



COMMERCE COMMISSION

**Draft Telecom Accounting Separation
Information Disclosure Requirements**

**Public Version
(no confidential version)**

Telecom Accounting Separation Information Disclosure Requirements

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Pursuant to Part 2B of the Telecommunications Act 2001, the Commerce Commission makes the following requirements.

1. Title, commencement, and application

- 1.1 These Requirements are the Telecom Accounting Separation Information Disclosure Requirements.
- 1.2 These Requirements come into force on the Effective Date.
- 1.3 On the Effective Date, the Telecom Accounting Separation Information Disclosure Requirements for Financial Years ending 2009 and 2010, dated 25 March 2010, are hereby revoked.

2. Interpretation

- 2.1 In these Requirements, unless the context otherwise requires –

Additional Functionality means any additional functionality provided by a replacement asset used in providing a current cost accounting valuation for that asset that is included in the asset valuation.

Access Services Group means the Services Group consisting of all business activities and services provided by Telecom's ANS Unit as if it was operated as an independent or unrelated company, including –

- (i) all Relevant Network Access Services;
- (ii) any services provided over Telecom's Local Access Network; and
- (iii) that portion of Shared Services activities provided in support of any of the foregoing;

but excluding any activities or services attributable to another Services Group.

Annual Report means a report prepared by Telecom under section 208 of the Companies Act 1993.

Causality has the meaning given in clause 8(e).

Commission means the Commerce Commission established by section 8 of the Commerce Act 1986.

Effective Date means the day following the date of publication of these requirements in the *Gazette* under section 6(1)(a) of the Telecommunications Act.

Excess Capacity means any capacity within the network that is not in use or not required to provide appropriate levels of network resilience and is not expected to be put into use.

Financial Year means the period of 12 months commencing on 1 July in any year and ending with 30 June in the following year.

Independent Auditor, in relation to any information, means a person who –

- (i) is qualified for appointment as auditor of a company under the Companies Act 1993;
- (ii) has no relationship with, or interest in, Telecom that is likely to involve the person in a conflict of interest;
- (iii) has not assisted with the compilation of the information or provided advice or opinions (other than in relation to audit reports or in respect of the interpretation of these Requirements) on the methodologies or processes used in compiling the information; and

- (iv) is not associated with nor directed by any person who has provided any such assistance, advice, or opinion.

New Zealand Framework means the *New Zealand Equivalent to the IASB Framework for the Preparation and Presentation of Financial Statements*, issued by the Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants June 2005, as amended.

NZ GAAP means Generally Accepted Accounting Practice as defined in section 3 of the Financial Reporting Act 1993.

Other Services Group means the Services Group consisting of –

- (i) all activities and services provided outside New Zealand; and
- (ii) all activities and services provided (or necessary for the provision of) all services provided by Telecom but not provided by the Access Services Group, Wholesale Services Group, or the Retail Services Group, including Telecom's corporate management and international services, but excluding that portion of Shared Services and Finance that is attributed to another Services Group.

Part 2B means Part 2B of the Telecommunications Act.

Product Statement means a financial statement summarising revenues, expenses, and supporting information for the applicable Financial Year in accordance with the form of report in Appendix G for a service listed in Appendix H.

Publish means to comply with the provisions of clause 3.3.

Regulatory Accounting Principles means those principles described in clause 7 of these Requirements that Telecom must include in the Regulatory Reporting Manuals and follow in preparing the Regulatory Financial Statements.

Regulatory Financial Report means the consolidated collection of information, including the Regulatory Financial Statements and Product Statements, to be Published by Telecom and described in clause 3.

Regulatory Financial Statement means any or all of the Regulatory Statements of Financial Performance, Regulatory Statement of Fixed Assets, Regulatory Statements of Mean Capital Employed, and Product Statements, whether prepared using historic cost accounting or current cost accounting, and any consolidated version of these statements.

Regulatory Reporting Manual means the document, to be prepared by Telecom, which sets out the methodologies used to prepare the information required by these Requirements, which must include an introduction, glossary, technical dictionary, description of attribution methodologies, a description of asset valuation, and a description of accounting policies, as described in clause 12.

Regulatory Statement of Fixed Assets means a financial statement describing the movement of assets within a Services Group during a Financial Year, including the opening assets, the additions to assets including capital investments during the Financial Year, the deductions from assets, including depreciation, during the Financial Year, and the closing assets.

Regulatory Statement of Financial Performance means the financial statements summarising revenues and expenses for the relevant Financial Year.

Regulatory Statement of Mean Capital Employed means, for the relevant Financial Year, a financial statement of the mean capital employed being the sum

of the fixed assets, intangible assets, inventories and debtors less creditors, and any short term provisions, calculated as the average of the start capital employed and the end value for the year, but excluding taxes, dividends, short and long-term debt, and goodwill.

Retail Services Group means the Services Group consisting of all activities and services provided by Telecom directly to end-users in New Zealand including –

- (i) those provided by Telecom's Retail Unit;
- (ii) retail mobile services;
- (iii) those provided under the Gen-i brand; and
- (iv) those that would be provided by Telecom's Retail Unit if it was operated as an independent or unrelated company, including that portion of Shared Services activities provided in support of any of the foregoing;

but excluding any activities or services attributable to another Services Group.

Services Group means any of the four categories in or to which all business activities and services of Telecom must be allocated and/or attributed, being the Access Services Group, the Wholesale Services Group, the Retail Services Group, and the Other Services Group.

Telecom has the same meaning as given to that term in section 5 of the Telecommunications Act.

Telecommunications Act means the Telecommunications Act 2001.

Transparency has the meaning give in clause 7(c).

Undertakings means the Telecom Separation Undertakings as provided to the Minister of Communications on 25 March 2008 in accordance with section 69K(2)(c) of the Telecommunications Act, as amended from time-to-time.

Wholesale Services Group means the Services Group consisting of all business activities and services provided by Telecom on a wholesale basis, whether internally to Telecom or externally to another service provider, including –

- (i) Relevant Wholesale Services; and
- (ii) any activities or services that would, if the Wholesale Unit was operated as an independent or unrelated company, be attributable to the Wholesale Unit, including wholesale mobile services and that portion of Shared Services activities provided in support of any of the foregoing;

but excluding any activities or services attributable to another Services Group.

Wholesale Services Group (Relevant Services) means that portion of the activities, services, and products of the Wholesale Services Group attributable to Relevant Wholesale Services.

Wholesale Services Group (Other Services) means that portion of the activities and services of the Wholesale Services Group not attributable to Relevant Wholesale Services.

- 2.2 A capitalised term used in these Requirements that is not defined in clause 2.1 has the meaning given to that term in the Undertakings. In the event of any inconsistency between the terms in the Undertakings and the defined terms in clause 2.1, the defined terms in clause 2.1 will prevail.

- 2.3 Nothing in these Requirements limits the Commission's authority to –
- (a) amend these Requirements, or
 - (b) require any other statements, reports, agreements, particulars, or other information under Part 2B.
- 2.4 In these Requirements, unless the context otherwise requires:
- (a) clause and part headings are for convenience only, and are not part of these Requirements; and
 - (b) references to clauses are references to clauses in these Requirements; and
 - (c) the singular includes the plural and vice versa; and
 - (d) reference to a statute means that statute as amended or re-enacted from time to time and includes subordinate legislation; and
 - (e) except where these Requirements expressly provide otherwise, reference to a document means that document as amended from time to time.

Part 1 – Information to be Prepared and Disclosed

3. Publication of Telecom’s Regulatory Financial Report

- 3.1 Telecom must prepare and Publish on the 31 March following the close of Current Financial Year a Regulatory Financial Report consisting of –
- (a) an Introduction; and
 - (b) a Certification in accordance with clause 15; and
 - (c) a copy of the audit opinion prepared by the independent auditor in accordance with clause 11; and
 - (d) a Basis of Preparation, as that term is used in preparing financial statements using NZ GAAP; and
 - (e) commentary on the Regulatory Financial Statements, prepared in accordance with clause 4; and
 - (f) the Regulatory Financial Statements completed in accordance with clause 5; and
 - (g) notes to the Regulatory Financial Statements, prepared in accordance with clause 6.
- 3.2 Telecom must Publish on the 31 March following the close of the Current Financial Year a Regulatory Reporting Manual used for the preparation of the Regulatory Financial Statements for that Financial Year.
- 3.3 Where Telecom is required to Publish any information, reports, statements, or any other information, Telecom must –
- (a) post the relevant information on the Internet at a URL on Telecom’s website at a location that can be readily found by a wide audience, and that is reserved for the release of information required to be Published under these Requirements; and
 - (b) within 10 working days of being requested to do so by any person, provide a copy of the information to the person, either by post or for collection (during ordinary office hours). Telecom is permitted to charge for the cost of providing copies of the information, which shall be no more than is reasonably required to recover the costs of providing those copies.

4. Commentary

No later than six (6) months following the close of each Financial Year, Telecom must, where any changes to the Regulatory Accounting Principles or Regulatory Reporting Manual have had a material effect on the content of the Regulatory Financial Statements to be published for that Financial Year, complete –

- (a) a summary of the changes made to the Regulatory Accounting Principles or Regulatory Reporting Manual; and
- (b) an explanation for the changes; and
- (c) a description of the impact or effect of those changes on the Regulatory Financial Statements.

5. Regulatory Financial Statements

No later than six (6) months following the close of each Financial Year, Telecom must

–

- (a) complete a Regulatory Statement of Financial Performance using historical cost accounting for that Financial Year and the immediately preceding Financial Year containing all information and in the form specified in Appendix A; and
- (b) complete a Regulatory Statement of Financial Performance using current cost accounting for that Financial Year and the immediately preceding Financial Year containing all information and in the form specified in Appendix B; and
- (c) complete a Regulatory Statement of Mean Capital Employed using historical cost accounting for that Financial Year and the immediately preceding Financial Year containing all information and in the form specified in Appendix C; and
- (d) complete a Regulatory Statement of Mean Capital Employed using current cost accounting for that Financial Year and the immediately preceding Financial Year containing all information and in the form specified in Appendix D; and
- (e) complete a Regulatory Statement of Fixed Assets using historical cost accounting for that Financial Year and the immediately preceding Financial Year containing all information and in the form specified in Appendix E; and
- (f) complete a Regulatory Statement of Fixed Assets using current cost accounting for that Financial Year and the immediately preceding Financial Year containing all information and in the form specified in Appendix F; and
- (g) complete a separate Product Statement using historical cost accounting for that Financial Year and the immediately preceding Financial Year containing all information and in the form specified in Appendix G for each of the products and services listed in Appendix H; and
- (h) complete a consolidated Product Statement using current cost accounting for that Financial Year and the immediately preceding Financial Year containing all the information and in the form specified in Appendix G for each of the products and services listed in Appendix H.

6. Notes to the Regulatory Financial Statements

6.1 No later than six (6) months following the close of each Financial Year, Telecom must complete notes to the Regulatory Financial Statements consisting of –

- (a) a statement showing all internal revenue of each Services Group using current cost accounting and historical cost accounting methodologies; and
- (b) a statement showing the expenses for each Services Group in the categories listed in clause 6.2 using current cost accounting and historical cost accounting methodologies.

6.2 The expense categories to be used in completing the statement required by paragraph (b) of clause 6.1 are –

- (a) finance and billing; and

- (b) general management; and
- (c) general support; and
- (d) marketing and sales; and
- (e) network support; and
- (f) other activity expenses; and
- (g) human resources and administration; and
- (h) planning and development; and
- (i) provisioning and maintenance.

Part 2 – Methodology

7. Regulatory Accounting Principles

All Regulatory Financial Statements, except where otherwise expressly provided by these Requirements, must be prepared in accordance with the following Regulatory Accounting Principles –

- (a) *Definition.* Where any word or expression used in the Regulatory Reporting Manual is defined in clause 2 of these Requirements, that word or expression must be given the same meaning.
- (b) *Use of NZ GAAP.* Except where the Requirements including these Regulatory Accounting Principles, otherwise provide, Telecom must prepare and Publish all reports, statements, manuals and other information required by these Requirements in accordance with NZ GAAP and the New Zealand Framework.
- (c) *Transparency.* The Regulatory Reporting Manual must disclose information regarding the accounting processes and methodologies used to prepare the Regulatory Financial Statements with sufficient detail and clarity such that an informed reader can easily –
 - (i) gain a comprehensive understanding of the overall structure of Telecom’s financial and information systems from which the information used in preparing the Regulatory Financial Statements is derived; and
 - (ii) gain a detailed understanding of all the information, methodologies and driver data applied in the preparation of the information used to prepare the Regulatory Financial Statements; and
 - (iii) make a judgment as to the reasonableness of the information and the attribution and valuation methodologies used to prepare the information.
- (e) *Causality.* Telecom must attribute all revenue (including transfer charges), expenses (including transfer charges), assets and short-term liabilities to the activities which caused those revenues to be earned, expenses to be incurred, assets to be acquired, or short-term liabilities to be incurred. Where it is not possible to attribute revenue, expenses, assets and short-term liabilities, the attribution must follow the Regulatory Accounting Principle of objectivity.
- (e) *Objectivity.* Telecom must, in applying the Regulatory Accounting Principles and the Requirements, do so in a manner that is objectively justifiable and reasonable.
- (f) *Consistency.* Telecom must treat similar types of revenue, expenses, assets, and short-term liabilities in a consistent manner in the same Financial Year and between Financial Years.

8. Valuation methodology

8.1 CCA Valuation Methods. In the preparation of the current cost accounting asset valuations, Telecom must –

- (a) set the current cost equal to the historical cost where the assets –
 - (i) are fully depreciated; or

- (ii) have a low net book value in comparison to the total value of the fixed assets; or
 - (iii) have a short remaining asset life; or
 - (iv) are an investment made within the preceding 12 months, and there is minimal difference between the current cost gross replacement cost and the historical net book value; or
 - (v) are not expected to be replaced; or
- (b) where an asset cannot be valued in accordance with paragraph (a) –
- (i) use the indexation methodology to set the current cost for fixed assets where there has been little technological change and the capitalised costs would have to be incurred again if the fixed assets were replaced; or
 - (ii) use the absolute valuation methodology to set the current cost for fixed assets; and
- (c) where Telecom uses modern equivalent asset valuations to obtain an absolute valuation, the choice of replacement or alternative fixed assets used for the valuation must be appropriate and Telecom must make all appropriate valuation adjustments, including but not limited to adjustments for productive capacity, operating cost savings, and additional functionality.

8.2 Depreciation Methods.

Telecom must –

- (a) use the straight-line method of depreciation for calculating historical cost and current cost; and
- (b) value all fully depreciated assets still in use at balance date at zero for current cost accounting purposes.

8.3 Adjustments for excess capacity and functionality. In the preparation of the current cost asset valuations, Telecom must –

- (a) exclude costs that constitute Excess Capacity from the current cost asset valuation; and
- (b) exclude any costs that constitute Additional Functionality included in the current cost asset valuation.

9. **Attribution methodology**

9.1 Telecom must –

- (a) use cost drivers for which a link can be objectively justified and demonstrated; or
- (b) where a link cannot be objectively justified and demonstrated in accordance with paragraph (a), use an attribution process that is as direct as possible, and minimises the number of intermediate steps that include the aggregation of source data prior to attribution, or that result in source data being attributed multiple times, where a more direct allocation or attribution relationship could be established.

9.2 Telecom must –

- (a) separately distinguish all expenses and revenues that are allocated directly to a service, product, activity or Services Group from any expenses or revenues which are apportioned; and
 - (b) document the overall structure of Telecom' financial and information systems from which the data used in the attribution process is sourced; and
 - (b) document the attribution process from source data through to the Regulatory Financial Statements.
- 9.3 Telecom must document the attribution processes with sufficient detail and clarity such that an informed reader can easily make a judgment as to their reasonableness.
- 9.4 Transfer Charges.
- (a) Telecom must –
 - (i) subject to paragraph (b), attribute the costs of providing a service from one Services Group to the receiving Services Group; and
 - (ii) where there is a documented arrangement in place for a Telecom Business Unit to supply another Telecom Business Unit with a particular service, record the price indicated in the arrangement –
 - (1) as internal revenue of the Services Group providing the service; and
 - (2) as a cost of the Services Group receiving the service.
 - (b) Where there is a documented arrangement in place for a Telecom Business Unit to supply another Telecom Business Unit with a particular service, Telecom must maintain an auditable list of those documented arrangements, which must be kept up-to-date and reconciled.
- 9.5 Data Sources for Product Statements.
- Telecom must prepare Product Statements using data obtained only from –
- (a) regularly updated operational systems; or
 - (b) surveys or samples based on generally accepted statistical techniques or similar methods and updated with a frequency proportionate to its importance and potential for material change.

Part 3 – Other Matters

10 Publication of Confidential Information

- 10.1 If there is any information required to be Published which Telecom considers confidential, then Telecom must, at least 2 weeks prior to the date on which the information must be Published –
- (a) supply to the Commission a copy of the document containing the information for which Telecom requests confidentiality;
 - (b) clearly identify all information in the document for which Telecom requests confidentiality;
 - (c) state the specific reasons as to why the disclosure of the information would be likely to unreasonably prejudice the commercial position of Telecom and/or the person who is the subject of the information; and
 - (d) provide a certification, in writing, by counsel for Telecom, that he or she considers that exempting the information from Publication is necessary in order to avoid likely unreasonable prejudice to the commercial position of Telecom and/or the subject of the information.
- 10.2 The Commission may exempt confidential information from Publication where the disclosure of that information would not be reasonable under Part 2B of the Telecommunications Act.

11. Audit requirements

- 11.1 Telecom must Publish on the 31 March following the close of the Current Financial Year –
- (a) an audit opinion for the Regulatory Financial Statements for the Current Financial Year;
 - (b) an audit opinion for the Regulatory Financial Statements for the Current Financial Year *as a whole*; and
 - (c) an audit opinion for each of the Regulatory Statements of Fixed Assets for the Current Financial Year.
- 11.2 The audit opinions required by clause 11.1 must be prepared by an Independent Auditor and accompanied by a report by the Independent Auditor, signed by him or her (either in his or her own name or that of his or her firm), stating –
- (a) the work done by the auditor;
 - (b) the scope and limitations of the audit;
 - (c) the existence of any relationship (other than that of auditor) which the auditor has with, or any interests which the auditor has in, Telecom or any of its subsidiaries;
 - (d) whether the auditor has obtained all information and explanations that he or she has required;
 - (e) whether, in the auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by Telecom so as to enable the complete and accurate compilation of required information;
 - (f) whether, in the auditor's opinion, the Regulatory Financial Statements and Product Statements are prepared, in all material respects, in accordance with the Regulatory Reporting Manual;

- (g) that the auditor has audited all information and processes required to complete the Regulatory Financial Statements, to the extent such information and processes are not audited as part of Telecom's statutory reporting processes; and
- (h) that the auditor owes a duty of care to the Commission in respect of the audit opinions and assessments.

11.4 The audit opinions and assessments required by clause 11.1 must be prepared to a materiality level of –

- (a) 2% of revenue for all Regulatory Statements of Financial Performance and the consolidated Regulatory Statement of Financial Performance;
- (b) 1% of total asset value, being the sum of the current and fixed assets, for all Regulatory Statements of Mean Capital Employed; and
- (c) 1% of total fixed asset value for all Regulatory Statements of Fixed Assets.

12. Contents of Regulatory Reporting Manual

12.1 The Regulatory Reporting Manual must include –

- (a) an introduction consisting of –
 - (i) the Regulatory Accounting Principles defined in clause 7 of these Requirements; and
 - (ii) the regulatory audit procedures.
- (b) a glossary of regulatory terms which must correspond to the definitions found in clause 2 of these Requirements.
- (c) a technical dictionary which must define any economic, accounting and network terms used in the preparation of the Regulatory Financial Statements that are not explained in the glossary of regulatory terms.
- (d) an asset valuation methodology section that must describe the historical cost approach and define the current cost valuation methodology, and be in accordance with these Requirements;
- (e) an attribution methodology section that must be in accordance with these Requirements and describe –
 - (i) the processes used to implement the attribution methodology, and in accordance with these Requirements, and
 - (ii) network components, activities, and usage by service, and
 - (iii) the attribution of Transfer Charges; and
- (f) an accounting policies section that must detail the methodologies, accounting policies, and processes used in preparing the Regulatory Financial Statements, and be in accordance with these Requirements.

12.2 The Regulatory Reporting Manual must include and apply the Regulatory Accounting Principles in accordance with these Requirements.

13. Change management process

Telecom must implement a process, including defined procedures and a register of changes, for the tracking and monitoring of any and all changes to the processes and methodologies included within the Regulatory Reporting Manual.

14. Retention of records

- 14.1 Telecom must keep and maintain the information necessary to prepare the Published information throughout the period commencing when the information is first required to be Published by Telecom in accordance with these Requirements and ending 7 years after the date on which the information is so Published.
- 14.2 Telecom must keep all reports, statements, or other information Published on the Internet available on the Internet for 7 years after the date on which the information is first Published by Telecom in accordance with these Requirements.

15. Certificates & Statutory Declarations

- 15.1 All information that is Published under these Requirements must include a certificate, in the form set out in Appendix I, duly signed by 2 Directors of Telecom Corporation of New Zealand Limited.
- 15.2 The Commission may require, under subsection (3)(b) of section 69ZF of the Telecommunications Act, that a Director or senior officer of Telecom Corporation of New Zealand Limited verifies by statutory declaration, in the form set out in Appendix J, all information that is supplied to the Commission under subsection (1) of that section.

16. Exemption process

The Commission may at any time, by written notice to Telecom, –

- (a) exempt Telecom from any or all of the provisions of these Requirements, for a period and on such terms and conditions as the Commission specifies in the notice; and
- (b) revoke any such exemption.

17. Current exemptions

Notwithstanding anything to the contrary contained in these Requirements –

- (a) For the Financial Year ending June 2010, clause 9.5 of these Requirements applies only with respect to the following Product Statements:
 - (i) UCLL MPF service monthly charges, and
 - (ii) UCLL MPF new connection, and
 - (iii) UCLL Backhaul Service – 100 Mbps by average distance group, and
 - (iv) UCLL Backhaul Service – 1 Gbps by average distance group, and
 - (v) Line Rental resale, and
 - (vi) Broadband resale.
- (b) For the Financial Year ending June 2010, Telecom is not required to complete and Publish Product Statements for the immediately preceding Financial Year;
- (c) For the Financial Year ending June 2010, Telecom is not required to complete and Publish Product Statements for the following services:
 - (i) Interconnection with Telecom's fixed PSTN, and
 - (ii) IP interconnection, and
 - (iii) FTTP services, and
 - (iv) Sub-loop MPF Service monthly charges, and

- (v) Sub-loop MPF New Connection Charges, and
 - (vi) Sub-loop backhaul, and
 - (vii) Sub-loop Co-location power rental, and
 - (viii) Co-location floor space, and
 - (ix) 16A-48V DC Power Capacity, and
 - (x) Co-location New Exchange, and
 - (xi) Co-location New Row, and
 - (xii) UCLL Backhaul Service New Connection, and
 - (xiii) Enhanced UBA without POTS, and
 - (xiv) Access Seeker Handover Connection Monthly Rental Charge.
- (d) For the Financial Year ending June 2011, Telecom is not required to complete and Publish Product Statements for the immediately preceding Financial Year for the services listed in paragraph (c) of this clause.

Appendix A

Information required for, and form of, the Regulatory Statement of Financial Performance prepared using historic cost accounting

Statement of Financial Performance for HCA								
Year Ended 30 June 2010								
Million	Access Services Group	Wholesale Services Group		Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations	Group Total Statutory Accounts
		Relevant	Non-Relevant					
Revenues								
Internal revenues								
External revenues								
Total revenue								
Expenses								
Network expenses								
Internal network expenses								
External network expenses								
Total network expenses								
Non-network expenses								
Internal non-network expenses								
External non-network expenses								
Total non-network expenses								
Depreciation and amortisation								
Total expenses								
Earnings before interest and taxation								
Earnings before interest and taxation %								

Statement of Financial Performance for HCA							
Year Ended 30 June 2009							
Million	Access Services Group	Wholesale Services Group	Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations	Group Total Statutory Accounts
Internal revenues							
External revenues							
External revenues							
Total revenue							
Expenses							
Network expenses							
Internal network expenses							
External network expenses							
Total network expenses							
Non-network expenses							
Internal non-network expenses							
External non-network expenses							
Total non-network expenses							
Depreciation and amortisation							
Total expenses							
Earnings before interest and taxation							
Earnings before interest and taxation %							

Appendix B

Information required for, and form of, the Regulatory Statement of Financial Performance prepared using current cost accounting

Statement of Financial Performance for CCA							
Year Ended 30 June 2010							
Million	Access Services Group	Wholesale Services Group		Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations
		Relevant	Non-Relevant				
Revenues							
Internal revenues							
External revenues							
Total revenue							
Expenses							
Network expenses							
Internal network expenses							
External network expenses							
Total network expenses							
Non-network expenses							
Internal non-network expenses							
External non-network expenses							
Total non-network expenses							
Depreciation and amortisation							
Total expenses							
Earnings before interest and taxation							
<i>Earnings before interest and taxation %</i>							

Statement of Financial Performance for CCA							
Year Ended 30 June 2009							
Million	Access Services Group	Wholesale Services Group	Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations	Group Total Statutory Accounts
Internal revenues							
External revenues							
External revenues							
Total revenue							
Expenses							
Network expenses							
Internal network expenses							
External network expenses							
Total network expenses							
Non-network expenses							
Internal non-network expenses							
External non-network expenses							
Total non-network expenses							
Depreciation and amortisation							
Total expenses							
Earnings before interest and taxation							
<i>Earnings before interest and taxation %</i>							

Appendix C

Information required for, and form of, the Regulatory Statement of Mean Capital Employed prepared using historic cost accounting

Statement of Mean Capital Employed for HCA As at 30 June 2010								
\$million	Access Services Group	Wholesale Services Group		Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations	Group Total Statutory Accounts
		Relevant	Non-Relevant					
Assets								
Current assets								
Cash and short-term investments								
Receivables and prepayments								
Inventories								
Total current assets								
Non-current assets								
Fixed assets								
Total non-current assets								
Total assets								
Liabilities								
Short-term liabilities								
Accounts payable and accruals								
Short-term provisions								
Short-term derivatives								
Total short-term liabilities								
Closing capital employed								
Mean capital employed								
Mean capital employed %								

Statement of Mean Capital Employed for HCA As at 30 June 2009							
\$million	Access Services Group	Wholesale Services Group	Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations	Group Total Statutory Accounts
Assets							
Current assets							
Cash and short-term investments							
Receivables and prepayments							
Inventories							
Total current assets							
Non-current assets							
Fixed assets							
Total non-current assets							
Total assets							
Liabilities							
Short-term liabilities							
Accounts payable and accruals							
Short-term provisions							
Short-term derivatives							
Total short-term liabilities							
Closing capital employed							
Mean capital employed							
Mean capital employed %							

Appendix D

Information required for, and form of, the Regulatory Statement of Mean Capital Employed prepared using current cost accounting

Statement of Mean Capital Employed for CCA As at 30 June 2010								
Million	Access Services Group	Wholesale Services Group		Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations	Group Total Statutory Accounts
		Relevant	Non-Relevant					
Assets								
Current assets								
Cash and short-term investments								
Receivables and prepayments								
Inventories								
Total current assets								
Non-current assets								
Fixed assets								
Total non-current assets								
Total assets								
Liabilities								
Short-term liabilities								
Accounts payable and accruals								
Short-term provisions								
Short-term derivatives								
Total short-term liabilities								
Closing capital employed								
Mean capital employed								
Mean capital employed %								

Statement of Mean Capital Employed for CCA As at 30 June 2009							
Million	Access Services Group	Wholesale Services Group	Retail Services Group	Other Services Group	Group Total Regulatory Accounts	Reconciliations	Group Total Statutory Accounts
Assets							
Current assets							
Cash and short-term investments							
Receivables and prepayments							
Inventories							
Total current assets							
Non-current assets							
Fixed assets							
Total non-current assets							
Total assets							
Liabilities							
Short-term liabilities							
Accounts payable and accruals							
Short-term provisions							
Short-term derivatives							
Total short-term liabilities							
Closing capital employed							
Mean capital employed							
Mean capital employed %							

Appendix E

Information required for, and form of, the Regulatory Statement of Fixed Assets
prepared using historic cost accounting

Statement of Fixed Assets for HCA			
As at 30 June 2010			
	Gross Book Value	Accumulated Depreciation	Net Book Value
\$million			
Telecommunications plant and equipment			
Passive network			
Active transmission			
Mobile			
Services			
Other			
Buildings			
Land			
Software			
Other assets			
Total fixed assets			

Statement of Fixed Assets for HCA			
As at 30 June 2009			
	Gross Book Value	Accumulated Depreciation	Net Book Value
\$million			
Telecommunications plant and equipment			
Passive network			
Active transmission			
Mobile			
Services			
Other			
Buildings			
Land			
Software			
Other assets			
Total fixed assets			

Appendix F

Information required for, and form of, the Regulatory Statement of Fixed Assets prepared using current cost accounting

Statement of Fixed Assets for CCA			
As at 30 June 2010			
\$million	Gross Replacement Cost	Accumulated Depreciation	Net Replacement Cost
Telecommunications plant and equipment			
Passive network			
Active transmission			
Mobile			
Services			
Other			
Buildings			
Land			
Software			
Other assets			
Total fixed assets			

Statement of Fixed Assets for CCA			
As at 30 June 2009			
\$million	Gross Replacement Cost	Accumulated Depreciation	Net Replacement Cost
Telecommunications plant and equipment			
Passive network			
Active transmission			
Mobile			
Services			
Other			
Buildings			
Land			
Software			
Other assets			
Total fixed assets			

Appendix G

Information required for, and form of, the Product Statements

Product Statement	
Year Ended 30 June 2010	
	Product
Revenues	
Internal revenues	
From Access	
From Wholesale	
From Retail	
From Other	
Total internal revenues	
Total external revenues	
Total revenues	
Expenses	
Network expenses	
Internal network expenses	
From Access	
From Wholesale	
From Retail	
From Other	
External network expenses	
Total network expenses	
Non-network expenses	
Internal non-network expenses	
From Access	
From Wholesale	
From Retail	
From Other	
External non-network expenses	
Total non-network expenses	
Depreciation and amortisation	
Total expenses	
CCA adjustments	
Earnings before interest and tax	
Mean capital employed	
Non-financial (identify unit of measure)	
Volumes - Internal	
Volumes - External	
Revenue per unit - Internal	
Revenue per unit - External	

Appendix H

List of services for which Product Statements are required

ACCESS SERVICES	
Reference	Services for which Product Statement required
UCLL	
<i>Recurring charges</i>	MPF Service Monthly Charge – urban MPF Service Monthly Charge - non-urban
<i>One off charges (Service Fulfilment/Assurance)</i>	MPF New Connection - individual with site visit MPF New Connection - individual without site visit MPF New Connection - bulk without site visit MPF Transfer – individual MPF Transfer – bulk
Sub-loop	
<i>Recurring charges</i>	Sub-loop MPF Service monthly charges - urban Sub-loop MPF Service monthly charges - non-urban
<i>One off charges (Service Fulfilment/Assurance)</i>	Sub-loop MPF New Connection - Individual new connection with site visit Sub-loop MPF New Connection - Individual new connection without site visit
Sub-loop Co-location	
<i>Recurring charges</i>	Sub-loop Co-location rack space rental Sub-loop Co-location power rental
Sub-loop backhaul	
<i>Recurring charges</i>	Sub-loop backhaul
Co-location UCLL	
<i>Recurring charges</i>	Co-location floor space 16A-48V DC Power Capacity
<i>One off charges (Service Fulfilment/Assurance)</i>	Co-location New Exchange Co-location New Row
UCLL backhaul	
<i>Recurring charges</i>	UCLL Backhaul Service – 100Mbps – by average distance group UCLL Backhaul Service – 1Gbps – by average distance group
<i>One off charges (Service Fulfilment/Assurance)</i>	UCLL Backhaul Service New Connection - Two Ends UCLL Backhaul Service New Connection - One End

WHOLESALE SERVICES	
Reference	Services for which Product Statement required
Unbundled bitstream	
<i>Recurring charges</i>	BASIC UBA with POTS BASIC UBA without POTS - urban BASIC UBA without POTS - non-urban Enhanced UBA without POTS Access Seeker Handover Connection Monthly Rental Charge - GigE capacity - Basic UBA Service only Access Seeker Handover Connection Monthly Rental Charge - GigE capacity - Enhanced UBA Service only Access Seeker Handover Connection Monthly Rental Charge - STM1 capacity Access Seeker Handover Connection Monthly Rental Charge - STM4 capacity

WHOLESALE SERVICES (CONTINUED)	
Reference	Services for which Product Statement required
UBA Backhaul	
Recurring charges	UBA Backhaul Service - 50Mbps - by average distance group UBA Backhaul Service - 100Mbps - by average distance group UBA Backhaul Service - 200Mbps - by average distance group UBA Backhaul Service - 1Gbps - by average distance group
One off charges (Service Fulfilment/Assurance)	UBA Backhaul Service New Connection – Two Ends UBA Backhaul Service New Connection – One End

DESIGNATED SERVICES
Services for which Product Statement required
Interconnection with fixed PSTN IP Interconnection Line rental resale Broadband resale

OTHER SERVICES
Services for which Product Statement required
FTTP Services Sub-loop Extension Service (SLES) 2Mbs Backhaul

Appendix I

Certificate for published information

We, *[insert full names]*, directors of Telecom Corporation of New Zealand Limited, certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the following attached audited information prepared for the purposes of fulfilling the requirements contained in the *Telecom Accounting Separation Information Disclosure Requirements for Financial Years ending 2009 and 2010* for the Financial Year *[insert current financial year]* complies with those Requirements –

- *[Insert list of information to be certified]*

[Signature of 2 Directors]

[Date]

Appendix J

Statutory Declaration for Compliance Monitoring information

I [*insert full name*], of [*insert address*], being a director of Telecom Corporation of New Zealand Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge and belief, the document(s) attached to this declaration –

(a) is/are the statement(s), report(s), agreement(s), particular(s), information [*specify*] requested by the Commerce Commission [*by letter dated –date- issued by the Commerce Commission pursuant to section 69ZF(1)(b) of the Telecommunications Act 2001*]; and

(b) contain(s) all the statement(s), report(s), agreement(s), particular(s), information [*specify*] in the possession, or under the control, of Telecom Corporation of New Zealand Limited or its subsidiaries that relate to that request.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Declared at [*insert place*] this [*insert day of month*] day of [*insert month and year*].

[*Signature of Director*]

[*Signature of Justice of the Peace (or Solicitor or other person authorised to take a statutory declaration.)*]