Arqiva Group Limited

Regulatory Accounting Principles and Methodologies 2020/21

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1 Regulatory Accounting Principles

1.1 Background

Arqiva Group Limited ("AGL") and its subsidiaries (the Group) together is required, (under the terms of the Undertakings agreed with the Competition Commission in respect of the acquisition of the National Grid Wireless ("NGW") Group by Arqiva Financing No1, the "Undertaking") to prepare annual Regulatory Accounts ("RA").

These RA report the Network Access ("NA") and Managed Transmission Services ("MTS") activities, as defined by the Undertakings, of the combined Arqiva and NGW businesses.

This document sets out the Regulatory Accounting Principles and Methodologies ("RAPM") on which the RA are based; it sets out detailed methods applied in attributing revenues, costs, assets and liabilities to the NA and MTS activities of the Group.

The RAPM are maintained in accordance with Section 15.5 of the Undertakings given to the Competition Commission. The Competition Commission closed on 1 April 2014; its functions have transferred to the Competition and Markets Authority.

It is intended that this document is read in conjunction with the RA and the AGL Annual Report and Consolidated Financial Statements. This document will be updated annually in the event of any changes to either the RAPM or detailed attribution methods. Key changes are summarised in section 1.4.

1.2 Basis of preparation and form of Audit Opinion

The Undertakings require that the RA be prepared and externally audited on a Fairly Presents ("FP") basis. This takes account of key regulatory reporting principles such as Cost Causality (see section 1.3 below).

The RA for the year ended 30 June 2021 (FY21) have been prepared and audited on a FP basis in accordance with the terms of the Undertakings.

1.3 Regulatory Accounting Principles

The RA are based on the following Regulatory Accounting Principles; this document is prepared to provide a suitably informed reader with a description of the accounting and attribution methods used in the production of the RA.

- **Accounting Principle**: the RA will be derived from the Consolidated Financial Statements of AGL prepared in accordance with International Financial Reporting Standards ("IFRS") as defined by the Group accounting policies set out in the consolidated financial statements, unless any specific deviation is required as a result of conforming to this document.

- **Cost Causality**: Revenues (including transfer charges), cost components, assets and liabilities are attributed to NA, MTS and Non-Regulated Business on a basis which reflects the activities causing the revenues to be earned, costs to be incurred, assets acquired or liabilities incurred. Where such a direct relationship does not exist, revenues, costs, assets and liabilities are attributed on a fair, reasonable and non-discriminatory basis.

- **Data Source Accuracy & Completeness**, empirical data, both financial and non-financial, used as part of the accounting and attribution methodology is subject to financial controls and governance. The objective of the finance teams involved in the regulatory financial reporting of the AGL group, is to maintain financial information to an adequate degree of accuracy, such that the information included in the RA is free from material errors, misstatements or double-counting.

- **Consistency**: the RA are prepared on a consistent basis from one year to the next to allow for meaningful year on year comparisons. Should changes be made to the Regulatory Accounting Principles or the Attribution Methods that lead to a material effect on the information reported in the RA, the corresponding prior year figures will be restated if possible.

- **Objectivity**, each element of Regulatory Financial Reporting, so far as is possible, must take account of all the available financial and operational data that is relevant to that element. Where an element of Regulatory Financial Reporting is based on assumptions, those assumptions are justified and supported by available relevant empirical data. Cost allocations are intended to be impartial, and not intended to benefit any particular product/service or business unit or to benefit either Arqiva or any other operator.

1.4 Key Changes in the Year

On 8 July 2020 AGL sold Arqiva Services Limited and its' subsidiaries, representing the Telecoms business, to Cellnex. Following the sale, AGL reviewed the structure of the organisation and a decision was made to move away from the existing business unit structure and implement a functional structure. The functional redesign at Executive Committee level (L1) and the leadership team (L2) commenced in 2020. The approach taken has meant that for the FY21 financial year the RA process has been unchanged, and allocations have continued to be based on the old business unit structure. The new organisation structure was fully implemented on 1 July 2021 to tie in with the new financial year and will impact the preparation of the RA in FY22. We have also continued refining the RA process as in previous years.

Refinements to allocation methodologies include the following:

Revenue – continued refinement to increase direct allocation of revenue (NA and MTS) for unbundled contracts.

Cost allocations – refined allocations driven by cost type to improve cost causality allocation and streamline the calculation process.

1.4.1 700 MHz Clearance

The 700MHz Clearance programme remains a key driver to the allocations within the regulated accounts as it is a significant programme within the current year and it is envisaged to operate through until FY22. Whilst the spectrum has been cleared there are still operational activities that need to be completed (e.g. taking down the Emley Moor temporary mast). Certain allocation methods have been refined to ensure direct allocation of the 700 MHz Clearance programme is completed before allocation is made across the rest of Terrestrial Broadcast. This is in order to better reflect a different nature or volume of cost causality. The revenue from the programme is unregulated. Equipment which will remain part of the regulated business is classified based on its regulatory status of NA/MTS/Other. Equipment which is only used during the period of clearance activities to 2022 and will not form part of the regulatory business going forward, is classed as Other.

1.4.2 IFRS 16

The RA have been prepared on a consistent basis to the AGL Annual Report and Consolidated Financial Statements. The Group adopted IFRS 16 for the first time in the year ending 30 June 2020 applying the modified retrospective approach, therefore comparatives were not restated, instead, the adjustments arising from the new leasing rules were recognised in the opening balance sheet at 1 July 2019. To enable a consistent year on year approach to the presentation of financial information in the RA, in line with the RA principles, the change in accounting treatment for leases under IFRS 16 was excluded when preparing the RA for the year ending 30 June 2020. The impact of IFRS 16 was allocated across Network Access, Managed Transmission Services and Other, for the purpose of reconciling to the AGL Annual Report and Consolidated Financial Statements. IFRS 16 has now been included in the preparation of the RA for FY21 and the results for the year ending 30 June 2020 have been restated to incorporate the impact of IFRS 16.

1.4.3 COVID-19 Radio discounts

During the current year and prior year a support package was formulated giving structured industry discounts to radio customers to assist with the impact of COVID-19. These discounts have been allocated to "Other" in the preparation of the RA as they are considered to be exceptional discounts and have not changed the normal operations of the regulated business.

2 Attribution and Allocation Methodologies

2.1 Introduction

The reporting requirements set out in the Undertakings differ from the way in which AGL is organised for management and statutory reporting purposes. As such, the RA are derived from the general ledger used to prepare the consolidated financial statements of AGL with the reporting requirements of the Undertakings overlaid.

The consolidated financial statements are prepared on a historical cost basis, except for financial instruments which are measured at fair value at the end of each financial period. Fixed assets are held at cost, modified for the fair value of those assets acquired through business combinations.

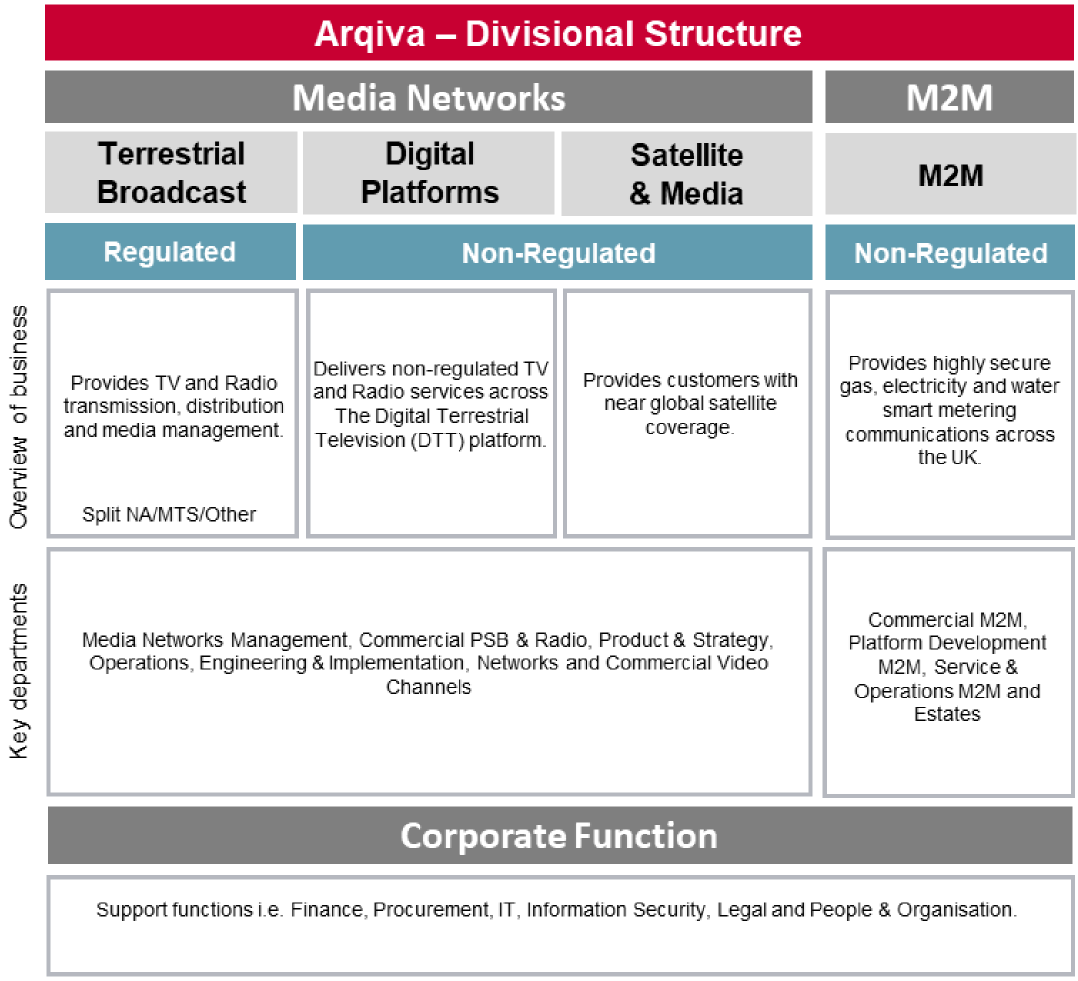
2.2 Organisation Structure

As of FY21, the Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, media services and radio communications in the United Kingdom (“UK”) and overseas.

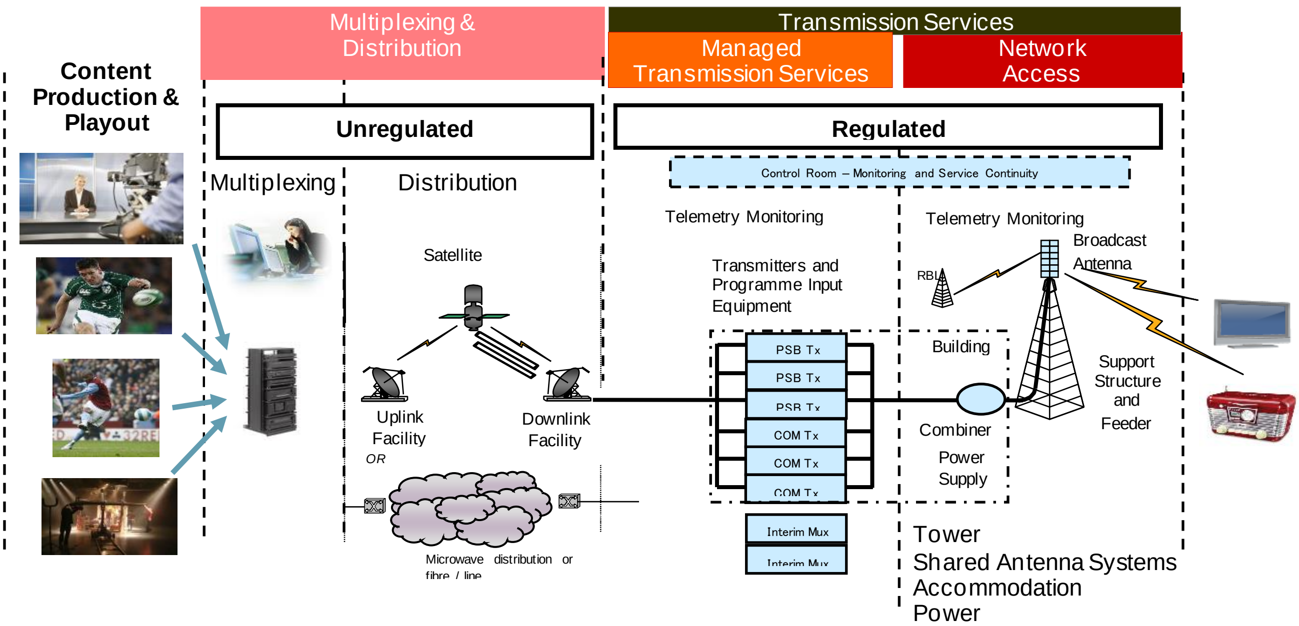
There are two customer segments within the group: Media Networks and M2M (From 1 July 2021 these will be known as Media Distribution and Smart Utilities Networks).

The regulated part of the business is within Media Networks, with an element of the Corporate function requiring apportionment. Following the merger of the Terrestrial Broadcast, Satellite and Media and Networks business units, Satellite and Media revenues that were previously scoped out have been included and allocated accordingly to ensure consistent treatment across the business unit, which now holds embedded costs as a result of driving efficiencies. Our Digital Platforms, non-regulated, business is also managed and reported within Media Networks. To ensure allocations based on Media Networks revenue measures are not distorted, results relating to Satellite and Media and Digital Platforms have been removed where appropriate. Non-regulated 700 MHz Clearance revenues are also removed from revenue allocation methodologies where appropriate, in line with previous years.

NA and MTS services represent sub-categories of the Regulated Business within Media Networks. “Other” represents the remaining Non-Regulated business included in the RA for the purposes of reconciliation to the consolidated financial statements. The table below shows the divisions, their key cost centres and how these are represented within the Regulated Business:



Within Media Networks, Terrestrial Broadcast contains the regulated NA and MTS business and Other non-regulated activities. Satellite & Media and Digital Platforms, also known as Commercial Video Channels, is classified as Other non-regulated. M2M is classified as Non-Regulated. The Corporate Function provides support services across all divisions and as such requires attribution to the Regulated Business activities (NA and MTS) and Non-Regulated activities.



The RA analyse the activities within the Media Networks (including cost allocations from M2M for resources expended on Media Networks projects / business) and Corporate Function into two core categories: Network Access ('NA') and Managed Transmission Services ('MTS') with all remaining activities 'Other' being included in the RA only in order to support reconciliation to the consolidated financial statements.

NA and MTS can be defined as:

- Network Access - a package of services including combining output from transmitters and broadcasting the combined signal from antennas located on suitable masts or other structures. The provision of NA will include access to the following:
    1. Masts
    2. Antenna Systems including feeders and combining units
    3. Buildings and/or cabins
    4. Power systems including back-up power in a form of fixed generators
    5. Existing Re-Broadcast Links (receive antennas) at Relay Stations
    6. Remote monitoring of all the Stations

- Managed Transmission Service - a package of services including some or all of network design, procurement and installation of transmitters, network monitoring, quality assurance of the signal and maintenance of the transmission equipment but excluding: the provision of programmes and other content for each channel, the transfer of the channels content to a multiplexing centre and blending them into a single digital signal. As such, MTS includes a mixture of service provision and return on assets.

2.3 Allocation Bases

2.3.1 Overview

The Group maintains its core accounting records in a manner which allows for revenues, costs, assets and liabilities to be separated into the various divisions and support functions noted above. As noted, the divisions which are relevant for analysis for the RA are Media Networks and Corporate.

Once costs have been analysed by division, these can then be attributed either directly or indirectly to NA, MTS or Other.

Where costs, assets and liabilities are captured at a total company level and fall into the Corporate division, these require further analysis and management judgement to apportion into the regulated activities presented in the RA.

Where data is recorded in the general ledger by site location code (for example fixed assets and rent costs) the windloading methodology (see section 2.3.9.1) is used to allocate these site-specific shared costs/assets between Regulated and Non-Regulated activities.

2.3.2 Revenue

Revenue is shown net of VAT and discounts (excluding exceptional COVID-19 radio discounts noted in 1.4.3) and is extracted directly from the accounting records and customer billing system. Revenue is coded at source to the divisions the income is attributable to.

Media Networks revenue is further analysed and allocated to NA, MTS or Other using its product classification based on contract values, unless the contracts are bundled – these methodologies are described below in further detail.

For bundled contracts which do not have a specific price for each service provided, allocation is required as follows:

- BBC bundled television contract revenues are split in accordance with the reporting contract cost model agreed with the BBC. The remaining bundled television contracts are split using the respective proportions of NA, MTS and Other charges identified for High Power Digital Terrestrial Television (HPDTT) contracts.

- BBC bundled radio contract revenues are split in accordance with the Schedule 13 radio allocations, part of the NRA (National Radio Agreement) with the BBC.

- Commercial radio unbundled revenues are allocated directly to MTS, NA or Other. Bundled revenues are split based upon an analysis of radio contracts renewed or amended on new terms (derived from cumulative radio reference offers across an indicative period), to estimate the portion of regulated revenue and how this is split between NA and MTS. Pass -through elements such as Rent & Rates and Electricity are allocated between NA and Other.

2.3.3 Costs – Cost of Sales and Operating Costs

All costs are recorded in cost centres which are unique to the two customer facing business units and a cross-business unit corporate function. Costs allocated to the corporate function are then allocated to Media Networks by:

- Certain costs are incurred directly by Media Networks and are captured in Media Networks cost centres.
- Other costs are allocated to Media Networks using methodologies identified in 2.3.3.1 and 2.3.3.3 below.

Shared Regulated Business Costs

Where shared Regulated Business costs are not directly attributable to NA or MTS activities these have been allocated based on a number of methodologies, based on the cost driver:

- The RAB (Regulated Asset Base) valuation - The % split is 85% NA and 15% MTS for TV and 94% NA and 6% MTS for Radio based upon a management estimate informed by data available from the valuation of the RAB carried out in 2012. The valuation has been updated annually by management reflecting additions and RPI to support Reference Offer Pricing for TV and Radio.
- Revenue percentages calculated as part of the revenue workings outlined above, attributable to TV NA, TV MTS, Radio NA and Radio MTS.
- OTL percentages calculated as part of the labour workings outlined in 2.3.9.2, again, attributable to TV NA, TV MTS, Radio NA and Radio MTS.

2.3.3.1 Cost of Sales ("COS")

The allocation methodology used for each of the classification categories are as follows:

- **Rent and rates** are charged on a site by site basis and are therefore allocated directly to sites on an as incurred basis. Where Broadcast sites share common infrastructure with other services (as part of our M2M business), the Windloading methodology (described in the Non-Financial Data section below) is used to allocate the Regulated/Non-Regulated elements across both divisions. Satellite & Media only sites are allocated directly to Other, as no regulated infrastructure is present on these sites.

- **Power** is allocated directly from supplier invoices to sites as incurred. The majority of Media Networks electricity is consumed by MTS equipment. These costs are a pass-through to the customer (no margin being earned by AGL) and categorised as Other.

- **Circuits -** the majority of circuits and telephony costs within Media Networks are procured directly for a specific Customer contract. It is possible for Broadcasters to procure their requirements directly from a supplier, therefore the costs associated with this service are Non-Regulated and classified as 'Other'.

- **Intercompany charges –** these costs are Non-Regulated and therefore classified as 'Other'.

- **Labour COS and Maintenance -** Labour COS represent an allocation of time booked against Media Networks "billable projects" using OTL (described in the Non-Financial data section 2.3.9.2).

- **Maintenance costs –** these are allocated by Media Networks revenue. Maintenance costs relate to third party invoices for Regulated Business infrastructure and equipment.

- **Other COS -** the majority of Other COS within Media Networks relate to Satellite and Microwave Links which are Non-Regulated therefore the costs are classified as 'Other'.

2.3.3.2 Media Networks Division Operating Costs

The RA model allocates Media Networks costs based on the type and directorate level rather than cost centres which is a better reflection of the cost causality and streamlines allocation without losing data integrity. Media Networks Opex costs include a separate allocation for Billable labour recharge, Capitalised Overheads, Expense Labour Recharge and Recharges as an improvement to using the available standing data. Determination of the OTL allocation percentages includes capital charged labour (along with billable and expenses) in the over / under recovery stage of the calculation.

Employee and Agency related costs such as salaries are allocated using OTL derived percentages. These percentages are driven by the value of labour time recorded against projects which have been classified into NA, MTS and Other (see section 2.3.9.2 on Non-Financial Data for further information).

Media Networks operating costs are allocated into the 9 Business Areas (BAs), which are: DTT, Management, Client Management, Technical Solutions, Operations, Implementation and Strategy, Venture, Product and Marketing.

- Commercial Video Channels - non-regulated and all costs are allocated to Other.

- Commercial PSB & Radio

Operating costs (excluding labour) within this area relates wholly to the support of sales and revenue streams for "Terrestrial Broadcast" products, therefore a revenue allocation method excluding Commercial Video Channels revenue is reflective of the total costs within these cost centres. Labour related costs are allocated on the basis of Media Networks salary costs (weighted average).

- Operations and Engineering and Implementation

Operating costs within these areas are incurred and driven from the activity and the projects that staff are working on which is recorded within OTL.

- Media Networks Management, Product and Strategy, Transformation and TSA.

Operating costs (excluding labour) within these areas are considered to relate to the support of sales and revenue streams within Media Networks, therefore using Media Networks Revenue allocation is reflective of the total cost within these cost centres. Labour related costs are allocated on the basis of Media Networks salary costs (weighted average).

- Networks

Networks costs previously sat within the Corporate function, the activity in this area has not significantly changed and the costs cover all business areas both regulated and non-regulated. A specific Networks allocation method is applied to the cost base; this is a two-step process which allocates cost into the regulated business by divisional headcount or revenue and then by Media Networks Revenue into the regulated classes.

Exceptions

- Bank charges and foreign exchange transactions predominantly relate to non-regulated foreign transactions and are classed as Other.

2.3.3.3 Corporate Division Operating Costs

The Corporate division undertakes a number of activities which support the whole business, namely Finance, Procurement, IT, Information Security, Legal and People & Organisation. Accordingly, these corporate costs are allocated across the two business segments (Media Networks and M2M). These are known as Corporate Cost allocations.

The RA model allocates total corporate costs (all business units) using a two-step process. Firstly costs are allocated to Media Networks on a headcount and revenue basis, and then secondly cost categories (e.g. Gross salaries, maintenance etc) are allocated to NA, MTS and Other based on Media Networks Revenue (excluding DP).

Specific allocation methods are used for the following corporate cost categories:

- Corporate Adjustments

The nature of costs captured within Corporate Adjustments are usually specific to the two divisions to which they relate. Any such items are analysed on a line by line basis.

- Bank charges and foreign exchange transactions predominantly relate to non-regulated foreign transactions and are classed as Other.

2.3.3.4 Depreciation

NA, MTS and Non-Regulated depreciation is identified based upon the Regulatory assets classification determined as part of the fixed assets methodology – see 2.3.5.

Accrued depreciation on regulated broadcast assets that have been completed but not yet added to the Regulated Fixed Asset Register ("RFAR") are allocated using the Regulatory Asset Base ("RAB") (see section 2.3.5).

Depreciation on right-of-use assets is allocated directly to sites based on the nature of activity occurring on the site. Where Broadcast sites share common infrastructure with other services (as part of our M2M business), the Windloading methodology (described in the Non-Financial Data section below) is used to allocate the Regulated/Non-Regulated elements across both divisions. Satellite & Media only sites are allocated directly to Other, as no regulated infrastructure is present on these sites. For further information on the treatment of the implementation of IFRS 16 see 1.4.2.

2.3.3.5 Exceptional Costs

The exceptional costs for the Group are extracted from the accounting system on a business stream and cost centre basis. Any exceptional costs which are directly attributed to a business unit other than Media Networks or Corporate are excluded from this analysis. Costs directly attributed to Media Networks, or attributed to Corporate, are further analysed. They will be allocated based on the nature of the cost incurred.

Categories of exceptional cost include but are not limited to:

- Restructuring, redundancy and organisational transformation - these costs are allocated using the Corporate Cost allocation based on revenue.

2.3.4 Capital Employed

Capital employed comprises:

- Total assets, excluding goodwill, intangibles arising from acquisitions and retirement benefits; less
- Total liabilities, excluding dividends payable, borrowings and retirement obligations.

Deferred tax is included within Debtors and has been treated as Out of Scope, whilst current tax liability is within Other Creditors and has also been classified as Other.

2.3.5 Regulated Fixed Asset Register ("RFAR")

The RFAR is produced using the Fixed Asset Register ("FAR") within AGL.

Assets are attributed to NA and MTS by firstly considering the site location to identify whether assets are located on broadcast sites. Assets which do not have any broadcast use or are at sites which do not broadcast regulated services are classified as Non-Regulated. Each asset type is subsequently sub-divided into a specific asset category (e.g. Masts, Buildings, Power, Antennas, Land and Transmitters) and finally these asset categories are then apportioned using the following steps:

1. Direct Allocation – where possible, assets are allocated directly to NA, MTS or Other based upon asset category as described above.

2. Network Access asset categories not allocated directly during step 1 are shared NA assets with other business divisions, such as M2M. These assets (e.g. Buildings, Masts, Land) are further categorised into Regulated/Non-Regulated using Windloading allocations, described in more detail in the Non-Financial Data Section below.

3. An element of the Head Office assets are allocated to NA, MTS or Other based upon the total Corporate Division allocation methodology into Media Networks NA, MTS and Other (see section 2.3.3.3).

Capitalised overhead costs are allocated between NA, MTS and Other based on the average split of total assets (excl. capitalised labour).

Telemetry systems relating specifically to the DSO project have been allocated 62%/38% (NA/MTS) based on expert operational assessments from the DSO Operations Team.

Telemetry systems relating specifically to Radio have been allocated 60%/40% (NA/MTS) based on expert operational assessments from the Engineering and Implementation team.

Right-of-use assets are allocated directly to sites based on the nature of activity occurring on the site. Where Broadcast sites share common infrastructure with other services (as part of our M2M business), the Windloading methodology (described in the Non-Financial Data section below) is used to allocate the Regulated/Non-Regulated elements across both divisions. Satellite & Media only sites are allocated directly to Other, as no regulated infrastructure is present on these sites. For further information on the treatment of the implementation of IFRS 16 see 1.4.2.

2.3.6 Work In Progress ("WIP")

In order to attribute Capital WIP balances to NA, MTS or Other, the Regulatory Project classification has been used. Projects are classified by Project Managers at the project initiation stage, as described in section 2.3.9.2. Where a Regulated project is identified as split between NA and MTS, this is allocated using the Regulated Asset Base ("RAB") valuation as described above.

For large projects such as the Digital Switch Over (DSO) programme, the capital WIP balances supporting the new HPDTT NA assets have been identified and are allocated in full to NA. Windloading is not applied as these costs are incurred wholly and exclusively for the purpose of HPDTT. DSO Capitalised interest has been allocated using the appropriate RAB valuation.

Projects relating specifically to the 700 and 800 MHz Clearance project not directly attributable to NA or MTS are allocated using the proportion of actual spend of 700 and 800MHz Clearance of assets, as per the RFAR (see section 2.3.5).

For site NA infrastructure projects, the capital WIP balances have been allocated using windloading factors. This is in line with the allocation of NA infrastructure assets within the RFAR (see section 2.3.5).

2.3.7 Other Assets

These balances are allocated based upon their key driver in the profit and loss account.

Debtors and prepayments – The debtors balance is analysed by Business Unit, with accounts that are specifically non-regulated being excluded. Regulated related debtor balances are allocated by Media Networks revenue, unless a superior method is applicable such as using third party costs (excluding labour) for prepayments. Corporate balances are first allocated by divisional headcount before being allocated as per regulated related balances.

Cash – The total cash balance, removing cash for other purposes such as refinancing and debt servicing, is attributed to NA, MTS and other using the proportion of EBITDA arising from each regulated activity.

2.3.8 Liabilities

These balances are allocated based upon their key driver in the profit and loss account.

Creditors (including over and under 1 year) – The creditors balance is analysed by Business Unit, with accounts that are specifically non-regulated being excluded. Regulated related creditor balances are allocated by Third party costs which include agency costs but exclude payroll based labour, unless a superior method is applicable such as Media Networks revenue for deferred income. Corporate balances are first allocated by divisional revenue before being allocated as per regulated related balances.

Provisions – Accounts are analysed and allocated into NA, MTS and other depending on the account drivers for each provision held. Accounts that are specifically non-regulated are excluded.

2.3.9 Non-Financial Data

Certain attributions to NA, MTS and Other are made using Non-Financial Data. The use of such data and its application is consistent with methodologies applied in HPDTT and Radio Reference Offers previously audited for Ofcom.

The key methodologies used are as follows:

2.3.9.1 Windloading

Windloading is a technical assessment of the 'base moments' in relation to each antenna and associated feeder and apportioned bare structure on a Broadcast site. The base moment of each antenna on a mast is a function of the size and height of the antenna and related feeder (cable). The Windloading base moment for a site that relates to each category of antenna ("Broadcast" or "Other") is expressed as a percentage of the total base moment.

Windloading is a recognised methodology for attributing NA asset values and costs as it relates common services to the underlying cost drivers. It has been used extensively in various documents that have been reviewed and approved by Ofcom and their appointed advisors e.g. Windloading was used as a cost allocation base in the Reference Offers for DSO and Radio Reference Offers.

2.3.9.2 Oracle Time & Labour (OTL)

OTL is a time recording system which includes a dataset for cost allocation based upon time recorded data using employee skills based hourly rates.

Employees record time to projects which are subsequently allocated to Business divisions i.e. an employee in the Terrestrial Broadcast Division may record time against a project which belongs to the M2M Division, therefore the costs associated with this time would be Non-Regulated and excluded from the RA.

Projects are classified into three main categories; Billable (Cost of Sales), Expense (Operating Expenditure) and Capital (classed as Other – Balance Sheet).

The Labour cost allocated to NA, MTS and Other is derived using the following approach:

- Project classifications

  All employees in Arqiva are allocated to a Business Area based upon their respective cost centre (e.g. Media Networks). Where Media Networks employees charge their time to a Regulated NA project, this is wholly attributable to NA. The hours recorded against specific Regulatory projects are multiplied by the equivalent skill-based rate per hour, to give an overall labour cost for the time recorded against each project. Determination of the OTL allocation percentages now includes capital charged labour (along with billable and expenses) in the over / under recovery stage of the calculation, improving the use of the empirical data available.

For projects classified into Media Networks and Corporate the following allocations apply:

Media Networks - These projects have been categorised into NA, MTS and Other based upon their Regulatory Classification (TV/Radio/Other) assigned by Project Managers at project set up. Projects are reviewed by the finance team on a monthly basis to ensure accuracy. Projects which have no clear distinction between NA and MTS but are clearly Regulatory are divided using the RAB valuation (see section 2.3.3).

Corporate – The primary purpose of the Corporate Division is to support the AGL revenue generating business areas, an element of the hours charged to Corporate projects need to be recharged back into the Regulated Business. The process is as follows:

- All Corporate projects are classified as Regulated or Non-Regulated by establishing whether the project has an impact on the Regulated Business (e.g. a generic mast inspection project is classed as a regulatory project).
- Regulatory projects are given a secondary classification which identifies which allocation percentage to use to recharge the costs against this project back into the RA (e.g. estates and property projects which relate to owned sites are classified as 'Rates' and the weighted average percentages of Rates costs is used).

A reconciliation is performed from OTL to the General Ledger to ensure that any under/over-recovery and employees that do not time record within Media Networks are considered. A proportion of this cost is allocated to the Regulated Business based upon Media Networks revenue.