Arqiva Broadcast Holdings Limited

(formerly Macquarie UK Broadcast Holdings Limited)

Regulatory Accounting Principles and Methodologies

2011/12

Prepared by Regulatory Finance

Document Reference: RAPM 2012

Release Date: 24 June 2013

Table of Contents

1 Regulatory Accounting Principles

1.1 Arqiva Broadcast Holdings Limited

Arqiva Broadcast Holdings Limited (ABHL, formerly Macquarie UK Broadcast Holdings Limited) 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 Macquarie UK Broadcast Venture Limited, to prepare annual Regulatory Accounts for 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 (RAPMs) on which the Regulatory Accounts are based, and the detailed methods applied in attributing revenues, costs, assets and liabilities to the NA and MTS activities.

The RAPMs are maintained in accordance with Section 15.5 of the Undertakings given to the Competition Commission.

It is intended that this document is read in conjunction with the Statutory Consolidated Financial Statements (SCFS); this document will be updated annually in the event of any changes to the Regulatory Accounting Principles or detailed attribution methods.

1.2 Moving Towards 'fairly presents' Audit Opinion

The Regulatory Accounts for the year ended 30 June 2012 (FY12) are required to be audited with a report issued in the form "properly prepared in accordance with...". It is the intention of the Company to continue to make improvements to the basis of preparation of the Regulatory Accounts and supporting information such that in future the auditors can provide a report on the "fair presentation" of the Regulatory Accounts, as envisaged by the Undertakings. In order to achieve this, management have initiated improvement initiatives to enhance the reporting processes, some of which are listed below:

- Established reporting team within Regulatory Finance
- Use of Oracle Timecard Entry data, in place of estimated FTE(Full Time Equivalent) allocations
- Windloading focus group established to ensure KEEP(Site Data Warehouse) is complete and kept up-to-date
- Asset Management and Fixed Asset Improvement initiatives

1.3 Regulatory Accounting Principles

The Regulatory Accounts are based on the following Regulatory Accounting Principles

- **UK GAAP**: the Regulatory Accounts will be prepared in accordance with UK Generally Accepted Accounting Principles as defined by the Group accounting policies set out in the SCFS of ABHL unless any specific deviation is required as a result of conforming to this document.

- **Causality**: revenues, costs, assets and liabilities will be attributed to the NA and MTS businesses 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 will be attributed on a reasonable and fair basis.

- **Consistency**: the Regulatory Accounts will be prepared on a consistent basis from one year to the next to allow for meaningful year on year comparisons. Should any changes be made to the Regulatory Accounting Principles or the Attribution Methods that lead to a material effect on the information reported in the Regulatory Accounts, the corresponding prior year figures will be restated; however this may not be possible in all cases.

- **Transparency**: this document should provide a suitably informed reader with a clear description of the accounting and attribution methods used in the production of the Regulatory Accounts.

2 Attribution Methods

2.1 Introduction

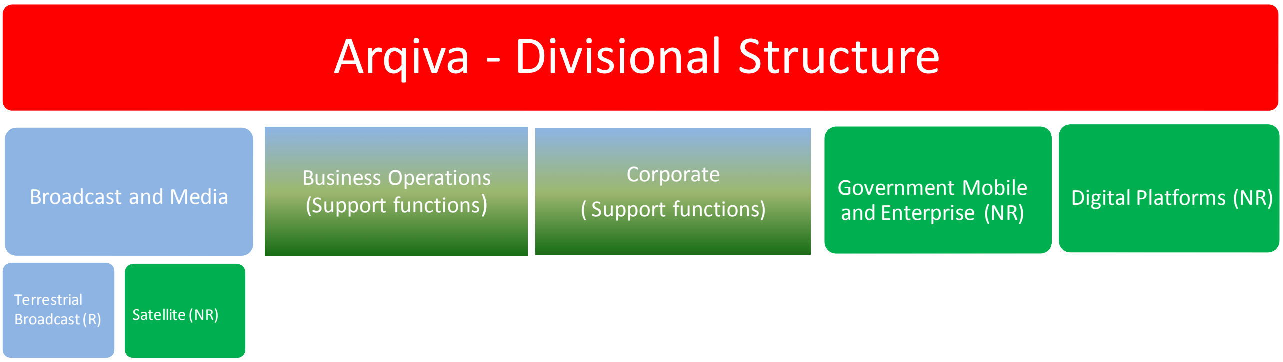
The reporting requirements set out in the Undertakings differ from the way in which ABHL is organised for management and statutory reporting purposes. As such, the Regulatory Accounts are derived from the general ledger used to prepare the SCFS of ABHL, which capture all of ABHL's businesses, with the reporting requirements of the Undertakings overlaid.

The SCFS of the ABHL Group eliminate all intercompany trading and non-trading balances. In preparation of the Regulatory Accounts, all intercompany trading elimination journals are reviewed to ensure equal and opposite entries have been appropriately removed from the individual categorisations recorded in the general ledger. Monthly Cost Allocations between Business Divisions are also eliminated.

The Regulatory Accounts have been prepared using the current group Divisional structure.

2.2 Organisation Structure

The Group owns and operates a portfolio of communications infrastructure and provides television and radio transmission services, tower site rental, media services and radio services in the United Kingdom (UK) and satellite services in the UK, Europe and United States of America (USA). There are five Divisions within the group, three of which are either directly or indirectly attributable to the Regulated Business presented within the Regulatory Accounts. Network Access and Managed Transmission services represent sub categories of this Regulated Business and Other represents Non-Regulated business included in the Regulatory Accounts for the purposes of reconciliation to the SCFS. The table below shows the Divisions and how these are represented within the Regulated Business:



Provides television and radio transmission, distribution and media management for the world's leading broadcasters on multiple global platforms (including Satellite services).	Delivery arm of Arqiva, responsible for the provision of broadcast and telecommunications services as well as the design and operation of the company's technical facilities, networks and sites infrastructure.	Support Functions for Arqiva Group, i.e. Finance, HR, IT etc.	Provides cellular, wireless broadband, voice and data solutions for the mobile communications, public safety, local government, and commercial markets.	Includes Arqiva's two commercial multiplexes (to broadcast range of commercial Freeview channels) and YouView.
Regulated and Non Regulated	Regulated and Non Regulated	Regulated and Non Regulated	Non Regulated	Non Regulated
Split NA/MTS/Other - see 2.4.3.1 and 2.4.3.2	Split NA/MTS/Other - see 2.4.3.3	Split NA/MTS/Other -see 2.4.3.4	Other only	Other only

Note : Network Access and Managed Transmission Services represent sub categories of the Regulated business and Other represents the non-regulated business

R = Regulated
NR = Non regulated

The Broadcast and Media (B&M) Division includes both Terrestrial Broadcast (which is Regulated) and Satellite Business Units (which is Non-Regulated). Both Government Mobile and Enterprise (GME) and Digital Platforms (DP) divisions are also classified as Non-Regulated and excluded from the Regulatory Accounts. Business Operations (BOps) and Corporate Divisions provide support services across all divisions and as such requires attribution to the Regulated Business activities (NA and MTS).

The Regulatory Accounts analyse the activities within these divisions into two core categories: Network Access ('NA') and Managed Transmission Services ('MTS') with all 'Other' activities being included in the Regulatory Accounts only in order to support reconciliation to the SCFS. ABHL maintains its core accounting records in a manner which allows for revenues, costs, assets and liabilities to be attributed either directly or indirectly to the NA and MTS activities. Indirect attributions are often the subject of management estimation and judgement as described in the RAPMs. The Regulatory Accounts apply the following definitions of NA and MTS:

- 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 RBLs at the 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 content channels to a multiplexing centre and blending them into a single digital signal, and the elements described below. As such, MTS includes a mixture of service provision and return on assets.

2.3 Valuation and Measurement

The SCFS are prepared on a historical cost basis. Fixed assets are held at cost, modified for the fair value of those assets acquired through business combination. Section 2.4.5 sets out the most recent dates at which fair value exercises were undertaken.

2.4 Allocation Bases

2.4.1 Overview

The ABHL Group has structured the chart of accounts in its main accounting system to allow for revenues, costs, assets and liabilities to be separated into the various divisions and support functions noted above. Certain costs, assets and liabilities are captured at a total company level and require further analysis and management judgement to apportion to the relevant Divisions and further into the regulatory activities presented in the Regulatory Accounts.

The following key components are used in preparing the Regulatory Accounts:

- Business streams may be allocated directly in or out of scope of the regulatory business. Business streams reflect management ownership of revenue, costs or balance sheet balances. E.g. all costs relating to the Wireless General business stream may be classified as non-regulated as these relate to the GME division i.e. business streams are sub categories within a Division

- Each business stream is further disaggregated into cost centres such that for those business streams which cannot be wholly and directly allocated to a regulatory business, a further analysis and attribution of revenues, costs and balance sheet is performed by cost centre. E.g. within the business stream Engineering Delivery, all costs relating to the Satellite Systems Engineering cost centre may be classified as non-regulated whilst those relating to Programme Delivery will require a further allocation exercise to determine the appropriate split between NA. MTS and Other.

- Within these business streams and cost centres, allocation methodologies will differ by account code (e.g. the allocation principles for trade debtors will differ to those of salaries).

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

2.4.2 Revenue

Revenue is shown net of VAT and discounts and is extracted directly from the accounting records and customer billing system. Initially account code and Business Stream flags are used to identify the income attributable to the divisions which are then further analysed as follows:

- elimination of Non-Regulated GME and DP revenues using business stream flags,
- elimination of Non-Regulated Satellite revenues using the B&M business stream flag,
- the remaining B&M Terrestrial Broadcast revenue is either allocated to NA and MTS using product and customer details or relates to Bundled Revenues

Separate contracts exist for HPDTT (High Power Digital Terrestrial Television) products which are directly attributed to NA and MTS. Therefore, no allocation estimates need to be applied to these contracts.

Bundled revenue services do not have a specific price for each service provided and therefore require allocation as follows:

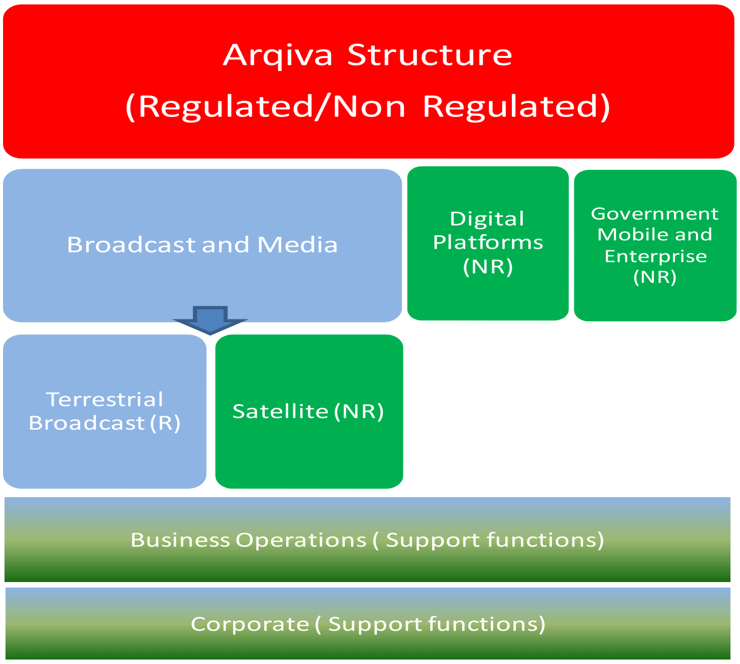
- Radio bundled revenues are split based upon an analysis of current radio contracts to estimate the portion of regulated revenue to which further management judgement has been applied to provide a split of the Regulated elements (NA 60%: MTS 40%); Pass Through elements such as Electricity being classified as Other.
- BBC bundled television contract revenues are split in accordance with the contract cost model agreed with the customer. The remaining bundled television contracts are split using the respective proportions of NA and MTS charges identified for HPDTT television contracts. This is applied as a proxy for allocation purposes, as the nature of the NA and MTS equipment upon which the HPDTT contracts are based is broadly similar across HPDTT, Analogue TV and Low Power DTT (LPDTT).

The Analogue and LPDTT Television network is currently being decommissioned on a region by region basis and is being replaced with HPDTT. The associated Analogue and LPDTT Television revenues are being reduced in line with this.

Revenue relating to DSO corporate overheads has been allocated between NA or MTS on the basis of labour hours booked to projects within OTL which are allocated to NA and MTS activities and an element of management estimates based on historic data. Revenue recognised in FY12 includes a true-up from prior years.

2.4.3 Costs

All costs are captured in cost centres which are unique to the five Business Divisions. Costs allocated to the three Divisions associated directly or indirectly with the Regulatory business (i.e. B&M, BOps and Corporate) are extracted from the accounting system and analysed further (by expenditure type) into NA, MTS and Other.



R = Regulated
NR= Non regulated

Support Functions support both Regulated and Non Regulated Businesses.

Expenditure related to GME, DP and Satellite businesses are out of scope and classified as "Other".
The basis of allocation of Business Operations and Corporate is set out below.

2.4.3.1 Broadcast & Media (B&M) Division

The initial step within the B&M Division involves the exclusion of Non-Regulated business streams such as Satellite and a small number of legacy Digital Platforms cost centres. The remaining cost centres and business streams are then analysed further to ascertain a NA/MTS/Other breakdown. Common Regulated business costs which can not be identified as NA and MTS specifically are allocated using the NA 60%: MTS 40% ratio (as described in section 2.4.8.3).

Generic costs which are generally accepted to cover the breadth of the B&M Division (including Non-Regulated business i.e. Satellite) are allocated based on the relative revenue proportions of the B&M Divisions.

Employee related costs such as salaries are allocated using OTL derived percentages. These percentages are driven by time recorded against projects which have been classified into NA, MTS and Non-Regulated (see section 2.4.8.2 on Non-Financial Data for further information).

2.4.3.2 Cost of Sales

The Cost of Sales (COS) allocated to the Regulatory Accounts relate to the B&M, BOps and Corporate divisions. 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 allocated directly to sites on an as incurred basis. Where Broadcast sites share common infrastructure with other services, such as Mobile Telecommunication, the Windloading methodology (described in the Non-Financial Data section 2.4.8.1 below) is used to allocate the Regulated/Non-Regulated elements across both divisions (Broadcast & Media and GME).

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

  There is an element of unavoidable power cost in the delivery of sites, e.g. mast beacons and security. As it is uneconomical to meter this estimated £0.3m NA cost for all Terrestrial Broadcast sites, this category has been excluded from direct Power Cost of Sales in the Regulatory Accounts.

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

- **Labour COS and Maintenance -** Labour costs are generated using the relevant percentage of time recorded against Billable projects using Oracle Time & Labour (OTL). The OTL allocation methodology is covered later in the Non-Financial section 2.4.8.2. Maintenance costs relate to third party invoices for Regulated Business infrastructure and equipment and have been derived from a detailed schedule of supporting contract data, managed by the Business Operations division e.g. maintenance contracts, equipment hire & maintenance and facilities costs.

2.4.3.3 Business Operations (BOps) Division

Using the same methodology noted above, costs are extracted from the accounting system using cost centres and Business Streams. These costs are then allocated to NA and MTS and Other based upon the following methodologies:

- costs are directly attributed to NA, MTS and Other, where applicable;
- OTL percentage allocation basis, for employee related costs;
- Windloading is applied where there is site or location data available;
- the NA 60% : MTS 40% ratio (see section 2.4.8.3) is applied where grouped Regulated costs are not easily identifiable as NA or MTS

These attribution methods are described further in the Non-Financial Data section below.

2.4.3.4 Corporate Division

Corporate divisional costs are allocated in line with the ABHL Corporate Management Accounts. These cost allocations are used to recharge Corporate costs to revenue generating business divisions. The accounting rules applied to the Corporate recharge are as follows:

1. charge the Business Division (such as B&M) based upon headcount, revenue or windloading
2. allocate the B&M division recharge to B&M Business Streams (i.e. to product) using their relative revenue percentages,
3. further allocation to NA and MTS is based upon NA 60% : MTS 40% ratio (as described in 2.4.8.3).

Costs relating to the DSO corporate overheads have been reallocated using an overlay to the cost methodologies outlined above to calculate the additional amounts to be recognised within the regulated business based on average allocations of business operations and corporate costs. These have been further allocated between NA and MTS on the basis of the split of DSO assets between these categories.

2.4.3.5 Exceptional Costs

Using the same methodology noted above, the exceptional costs for the ABHL Group are extracted from the accounting system using cost centres and Business Stream codes flags.

Categories of exceptional cost include:

- Restructuring and redundancy - these costs have been allocated using a mix of revenue and OTL percentages, (the most appropriate basis being used in each case)
- Arqiva Business Cycle (ABC) exceptional costs which relate to ABHL-wide business process improvement initiatives are allocated based upon ABHL revenues.

2.4.4 Capital Employed

Capital employed comprises:

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

Deferred tax is included within Debtors and has been allocated to Other, whilst current tax liability is within Other Creditors and has been classified as Other.

2.4.5 Regulated Fixed Asset Register (RFAR)

The RFAR is produced using the two Fixed Asset Registers (FAR) within ABHL; Arqiva Limited and Arqiva Services Limited. The latest fair value adjustments for both Companies occurred as follows:

- Arqiva Limited was last valued in 2005; and
- Arqiva Services Limited was last valued in 2007, which is in line with the respective acquisition dates of the two companies.
- The 2010 valuation was delayed, as agreed with the auditors (PwC), in order to align the re-valuation with the re-financing activities.

Assets are attributed to NA and MTS by firstly sub-dividing an asset type into a specific asset category (e.g. Masts, Buildings, Power, Antennas, Land and Transmitters). Each of 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 type flags, then

2. Network Access asset categories not allocated directly during step 1 are shared NA assets with other business divisions, such as GME. These assets are further categorised into Regulated/Non Regulated using Windloading factors, specific to each site location. Windloading allocations are described in more detail in the Non-Financial Data Section 2.4.8.1 below.

.

3. Finally, an element of the Head Office assets are allocated to NA, MTS or Other based on the Corporate Division recharge methodology described in section 2.4.3.4.

NA and MTS depreciation is identified based upon the Regulatory assets classification determined above.

Capitalised labour costs are analysed to determine whether they relate to Terrestrial Broadcast assets, common costs or Other business units. These are allocated between NA, MTS and Other based on the average split of total assets (excl capitalised labour and asset categories with no labour input) or directly to Other where these do relate to overheads.

2.4.6 Work In Progress (WIP)

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. Where it is unclear what the WIP balances relate to these have been allocated to Other.

The Digital Switch Over (DSO) Finance team create the asset shells for new NA and MTS equipment as a result of the DSO Programme. The DSO Finance team instruct the Fixed Asset Team to capitalise the Assets generated into the Arqiva Limited Fixed Asset Register. A similar process is followed for the Channel 61/62 Clearance Programme. The WIP balance represents the balance of asset shells created awaiting upload on to the Arqiva Limited Fixed Asset Register at the Balance Sheet date of 30th June 2012.

2.4.7 Other Balance Sheet

Current Assets and Liabilities – These balances are allocated mainly on their key driver in the profit and loss account. An example of the material items are shown below:

VAT	Based on Trade debtor / creditor balances for NA /MTS /Other	Average % then applied to VAT balance	
Cash balances	Based on cash balances	These balances are attributed to NA and MTS on the basis of the Earnings before Interest, Tax and Depreciation (EBITDA) proportion they contribute to ABHL total EBITDA. Cash balances held for re-financing purposes are excluded to reflect normal operational cash balances.	
Deferred Income	Based on deferred income report	Allocated according to business stream and customer. Then NA/MTS/Other based on revenue %	
Trade Debtors	Based on Trade debtor report	Allocated according to business stream and customer. Then NA/MTS/Other based on revenue %	
Provisions	Based on Provisions Balance detail	Allocated according to provsion type for example windloading used for Site provisions. Specific decommissioning provisions for TV and Radio split 60:40 NA: MTS	

2.4.8 Non-Financial Data

As stated above, 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 by Ofcom.

The key methodologies used are as follows:

2.4.8.1 Windloading

Windloading is a technical assessment of the 'base moment' (based on the physical Windload multiplied by the height on the structure) of specific services on a Broadcast mast. 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 assets 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 Digital Switch Over (DSO).

Manual adjustments were made to where anomalies in the data were identified. These consisted mainly of the following:

- Third party sites - as Windloading data for these sites is not automatically included within the report, Third Party site Windloading is derived from estimated values based upon technical knowledge of these sites.
- Antennas not attached to Broadcast systems - resulting in the mis-apportionment of Broadcast antennas directly to the "Other" category. This was manually allocated to the correct Broadcast service to derive the FY12 Regulated Business Windloading.
- Feeder Data missing - sites in this category were found to have Broadcast antennas with no feeder data attached to them. Missing feeder data for Broadcast sites will therefore reduce the Broadcast apportionment for these sites. In such cases an estimate has been made based upon technical knowledge of feeder types to provide additional apportionment that the presence of feeder data would provide

- Broadcast sites not included in Windloading Report - average Windloading was applied to sites and associated assets to identify NA Broadcast elements

The above adjustments relate to data anomalies within KEEP and a natural lag in KEEP updates following 'go-live' of DSO sites. KEEP is currently in the process of being updated in a number of organisational initiatives to improve data quality and governance.

2.4.8.2 Oracle Time & Labour (OTL)

OTL is a time recording system which has been in operation for over 12 months and introduces a more robust basis for cost allocation based upon time recorded data.

Employees record time to projects which are subsequently allocated to Business Divisions i.e. an employee in the B&M Division may record time against a project which belongs to the GME Division, therefore the costs associated with this time would be Non-Regulated and excluded from the Regulatory Accounts.

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

The OTL percentage allocation to NA, MTS and Other is derived using the following approach:

- Project classifications - projects within B&M and BOps Divisions are treated as follows:

    Broadcast & Media - projects within B&M have been categorised into NA, MTS and Other based upon project descriptions and validated by project managers. Projects which have no clear distinction between NA and MTS but are clearly regulatory are divided using the NA 60%: MTS 40% ratio.

    All employees in Arqiva are allocated to a Business Area, such as Customer Service Delivery (CSD) within BOps. Where CSD employees charge their time to a B&M Regulated NA project this is wholly attributable to NA. A consolidated view of OTL based time charged to NA, MTS and Other by business area is translated in to percentages which can be applied to BOps costs, as shown below.

    Business Operations – as the primary purpose of the BOps Division is to support the ABHL revenue generating business areas an element of the hours charged to BOps projects need to be recharged back into the Regulated Business and allocated to NA and MTS activities as follows:

    - firstly, all BOps 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 inspections project will be classed as a regulatory project)
    - secondly, using the overall percentages calculated by business area, the aggregated percentages (NA, MTS and Other) are applied to the relevant BOps project hours in order to allocate them to NA, MTS and Other
    - finally, the total business area percentages from both processes above, are then split into COS and Expense percentages.

These percentages are then applied to employee related costs (i.e. salaries, NI, Pension etc).

2.4.8.3 NA/MTS ratio

Where shared Regulated Business costs are not directly attributable to NA or MTS activities these have been allocated 60% NA and 40% MTS based upon management judgement. This allocation basis has been used consistently in previous HPDTT Reference Offers audited by Ofcom and Regulatory Accounts.

Appendix A

Working Documents

A.1 Allocation Methodologies Used

Allocation Methodologies Used

	Direct	**OTL%**	**Windloading**	**Revenue**	**Other**
Revenue	*Wholly attributed to NA and MTS using product and customer billing system, this is done using the account code and Business Stream flags*				***Bundled revenue: TV*** *- BBC split based upon contract cost model agreed with BBC, the remaining bundled television contracts are split using the respective proportions of NA and MTS charges identified for HPDTT;* ***Radio*** *- split based upon an analysis of current radio contracts to estimate the regulated revenue portion (excluding pass through, such as Power).*
Rent and Rates	*Some Rent and Rates costs are charged on a site by site basis and are therefore allocated directly to sites on an as incurred basis.*		*Certain sites share services with other divisions, such as GME. These non-regulated elements of the cost are removed using the Windloading methodology.*		
Labour COS	*Projects analysed into NA, MTS and Other based upon Project Description and Project Managers validation*	*Actual Employee Time recording bookings summarised to provide a split between NA/MTS and Other activities. Resulting OTL % applied to labour related costs e.g. Salaries and Agency costs.*			
Maintenance	*Contract data directly attributed to NA, MTS and Other*				*Regulatory costs not directly attributable to NA or MTS, split by 60:40 NA:MTS ratio based upon Management Judgement*
Operating Costs	*Projects analysed into NA, MTS and Other based upon Project Description and Project Managers validation*	*Actual Employee Time recording bookings summarised to provide a split between NA/MTS and Other activities. Resulting OTL % applied to labour related costs e.g. Salaries and Agency costs.*	*Site related costs windloaded, e.g. Facilities costs*	*Marketing and Logistics costs relating to ABHL Group, allocated to B&M based upon B&M proportion of total ABHL Group Revenue*	*Regulatory costs not directly attributable to NA or MTS, split by 60:40 NA:MTS ratio based upon Management Judgement*
Facilities recharge					*Corporate recharge % applied to Corporate site, e.g. Crawley Court*
Exceptional costs		*Restructuring costs specific to Business Areas (such as CSD) allocated using OTL*		*Costs relating to ABHL Group costs such as Arqiva Business Cycle (ABC)*	*Regulatory costs not directly attributable to NA or MTS, split by 60:40 NA:MTS ratio based upon Management Judgement*
Depreciation	*Assets directly attributable to NA and MTS identified by asset type flags. Depreciation is based on the same methodology.*		*Shared assets with other divisions such as GME, windloaded*		

Direct allocation is the primary allocation methodology where possible, the remaining methodologies are secondary and applied on causality basis as appropriate.

