitive Broadband	...	Total operating and capital costs - Product wise (%)
A.2	Route factor weighted by converted volumes in percentage terms										
a)	Retail products	Product code									
	Fixed calls - To fixed										
	Fixed calls - To mobile										
	Fixed calls - To international (IDD)										
	Fixed calls - To emergency services										
	Fixed calls - To Off net Mobile										
	Postpaid calls - To fixed										
	Postpaid calls - To international										
	...										
b)	Wholesale Products										
	Off Net - Other										
	Fixed calls - From international										
	Off Net Calls - To Overseas Fixed										
	Transmission links										
	Interconnection lines										
	...										
c)	Other Products										
	...										
	...										
	Total Fixed Access Network Operating and Capital Costs - by Product (%)		100%	100%	100%	100%	100%	100%	100%		

	Product Name	NC code	NC10 Subscriber unit - Broadband	NC11 DSLAM	NC12 Subscriber units (Traffic Sensitive)	NC13 Main switches (TDM - Traffic Sensitive)	NC14 Universal Media Gateway (UMG)	NC15 Softswitch (SS)	NC16 OLT - traffic sensitive Broadband	...	Total operating and capital costs - Product wise (Datori Rials)
A.3	Route factor weighted by converted volumes in Datori rials										
a)	Retail products	Product code									
	Fixed calls - To fixed										
	Fixed calls - To mobile										
	Fixed calls - To international (IDD)										
	Fixed calls - To emergency services										
	Fixed calls - To Off net Mobile										
	Mobile calls - To fixed										
	Mobile calls - To international										
	...										
b)	Wholesale Products										
	Off Net - Other										
	Fixed calls - From international										
	Off Net Calls - To Overseas Fixed										
	Transmission links										
	Interconnection lines										
	...										
c)	Other Products										
	...										
	...										
	Total Fixed Core Network Operating and Capital Costs - by product and network component (Datori Rials)										

B.2 Unit Cost based on converted volumes per fixed core network component
(Total operating and capital cost of elements by converted volumes)

Product Name	NC code	NC10	NC11	NC12	NC13	NC14	NC15	NC16	...	Total
		Subscriber unit - Broadband	DSLAM	Subscriber units (Traffic Sensitive)	Main switches (TDM - Traffic Sensitive)	Universal Media Gateway (UMG)	Softswitch (MS)	GLT - traffic sensitive Broadband		Unit Cost - Product wise based on converted volumes of products / Converted Volumes (products)
	Product code									GAS Unit UOM
a) Retail products										
Fixed calls - To fixed										
Fixed calls - To mobile										
Fixed calls - To international (IDD)										
Fixed calls - To other premium services										
Fixed calls - To CPT and Mobile										
Mobile calls - To fixed										
Mobile calls - To International										
b) Wholesale Products										
CPT fixed - Other										
Fixed calls - Fixed international										
CPT fixed Calls - To Operator Fixed										
Transmission links										
interconnection links										
c) Other Products										

B.3 Effective unit Service factor of network component usage by products

Product Name	NC code	NC10	NC11	NC12	NC13	NC14	NC15	NC16	...
		Subscriber unit - Broadband	DSLAM	Subscriber units (Traffic Sensitive)	Main switches (TDM - Traffic Sensitive)	Universal Media Gateway (UMG)	Softswitch (MS)	GLT - traffic sensitive Broadband	
	Product code								
a) Retail products									
Fixed calls - To fixed									
Fixed calls - To mobile									
Fixed calls - To international (IDD)									
Fixed calls - To other premium services									
Fixed calls - To CPT and Mobile									
Mobile calls - To fixed									
Mobile calls - To international									
b) Wholesale Products									
CPT fixed - Other									
Fixed calls - Fixed international									
CPT fixed Calls - To Operator Fixed									
Transmission links									
interconnection links									
c) Other Products									

Fixed Core Network RRU

Detailed Statement of fixed core revenue and network product costs
for the year ended 31 December 20XX

Product Names	Product code	Total costs (Fixed Core plus transferred in)																		
		Fixed Core - Revenue (including transfer margins)	Fixed Core - Cost of sales	Fixed Core - Outpayments	Fixed Core - Primary operating costs	Fixed Core - Support operating costs	Fixed Core - Business sustaining	Fixed Core - Depreciation expense	Fixed Core - Other expenses (net of other income)	Fixed Core - Total operating costs	Fixed Core - Mean Working Capital Employed	Fixed Core - Non-current assets	Fixed Core - Mean capital employed	WACC	Fixed Core - Cost of capital	Tota Transferred-in costs from other RRU's	Fixed Core - Total operating and capital costs	Total volume as sold	Fixed Core - Cost per unit of usage	Actual unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	CAR	Units	CAR	Units
Fixed calls - To fixed																				
Fixed calls - To mobile																				
Fixed calls - To international (IDD)																				
Fixed calls - To emergency services																				
Fixed calls - To Off net Mobile																				
Postpaid calls - To fixed																				
Postpaid calls - To international																				
...																				
...																				
...																				
Total																				

Detailed Statement of fixed core revenue and network product costs
for the year ended 31 December 20YY

Product Names	Product code	Total costs (Fixed Core plus transferred in)																		
		Fixed Core - Revenue (including transfer margins)	Fixed Core - Cost of sales	Fixed Core - Outpayments	Fixed Core - Primary operating costs	Fixed Core - Support operating costs	Fixed Core - Business sustaining	Fixed Core - Depreciation expense	Fixed Core - Other expenses (net of other income)	Fixed Core - Total operating costs	Fixed Core - Mean Working Capital Employed	Fixed Core - Non-current assets	Fixed Core - Mean capital employed	WACC	Fixed Core - Cost of capital	Tota Transferred-in costs from other RRU's	Fixed Core - Total operating and capital costs	Total volume as sold	Fixed Core - Cost per unit of usage	Actual unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	CAR	Units	CAR	Units
Fixed calls - To fixed																				
Fixed calls - To mobile																				
Fixed calls - To international (IDD)																				
Fixed calls - To emergency services																				
Fixed calls - To Off net Mobile																				
Postpaid calls - To fixed																				
Postpaid calls - To international																				
...																				
...																				
...																				
Total																				

PROFIT AND LOSS ACCOUNT

for the year ended 31 December

	20XX QAR	20YY QAR
Turnover		
Charges to other RRUs		
External turnover		
Total turnover		
Costs		
Depreciation		
Cost of Sales		
Business sustaining		
Operating costs		
Other expenses – Net of reversals		
External charges (curpayments)		
Total Own Costs (A)		
Transfer charges from other RRUs		
Fixed Access Network		
Fixed Core Network		
Retail		
Wholesale RRU		
Other		
Total Transfer Charges (B)		
Total costs (A+B)		
Return		

RETURN ON MEAN CAPITAL EMPLOYED

for the year ended 31 December

	20XX QAR	20YY QAR
Mean Capital employed		
Return on mean capital employed (including transfer margins)		
Return on turnover		

STATEMENT OF MEAN CAPITAL EMPLOYED

for the year ended 31 December

	20XX QAR	20YY QAR
Non-current assets		
Property, plant and equipment		
Other non current assets		
Total non-current assets		
Current Assets		
Inventories		
Accounts receivable and prepayments		
Bank balances and cash		
Total current assets		
Current Liabilities		
Accounts payable, accruals and deferred revenue		
Due to/from State of Qatar		
Total current liabilities		
Mean capital employed		

Mobile Network RRU

Detailed Statement of total "costs of production"
for the year ended 31 December 20XX

Network element costs	Network element code	Mobile network - Cost of sales	Mobile network - Outpayments	Mobile network - Primary operating costs	Mobile network - Support operating costs	Mobile network - Business sustaining	Mobile network - Depreciation expense	Mobile network - Other expenses (net of other income)	Mobile network - Total operating costs	Mobile network - Mean capital employed	WACC	Mobile Network - Cost of capital	Mobile network - Total operating and capital costs	Total volume - effective usage of the element	Cost per unit of usage	Effective unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR	Units	QAR	Units
Base Transceiver Station (BTS)																
Node B (3G)																
BTS - BSC (2G)																
Node B - RNC (3G)																
eNode B - RNC (4G)																
BSC - MMG (2G)																
RNC - MMG (3G)																
RNC - MMG (4G)																
MMG - MMG																
...																
Total costs																

Detailed Statement of total "costs of production"
for the year ended 31 December 20YY

Network element costs	Network element code	Mobile network - Cost of sales	Mobile network - Outpayments	Mobile network - Primary operating costs	Mobile network - Support operating costs	Mobile network - Business sustaining	Mobile network - Depreciation expense	Mobile network - Other expenses (net of other income)	Mobile network - Total operating costs	Mobile network - Mean capital employed	WACC	Mobile Network - Cost of capital	Mobile network - Total operating and capital costs	Total volume - effective usage of the element	Cost per unit of usage	Effective unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR	Units	QAR	Units
Base Transceiver Station (BTS)																
Node B (3G)																
BTS - BSC (2G)																
Node B - RNC (3G)																
eNode B - RNC (4G)																
BSC - MMG (2G)																
RNC - MMG (3G)																
RNC - MMG (4G)																
MMG - MMG																
...																
Total costs																

Mobile Network RRU

Mobile Network Statement 20XX

Network Component

Report nr. 11

Product Name	NC code	nc.20 Base Transceiver Station (BTS)	nc.21 Node B (3G)	nc.22 BTS - BSC (2G)	nc.23 Node B - RNC (3G)	nc.24 eNode B - RNC (4G)	nc.25 BSC - MMG (2G)	nc.26 RNC - MMG (3G)	...	Total
A.1 Total cost										
Connected volumes in Network components										
B.1 Cost per unit (network component)										

Product Name	NC code	nc.20 Base Transceiver Station (BTS)	nc.21 Node B (3G)	nc.22 BTS - BSC (2G)	nc.23 Node B - RNC (3G)	nc.24 eNode B - RNC (4G)	nc.25 BSC - MMG (2G)	nc.26 RNC - MMG (3G)	...	Total Total operating and capital costs - Product area (%)
A.2 Route factor weighted by converted volumes in percentage terms										
a) Retail products	Product code									
Fixed calls - To mobile										
Fixed calls - To Off net Mobile										
Mobile calls - On net										
Mobile calls - To fixed										
Mobile calls - To international										
...										
b) Wholesale Products										
Off Net - To Operator Mobile										
Fixed calls - From International										
Off Net Calls - To Operator Fixed										
Transmission Data										
Interconnection Data										
...										
c) Other Products										
...										
...										
Total Mobile Network Operating and Capital Costs - by Product (%)		100%	100%	100%	100%	100%	100%	100%		

Product Name Route factor weighted by connected volumes in each Route	NC code	nc.20 Base Transceiver Station (BTS)	nc.21 Node B (3G)	nc.22 BTS - BSC (2G)	nc.23 Node B - RNC (3G)	nc.24 eNode B - RNC (4G)	nc.25 BSC - MMG (2G)	nc.26 RNC - MMG (3G)	...	Total operating and capital costs - Product area (select Route)
A.3										
a) Retail products	Product code									
Fixed calls - To mobile										
Fixed calls - To Off net Mobile										
Mobile calls - On net										
Mobile calls - To fixed										
Mobile calls - To international										
...										
b) Wholesale Products										
Off Net - To Operator Mobile										
Fixed calls - From International										
Off Net Calls - To Operator Fixed										
Transmission Data										
Interconnection Data										
...										
c) Other Products										
...										
...										
Total Mobile Network Operating and Capital Costs - by product and network component (Select Route)										

8.2 Unit Cost based on converted volumes per Mobile network component

(Total operating and capital cost of elements by converted volumes)

Product Name	NC code	NC20 Base Transceiver Station (BTS)	NC21 Node B (3G)	NC22 BTS - BSC (2G)	NC23 Node B - RNC (3G)	NC24 eNode B - RNC (4G)	NC25 BSC - MMG (2G)	NC26 RNC - MMG (3G)	...	Total Unit cost - Product wise based on converted volumes of products	Converted Volumes (products)
a) Retail products	Product code									QAR / unit	UOM
Fixed calls - To mobile											
Fixed calls - To Off net Mobile											
Mobile calls - On net											
Mobile calls - To fixed											
Mobile calls - To international											
...											
b) Wholesale Products											
Off Net - To Ooredoo Mobile											
Fixed calls - From International											
Off Net Calls - To Ooredoo Fixed											
Transmission links											
Interconnection links											
...											
c) Other Products											
...											
...											

8.3 Effective net Route Factor of network component usage by products

Product Name	NC code	NC20 Base Transceiver Station (BTS)	NC21 Node B (3G)	NC22 BTS - BSC (2G)	NC23 Node B - RNC (3G)	NC24 eNode B - RNC (4G)	NC25 BSC - MMG (2G)	NC26 RNC - MMG (3G)	...
a) Retail products	Product code								
Fixed calls - To mobile									
Fixed calls - To Off net Mobile									
Mobile calls - On net									
Mobile calls - To fixed									
Mobile calls - To international									
...									
b) Wholesale Products									
Off Net - To Ooredoo Mobile									
Fixed calls - From International									
Off Net Calls - To Ooredoo Fixed									
Transmission links									
Interconnection links									
...									
c) Other Products									
...									
...									

Mobile Network RRU

Detailed Statement of mobile network revenue and product costs
for the year ended 31 December 2012

Product Names	Product code	Total costs (Mobile plus transferred in)																	
		Mobile Network - Revenue (including transfer margins)	Mobile Network - Cost of sales	Mobile Network - Outpayments	Mobile Network - Primary operating costs	Mobile Network - Support operating costs	Mobile Network - Business sustaining	Mobile Network - Depreciation expense	Mobile Network - Other expenses (net of other income)	Mobile Network - Total operating costs	Mobile Network - Mean Working Capital Employed	Mobile Network - Non-current assets	Mobile network - Mean capital employed	WACC	Mobile Network - Cost of capital	Total Transferred in costs from other RRU's	Mobile Network - Total operating and capital costs	Total volume as sold	Mobile Network - Cost per unit of usage	Effective unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	CAR	Units	CAR	Units
Fixed calls - To mobile																				
Fixed calls - To Off net Mobile																				
Mobile calls - On net																				
Mobile calls - To fixed																				
Mobile calls - To International																				
...																				
Total costs																				

Detailed Statement of mobile network revenue and product costs
for the year ended 31 December 20YY

Product Names	Product code	Total costs (Mobile plus transferred in)																	
		Mobile Network - Revenue (including transfer margins)	Mobile Network - Cost of sales	Mobile Network - Outpayments	Mobile Network - Primary operating costs	Mobile Network - Support operating costs	Mobile Network - Business sustaining	Mobile Network - Depreciation expense	Mobile Network - Other expenses (net of other income)	Mobile Network - Total operating costs	Mobile Network - Mean Working Capital Employed	Mobile Network - Non-current assets	Mobile network - Mean capital employed	WACC	Mobile Network - Cost of capital	Total Transferred in costs from other RRU's	Mobile Network - Total operating and capital costs	Total volume as sold	Mobile Network - Cost per unit of usage	Effective unit of usage
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	CAR	Units	CAR	Units
Fixed calls - To mobile																				
Fixed calls - To Off net Mobile																				
Mobile calls - On net																				
Mobile calls - To fixed																				
Mobile calls - To International																				
...																				
Total costs																				

PROFIT AND LOSS ACCOUNT
for the year ended 31 December

	20XX QAR	20YY QAR
Turnover		
Charges to other RRUs		
External turnover:		
Connections		
Rentals		
Calls		
Others		
Total turnover		
Costs		
Depreciation		
Cost of Sales		
Business sustaining		
Operating costs		
Other expenses – Net of reversals		
External charges (outpayments)		
Total Own Costs (A)		
Transfer charges from other RRUs		
Fixed Core Network		
Fixed Access		
Mobile Network		
Retail RRU		
Other		
Total Transfer Charges (B)		
Total costs (A+B)		
Return		
RETURN ON MEAN CAPITAL EMPLOYED		
	20XX QAR	20YY QAR
Mean Capital employed		
Return on mean capital employed		
Return on turnover		

STATEMENT OF MEAN CAPITAL EMPLOYED
for the year ended 31 December 2012

	20XX QAR	20YY QAR
Non-current assets		
Property, plant and equipment		
Other non current assets		
Total non-current assets		
Current Assets		
Inventories		
Accounts receivable and prepayments		
Bank balances and cash		
Total current assets		
Current Liabilities		
Accounts payable, accruals and deferred revenue		
Due to/from State of Qatar		
Total current liabilities		
Mean capital employed		

Wholesale RRU

Statement of turnover
for the year ended 31 December

Product Group	20XX Internal Turnover QAR	20XX External Turnover QAR	20XX Total QAR	20YY Internal Turnover QAR	20YY External Turnover QAR	20YY Total QAR
Turnover - Fixed Voice						
Connections						
Fixed call terminations						
International call routing						
Rentals						
Voice calls						
Turnover - Fixed Data						
Fixed Wireless						
Fixed Internet Broadband						
Domestic leased circuits						
International leased circuits						
Turnover - Fixed other						
Customer premise equipment						
Bundles						
Fixed other						
Turnover - Mobile						
Connections						
International voice termination						
Mobile Bundles						
Mobile Data						
Mobile Other						
International Messaging						
National Messaging						
National voice termination						
Roaming						
Subscriptions						
Voice calls						
Turnover - Other						
Other Services						
TV Services						
Other Wholesale services						
Total turnover						

Wholesale RRU

Statement of costs by category
for the year ended 31 December 20XX

Category Name	Wholesale RRU - Cost of sales	Wholesale RRU - Outpayments	Wholesale RRU - Primary operating costs	Wholesale RRU - Support operating costs	Wholesale RRU - Business sustaining	Wholesale RRU - Depreciation expense	Wholesale RRU - Other expenses (net of other income)	Wholesale RRU - Total operating costs	Wholesale RRU - Mean capital employed	WACC	Wholesale RRU - Cost of capital	Wholesale RRU - Total operating and capital costs
	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR
National & International outpayments												
National Outpayments												
International Outpayments												
International carrier admin												
Installations												
Fixed Voice Interconnect Product Management												
National carrier admin												
Finance and Billing												
Other costs												
Total costs												

Statement of costs by category
for the year ended 31 December 20YY

Category Name	Wholesale RRU - Cost of sales	Wholesale RRU - Outpayments	Wholesale RRU - Primary operating costs	Wholesale RRU - Support operating costs	Wholesale RRU - Business sustaining	Wholesale RRU - Depreciation expense	Wholesale RRU - Other expenses (net of other income)	Wholesale RRU - Total operating costs	Wholesale RRU - Mean capital employed	Rate of Return	Wholesale RRU - Cost of capital	Wholesale RRU - Total operating and capital costs
	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR
National & International outpayments												
National Outpayments												
International Outpayments												
International carrier admin												
Installations												
Fixed Voice Interconnect Product Management												
National carrier admin												
Finance and Billing												
Other costs												
Total costs												

Wholesale RRU

Detailed Statement of Wholesale revenue and product costs

A

for the year ended 31 December 20XX

Wholesale RRU Own costs (excluding costs transferred in)

Symbol	Wholesale product	Revenue	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total operating costs	Wholesale RRU - Mean capital employed	WACC	Wholesale RRU - Cost of capital	Total operating and capital costs - Wholesale RRU own costs	Total Actual volumes sold	Cost per unit of usage for Wholesale RRU's own costs	Unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR		QAR	QAR	%	QAR	QAR	Units	QAR	Units
	Interconnection links																
	Termination links																
	Wholesale Duct Rental																
	Fixed calls - Termination																
	Mobile calls - Termination																
	...																
	...																
	Total																

B

for the year ended 31 December 20XX

Network Costs (Total costs transferred in, where transferred-in is defined as cost of production to Wholesale RRU)

Symbol	Wholesale product	Revenue	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total Transferred-in operating costs	Transferred-in Mean Capital Employed	WACC	Cost of capital	Total operating and capital costs - Transferred-in costs to Wholesale RRU	Total Actual volumes sold	Cost per unit of usage for transferred-in costs	Unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR	Units	QAR	Units
	Interconnection links																
	Termination links																
	Wholesale Duct Rental																
	Fixed calls - Termination																
	Mobile calls - Termination																
	...																
	...																
	Total																

C

for the year ended 31 December 20XX

Total costs (Wholesale Own Costs plus Network Costs, where transferred-in is defined as cost of production)

Symbol	Wholesale product	Revenue	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total operating costs	Total Mean Capital Employed (excluding Wholesale capital employed)	WACC	Cost of capital (excluding Wholesale ROCE)	Total operating and capital costs	Total Actual volumes sold	Cost per unit of usage for transferred-in costs	Unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR		QAR	QAR	%	QAR	QAR	Units	QAR	Units
	Interconnection links																
	Termination links																
	Wholesale Duct Rental																
	Fixed calls - From International																
	Mobile calls - From International																
	...																
	...																
	Total																

Detailed Statement of Wholesale revenue and product costs

A

for the year ended 31 December 20YY

Wholesale RAU Own costs (excluding costs transferred in)

Symbol	Wholesale product	Revenue	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total operating costs	Wholesale RAU - Mean capital employed	WACC	Wholesale RAU - Cost of capital	Total operating and capital costs - Wholesale RAU own costs	Total Actual volumes sold	Cost per unit of usage for Wholesale RAU's own costs	Unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR		QAR	QAR	%	QAR	QAR	Units	QAR	Units
	Interconnection links																
	Transmission links																
	Wholesale Duct Rental																
	Fixed calls - From International																
	Mobile calls - From International																
	...																
	...																
	Total																

B

for the year ended 31 December 20YY

Network Costs (Total costs transferred in, where transferred-in is defined as cost of production to Wholesale RAU)

Symbol	Wholesale product	Revenue	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total Transferred-in operating costs	Transferred-in Mean Capital Employed	WACC	Cost of capital	Total operating and capital costs - Transferred-in costs to Wholesale RAU	Total Actual volumes sold	Cost per unit of usage for transferred-in costs	Unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR	Units	QAR	Units
	Interconnection links																
	Transmission links																
	Wholesale Duct Rental																
	Fixed calls - From International																
	Mobile calls - From International																
	...																
	...																
	Total																

C

for the year ended 31 December 20YY

Total costs (Wholesale Own Costs plus Network Costs, where transferred-in is defined as cost of production)

Symbol	Wholesale product	Revenue	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total operating costs	Total Mean Capital Employed (excluding Wholesale capital employed)	WACC	Cost of capital (excluding Wholesale ROCE)	Total operating and capital costs	Total Actual volumes sold	Cost per unit of usage for transferred-in costs	Unit of usage
		QAR	QAR	QAR	QAR	QAR	QAR	QAR		QAR	QAR	%	QAR	QAR	Units	QAR	Units
	Interconnection links																
	Transmission links																
	Wholesale Duct Rental																
	Fixed calls - From International																
	Mobile calls - From International																
	...																
	...																
	Total																

PROFIT AND LOSS ACCOUNT
for the year ended 31 December

	20XX QAR	20YY QAR
Turnover		
Charges to other RRUs		
External turnover		
Connections		
Rentals		
Calls		
Others		
Total turnover		
Costs		
Depreciaton		
Cost of Sales		
Business sustaining		
Operating costs		
Other expenses – Net of reversals		
External charges (outpayments)		
Total Own Costs (A)		
Transfer charges from other RRUs:		
Fixed Core Network (including transfer margins)		
Fixed Access		
Mobile Network (including transfer margins)		
Wholesale RRU		
Other		
Total Transfer Charges (B)		
Total costs (A+B)		
Return		

RETURN ON CAPITAL EMPLOYED	20XX QAR	20YY QAR
Mean Capital employed		
Return on mean capital employed		
Return on turnover		

STATEMENT OF MEAN CAPITAL EMPLOYED
for the year ended 31 December

	20XX QAR	20YY QAR
Non-current assets		
Property, plant and equipment		
Other non current assets		
Total non-current assets		
Current Assets		
Inventories		
Accounts receivable and prepayments		
Bank balances and cash		
Total current assets		
Current Liabilities		
Accounts payable, accruals and deferred revenue		
Due to/from State of Qatar		
Total current liabilities		
Mean capital employed		

Retail RRU

Statement of turnover

	20XX Internal QAR	20XX External QAR	20XX Total QAR	20YY Internal QAR	20YY External QAR	20YY Total QAR
Turnover Fixed Voice						
Voice connections						
Voice rentals						
Bundles						
Fixed calls						
Turnover Fixed Data						
Fixed Internet						
Domestic leased circuits						
International leased circuits						
Other fixed data						
Turnover Fixed - other						
Fixed CPE						
Fixed other						
Turnover Mobile						
Mobile Connections						
Mobile Subscriptions						
Mobile Messaging - Other						
Mobile Voice - Postpaid						
Mobile Voice - Prepaid						
Mobile Bundles						
Mobile Roaming						
Mobile SMS - Postpaid						
Mobile Messaging - Prepaid						
Mobile Data						
Mobile other						
Turnover - Other						
TV services						
Other services						
Total turnover						

Retail RRU

Statement of costs by category
for the year ended 31 December 20XX

	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total operating costs	Mean Capital employed	WACC (Nil for Retail Capital employed)	Cost of capital	Total operating and capital costs
	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR
Cost of sales												
Installations												
Sales and marketing costs												
Service centre costs												
Call centre and other customer service costs												
Owned Customer Premises Equipment												
Finance and Billing												
Other costs												
Total costs												

Statement of costs by category
for the year ended 31 December 20YY

	Cost of sales	Outpayments	Primary operating costs	Support operating costs	Business sustaining	Depreciation expense	Other expenses (net of other income)	Total operating costs	Mean Capital employed	WACC (Nil for Retail Capital employed)	Cost of capital	Total operating and capital costs
	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	QAR	%	QAR	QAR
Cost of sales												
Sales and marketing costs												
Installations												
Service centre costs												
Call centre and other customer service costs												
Owned Customer Premises Equipment												
Finance and Billing												
Investments												
Other costs												
Total costs												

Retail RRU

Analysis of transfer charges at cost of production
for the year ended 31 December 20XX

	Fixed Access Network QAR'm	Fixed Core Network QAR'm	Mobile Network QAR'm	Wholesale RRU QAR'm
Fixed Voice				
Voice connections				
Voice rentals				
Bundles				
Fixed calls				
Fixed Data				
Fixed Internet				
Domestic leased circuits				
International leased circuits				
Other fixed data				
Fixed - other				
Fixed CPE				
Fixed other				
Mobile				
Mobile Connections				
Mobile Subscriptions				
Mobile Messaging - Other				
Mobile Voice - Postpaid				
Mobile Voice - Prepaid				
Mobile Bundles				
Mobile Roaming				
Mobile SMS - Postpaid				
Mobile Messaging - Prepaid				
Mobile Data				
Mobile other				
Other				
TV services				
Other services				
Total turnover				

Analysis of transfer charges at cost of production
for the year ended 31 December 20YY

	Fixed Access Network QAR'm	Fixed Core Network QAR'm	Mobile Network QAR'm	Wholesale RRU QAR'm
Fixed Voice				
Voice connections				
Bundles				
Voice rentals				
Fixed calls				
Fixed Data				
Fixed Internet				
Domestic leased circuits				
International leased circuits				
Other fixed data				
Fixed - other				
Fixed CPE				
Fixed other				
Mobile				
Mobile Connections				
Mobile Subscriptions				
Mobile Voice - Postpaid				
Mobile Voice - Prepaid				
Mobile Messaging - Other				
Mobile Roaming				
Mobile SMS - Postpaid				
Mobile Messaging - Prepaid				
Mobile Bundles				
Mobile Data				
Mobile other				
Other				
TV services				
Other services				
Total				

Retail RRU

Report nr. 21

Detailed Statement of Retail product costs (transfer charge price or cost based)
for the year ended 31 December 20XX

		Total costs (FAC of Retail including common & direct retail costs plus transferred in at cost of production)					Total costs transferred in, excluding Retail costs					
		Revenue	RT Total operating and capital costs	Total volume (as sold)	Cost per unit of usage		Price based transfer charges	Cost based transfer charges (for network usage not at determined price)	Cost per unit - price based	Cost per unit - cost based (for network usage not at determined price)	Total charge per unit of usage for transferred-in costs	Market as per Dominance definition
Retail product	Product code	QAR	QAR	Units	QAR	unit of usage	QARm	QARm	QAR	QAR	QAR	
ADSL												Ma
Fiber Products												My
Fixed calls - To fixed												Mz
Fixed calls - To international (IDC)												
IP/ MPLS												
Local leased circuits												
Mobile calls - Off net Mobile												
Mobile calls - On net												
Mobile calls - To fixed												
Total costs												

Detailed Statement of Retail product costs
for the year ended 31 December 20YY

		Total costs (FAC of Retail including common & direct retail costs plus transferred in at cost of production)					Total costs transferred in, excluding Retail costs					
		Revenue	RT Total operating and capital costs	Total volume (as sold)	Cost per unit of usage		Price based transfer charges	Cost based transfer charges (for network usage not at determined price)	Cost per unit - price based	Cost per unit - cost based (for network usage not at determined price)	Total charge per unit of usage for transferred-in costs	Market as per Dominance definition
Retail product	Product code	QAR	QAR	Units	QAR	unit of usage	QARm	QARm	QAR	QAR	QAR	
ADSL												Mx
Fiber Products												My
Fixed calls - To fixed												Mz
Fixed calls - To international (IDC)												
IP/ MPLS												
Local leased circuits												
Mobile calls - Off net Mobile												
Mobile calls - On net												
Mobile calls - To fixed												
Total costs												

Retail RRU

Retail Product Revenues and Costs

A **Detailed Statement of Retail RRU revenues and costs**
for the year ended 31 December 20XX

Retail product	Product code	Revenue	Cost of sales	Outpayments	Primary operating costs	Business sustaining	Support operating costs	Depreciation expense	Other expenses (net of other income)	Total operating costs	Retail Mean Capital Employed	WACC (%) for Retail Capital employed	Retail Cost of Capital	Total operating and capital costs - Retail RRU own costs	Total Actual volumes sold	Cost per unit of usage for Retail RRU's own costs	Unit of usage
		Retail RRU Own costs															
		CAR	CAR	CAR	CAR	CAR	CAR	CAR		CAR	CAR	%	CAR	CAR	Units	CAR	Units
ADSL																	
Fiber Products																	
Fixed calls - To fixed																	
Fixed calls - To internationa (IDD)																	
IP/ MPLS																	
Loca leased circuits																	
Mobile calls - Off net Mobile																	
Mobile calls - On net																	
Mobile calls - To fixed																	
...																	
Total																	

B **Detailed Statement of transferred-in costs**
for the year ended 31 December 20XX

Retail product	Product code	Revenue	Cost of sales	Outpayments	Primary operating costs	Business sustaining	Support operating costs	Depreciation expense	Other expenses (net of other income)	Total Transferred-in operating costs	Transferred-in Mean Capital Employed	WACC	Cost of capital	Total operating and capital costs - Transferred-in costs to Retail RRU	Total Actual volumes sold	Cost per unit of usage for transferred-in costs	Unit of usage
		Total cost transferred in, where transferred-in is at cost of production															
		CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	CAR	%	CAR	CAR	Units	CAR	Units
ADSL																	
Fiber Products																	
Fixed calls - To fixed																	
Fixed calls - To internationa (IDD)																	
IP/ MPLS																	
Loca leased circuits																	
Mobile calls - Off net Mobile																	
Mobile calls - On net																	
Mobile calls - To fixed																	
...																	
Total																	

C **Detailed Statement of Total Retail Product costs**
for the year ended 31 December 20XX

Retail product	Product code	Revenue	Cost of sales	Outpayments	Primary operating costs	Business sustaining	Support operating costs	Depreciation expense	Other expenses (net of other income)	Total operating costs	Total Mean Capital Employed (excluding retail capital employed)	WACC	Cost of capital (excluding retail ROCE)	Total operating and capital costs	Total Actual volumes sold	Cost per unit of usage	Unit of usage
		Total costs (FAC of Retail products including common & shared retail costs plus transferred in, where transferred-in is defined as cost of production)															
		CAR	CAR	CAR	CAR	CAR	CAR	CAR		CAR	CAR	%	CAR	CAR	Units	CAR	Units
ADSL																	
Fiber Products																	
Fixed calls - To fixed																	
Fixed calls - To internationa (IDD)																	
IP/ MPLS																	
Loca leased circuits																	
Mobile calls - Off net Mobile																	
Mobile calls - On net																	
Mobile calls - To fixed																	
...																	
Total																	

Retail RRU

Retail Product Revenues and Costs

A **Detailed Statement of Retail RRU revenues and costs**
for the year ended 31 December 20YY

		Retail RRU Own costs														
Retail product	Product code	Revenue CAR	Cost of sales CAR	Outpayments CAR	Primary operating costs CAR	Business sustaining CAR	Support operating costs CAR	Depreciation expense CAR	Other expenses (net of other income) CAR	Total operating costs CAR	Retail Mean Capital Employed CAR	WACC (%) for Retail Capital employed %	Retail Cost of Capital CAR	Total operating and capital costs - Retail RRU own costs CAR	Total Actual volumes sold Units	Cost per unit of usage for Retail RRU's own costs CAR	Unit of usage Units
ADSL																	
Fiber Products																	
Fixed calls - To fixed																	
Fixed calls - To international (IDD)																	
IP/ MPLS																	
Local leased circuits																	
Mobile calls - Off net Mobile																	
Mobile calls - On net																	
Mobile calls - To fixed																	
...																	
Total																	

B **Detailed Statement of transferred-in costs**
for the year ended 31 December 20YY

		Total cost transferred in, where transferred-in is cost or price based															
Retail product	Product code	Revenue CAR	Cost of sales CAR	Outpayments CAR	Primary operating costs CAR	Business sustaining CAR	Support operating costs CAR	Depreciation expense CAR	Other expenses (net of other income) CAR	Total Transferred-in operating costs CAR	Transferred-in Mean Capital Employed CAR	WACC %	Cost of capital CAR	Total operating and capital costs - Transferred-in costs to Retail RRU CAR	Total Actual volumes sold Units	Cost per unit of usage for transferred-in costs CAR	Unit of usage Units
ADSL																	
Fiber Products																	
Fixed calls - To fixed																	
Fixed calls - To international (IDD)																	
IP/ MPLS																	
Local leased circuits																	
Mobile calls - Off net Mobile																	
Mobile calls - On net																	
Mobile calls - To fixed																	
...																	
Total																	

C **Detailed Statement of Total Retail Product costs**
for the year ended 31 December 20YY

		Total costs (FAC of Retail products including common & shared retail costs plus transferred in, where transferred-in is defined as cost of production)															
Retail product	Product code	Revenue CAR	Cost of sales CAR	Outpayments CAR	Primary operating costs CAR	Business sustaining CAR	Support operating costs CAR	Depreciation expense CAR	Other expenses (net of other income) CAR	Total operating costs CAR	Total Mean Capital Employed (excluding retail capital employed) CAR	WACC %	Cost of capital (excluding retail ROCE) CAR	Total operating and capital costs CAR	Total Actual volumes sold Units	Cost per unit of usage CAR	Unit of usage Units
ADSL																	
Fiber Products																	
Fixed calls - To fixed																	
Fixed calls - To international (IDD)																	
IP/ MPLS																	
Local leased circuits																	
Mobile calls - Off net Mobile																	
Mobile calls - On net																	
Mobile calls - To fixed																	
...																	
Total																	

PROFIT AND LOSS ACCOUNT

for the year ended 31 December

	20XX QAR	20YY QAR
Turnover		
Charges to other RRUs		
External turnover		
Total turnover		
Costs		
Depreciation		
Cost of Sales		
Business sustaining		
Operating costs		
Other expenses – Net of reversals		
External charges (outpayments)		
Total Own Costs (A)		
Transfer charges from other RRUs		
Other Fixed Core Network		
Other Fixed Access		
Other Mobile Network		
Wholesale RRU		
Retail RRU		
Total Transfer Charges (B)		
Total costs (A+B)		
Return		

RETURN ON CAPITAL EMPLOYED

	20XX QAR	20YY QAR
Mean Capital employed		
Return on mean capital employed		
Return on turnover		

STATEMENT OF MEAN CAPITAL EMPLOYED

for the year ended 31 December 2012

	20XX QAR'm	20YY QAR'm
Non-current assets		
Property, plant and equipment		
Other non current assets		
Total non-current assets		
Current Assets		
Inventories		
Accounts receivable and prepayments		
Bank balances and cash		
Total current assets		
Current Liabilities		
Accounts payable, accruals and deferred revenue		
Due to/from State of Qatar		
Total current liabilities		
Mean capital employed		

Transfer Charge Summary Report

for the year ended 31 December 20XX

Report nr. 24

		To	Fixed Access Network	Fixed Core Network	Mobile Network	Retail	Wholesale RRU	Other	Total
From RRU Fixed Access Network Fixed Core Network Mobile Network Retail Wholesale RRU Other									
Total									

Transfer Charge Summary Report

for the year ended 31 December 20YY

		To	Fixed Access Network	Fixed Core Network	Mobile Network	Retail	Wholesale RRU	Other	Total
From RRU Fixed Access Network Fixed Core Network Mobile Network Retail Wholesale RRU Other									
Total									

Reconciliations with Statutory Accounts

Income Statement Reconciliation

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 20XX

		Revenue QAR'm	Total costs QAR'm	Return QAR'm
RRU				
Fixed Access Network				
Fixed Core Network				
Mobile Network				
Wholesale				
Retail				
Other RRU				
Total as per regulatory Separated Financial Statements				
Adjustments				
Elimination of inter Business Unit transfer charges				
	Fixed Access Network			
	Fixed Core Network			
	Mobile Network			
	Retail			
	Wholesale RRU			
	Other			
RAS items excluded (redundancy, LT interest etc)				
	Excluded Other Income and Miscellaneus expenditure			
	Revenue treated as cost			
Total excluded items				
Total as per Separated Financial Statement (including adjustments)				

Audited Accounts for the year ended 31 December 20XX		Revenue QAR'm	Total costs QAR'm	Return QAR'm
	Period from 01 January 20XX to 31 December 20XX			

Balance Sheet Reconciliation

Mean Capital Employed
for the year ended 31 December 20XX

		20XX Total	Property, plant and equipment	Other non current assets	Inventories & stock	Accounts receivable and prepayments	Bank balances and cash	Other Current assets	Bank loans & derivatives	Other non current liabilities	Accounts payable, accruals and deferred revenue	State of Qatar	Other Current Liabilities
		QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm
MEAN CAPITAL EMPLOYED OF THE RAIL													
RAIL													
Fixed Core Network													
Fixed Access Network													
Mobile Network													
Wholesale RAIL													
Retail													
Other													
Total as per Separated Financial Statements													
Adjustments													
Excluded items not in RAIL													
	Shares												
	SCQ												
	Loans												
	Accrued interest												
	Gain/Loss on Disposal												
	Miscellaneous												
	Reclassifications												
Total as per Historic Separated Financial Accounts (including adjustments)													

Audited Accounts
for the year ended 31 December 20XX

	20XX Total	Property, plant and equipment	Other non current assets	Inventories & stock	Accounts receivable and prepayments	Bank balances and cash	Other Current assets	Bank loans & derivatives	Other non current liabilities	Accounts payable, accruals and deferred revenue	State of Qatar	Other Current Liabilities
	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm	QAR'm
Shareholders' funds as in the Annual Report												
Opening balance as at 1 January 20XX												
Closing balance as at 31 December 20XX												
Average												

RETURN ON MEAN CAPITAL EMPLOYED RECONCILIATION

Particulars	**20XX**
Turnover	
Cost	
Net Margin	
Reconciling items:	
Transfer margins	
Adjusted Net Margin after reconciling items	
Mean Capital employed	
Reported ROCE as per statements (%)	
ROCE (%) before transfer margins	

RETURN ON MEAN CAPITAL EMPLOYED RECONCILIATION

Particulars	**20XX**
Turnover	
Cost	
Net Margin	
Reconciling items:	
Transfer margins	
Adjusted Net Margin after reconciling items	
Mean Capital employed	
Reported ROCE as per statements (%)	
ROCE (%) before transfer margins	